

RESOLUTION NO. 96-34

RESOLUTION SUPPLEMENTING RESOLUTION NO. 89-84 ADOPTED BY THE BOARD OF COUNTY COMMISSIONERS OF ST. JOHNS COUNTY, FLORIDA, ON APRIL 25, 1989, ENTITLED "RESOLUTION PROVIDING FOR THE ACQUISITION, CONSTRUCTION AND ERECTION OF ADDITIONS, EXTENSIONS AND IMPROVEMENTS TO THE WATER DISTRIBUTION FACILITIES OF ST. JOHNS COUNTY, AND OF NEW SEWAGE COLLECTION AND TREATMENT FACILITIES TO BE OPERATED BY THE COUNTY IN COMBINATION WITH SUCH WATER FACILITIES AS A SINGLE WATER AND SEWER SYSTEM; AUTHORIZING THE ISSUANCE BY THE COUNTY OF NOT EXCEEDING \$10,000,000 PRINCIPAL AMOUNT OF WATER AND SEWER REVENUE BONDS, SERIES 1989A AND SERIES 1989B, TO FINANCE THE COST THEREOF AND THE COST OF REFUNDING THE COUNTY'S OUTSTANDING WATER REVENUE BONDS; PROVIDING FOR THE REFUNDING OF SAID OUTSTANDING BONDS; PLEDGING TO SECURE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SAID SERIES 1989 BONDS CERTAIN PLEDGED FUNDS INCLUDING THE NET REVENUES OF SAID SYSTEM AND CERTAIN LAWFULLY AVAILABLE CONNECTION CHARGES, ALL MONEYS ON DEPOSIT IN AND INVESTMENTS HELD FOR THE CREDIT OF CERTAIN FUNDS CREATED HEREUNDER AND THE EARNINGS ON SUCH INVESTMENTS; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SAID SERIES 1989 BONDS; MAKING CERTAIN COVENANTS AND AGREEMENTS WITH THE HOLDERS OF SAID SERIES 1989 BONDS; REPEALING THE COUNTY'S RESOLUTION NO. 88-241 AND RESOLUTION NO. 88-253; AND PROVIDING AN EFFECTIVE DATE," AS HERETOFORE AMENDED AND SUPPLEMENTED; FOR THE PURPOSE OF AUTHORIZING THE ISSUANCE BY THE COUNTY OF NOT EXCEEDING \$22,000,000 PRINCIPAL AMOUNT OF WATER AND SEWER REVENUE AND REFUNDING BONDS, SERIES 1996, TO PAY THE COST OF THE ACQUISITION, CONSTRUCTION AND ERECTION OF CERTAIN ADDITIONS, EXTENSIONS AND IMPROVEMENTS TO THE COUNTY'S PUBLIC WATER AND SEWER SYSTEM, THE COST OF REFUNDING CERTAIN OUTSTANDING

OBLIGATIONS OF THE COUNTY, THE COST OF A RESERVE ACCOUNT INSURANCE POLICY RELATING TO SAID SERIES 1996 BONDS AND THE COSTS OF ISSUANCE OF SAID SERIES 1996 BONDS; PLEDGING TO SECURE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SAID SERIES 1996 BONDS SAID PLEDGED FUNDS; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SAID SERIES 1996 BONDS; MAKING CERTAIN COVENANTS AND AGREEMENTS WITH THE HOLDERS OF SAID SERIES 1996 BONDS; ACCEPTING THE COMMITMENTS OF THE INSURER OF SAID SERIES 1996 BONDS; AUTHORIZING A NEGOTIATED SALE AND AWARD OF THE SALE OF SAID SERIES 1996 BONDS, APPROVING THE CONDITIONS AND CRITERIA FOR SUCH SALE AND AUTHORIZING THE EXECUTION AND DELIVERY OF A PURCHASE CONTRACT WITH RESPECT TO SAID SERIES 1996 BONDS; APPROVING A PRELIMINARY OFFICIAL STATEMENT WITH RESPECT TO SAID SERIES 1996 BONDS AND AUTHORIZING A FINAL OFFICIAL STATEMENT WITH RESPECT THERETO; APPOINTING THE REGISTRAR AND PAYING AGENT FOR SAID SERIES 1996 BONDS; AUTHORIZING THE REFUNDING OF CERTAIN OUTSTANDING OBLIGATIONS OF THE COUNTY; AUTHORIZING THE EXECUTION AND DELIVERY OF AN ESCROW DEPOSIT AGREEMENT BETWEEN THE COUNTY AND THE ESCROW HOLDER; APPOINTING THE ESCROW HOLDER UNDER SAID ESCROW DEPOSIT AGREEMENT; AND PROVIDING AN EFFECTIVE DATE.

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BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF ST. JOHNS COUNTY, FLORIDA:

ARTICLE 1

GENERAL

SECTION 1.1. Definitions. When used in this Resolution, the terms defined in the Original Instrument (as hereinafter defined) shall have the respective meanings assigned thereto by the Original Instrument and the following terms shall have the following meanings, unless the context clearly otherwise requires:

"Bond Counsel" shall mean Foley & Lardner, Jacksonville, Florida, bond counsel to the Issuer with respect to the issuance of the Series 1996 Bonds.

"Escrow Account" shall mean the Escrow Account held for the benefit of the holders of the Refunded Obligations by the Escrow Holder under the Escrow Deposit Agreement.

"Escrow Deposit Agreement" shall mean the Escrow Deposit Agreement attached hereto as Exhibit E.

"Escrow Holder" shall mean the Escrow Holder appointed pursuant to Section 4.7 of this Resolution.

"Escrow Requirement" shall have the meaning assigned to such term in the Escrow Deposit Agreement.

"Financial Advisor" shall mean Public Financial Management, Inc.

"Insurer" shall mean MBIA Insurance Corporation, committed to issue a Bond Insurance Policy insuring the Series 1996 Bonds.

"Original Instrument" shall mean St. Johns County Resolution No. 89-84 adopted by the Governing Body on April 25, 1989, the title of which is quoted in the title of this Resolution, as amended by St. Johns County Resolution No. 89-189 adopted by the Governing Body on August 9, 1989, St. Johns County Resolution No. 90-61 adopted by the Governing Body on March 27, 1990, St. Johns County Resolution No. 90-208 adopted by the Governing Body on November 14, 1990, St. Johns County Resolution No. 91-113 adopted by the Governing Body on July 23, 1991, and St. Johns County Resolution No. 95-87 adopted by the Governing Body on May 9, 1995.

"Parity Obligations" shall mean the Series 1990B-I Bonds and the portion of the Series 1989 Bonds, the Series 1990B-II Bonds and the Series 1991A Bonds remaining Outstanding after the refunding of the Refunded Obligations.

"Preliminary Official Statement" shall mean the preliminary official statement relating to the Series 1996 Bonds, substantially in the form attached hereto as Exhibit A.

"Project 1996" shall mean the acquisition, construction and erection of additions, extensions and improvements to the System, as more particularly described in and in accordance with certain plans on file or to be on file with the Issuer, with such changes, deletions, additions or modifications to the enumerated improvements, equipment and facilities, or such other improvements, equipment and facilities as shall be designated and approved by a resolution of the Governing Body in accordance with applicable law. Project 1996 shall be an Additional Project.

"Purchase Contract" shall mean the Bond Purchase Agreement to be executed between the Issuer and the Purchaser, substantially in the form attached hereto as Exhibit B.

"Purchaser" shall mean William R. Hough & Co., the purchaser of the Series 1996 Bonds.

"Refunded Obligations" shall mean \$1,675,000 principal amount of the Series 1989 Bonds maturing June 1, 1998 through June 1, 2001 (the "Refunded 1989 Bonds"), \$2,295,000 principal amount of the Series 1990B-II Bonds maturing June 1, 1997 through June 1, 2011 (the "Refunded 1990B-II Bonds"), and the total principal amount of the Series 1991A Bonds maturing June 1, 2000 through June 1, 2011 (the "Refunded 1991A Bonds").

"Reserve Account Insurance Policy Agreement" shall mean the Financial Guaranty Agreement attached to the commitment of the Insurer relating to the Reserve Account Insurance Policy.

"Resolution" and **"this Resolution"** shall mean this instrument, as the same may from time to time be amended, modified or supplemented.

"Series 1989 Bonds" shall mean the Issuer's outstanding Water and Sewer Revenue Bonds, Series 1989, authorized to be issued pursuant to the Original Instrument.

"Series 1990B-I Bonds" shall mean the Issuer's outstanding Water and Sewer Revenue Bonds, Series 1990B-I, authorized to be issued pursuant to the Original Instrument.

"Series 1990B-II Bonds" shall mean the Issuer's outstanding Water and Sewer Revenue Bonds, Series 1990B-II, authorized to be issued pursuant to the Original Instrument.

"Series 1991A Bonds" shall mean the Issuer's outstanding Water and Sewer Revenue Bonds, Series 1991A, authorized to be issued pursuant to the Original Instrument.

"Series 1996 Bonds" shall mean the Water and Sewer Revenue and Refunding Bonds, Series 1996, authorized to be issued by the Issuer pursuant to Section 2.1 hereof.

"Subordinated Indebtedness" shall mean the Issuer's outstanding Subordinated Water and Sewer Revenue Bond, Series 1991, and the Issuer's outstanding loan (the "State Loan") under that certain State Revolving Fund Loan Agreement dated June 27, 1994, as amended and restated on September 12, 1995 (the "State Loan Agreement"), between the Issuer and the State of Florida Department of Environmental Protection (the "State Department").

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

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

SECTION 1.2. Authority for Resolution. This Resolution is adopted pursuant to the provisions of the Act and other applicable provisions of law.

SECTION 1.3. Resolution to Constitute Contract. In consideration of the purchase and acceptance of any or all of the Series 1996 Bonds by those who shall hold the same from time to time, the provisions of this Resolution shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Series 1996 Bonds and shall be a part of the contract of the Issuer with any Credit Bank and any Insurer that pertains to the Series 1996 Bonds. The pledge made in this Resolution 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 the Series 1996 Bonds and for the benefit, protection and security of any Credit Bank and any Insurer insuring the Series 1996 Bonds. All of the Series 1996 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 Series 1996 Bonds over any other thereof except as expressly provided in or pursuant to this Resolution.

SECTION 1.4. Findings. It is hereby ascertained, determined and declared as follows:

(A) The Issuer presently owns and operates a water and sewer system for the health, benefit and welfare of its citizen and inhabitants, and it is in the best interest of the Issuer and said citizens and inhabitants that the Issuer acquire and construct Project 1996 and finance the cost of such acquisition and construction through the issuance of the Series 1996 Bonds in the manner herein provided.

(B) The Issuer has heretofore issued and has presently outstanding and unpaid the Series 1989 Bonds, the Series 1990B-I Bonds, the Series 1990B-II Bonds and the Series 1991A Bonds. In connection with the Series 1991A Bonds, the Issuer has not heretofore levied any Assessments, on its own behalf or as the governing body of a municipal service benefit unit, against the lots and parcels of real property specially benefitted by the capital project financed with the proceeds of the Series 1991A Bonds as permitted under the Original Instrument. Accordingly, no Assessments are pledged to the payment of the principal of and interest on the Series 1989 Bonds, the Series 1990B-I Bonds, the Series 1990B-II Bonds or the Series 1991A Bonds.

(C) The Issuer deems it necessary, desirable and in the best financial interest of the Issuer that the Refunded Obligations be refunded in order to effectuate interest cost savings and a reduction in the debt service applicable to bonded indebtedness issued to finance the System. Simultaneously with the issuance of the Series 1996 Bonds, a sufficient portion of the proceeds of the Series 1996 Bonds and other funds available will be paid by the Issuer to the Escrow Holder for deposit by the Escrow Holder into the Escrow Account established pursuant to the Escrow Deposit Agreement, to effectuate the refunding and defeasance of the Refunded Obligations by providing for the payment of the principal of, premium, if any, and interest on the Refunded Obligations as provided in the Escrow Deposit Agreement.

(D) The Issuer deems it necessary, desirable and in the best interest of the Issuer that the Pledged Funds be pledged to the payment of the principal of and interest on the Series 1996 Bonds. No part of the Pledged Funds shall be pledged or encumbered in any manner, except that the Pledged Funds have been pledged as security for the Parity Obligations and the Refunded Obligations, and except that the Pledged Funds have been pledged as security for the Subordinated Indebtedness; and the Original Instrument, in Section 5.02 thereof, provides for the issuance of Additional Bonds payable from the Pledged Funds on a parity with the Parity Obligations under the terms, limitations and conditions provided therein. The Issuer will issue the Series 1996 Bonds as Additional Bonds within the authorization contained in Section 5.02 of the Original Instrument. The Series 1996 Bonds shall be payable on a parity and rank equally as to lien on and source and security for payment from the Pledged Funds and in all other respects, with the Parity Obligations. Prior to the issuance of the Series 1996 Bonds, the Issuer will receive the written consent of the State Department in accordance with Section 7.02 of the State Loan Agreement that the lien on the Pledged Funds in favor of the Series 1996 Bonds will be superior to the lien thereon in favor of the State Loan.

(E) No Bondholder shall ever be entitled to compel the payment of the principal of and interest on the Series 1996 Bonds or any other payments provided for in this Resolution from any funds or revenues of the Issuer other than the sources herein provided in accordance with the terms hereof, nor will any Bondholder or any Credit Bank or any Insurer have the right to compel the exercise of the ad valorem taxing power of the Issuer to pay the principal of or interest on the Series 1996 Bonds or to make any other payments provided for in this Resolution, and the Series 1996 Bonds shall not constitute a lien upon the System or any other property of the Issuer or any other property situated within its territorial limits, except the Pledged Funds.

(F) The Issuer has received from the Insurer its commitments to provide a Bond Insurance Policy and a Reserve Account Insurance Policy with respect to the Series 1996 Bonds, copies of which commitments are attached hereto as Exhibit C; pursuant to Section 4.06(A)(2)(d) of the Original Instrument, Financial Guaranty Insurance Company and MBIA Insurance Corporation, the insurers of the Parity Obligations and the Refunded Obligations, have approved in writing said Reserve Account Insurance Policy, copies of which approvals are attached hereto as Exhibit D; and it is in the best financial interest of the Issuer that the Issuer accept said commitments of the Insurer.

(G) The Governing Body is advised that due to the present volatility of the market for tax-exempt public obligations such as the Series 1996 Bonds, it is in the best interest of the Issuer to sell the Series 1996 Bonds by a negotiated sale, allowing the Issuer to enter such market at the most advantageous time, rather than at a specified advertised future date, thereby permitting the Issuer to obtain the best possible price, interest rate and other terms for the Series 1996 Bonds and, accordingly, the Governing Body does hereby find and determine that it is in the best financial interest of the Issuer that a negotiated sale of the Series 1996 Bonds be authorized.

(H) The Purchaser has verbally agreed with the Governing Body to use its reasonable efforts to submit to the Issuer an offer to purchase the Series 1996 Bonds in the form of the Purchase Contract upon terms acceptable to the Governing Body as hereinafter authorized, and the Governing Body does hereby find and determine that it is in the best financial interest of the Issuer to accept the offer of the Purchaser to purchase the Series 1996 Bonds at a negotiated sale and to authorize the execution and delivery of the Purchase Contract in the manner and upon the terms hereinafter provided; and upon the execution of the Purchase Contract by the Issuer and the Purchaser, the Series 1996 Bonds shall be sold to the Purchaser pursuant to the terms and provisions of the Purchase Contract.

(I) The Issuer is advised that because the terms of the Series 1996 Bonds cannot be determined on the date of adoption of this Resolution, it is in the best interest of the Issuer to delegate the authority to determine, in accordance with Section 2.2 of this Resolution, the terms of the Series 1996 Bonds, including their date, Amortization Installments, maturity dates, interest rates and redemption provisions, to the Chairman or the County Administrator in the manner hereinafter provided.

(J) The terms of the Series 1996 Bonds hereinafter authorized are more favorable to the Issuer than the terms of the Refunded Obligations and it is advantageous to the Issuer to issue the Series 1996 Bonds in the manner and upon the terms hereinafter provided.

(K) It is appropriate that the Issuer approve and confirm the distribution of a preliminary official statement for the purpose of acquainting potential investors with pertinent information with respect to the Issuer and the Series 1996 Bonds and that the Issuer authorize the distribution of a final official statement prior to or contemporaneously with the issuance and delivery of the Series 1996 Bonds. For this purpose, it is appropriate that the distribution of the

Preliminary Official Statement be approved and confirmed and that preparation and distribution of a final official statement be authorized in substantially the form of the Preliminary Official Statement, the final form thereof to be approved by the Chairman or Vice-Chairman at any time at or prior to the issuance of the Series 1996 Bonds.

(L) It is necessary and appropriate that the Issuer appoint a registrar and a paying agent for the Series 1996 Bonds, and the institution hereinafter named is acceptable to the Issuer; and it appears to the Governing Body that the same is qualified to serve as Registrar and Paying Agent for the Series 1996 Bonds in accordance with the terms hereof.

(M) In order to carry out the refunding of the Refunded Obligations, it is necessary and appropriate that the Issuer authorize the execution and delivery of the Escrow Deposit Agreement between the Issuer and the Escrow Holder.

(N) It is necessary and appropriate that the Issuer appoint an escrow holder to serve as such under the Escrow Deposit Agreement, and the institution hereinafter named is acceptable to the Issuer; and it appears to the Governing Body that the same is qualified to serve as Escrow Holder under the Escrow Deposit Agreement in accordance with the terms of the Escrow Deposit Agreement.

SECTION 1.5. Additional Project Authorized. The application by the Issuer of the portion of the proceeds to be derived from the sale of the Series 1996 Bonds designated for the acquisition and construction of Project 1996 is hereby authorized.

SECTION 1.6. Authorization of Refunding. The refunding of the Refunded Obligations in the manner herein provided is hereby authorized. Simultaneously with the delivery of the Series 1996 Bonds to the Purchaser, the Issuer will enter into the Escrow Deposit Agreement with the Escrow Holder. At the time the Escrow Deposit Agreement is executed, the Issuer will furnish to the Escrow Holder appropriate documentation to demonstrate that the sum being deposited with the Escrow Holder pursuant to this Resolution, together with other funds deposited into the Escrow Account pursuant to the provisions of the Escrow Deposit Agreement, shall be equal to the Escrow Requirement and that such moneys and the investments to be made pursuant to the Escrow Deposit Agreement will be sufficient to produce the moneys required to make all payments described in the Escrow Deposit Agreement for the full and complete refunding and defeasance of the Refunded Obligations.

Effective upon and subject to the execution and delivery of the Escrow Deposit Agreement and the issuance of the Series 1996 Bonds, the Issuer (A) does hereby call all Refunded 1989 Bonds for redemption on June 1, 1997, at a redemption price of 102% (expressed as a percentage of the principal amount of the Refunded 1989 Bonds to be redeemed) plus accrued interest to the redemption date, (B) does hereby call all Refunded 1990B-II Bonds for redemption on December 1, 1996, at a redemption price of 103% (expressed as a percentage of the principal amount of the Refunded 1990B-II Bonds to be redeemed), plus accrued interest to the redemption date, (C) does hereby call all Refunded 1991A Bonds for redemption on

December 1, 1999, at a redemption price of 102% (expressed as a percentage of the principal amount of the Refunded 1991A Bonds to be redeemed), plus accrued interest to the redemption date, and (D) does hereby give irrevocable instructions to The Bank of New York, New York, New York, the Registrar for the Refunded Obligations, to give notices of such call for redemption in the manner provided in the Original Instrument pursuant to which the Refunded Obligations were issued.

ARTICLE 2

AUTHORIZATION, TERMS, EXECUTION AND REGISTRATION OF SERIES 1996 BONDS

SECTION 2.1. Authorization of Series 1996 Bonds. The Issuer hereby authorizes the issuance of Bonds of the Issuer to be designated as "St. Johns County, Florida, Water and Sewer Revenue and Refunding Bonds, Series 1996," in an aggregate principal amount not to exceed \$22,000,000 for the principal purpose of paying the Cost of Project 1996, the cost of refunding the Refunded Obligations, the cost of a Reserve Account Insurance Policy relating to the Series 1996 Bonds and the costs of issuance incurred with respect to the Series 1996 Bonds.

SECTION 2.2. Description of Series 1996 Bonds. The Series 1996 Bonds shall be issued as fully registered Bonds; and shall be numbered consecutively from one upward in order of maturity preceded by the letter "R;" shall be in denominations of \$5,000 and integral multiples of \$5,000; and shall bear interest at the rates, not exceeding the maximum rate permitted by law (calculated on the basis of a 360-day year of twelve 30-day months), payable on June 1 and December 1 in each year (commencing June 1, 1996), shall mature on June 1 in such years not exceeding forty (40) years from their date, shall be dated such date, shall contain such redemption provisions, and shall have such other terms as are provided herein and in the Purchase Contract.

The principal of the Series 1996 Bonds or the Redemption Price, if applicable, of the Series 1996 Bonds is payable upon presentation and surrender of the Series 1996 Bonds at the office of the Paying Agent. Interest payable on any Series 1996 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, unless otherwise provided by Supplemental Resolution, at the option of the Paying Agent, and at the request and expense of such Holder, by bank wire transfer for the account of such Holder. In the event the interest payable on any Series 1996 Bond is not punctually paid or duly provided for by the Issuer on such Interest Date, such defaulted interest will be paid to the Holder in whose name such Bond shall be registered at the close of business on a special record date for the payment of such defaulted interest as established by notice to such Holder, not less than ten (10) days preceding such special record date. All payments of principal of or Redemption Price, if applicable, and interest on the Series 1996 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.

From and after any maturity date of any of the Series 1996 Bonds, whether at fixed maturity, or by redemption, or otherwise (deposit of moneys and/or Securities for the payment of the principal and interest on such Series 1996 Bonds having been made by the Issuer with the Paying Agent), notwithstanding that any of such Series 1996 Bonds shall not have been surrendered for cancellation, no further interest shall accrue upon the principal or upon the interest which shall have accrued and shall then be due on such date, and such Series 1996 Bonds shall cease to be entitled to any lien, benefit or security under this Resolution, and the Holders shall have no rights in respect of such Series 1996 Bonds except to receive payment of such principal and unpaid interest accrued to the maturity date.

Redemption of the Series 1996 Bonds shall be in accordance with and governed by the provisions of Article III of the Original Instrument.

SECTION 2.3. Application of Series 1996 Bond Proceeds. The proceeds derived from the sale of the Series 1996 Bonds, including accrued interest and premium, if any, shall, simultaneously with the delivery of the Series 1996 Bonds to the Purchaser, be applied by the Issuer as follows:

(A) Accrued interest and capitalized interest shall be deposited in the Interest Account.

(B) An amount 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 4.06(A)(2)(d) of the Original Instrument, shall equal the Reserve Account Requirement.

(C) A sum which, together with other funds deposited in the Escrow Account pursuant to the provisions of the Escrow Deposit Agreement, shall equal the Escrow Requirement, shall be deposited with the Escrow Holder under the Escrow Deposit Agreement and applied only in the manner provided in the Escrow Deposit Agreement.

(D) The Issuer covenants and agrees to establish a separate account with an Authorized Depository to be known as the "St. Johns County Water and Sewer Revenue and Refunding Bonds, Series 1996, Costs of Issuance Account," which shall be used only for payment of the costs and expenses described in this subsection. A sum sufficient to pay all costs and expenses in connection with the preparation, issuance and sale of the Series 1996 Bonds, including fees of financial advisors, engineering and other consulting fees, legal fees, bond insurance premiums, printing fees, rating agency fees and all other similar costs shall be deposited to the credit of said account, and all such costs and expenses shall be promptly paid by the Issuer from said account to the Persons respectively entitled to receive the same. When all moneys on deposit to the credit of said account shall have been disbursed by the Issuer for

the payment of such costs and expenses, said account shall be closed; provided, however, that if any balance shall remain in said account six months after issuance of the Series 1996 Bonds, such moneys shall be transferred by the Issuer to the Construction Account and the special account created pursuant to this subsection shall be closed. After said account shall be closed, the Issuer may pay from the Construction Account any unpaid issuance expenses.

(E) The balance of the Series 1996 Bonds proceeds shall be deposited by the Issuer into a separate account in the Construction Fund established pursuant to Section 4.04 of the Original Instrument for payment of the Cost of the acquisition and construction of Project 1996.

SECTION 2.4. Execution of Series 1996 Bonds. The Series 1996 Bonds shall be executed in the name of the Issuer with the manual or facsimile signature of the Chairman or any other member of the Governing Body whose signature shall have been filed with the Florida Department of State pursuant to Section 116.34, Florida Statutes, as amended, and the official seal of the Issuer shall be imprinted thereon, attested and countersigned with the manual or facsimile signature of the Clerk or a deputy clerk. In case any one or more of the officers who shall have signed or sealed any of the Series 1996 Bonds or whose facsimile signature shall appear thereon shall cease to be such officer of the Issuer before the Series 1996 Bonds so signed and sealed have been actually sold and delivered such Series 1996 Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Series 1996 Bonds had not ceased to hold such office. Any Series 1996 Bond may be signed and sealed on behalf of the Issuer by such person who at the actual time of the execution of such Series 1996 Bond shall hold the proper office of the Issuer, although at the date of such Series 1996 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 adoption of this Resolution, notwithstanding that either or both shall have ceased to hold such office at the time the Series 1996 Bonds shall be actually sold and delivered.

SECTION 2.5. Authentication. No Series 1996 Bond 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 Series 1996 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 Series 1996 Bond shall be conclusive evidence that such Series 1996 Bond has been duly authenticated and delivered under this Resolution. The form of such certificate shall be substantially in the form provided in Section 2.9 hereof.

SECTION 2.6. Temporary Bonds. Until the definitive Series 1996 Bonds are prepared, the Issuer may execute, in the same manner as is provided in Section 2.4 hereof, and deliver, upon authentication by the Registrar pursuant to Section 2.5 hereof, in lieu of definitive Series 1996 Bonds, but subject to the same provisions, limitations and conditions as the definitive Series 1996 Bonds, except as to the denominations thereof, one or more temporary Series 1996 Bonds substantially of the tenor of the definitive Series 1996 Bonds in lieu of which

such temporary Series 1996 Bond or Bonds are issued, in denominations approved by the officers of the Issuer who shall execute such temporary Series 1996 Bond or Bonds, and with such omissions, insertions and variations as may be appropriate to temporary Series 1996 Bonds. The Issuer, at its own expense, shall prepare and execute definitive Series 1996 Bonds, which shall be authenticated by the Registrar. Upon the surrender of such temporary Series 1996 Bonds for exchange, the Registrar, without charge to the Holder thereof, shall deliver in exchange therefor definitive Series 1996 Bonds, of the same aggregate principal amount and Series and maturity as the temporary Series 1996 Bonds surrendered. Until so exchanged, the temporary Series 1996 Bonds shall in all respects be entitled to the same benefits and security as definitive Series 1996 Bonds issued pursuant to this Resolution. All temporary Series 1996 Bonds surrendered in exchange for another temporary Series 1996 Bond or Bonds or for a definitive Series 1996 Bond or Bonds shall be forthwith canceled by the Registrar.

SECTION 2.7. Series 1996 Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 1996 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 Series 1996 Bond of like tenor as the Series 1996 Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Series 1996 Bond upon surrender and cancellation of such mutilated Series 1996 Bond or in lieu of and substitution for the Series 1996 Bond destroyed, stolen or lost, and upon the Holder furnishing the Issuer and the Registrar proof of such Holder's 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 Series 1996 Bonds so surrendered or otherwise substituted shall be canceled by the Registrar. If any of the Series 1996 Bonds shall have matured or be about to mature, instead of issuing a substitute Series 1996 Bond, the Issuer may pay the same or cause the Series 1996 Bond to be paid, upon being indemnified as aforesaid, and if such Series 1996 Bonds be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Series 1996 Bonds issued pursuant to this Section 2.7 shall constitute original, additional contractual obligations on the part of the Issuer whether or not the lost, stolen or destroyed Series 1996 Bond be at any time found by anyone, and such duplicate Series 1996 Bond shall be entitled to equal and proportionate benefits and rights as to lien on the Pledged Funds and the Assessments to the same extent as all other Series 1996 Bonds issued hereunder and shall be entitled to the same benefits and security as the Series 1996 Bond so lost, stolen or destroyed.

SECTION 2.8. Interchangeability, Negotiability and Transfer. Series 1996 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 such Holder's attorney duly authorized in writing, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of registered Series 1996 Bonds of the same maturity of any other authorized denominations.

The Series 1996 Bonds shall be and have all the qualities and incidents of negotiable instruments under the laws of the State of Florida, subject to the provisions for registration and transfer contained in this Resolution and in the Series 1996 Bonds. So long as any of the Series 1996 Bonds shall remain Outstanding, the Issuer shall maintain and keep, at the office of the Registrar, books for the registration and transfer of the Series 1996 Bonds.

Each Series 1996 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 such Holder's 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 such Holder's duly authorized attorney. Upon the transfer of any such Series 1996 Bond, the Issuer shall issue, and cause to be authenticated, in the name of the transferee a new Series 1996 Bond or Bonds of the same aggregate principal amount and maturity as the surrendered Series 1996 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 Series 1996 Bond shall be registered upon the books of the Issuer as the absolute owner of such Series 1996 Bond, whether such Series 1996 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 Series 1996 Bond and for all other purposes, and all such payments so made to any such Holder or upon such Holder's order shall be valid and effectual to satisfy and discharge the liability upon such Series 1996 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 the event it is not also the Paying Agent for the Series 1996 Bonds, shall forthwith (a) following the fifteenth day of the calendar month next preceding an interest payment date for the Series 1996 Bonds, (b) following the fifteenth day next preceding the date of first mailing of notice of redemption of any Series 1996 Bonds, and (c) at any other time as reasonably requested by the Paying Agent of the Series 1996 Bonds, 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 Series 1996 Bonds by mailing a check or draft 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 Series 1996 Bonds or transferring Series 1996 Bonds is exercised, the Issuer shall execute and the Registrar shall authenticate and deliver such Series 1996 Bonds in accordance with the provisions of this Resolution. Execution of Series 1996 Bonds, by the officers of the Issuer described in Section 2.4 above, for purposes of exchanging, replacing or transferring Series 1996 Bonds may occur at the time of the original delivery of the Series 1996 Bonds. All Series 1996 Bonds surrendered in any such exchanges or transfers shall be canceled by the Registrar. For every such exchange or transfer of Series 1996 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 any Series 1996 Bonds which shall have been selected for redemption or of any Series 1996 Bonds during the fifteen (15) days next preceding an Interest Date on the Series 1996 Bonds or, in the case of any proposed redemption of Series 1996 Bonds, during the fifteen (15) days next preceding the date of selection of Series 1996 Bonds to be redeemed.

The Issuer may elect to issue any Series 1996 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 resolution of the Governing Body.

SECTION 2.9. Form of Bonds. Except for Variable Rate Bonds, the form of which shall be provided by supplemental resolution of the Governing Body, the Series 1996 Bonds shall be in substantially the following forms with such omissions, insertions and variations as may be necessary and/or desirable and approved by the officers of the Issuer described in Section 2.4 above, prior to the issuance thereof (which necessity and/or desirability and approval shall be evidenced conclusively by the Issuer's delivery of the Series 1996 Bonds to the Purchaser):

No. R-_____

\$_____

UNITED STATES OF AMERICA
STATE OF FLORIDA
COUNTY OF ST. JOHNS
WATER AND SEWER REVENUE AND REFUNDING BOND, SERIES 1996

Interest Rate	Maturity Date	Date of Original Issue	CUSIP
_____ %	June 1, _____	_____	_____

Registered Holder:

Principal Amount:

KNOW ALL MEN BY THESE PRESENTS, that St. Johns County, a political subdivision created and existing under and by virtue of the laws of the State of Florida (the "Issuer"), for value received, hereby promises to pay, solely from the sources of payment hereinafter described, to the Registered Holder identified above, or registered assigns as hereinafter provided, the Principal Amount identified above on the Maturity Date identified above and interest (calculated on the basis of a 360-day year of twelve 30-day months) 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 June 1 and December 1 of each year commencing June 1, 1996, until such Principal Amount shall have been paid or provided for, 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, upon presentation and surrender hereof, at the principal office of The Bank of New York, New York, New York, as paying agent, or such other paying agent as the Issuer shall hereafter duly appoint (the "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 The Bank of New York, New York, New York, as registrar, or such other registrar as the Issuer shall hereafter duly appoint (the "Registrar"), 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 each interest payment date and shall be paid by a check or draft of the Paying Agent mailed to such Registered Holder at the address appearing on such registration books or, at the option of the Paying Agent, and at the request and expense of such Registered Holder, by bank wire transfer for the account of such Holder. In the event interest payable on this bond is not punctually paid or duly provided for by the Issuer on such interest payment date, payment of each installment of such defaulted interest shall be made to the person in whose name this bond shall be registered at the close of business on a special record date for the payment of such defaulted interest as established by notice to such Registered Holder, not less than ten (10) days preceding such special record date.

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 IN THIS PLACE.

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

IN WITNESS WHEREOF, St. Johns County, Florida, has issued this bond and has caused the same to be executed by the manual or facsimile signature of the Chairman of its

Board of County Commissioners and attested and countersigned by the manual or facsimile signature of the Clerk of said Board and its official seal or a facsimile thereof to be affixed or reproduced hereon, all as of the _____ day of _____, 1996.

ST. JOHNS COUNTY, FLORIDA

(SEAL)

By _____
Chairman of the Board of
County Commissioners

ATTESTED AND COUNTERSIGNED:

Clerk of the Board of
County Commissioners

CERTIFICATE OF AUTHENTICATION

This bond is one of the Bonds of the issue described in the within-mentioned Resolution.

DATE OF AUTHENTICATION:

THE BANK OF NEW YORK, Registrar

By _____
Authorized Signatory

(Provisions on Reverse Side of Bond)

This bond is one of an authorized issue of bonds of the Issuer in the aggregate principal amount of \$_____ (the "Bonds") of like tenor and effect, except as to date, maturity date, interest rate, denomination and number. The Bonds are issuable in fully registered form in the denominations of \$5,000 or any integral multiple thereof.

The Bonds are issued to finance the cost of the acquisition, construction and erection of additions, extensions and improvements to the public water and sewer system of the Issuer (the "System," as defined in the Resolution hereinafter described), the cost of refunding certain outstanding obligations of the Issuer, the cost of a reserve account insurance policy relating to the Bonds and the costs of issuance of the Bonds, under the authority of and in full

compliance with the Constitution and laws of the State of Florida, particularly Chapter 125, Part I, Florida Statutes, as amended, other applicable provisions of law, St. Johns County Ordinance No. 86-89, and Resolution No. 89-84 duly adopted by the Board of County Commissioners of the Issuer on April 25, 1989, as amended and supplemented, particularly as supplemented by Resolution No. 96-___ adopted by said Board on _____, 1996 (the "Resolution"), and are subject to all the terms and conditions of the Resolution.

The principal of and interest on this bond are payable solely from and secured by a prior lien upon and a pledge of (1) the Net Revenues (as defined in the Resolution) of the System, (2) certain Connection Charges (as defined in the Resolution) to the extent provided in the Resolution and (3) until applied in accordance with the provisions of the Resolution, the proceeds of the Bonds, all moneys and investments thereof in certain of the funds and accounts established pursuant to the Resolution and the earnings on such investments (collectively, the "Pledged Funds"), all in the manner to the extent described in the Resolution. It is expressly agreed by the Registered Holder of this bond that the full faith and credit of the Issuer is not pledged to the payment of the principal of or premium, if any, or interest on this bond and that the Registered Holder shall never have the right to require or compel the exercise of the ad valorem 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, except the Pledged Funds and shall be payable solely from the Pledged Funds in accordance with the terms of the Resolution.

The Bonds are payable on a parity, equally and ratably, from the Pledged Funds with the Issuer's outstanding Water and Sewer Revenue Bonds, Series 1989, Water and Sewer Revenue Bonds, Series 1990B-I and Series 1990B-II, and Water and Sewer Revenue Bonds, Series 1991A.

Neither the members of the Board of County Commissioners of the Issuer 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.

The Bonds maturing prior to _____, shall not be subject to redemption prior to maturity. The Bonds maturing on _____, or thereafter may be redeemed prior to maturity at the option of the Issuer, as a whole on _____, or on any date thereafter, or in part, from such maturity or maturities as the Issuer shall designate and by lot within a maturity, on _____, or on any interest payment date thereafter, at the following redemption prices (expressed as a percentage of the principal amount of the Bonds to be redeemed) plus accrued interest to the redemption date, if redeemed during the following periods:

Redemption Period (both dates inclusive)	Redemption Price
_____ through _____	%
_____ through _____	
_____ and thereafter	

The Bonds maturing _____, are subject to mandatory redemption in part prior to maturity by lot at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the redemption date, beginning on _____, and on each _____ thereafter in the years and in the principal amounts corresponding to the Amortization Installments (as defined in the Resolution) as follows:

<u>Year</u>	<u>Amortization Installments</u>
-------------	--------------------------------------

\$

(maturity)

Notice of redemption, unless waived, is to be given by the Registrar by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered holders of the Bonds to be redeemed at such holders' addresses shown on the registration books maintained by the Registrar or at such other addresses as shall be furnished in writing by such registered holders to the Registrar; provided, however, that no defect in any such notice to any registered holder of Bonds to be redeemed nor failure to give such notice to any such registered holder nor failure of any such registered holder to receive such notice shall in any manner defeat the effectiveness of a call for redemption as to all other registered holders of Bonds to be redeemed. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds 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.

This bond is transferable in accordance with the terms of the Resolution only upon the books of the Issuer kept for that purpose at the office of the Registrar by the Registered Holder hereof in person or by such Holder's 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 such Holder's 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, prescribed in the Resolution. 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 and the Registrar shall not be obligated to make any exchange or transfer of any Bonds which shall have been selected for redemption or of any Bonds during the fifteen (15) days next preceding an interest payment date on the Bonds, or, in the case of any proposed redemption of Bonds, during the fifteen (15) days next preceding the date of selection of Bonds to be redeemed.

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 connection with the issuance of this bond, exist, have happened and have been performed, in regular and due form and time as required by the Constitution and laws of the State of Florida applicable thereto, and that the issuance of the Bonds does not violate any constitutional or statutory limitations or provisions.

This bond is and has all the qualities and incidents of a negotiable instrument under the laws of the State of Florida.

LEGAL OPINION

[Insert appropriate approving opinion of bond counsel]

The above is a true copy of the opinion rendered by Foley & Lardner, Jacksonville, Florida, in connection with the issuance of, and dated as of the original delivery of, the Bonds of the issue of which this bond is one. An executed copy of that opinion is on file in my office.

Clerk of the Board of County Commissioners

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 Transfer to Minors Act of _____
(State)

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

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 attorneys 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 an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program.

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.

ARTICLE 3

SECURITY, SPECIAL FUNDS AND APPLICATION THEREOF

SECTION 3.1. Series 1996 Bonds not to be Indebtedness of Issuer. The Series 1996 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 accordance with the terms of this Resolution and the Original Instrument. No Holder of any Series 1996 Bond or any Credit Bank or any Insurer shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer to pay such Series 1996 Bond or be entitled to payment of such Series 1996 Bond from any moneys of the Issuer except the Pledged Funds in the manner provided herein and in the Original Instrument.

SECTION 3.2. Security for Series 1996 Bonds. The payment of the principal of or Redemption Price, if applicable, and interest on the Series 1996 Bonds shall be secured forthwith equally and ratably by a pledge of and prior lien upon the Pledged Funds. The Pledged Funds shall be subject to the lien of this pledge immediately upon the issuance and delivery of the Series 1996 Bonds, without any physical delivery by the Issuer of the Pledged Funds or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind against the Issuer, in tort, contract or otherwise. 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 Series 1996 Bonds in the manner provided in this Resolution and the Original Instrument. The Series 1996 Bonds are payable from the Pledged Funds on a parity, equally and ratably, with the Parity Obligations.

SECTION 3.3. Additional Security. Anything herein to the contrary notwithstanding, however, the Series 1996 Bonds will be payable from and secured by a Bond Insurance Policy of the Insurer, and the Issuer may cause the Series 1996 Bonds to be payable from and secured by a Credit Facility or any other insurance policy of an Insurer not applicable to any one or more other Series of Bonds, as shall be provided by Supplemental Resolution of the Governing Body, in addition to the security of the Pledged Funds provided herein.

SECTION 3.4. Application of Provisions of Original Instrument. The Series 1996 Bonds shall for all purposes be considered to be Additional Bonds issued under the authority of Section 5.02 of the Original Instrument and shall be entitled to all the protection and security provided in and by the Original Instrument for the Parity Obligations, and the Series 1996 Bonds shall be in all respects entitled to the same security, rights and privileges enjoyed by the Parity Obligations. The covenants and pledges contained in Articles IV, V, VI and VII of the Original Instrument and in Sections 8.01 and 8.02 of Article VIII thereof shall be applicable to the Series 1996 Bonds in like manner as applicable to the Parity Obligations. The principal of, Redemption Price, if applicable, and interest on the Series 1996 Bonds shall be payable from the Debt Service Fund established by the Original Instrument on a parity with the

Parity Obligations, and deposits shall be made into the Debt Service Fund by the Issuer in amounts fully sufficient to pay the principal of and interest on the Series 1996 Bonds and on the Parity Obligations as such principal and interest become due. The Reserve Account established by the Original Instrument shall be applicable pro rata to the Series 1996 Bonds in the same manner as applicable to the Parity Obligations.

ARTICLE 4

MISCELLANEOUS

SECTION 4.1. Acceptance of Insurance Commitments. The Issuer does hereby accept the Insurer's commitments to provide a Bond Insurance Policy and a Reserve Account Insurance Policy with respect to the Series 1996 Bonds, copies of which commitments are attached hereto as Exhibit C. The Insurer is hereby designated as the Insurer for the Series 1996 Bonds; and as the Insurer for the Series 1996 Bonds, the Insurer shall have the same rights to receive notices, grant consents and direct actions as the Insurers of the Parity Obligations. The Reserve Account Insurance Policy issued by the Insurer shall be in the amount specified in the Reserve Account Insurance Policy. Such amount, together with the other amounts on deposit in or credited to the Reserve Account, shall equal not less than the Reserve Account Requirement. Such amount may equal an amount which, together with the other amounts on deposit in or credited to the Reserve Account, is greater than the Reserve Account Requirement in order to comply with the terms of the Insurer's commitments.

The Chairman or Vice Chairman and the Clerk or any deputy clerk are hereby authorized to execute and deliver the Reserve Account Insurance Policy Agreement, with such omissions, insertions and variations as may be necessary and/or desirable and approved by the Chairman or Vice Chairman and the Clerk or any deputy clerk prior to the delivery thereof, such necessity and/or desirability and approval by the Chairman or Vice Chairman and the Clerk or any deputy clerk to be presumed by their execution and delivery thereof; and all of the provisions of the Reserve Account Insurance Policy Agreement, when executed and delivered by the Issuer as authorized herein, and by the Insurer, shall be deemed to be a part of this Resolution and the Original Instrument as fully and to the same extent as if incorporated verbatim herein and therein.

SECTION 4.2. MBIA Insurance Corporation as Insurer. The following provisions shall apply with respect to the Series 1996 Bonds as to which MBIA Insurance Corporation, the Insurer, has issued a Bond Insurance Policy:

(A) In the event that, on the second business day, and again on the business day, prior to the payment date on the Series 1996 Bonds, the Paying Agent for such Bonds has not received sufficient moneys to pay all principal of and interest on such Bonds due on the second following or following, as the case may be, business day, the Paying Agent shall immediately notify the Insurer or its designee on the same business day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

(B) If the deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent shall so notify the Insurer or its designee.

(C) In addition, if the Paying Agent has notice that any Holder of the Series 1996 Bonds has been required to disgorge payments of principal or interest on such Bonds to a trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes a voidable preference to such Holder within the meaning of any applicable bankruptcy laws, then the Paying Agent shall notify the Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

(D) The Paying Agent is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for the Holders of the Series 1996 Bonds as follows:

(1) If and to the extent there is a deficiency in amounts required to pay interest on such Bonds, the Paying Agent shall (a) execute and deliver to State Street Bank and Trust Company, N.A., or its successors under the Bond Insurance Policy (the "Insurance Paying Agent"), in form satisfactory to the Insurance Paying Agent, an instrument appointing the Insurer as agent for such Holders in any legal proceeding relating to the payment of such interest and an assignment to the Insurer of the claims for interest to which such deficiency relates and which are paid by the Insurer, (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Bond Insurance Policy payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (c) disburse the same to such respective Holders; and

(2) If and to the extent of a deficiency in amounts required to pay principal of such Bonds, the Paying Agent shall (a) execute and deliver to the Insurance Paying Agent, in form satisfactory to the Insurance Paying Agent, an instrument appointing the Insurer as agent for such Holders in any legal proceeding relating to the payment of such principal and an assignment to the Insurer of any of such Bond surrendered to the Insurance Paying Agent of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Paying Agent and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Bond Insurance Policy payment therefor from the Insurance Paying Agent, and (c) disburse the same to such Holders.

(E) Payments with respect to claims for interest on and principal of the Series 1996 Bonds disbursed by the Paying Agent from proceeds of the Bond Insurance Policy shall not be considered to discharge the obligation of the Issuer with respect to such Bonds, and the Insurer shall become the owner of such unpaid Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

(F) Irrespective of whether any such assignment is executed and delivered, the Issuer and the Paying Agent hereby agree for the benefit of the Insurer that:

(1) They recognize that to the extent the Insurer makes payments, directly or indirectly (as by paying through the Paying Agent), on account of principal of or interest on the Series 1996 Bonds, the Insurer will be subrogated to the rights of such Holders to receive the amount of such principal and interest from the Issuer solely from the sources stated in this Resolution and such Bonds; and

(2) They will accordingly pay to the Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Bond Insurance Policy, which principal and interest shall be deemed past due and not to have been paid), but only from the sources and in the manner provided herein for the payment of principal of and interest on such Bonds to the Holders, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

(G) In connection with the issuance of Additional Bonds, the Issuer shall deliver to the Insurer a copy of the official statement, if any, circulated with respect to such Additional Bonds.

(H) Copies of any amendments made to the documents executed in connection with the issuance of the Series 1996 Bonds which are consented to by the Insurer shall be sent to Standard & Poor's Corporation.

(I) The Insurer shall receive notice of the resignation or removal of the Paying Agent for the Series 1996 Bonds and the appointment of a successor thereto.

(J) The Insurer shall receive copies of all notices required to be delivered to Holders of the Series 1996 Bonds and, on an annual basis, copies of the Issuer's audited financial statements and Annual Budget.

(K) Any notice that is required to be given to a Holder of the Series 1996 Bonds or to the Paying Agent pursuant to this Resolution shall also be provided to the Insurer. All notices required to be given to the Insurer under this Resolution shall be in writing and shall be sent by registered or certified mail addressed to Municipal Bond Investors Assurance Corporation, 113 King Street, Armonk, New York 10504 Attention: Surveillance.

(L) The Issuer shall maintain adequate records, verified with the Insurer, as to the amount available to be drawn at any given time under the Reserve Account Insurance Policy issued by the Insurer and as to the amounts paid and owing to the Insurer under the terms of the Reserve Account Insurance Policy Agreement.

(M) No optional redemption of Series 1996 Bonds or distribution of funds to the Issuer under this Resolution may occur unless all amounts owed to the Insurer under the terms of this Resolution and the Reserve Account Insurance Policy Agreement have been paid in full.

(N) Moneys on deposit in the funds and accounts established by the Original Instrument and this Resolution may be invested only in the investments described below, but only to the extent permitted by the Original Instrument and to the extent the same shall be permitted from time to time by applicable laws of the State:

(1) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(2) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(a) U.S. Export-Import Bank (Eximbank)

Direct obligations or fully guaranteed certificates of beneficial ownership

(b) Farmers Home Administration (FmHA)

Certificates of beneficial ownership

(c) Federal Financing Bank

(d) Federal Housing Administration Debentures (FHA)

(e) General Services Administration

Participation certificates

(f) Government National Mortgage Association (GNMA or "Ginnie Mae")

GNMA - guaranteed mortgage-backed bonds

GNMA - guaranteed pass-through obligations

(g) U.S. Maritime Administration

Guaranteed Title XI financing

(h) U.S. Department of Housing and Urban Development (HUD)

Project Notes

Local Authority Bonds

New Communities Debentures - U.S. government guaranteed debentures

U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

(3) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(a) Federal Home Loan Bank System

Senior debt obligations

(b) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")

Participation Certificates

Senior debt obligations

(c) Federal National Mortgage Association (FNMA or "Fannie Mae")

Mortgage-backed securities and senior debt obligations

(d) Student Loan Marketing Association (SLMA or "Sallie Mae")

Senior debt obligations

(e) Resolution Funding Corp. (REFCORP) obligations

(f) Farm Credit System

Consolidated systemwide bonds and notes

(4) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's Corporation of AA-Am-G; AA-Am; or A-Am.

(5) Certificates of deposit secured at all times by collateral described in (1) and/or (2) above or in the collateral provisions of Chapter 280, Florida Statutes, as amended. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. Except as otherwise provided in said Chapter 280, the collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

(6) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

(7) Investment agreements, including guaranteed investment contracts, acceptable to the Insurer.

(8) Commercial paper rated, at the time of purchase, "Prime-1" by Moody's Investors Service and "A-1" or better by Standard & Poor's Corporation.

(9) Bonds or notes issued by any state or municipality which are rated by Moody's Investors Service and Standard & Poor's Corporation in one of the two highest rating categories assigned by such agencies.

(10) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's Investors Service and "A-1" or "A" or better by Standard & Poor's Corporation.

(11) Repurchase agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

Repurchase Agreements ("Repos") must satisfy the following criteria or be approved by the Insurer.

(a) Repos must be between the municipal entity and a dealer bank or securities firm described below:

(i) Primary dealers on the Federal Reserve reporting dealer list which are rated "A" or better by Standard & Poor's Corporation and Moody's Investors Service, or

(ii) Banks rated "A" or above by Standard & Poor's Corporation and Moody's Investors Service.

(b) The written repo contract must include the following:

(i) Securities which are acceptable for transfer are:

- a) Direct U.S. governments, or
- b) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC).

(ii) The term of the repo may be up to 30 days

- (iii) The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before or simultaneous with payment (perfection by possession of certificated securities).

(iv) Valuation of Collateral

- a) The securities must be valued weekly, marked-to-market at current market price plus accrued interest
- b) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

(c) Legal opinion which must be delivered to the municipal entity:

Repo meets guidelines under state law for legal investment of public funds.

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

(13) With the prior written consent of the Insurer, such other obligations as shall be permitted to be legal investments of the Issuer by the laws of the State.

SECTION 4.3. Sale of the Series 1996 Bonds: Authorization of Execution of Purchase Contract. A negotiated sale of the Series 1996 Bonds is hereby authorized. The

Chairman or the County Administrator is hereby authorized and directed to award the sale of the Series 1996 Bonds to the Purchaser in an aggregate principal amount which shall not exceed \$22,000,000 (the "Maximum Principal Amount"), at an aggregate purchase price (excluding any original issue discount) of not less than 99% of the original principal amount of such Series 1996 Bonds (the "Minimum Purchase Price"), as approved by the Chairman or the County Administrator, within the following parameters (the "Parameters"): the gross savings, after payment of all issuance expenses and costs, which shall result from the issuance of the Series 1996 Bonds shall not be less than \$600,000 (calculated based upon the total debt service savings plus accrued interest plus a rounding factor not to exceed \$5,000); the arbitrage yield of the Series 1996 Bonds shall not exceed 5.50%; the final maturity of the Series 1996 Bonds shall not be later than June 1, 2026; the Series 1996 Bonds shall be subject to optional redemption no later than June 1, 2006, at a premium of no more than 102% of the principal amount thereof to be redeemed; the costs of issuance shall be comparable to or less than the current average issuance cost for bonds of similar tenor and amount; and the Insurer's commitments to provide a Bond Insurance Policy and a Reserve Account Insurance Policy with respect to the Series 1996 Bonds shall be in effect.

The proposed form of the Purchase Contract presented by the Purchaser, with such omissions, insertions and variations as may be necessary and/or desirable and approved by the Chairman or the County Administrator prior to the execution and delivery thereof, is hereby approved; such necessity and/or desirability and approval by the Chairman or the County Administrator to be presumed by the Chairman's or the County Administrator's execution thereof; the Chairman or the County Administrator is hereby authorized to accept the offer of the Purchaser to purchase the Series 1996 Bonds in an aggregate principal amount not to exceed the Maximum Principal Amount, at a purchase price of not less than the Minimum Purchase Price plus accrued interest thereon to the date of delivery and with final terms within the Parameters, upon the terms and conditions set forth in the Purchase Contract; and the Chairman or the County Administrator is hereby authorized to execute and deliver the Purchase Contract in the form approved by such person for and on behalf of the Issuer pursuant to the terms hereof. Receipt by the Chairman or the County Administrator of a report of the Financial Advisor stating that the aggregate purchase price set forth in the Purchase Contract is not less than the Minimum Purchase Price and that the final terms are within the Parameters shall constitute conclusive proof that all of the terms and conditions set forth in this Section 4.3 have been fully satisfied.

The Series 1996 Bonds shall be dated such date, shall bear interest at such rates, mature on such dates, have such Amortization Installments, be redeemable prior to maturity upon such terms and conditions and have such other terms as are set forth in the Purchase Contract and approved by the Chairman or the County Administrator, and the authority to approve such matters is hereby expressly delegated to the Chairman and the County Administrator as herein provided, with the Chairman's or the County Administrator's approval to be conclusively evidenced by the Chairman's or the County Administrator's execution of any documents including such terms.

Prior to the execution and delivery of the Purchase Contract by the Issuer, the Purchaser shall include in or attach to the Purchase Contract the disclosure statements required by Section 218.385, Florida Statutes, as amended. The Chairman, the County Administrator and the other officers, agents and employees of the Issuer are hereby authorized and directed to conclude the issuance and delivery of the Series 1996 Bonds and the refunding of the Refunded Obligations in accordance with the provisions of the Original Instrument, this Resolution and the Purchase Contract.

Authority for the issuance of such aggregate principal amount of the Series 1996 Bonds herein authorized which shall not be hereafter delivered to the Purchaser pursuant to the provisions of the Purchase Contract is hereby cancelled and rescinded.

Notwithstanding the foregoing, in the event the Purchase Contract is not executed and delivered by the Issuer and the Purchaser on or before December 31, 1996, the Chairman's and the County Administrator's authority to award the sale of the Series 1996 Bonds to the Purchaser and to execute the Purchase Contract for and on behalf of the Issuer pursuant to the terms hereof shall be automatically terminated on December 31, 1996.

SECTION 4.4. Approval of Preliminary Official Statement and Authorization of Final Official Statement. The Preliminary Official Statement is hereby approved and the Chairman or the County Administrator are hereby authorized to deem the Preliminary Official Statement final within the meaning of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, as of its date, except for omissions of no more than the following information: the offering price(s), the interest rate(s), selling compensation, aggregate principal amount, amount per maturity, delivery date, ratings and other terms depending on such matters. The delivery of the deemed final Preliminary Official Statement to the Purchaser and the distribution thereof by the Purchaser is hereby approved and confirmed and a final official statement in substantially the form of the deemed final Preliminary Official Statement, with such omissions, insertions and variations as may be necessary and/or desirable and approved by Chairman or Vice Chairman prior to the release thereof, is hereby authorized to be delivered by the Issuer to the Purchaser for distribution prior to or contemporaneously with the issuance and delivery of the Series 1996 Bonds. The Chairman or Vice Chairman are hereby authorized to evidence the Issuer's approval of the final official statement by either's endorsement thereof upon one or more copies, and approval of all such omissions, insertions and variations may be presumed from such endorsement upon any copy of such final official statement. Bond Counsel is hereby directed to furnish to the Division of Bond Finance of the State Board of Administration of the State of Florida a copy of the final official statement, a notice of the impending sale of the Series 1996 Bonds and the other information required by Section 218.38, Florida Statutes, as amended, within the appropriate time periods specified by such section.

SECTION 4.5. Registrar and Paying Agent. The Bank of New York, New York, New York, is hereby appointed as Registrar and Paying Agent under the Original Instrument to serve as Registrar and Paying Agent for the Series 1996 Bonds; and the Chairman or Vice Chairman and the Clerk or any deputy clerk are hereby authorized to execute and deliver on behalf of the Issuer a registrar and paying agency agreement in a form which shall

be approved by the Issuer's attorney, such approval to be conclusively presumed by their execution thereof.

SECTION 4.6. Authorization of Execution and Delivery of Escrow Deposit Agreement. The Chairman or Vice Chairman and the Clerk or any deputy clerk are hereby authorized to execute and deliver the Escrow Deposit Agreement in favor of the Escrow Holder, with such omissions, insertions and variations as may be necessary and/or desirable and approved by the Chairman or Vice Chairman and the Clerk or any deputy clerk prior to the delivery thereof, such necessity and/or desirability and approval by the Chairman or Vice Chairman and the Clerk or any deputy clerk to be presumed by their execution and delivery thereof.

SECTION 4.7. Escrow Holder. The Bank of New York, a New York banking organization, New York, New York, is hereby appointed to serve as Escrow Holder under the Escrow Deposit Agreement.

SECTION 4.8. Continuing Disclosure. The Issuer agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, substantially in the form attached hereto as Exhibit F, executed by the Issuer and dated the date of issuance of the Series 1996 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof (the "Continuing Disclosure Certificate"). Notwithstanding any other provision of this Resolution, failure of the Issuer to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Bondholder or Beneficial Owner (as hereinafter defined) may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Section 4.8. For purposes of this Section 4.8, "Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 1996 Bonds (including persons holding Series 1996 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 1996 Bonds for federal income tax purposes.

SECTION 4.9. General Authority. The members of the Governing Body and the Issuer's officers, attorneys and other agents and employees are hereby authorized to do all acts and things required of them by this Resolution or desirable or consistent with the requirements hereof for the full, punctual and complete performance of all of the terms, covenants and agreements contained in the Series 1996 Bonds and this Resolution, and they are hereby authorized to execute and deliver all documents which shall be reasonably required by Bond Counsel or the Purchaser to effectuate the sale and delivery of the Series 1996 Bonds.

SECTION 4.10. Authorization of Execution of Certificates and Other Instruments. The Chairman or Vice Chairman and the Clerk or any deputy clerk are hereby authorized and directed, either alone or jointly, under the official seal of the Issuer, to execute and deliver certificates of the Issuer certifying such facts as the Issuer's attorney, counsel to the Purchaser or Bond Counsel shall require in connection with the issuance, sale and delivery of the Series

1996 Bonds, and to execute and deliver such other instruments as shall be necessary or desirable to perform the Issuer's obligations under this Resolution, the Original Instrument and the Purchase Contract and to consummate the transactions contemplated hereby and thereby.

SECTION 4.11. No Personal Liability. No representation, statement, covenant, warranty, stipulation, obligation or agreement herein contained, or contained in the Series 1996 Bonds, or in any certificate or other instrument to be executed on behalf of the Issuer in connection with the issuance of the Series 1996 Bonds, shall be deemed to be a representation, statement, covenant, warranty, stipulation, obligation or agreement of any member of the Governing Body, officer, employee or agent of the Issuer in his or her individual capacity, and none of the foregoing persons nor any officer of the Issuer executing the Series 1996 Bonds, or any certificate or other instrument to be executed in connection with the issuance of the Series 1996 Bonds, shall be liable personally thereon or be subject to any personal liability or accountability by reason of the execution or delivery thereof.

SECTION 4.12. No Third Party Beneficiaries. Except such other Persons as may be expressly described herein or in the Series 1996 Bonds, nothing in this Resolution, or in the Series 1996 Bonds, expressed or implied, is intended or shall be construed to confer upon any Person other than the Issuer, the Insurer and the Holders any right, remedy or claim, legal or equitable, under and by reason of this Resolution or any provision hereof, or of the Series 1996 Bonds, all provisions hereof and thereof being intended to be and being for the sole and exclusive benefit of the Issuer, the Insurer and the Persons who shall from time to time be the Holders.

SECTION 4.13. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions of this Resolution 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 Resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Series 1996 Bonds.

SECTION 4.14. Repeal of Inconsistent Resolutions. All other resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

SECTION 4.15. Original Instrument in Full Force and Effect. Except as hereby supplemented, the Original Instrument shall remain in full force and effect.

SECTION 4.16. Table of Contents and Headings not Part Hereof. The Table of Contents preceding the body of this Resolution and the headings preceding the several articles and sections hereof shall be solely for convenience of reference and shall not constitute a part of this Resolution or affect its meaning, construction or effect.

SECTION 4.17. Effective Date. This Resolution shall become effective immediately upon its passage.

PASSED, APPROVED AND ADOPTED this twenty-seventh day of February, 1996.

BOARD OF COUNTY COMMISSIONERS
OF ST. JOHNS COUNTY, FLORIDA

By Ronald Jordan
Its Chairman

(OFFICIAL SEAL)

ATTEST:

Carl "Bud" Markel
Its Clerk

I, Carl "Bud" Markel, Clerk of the Board of County Commissioners of St. Johns County, Florida, hereby certify that the foregoing is a true and correct copy of Resolution No. 96- 34 of said County passed and adopted on February 27, 1996.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of said County this twenty-seventh day of February, 1996.

Carl "Bud" Markel
Clerk of the Board of County
Commissioners

(OFFICIAL SEAL)

EXHIBIT A

PRELIMINARY OFFICIAL STATEMENT

PRELIMINARY OFFICIAL STATEMENT DATED MARCH ___, 1996

NEW ISSUE

Ratings: Moody's: ____
 Standard & Poor's: ____
 (MBIA Insured)
 (See "Ratings" herein)

In the opinion of Bond Counsel, under existing law, assuming compliance with certain covenants in the Resolution described herein, interest on the 1996 Bonds is excluded from gross income for federal income tax purposes, and the 1996 Bonds and the interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes on interest, income or profits on debt obligations owned by corporations, as defined in Chapter 220, Florida Statutes, as amended. See, however, "Tax Matters" herein for a description of certain federal minimum and other special taxes that may affect the tax treatment of interest on the 1996 Bonds.

\$22,000,000*

ST. JOHNS COUNTY, FLORIDA
Water and Sewer Revenue and Refunding Bonds
Series 1996

Dated: March 1, 1996

Due: June 1, as shown below

The Water and Sewer Revenue and Refunding Bonds, Series 1996 (the "1996 Bonds") are being issued by St. Johns County, Florida (the "County"), as fully registered bonds in denominations of \$5,000 and integral multiples thereof. Interest (first payment due June 1, 1996 and on each June 1 and December 1 thereafter) on the 1996 Bonds will be payable by check or draft of The Bank of New York, New York, New York, as Registrar and Paying Agent or, at the option of the Paying Agent, and at the request and expense of any registered owner, by bank wire transfer for the account of such owner.

The 1996 Bonds are subject to redemption prior to their stated maturities as described herein.

The 1996 Bonds are being issued to provide funds to (i) advance refund a portion of the county's outstanding Water and Sewer Revenue Bonds, Series 1989, Series 1990B-II and Series 1991A (the "Refunded Bonds"); (ii) finance the acquisition, construction and erection of certain additions, extensions and improvements to the water and sewer system owned, operated and maintained by the County (the "System"); (iii) capitalize a portion of interest on the 1996 Bonds; (iv) fund a portion of the reserve account established by the Resolution by the purchase of a reserve account insurance policy; and (v) pay the cost of issuance with respect to the 1996 Bonds.

The 1996 Bonds are special obligations of the County payable solely from and secured by a lien upon and pledge of the Pledged Funds as described herein, including the net revenues to be derived from the operation of the System and certain lawfully available connection charges, on a parity with the County's Water and Sewer Revenue Bonds, Series 1989, Series 1990B-I, Series 1990B-II and Series 1991A, of which \$_____ in the aggregate principal amount and accreted value will remain outstanding after the issuance of the 1996 Bonds and the refunding of the Refunded Bonds. Neither the full faith and credit, nor the taxing power of the County is pledged for the payment of the 1996 Bonds. The 1996 Bonds shall not constitute a lien upon the System or any other moneys or property of or in the County, except the Pledged Funds, nor shall they constitute an indebtedness of the County within the meaning of any constitutional or statutory provision or limitation.

The payment of the principal of and interest on the 1996 Bonds when due will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the 1996 Bonds.

**MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS***

\$_____,000,000 Serial Bonds

Maturity	Amount	Interest	Price	Maturity	Amount	Rate	Price
June 1		Rate	or Yield	June 1			or Yield
1996	\$	%	%	2004	\$	%	%
1997				2005			
1998				2006			
1999				2007			
2000				2008			
2001				2009			
2002				2010			
2003				2011			

\$_____,000,000 _____ % Term Bonds due June 1, 2016 - Price _____%

\$_____,000,000 _____ % Term Bonds due June 1, 2026 - Price _____%

(Plus Accrued Interest)

The 1996 Bonds are offered when, as and if issued and received by the Underwriter, subject to the unqualified approval of legality by Foley & Lardner, Jacksonville, Florida, Bond Counsel. Certain legal matters will be passed upon for the County by James G. Sisco, Esquire, St. Augustine, Florida, Attorney for the County and for the Underwriter by its counsel, Rogers, Towers, Bailey, Jones & Gay, Jacksonville, Florida. It is expected that the 1996 Bonds in definitive form will be available for delivery in New York, New York, on or about March __, 1996.

William R. Hough & Co.

Dated: March ___, 1996

Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may any offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities in any jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

ST. JOHNS COUNTY, FLORIDA

MEMBERS OF THE BOARD OF COUNTY COMMISSIONERS

Don Jordan, Chairman
Joanne Cody
Moses "Coach" Floyd
Craig A. Maguire
Allan Roberts
E.A. Rowe
Barbara Ward

COUNTY ADMINISTRATOR

Nicholas M. Meiszer

COUNTY CLERK

Carl "Bud" Markel

COUNTY FINANCE DIRECTOR

Michael R. Givens, C.P.A.

COUNTY ATTORNEY

James G. Sisco, Esquire

BOND COUNSEL

Foley & Lardner
Jacksonville, Florida

FINANCIAL ADVISOR

Public Financial Management, Inc.
Fort Myers, Florida

CONSULTING ENGINEER

Camp Dresser & McKee Inc.

No dealer, broker, salesman or other person has been authorized by the County to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the County or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 1996 Bonds by any persons in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale in such jurisdiction. The information set forth herein has been furnished by the County and includes information obtained from other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances create the implication that there has been no change in the affairs of the County since the date hereof.

The 1996 Bonds have not been registered under the Securities Act of 1933 in reliance upon an exemption contained in such Act.

IN CONNECTION WITH THE OFFERING OF THE 1996 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 1996 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Appendix G -- Specimen Municipal Bond Insurance Policy

SUMMARY STATEMENT

This Summary Statement, being part of the Official Statement, is subject to the more complete information contained herein and should not be considered to be a complete statement of the facts material to making an investment decision. The offering of the St. Johns County, Florida Water and Sewer Revenue and Refunding Bonds, Series 1996 (the "1996 Bonds") to potential investors is made only by means of the entire Official Statement. No person is authorized to detach this Summary Statement from the Official Statement or to otherwise use it without the entire Official Statement. Unless otherwise defined, all capitalized terms in this Summary Statement shall be as defined in the main text of the Official Statement.

St. Johns County

St. Johns County, Florida (the "County") encompasses approximately 617 square miles and is located in the northeast region of the State of Florida, immediately south of Duval County and Jacksonville, Florida. The largest of the County's four municipalities is St. Augustine, which is the county seat. The estimated 1995 population of the County is 96,653.

Purpose of the 1996 Bonds

The 1996 Bonds are being issued to provide funds to (i) advance refund a portion of the County's outstanding Water and Sewer Revenue Bonds, Series 1989, Series 1990B-II and Series 1991A (the "Refunded Bonds"), (ii) finance the acquisition, construction and erection of certain additions, extensions and improvements (the "Project") to the water and sewer system owned, operated and maintained by the County (the "System"), (iii) capitalize a portion of interest on the 1996 Bonds, (iv) fund a portion of the Reserve Account established by the Resolution by the purchase of a Reserve Account Insurance Policy; and (v) pay the cost of issuance with respect to the 1996 Bonds.

Authority and Security for the 1996 Bonds

Authority for the 1996 Bonds. The 1996 Bonds are being issued pursuant to the Constitution and laws of the State of Florida, particularly Chapter 125, Part I, Florida Statutes, as amended, County Ordinance No. 86-89 and the Resolution.

Source of Payment. The 1996 Bonds are special obligations of the County payable solely from and secured by a lien upon and pledge of the Pledged Funds on a parity with the County's Water and Sewer Revenue Bonds, Series 1989, of which \$7,175,000 will remain outstanding after the issuance of the 1996 Bonds, the County's Water and Sewer Revenue Bonds, Series 1990B-I, which are outstanding in the amount of \$12,200,000 and no portion of which will be refunded, the County's Water and Sewer Revenue Bonds, Series 1990B-II, of which \$4,490,000 will remain outstanding after the issuance of the 1996 Bonds and the County's Water and Sewer Revenue Bonds, Series 1991A, of which \$9,955,364.40 (including accumulated interest on the capital appreciation bonds) will remain outstanding after the issuance of the 1996 Bonds (all four of such bond issues, collectively, the "Parity Bonds"). Pledged Funds in general include Net Revenues of the System, certain connection charges and other funds described in the Resolution, as more particularly described herein. The County also has outstanding its Subordinated Water and Sewer Revenue Bond, Series 1991 in the outstanding principal amount of \$2,185,000 and has additional subordinated debt in the outstanding principal amount of \$260,500 evidenced by that certain State Revolving Fund Loan Agreement dated June 27, 1994, as amended and

restated on September 12, 1995, between the County and the State of Florida Department of Environmental Protection (collectively, the "Subordinated Indebtedness"). The Subordinated Indebtedness is payable solely from and secured by a lien upon and pledge of the Pledged Funds junior and subordinate to the lien of and pledge thereon in favor of the 1996 Bonds and the Parity Bonds.

Additional Bonds. The County may issue Additional Bonds payable from the Pledged Funds on a parity with the 1996 Bonds and the Parity Bonds if the County first complies with certain requirements set out in the Resolution.

No Pledge of Credit or Taxing Power. The 1996 Bonds shall not be or constitute general obligations or indebtedness of the County as "bonds" within the meaning of Article VII, Section 12 of the Constitution of the State of Florida, but shall be payable solely from and secured by a prior lien upon and a pledge of the Pledged Funds on a parity with the Parity Bonds in accordance with the terms of the Resolution. No owner of any 1996 Bond shall ever have the right to compel the exercise of any ad valorem taxing power of the County, the State of Florida or any political subdivision thereof to pay the principal of or the interest on any 1996 Bond or be entitled to payment of such 1996 Bond from any monies of the County except from the Pledged Funds in the manner provided in the Resolution.

Municipal Bond Insurance. The payment of the principal of and interest on the 1996 Bonds when due will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the 1996 Bonds.

Financial Information

The following table shows projected revenues, expenses and debt service coverage for the System. These projections are derived from the consulting engineer's report which appears as Appendix A to the Official Statement. More detailed information, which is also derived from the consulting engineer's report, is included in the Official Statement under the heading "HISTORICAL AND PROJECTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE." For the County's Fiscal Year ended September 30, 1994, Net Revenues, not taking into account Connection Charges, were 109% of the Debt Service Requirement, rather than 110% or more, as required by the Resolution. See "HISTORICAL AND PROJECTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE" herein for further discussion of such matter.

	Projected Fiscal Years				
	<u>1996¹</u>	<u>1997²</u>	<u>1998²</u>	<u>1999²</u>	<u>2000²</u>
Total Operating Revenue	\$8,368,253	\$ 8,605,502	\$ 9,180,097	\$ 9,775,849	\$10,420,608
Total Operating Expenses	<u>4,700,409</u>	<u>4,928,559</u>	<u>5,181,719</u>	<u>5,444,818</u>	<u>5,722,390</u>
Net Operating Revenues	\$3,667,844	\$3,676,943	\$ 3,998,378	\$ 4,331,031	\$ 4,698,218
Non-Operating Revenues (Expenses)	<u>690,000</u>	<u>625,000</u>	<u>575,000</u>	<u>550,000</u>	<u>550,000</u>
Total Net Revenues	\$4,357,844	\$4,301,943	\$ 4,573,378	\$ 4,881,031	\$ 5,248,218
Pledged Unit Connection Fees ("UCF")	<u>2,043,475</u>	<u>2,043,475</u>	<u>2,043,475</u>	<u>2,043,475</u>	<u>2,043,475</u>
Total Net Revenue + UCF	\$6,401,319	\$6,345,418	\$ 6,616,853	\$ 6,924,506	\$ 7,291,693
Debt Service Requirement ³	\$3,552,821	\$ 3,552,298	\$ 3,700,518	\$ 4,020,540	\$4,160,508
Debt Service Coverage - Net Revenue Only	1.23x	1.21x	1.24x	1.21x	1.26x
Debt Service Coverage - Net Revenue + UCF	1.80x	1.79x	1.79x	1.72x	1.75x

¹ Revenues and expenses for this year are based on the adopted budget.

² Operating Revenue was based in part on an actual 3% cost of living increase. See the table in the Official Statement under the heading "HISTORICAL AND PROJECTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE" for more detailed information as to the method for deriving this projection.

³ See the table in the Official Statement under the heading "HISTORICAL AND PROJECTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE" for information as to the method for deriving this projection.

OFFICIAL STATEMENT
Relating to
\$22,000,000*
ST. JOHNS COUNTY, FLORIDA
Water and Sewer Revenue and Refunding Bonds
Series 1996

March __, 1996

INTRODUCTION

The purpose of this Official Statement, including the cover page, summary statement, and appendices, is to provide information concerning the proposed issuance by St. Johns County, Florida (the "County") of \$22,000,000* aggregate principal amount of the County's Water and Sewer Revenue and Refunding Bonds, Series 1996 (the "1996 Bonds"). The 1996 Bonds are issued under the authority of and in full compliance with the Constitution and the laws of the State of Florida (the "State"), particularly Chapter 125, Part I, Florida Statutes, as amended, other applicable provisions of law, County Ordinance No. 86-89 duly enacted on December 9, 1986, and Resolution No. 89-84 of the County duly adopted on April 25, 1989, as amended and supplemented, particularly as supplemented by Resolution No. 96-___ of the County duly adopted on February 27, 1996 (collectively, the "Resolution"), and are subject to all the terms and conditions of the Resolution. See Appendix D hereto for pertinent provisions of the Resolution.

The County encompasses approximately 617 square miles and is located in the northeast region of the State, immediately south of Duval County and Jacksonville, Florida. The largest of the County's four municipalities is St. Augustine, which is the county seat. The estimated 1995 population of the County is 96,653.

For a complete description of the terms and conditions of the 1996 Bonds, reference is made to the Resolution. Capitalized terms used herein and not defined are used as defined in the Resolution; such definitions may be found in Appendix D hereto. The description of the 1996 Bonds and of the documents authorizing and securing the same and the description of other debt of the County do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each. All information included herein has been provided by the County except where attributed to other sources. Copies of documents not contained in this Official Statement and further information which may be desired may be obtained from the County's finance director, Mr. Michael R. Givens, C.P.A., St. Johns County Administration Building, 4020 Lewis Speedway, St. Augustine, Florida 32095, telephone (904) 823-2333 (ext. 345), or from the County's financial advisor, Public Financial Management, Inc., 5900 Enterprise Parkway, Ft. Myers, Florida 33905, telephone (941) 693-7117.

PURPOSE OF THE 1996 BONDS

The 1996 Bonds are being issued to provide funds to (i) advance refund a portion of the County's outstanding Water and Sewer Revenue Bonds, Series 1989, Series 1990B-II and Series 1991A, (ii) finance the acquisition, construction and erection of certain additions, extensions and improvements (the "Project") to the water and sewer system owned, operated and maintained by the County (the

*Preliminary; subject to change.

"System"); (iii) capitalize a portion of interest on the 1996 Bonds; (iv) fund a portion of the Reserve Account established by the Resolution by the purchase of a Reserve Account Insurance Policy; and (v) pay the cost of issuance with respect to the 1996 Bonds.

REFUNDING PLAN

A portion of the proceeds of the 1996 Bonds will be used to provide the moneys needed to effect the defeasance of (i) \$1,675,000 principal amount maturing June 1, 1998 through June 1, 2001 of the \$8,850,000 outstanding principal amount of the County's Water and Sewer Revenue Bonds, Series 1989 (the "1989 Bonds"), (ii) \$2,295,000 principal amount maturing June 1, 1997 through June 1, 2011 of the \$6,785,000 outstanding principal amount of the County's Water and Sewer Revenue Bonds, Series 1990B-II (the "1990B-II Bonds"), and (iii) \$6,395,000 principal amount maturing June 1, 2000 through June 1, 2011 of the \$16,350,364.40 outstanding principal amount (including accumulated interest on the capital appreciation bonds) of the County's Water and Sewer Revenue Bonds, Series 1991A (the "1991A Bonds," together with the 1989 Bonds and the 1990B-II Bonds, collectively, as to the refunded portion, the "Refunded Bonds"). No portion of the County's outstanding Water and Sewer Revenue Bonds, Series 1990B-I (the "1990B-I Bonds") will be refunded. Upon the issuance of the 1996 Bonds, the County will enter into an escrow deposit agreement (the "Escrow Deposit Agreement") with The Bank of New York, as escrow agent (the "Escrow Agent"), providing among other things, for the deposit of the portion of the proceeds from the sale of the 1996 Bonds and other moneys specified therein with the Escrow Agent. Such amounts shall be invested by the Escrow Agent in direct obligations of the United States of America or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, none of which permit redemption prior to maturity at the option of the obligor (the "Federal Securities"), in an amount which will be sufficient to pay the principal (including mandatory sinking fund installments) or redemption price of and interest on the Refunded Bonds as the same shall become due or be called for redemption. The Refunded Bonds will be redeemed on June 1, 1997, in the case of the 1989 Bonds, December 1, 1996, in the case of the 1990B-II Bonds, and December 1, 1999, in the case of the 1991A Bonds.

In the opinion of Bond Counsel based upon schedules prepared by William R. Hough & Co. and rendered in reliance upon the report of Deloitte & Touche, LLP described under the heading "VERIFICATION OF MATHEMATICAL COMPUTATIONS," the lien of the Refunded Bonds on the funds pledged to the payment thereof will be defeased upon the deposit of the Federal Securities with the Escrow Agent pursuant to the Escrow Deposit Agreement.

The maturing principal of and interest on the Federal Securities held under the Escrow Deposit Agreement will not be available to pay debt service on the 1996 Bonds. The determination as to which specific bonds within each maturity redeemed in part will comprise the Refunded Bonds will be based upon a lottery conducted by the paying agent for such bonds soon after the delivery of the 1996 Bonds. The results of such lottery will be communicated by notice to the registered owners of such bonds.

DESCRIPTION OF THE 1996 BONDS

General

The 1996 Bonds shall be dated as set forth on the cover page of this Official Statement and are being issued as fully registered bonds without coupons in denominations of \$5,000 and integral

multiples thereof. Interest on the 1996 Bonds (first payment due June 1, 1996 and semiannually on each June 1 and December 1 thereafter) will be payable by check or draft of The Bank of New York, New York, New York, as Registrar and Paying Agent, mailed or, at the option of the Paying Agent, and at the request and expense of any registered owner, by bank wire transfer, to the registered owner, as shown on the registration books of the Registrar on the 15th day of the month prior to each interest payment date (the "Record Date"). Interest on the 1996 Bonds shall be calculated on the basis of a 360-day year of twelve 30-day months. Principal of and premium, if any, on the 1996 Bonds are payable at maturity or redemption to the registered owner upon presentation, when due or when called for redemption, at the corporate trust office of the Paying Agent in New York, New York.

Optional Redemption

The 1996 Bonds maturing prior to June 1, 2007 are not subject to redemption prior to maturity. The 1996 Bonds maturing on June 1, 2007 or thereafter may be redeemed prior to maturity at the option of the County, as a whole on June 1, 2006, or any date thereafter, or in part, from such maturity or maturities as the County shall designate and by lot within a maturity, on June 1, 2006, or on any interest payment date thereafter, at the following redemption prices (expressed as a percentage of the principal amount of the 1996 Bonds to be redeemed) plus accrued interest to the redemption date, if redeemed during the following periods:

<u>Redemption Periods</u> <u>(both dates inclusive)</u>	<u>Redemption</u> <u>Prices</u>
June 1, 2006 through May 31, 2007	102%
June 1, 2007 through May 31, 2008	101
June 1, 2008 and thereafter	100

Mandatory Redemption

The 1996 Bonds maturing June 1, ____, are subject to mandatory redemption in part prior to maturity by lot at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the redemption date, beginning on June 1, ____ and on each June 1 thereafter in the years and in the principal amounts corresponding to the Amortization Installments as follows:

<u>June 1,</u>	<u>Amortization Installments</u>
(maturity)	\$

The 1996 Bonds maturing June 1, ____, are subject to mandatory redemption in part prior to maturity by lot at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the redemption date, beginning on June 1, ____ and on each June 1 thereafter in the years and in the principal amounts corresponding to the Amortization Installments as follows:

<u>June 1,</u>	<u>Amortization Installments</u>
(maturity)	\$

Notice of Redemption

Notice of redemption of the 1996 Bonds shall be mailed, postage prepaid, by registered or certified mail by the Registrar not less than thirty (30) days nor more than sixty (60) days before the date fixed for redemption to the registered owners of any 1996 Bonds or portions of 1996 Bonds which are to be redeemed, at their addresses as they appear on the registration books kept by the Registrar or at such other address as such owner shall have furnished in writing to the Registrar. No defect in any notice of redemption or failure to give such notice to any owner of 1996 Bonds shall in any manner defeat the effectiveness of a call for redemption as to all other owners of 1996 Bonds to be redeemed.

AUTHORITY AND SECURITY FOR THE 1996 BONDS

The 1996 Bonds are being issued pursuant to the Constitution and laws of the State, particularly Chapter 125, Part I, Florida Statutes, as amended, County Ordinance No. 86-89 and the Resolution.

Source of Payment

The 1996 Bonds are special obligations of the County payable solely from and secured by a lien upon and pledge of the Pledged Funds on a parity with the outstanding 1989 Bonds, of which \$7,175,000 will remain outstanding after the refunding of the Refunded Bonds, the 1990B-I Bonds, which are outstanding in the amount of \$12,200,000 and no portion of which will be refunded by the Refunded Bonds, the 1990B-II Bonds, of which \$4,490,000 will remain outstanding after the refunding of the Refunded Bonds and the 1991A Bonds, of which \$9,955,364.40 (including accumulated interest on the capital appreciation bonds) will remain outstanding after the refunding of the Refunded Bonds (all of such bond issues, collectively, the "Parity Bonds" which, together with the 1996 Bonds and any Additional Bonds issued pursuant to the Resolution, are referred to herein as the "Bonds"). Pledged Funds is defined in the Resolution to mean the Net Revenues, any Connection Charges on deposit in the Current Account and, until applied in accordance with the provisions of the Resolution, the proceeds of the Bonds and all moneys, including investments thereof, in the Revenue Fund and the Debt Service Fund. Pledged Funds do not include Net Revenues on deposit in the Rebate Fund or Connection Charges on deposit in the Stabilization Account. The County also has outstanding its Subordinated Water and Sewer Revenue Bond, Series 1991, in the outstanding principal amount of \$2,185,000 and has additional subordinated debt in the outstanding principal amount of \$260,500 evidenced by that certain State Revolving Fund Loan Agreement dated June 27, 1994, as amended and restated on September 12, 1995, between the County and the State of Florida Department of Environmental Protection (collectively, the "Subordinated Indebtedness"). The Subordinated Indebtedness is payable solely from and secured by a lien upon and pledge of the Pledged Funds junior and subordinate to the lien of and pledge thereon in favor of the 1996 Bonds and the Parity Bonds.

Net Revenues. Net Revenues mean all income and moneys received by the County from the fees and charges made and collected by the County (excluding Connection Charges and non-ad valorem special assessments) for the use of the services or facilities of the System (such fees and charges, "Rates"), together with all earnings and income derived from the investment of the moneys under the provisions of the Resolution which are transferred to the Revenue Fund or the Interest Account as provided in the Resolution, less the expenses for operation, maintenance, repairs and replacements with respect to the System, as further provided in the Resolution.

Connection Charges. Connection Charges mean all non-refundable (except at the option of the County) "water unit connection fees," "sewer unit connection fees," impact fees, capital expansion fees, utility improvement fees or other similar fees and charges, separately imposed from time to time by the

County upon new customers of the System as a nonuser capacity charge for a proportionate share of the costs of the acquisition or construction of Expansion Facilities, which are imposed by the County for the purpose of allocating to each such customer a proportionate share of the costs of the additional System capacity made necessary by the inclusion or expected inclusion of System services to such new customers, but only to the extent that any such fee or charge has been lawfully levied and collected by the County and may under applicable law be used for the acquisition or construction of the Expansion Facilities or for debt service thereon as more particularly provided in the Resolution, and any income from the investment of moneys on deposit in the Connection Charges Fund or any other moneys transferred to such Fund pursuant to the provisions of the Resolution. Connection Charges shall not include Assessments.

Assessments. Assessments mean the proceeds to be derived by the County from any non-ad valorem special assessments which are levied by the County, on its own behalf or as the governing body of a municipal service benefit unit, against some or all of the parcels of real property to be specially benefitted by the services and facilities of any Additional Project or by any portion thereof, and which are expressly declared by resolution of the governing body of the County to be Assessments, and which are expressly pledged by such resolution to the payment of principal of and premium, if any, and interest on the Bonds or one or more Series of Bonds, including interest on such non-ad valorem special assessments and any penalties thereon and moneys received upon the foreclosure of the liens thereof and, by reason of such non-ad valorem special assessments, upon the sale of tax certificates. The County has the right to provide for the application of assessments (which are not expressly declared by resolution of the County to be Assessments) to the payment of the principal and premium, if any, of and interest on any particular Series of Bonds or Subordinated Indebtedness or any other obligations of the County. No Assessments are currently pledged to the payment of the principal of or premium, if any, or interest on any Bonds.

In connection with the issuance of the 1991A Bonds, the County declared that any non-ad valorem special assessments that may be levied by the County, on its own behalf or as the governing body of a municipal service benefit unit, against the parcels of real property to be specially benefitted by the project financed with the proceeds of the 1991A Bonds (the "1991 Project") for the purpose of raising revenue to assist in the financing of the 1991 Project are to be Assessments as defined in the Resolution. The County has not levied any such Assessments in connection with the 1991 Project and does not expect to levy any such Assessments.

Rate Covenant

The County covenants in the Resolution to fix, maintain and collect Rates, if no Assessments are pledged to the Bonds, to provide:

(i) Net Revenues in any one year period from October 1 to September 30 or such other period as prescribed by law (the "Fiscal Year"), together with any Connection Charges actually on deposit in the Current Account at the beginning of such Fiscal Year, equal to at least 120% of the Debt Service Requirement for the Bond Year ending in such Fiscal Year and at least 100% of any amounts required by the terms of the Resolution to be deposited in the Reserve Account or the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year, and

(ii) Net Revenues in such Fiscal Year, not taking into account Connection Charges, equal to at least 110% of the Debt Service Requirement for the Bond Year ending in such Fiscal Year and at least 100% of any amounts required by the terms of the Resolution to be deposited in the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year.

Rates are not to be reduced so that they will be insufficient to provide Net Revenues in each Fiscal Year fully adequate for the purposes provided therefor by the Resolution, provided that the Resolution is not to be construed to obligate the County to impose or continue Connection Charges; but at any time and while Connection Charges shall be in effect and imposed by the County, the Connection Charges shall be pledged to the extent provided in the Resolution.

Reserve Account

The Resolution requires the establishment and maintenance of a Reserve Account. The Resolution requires the Reserve Account to be funded and maintained in an amount equal to the Reserve Account Requirement for the benefit of the owners of the Bonds. The County may, in lieu of the required deposits into the Reserve Account, cause to be deposited into the Reserve Account a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit as further provided in the Resolution. Upon delivery of the 1996 Bonds, there will be on deposit in the Reserve Account Reserve Account Insurance Policies in accordance with the provisions of the Resolution which shall equal the Reserve Account Requirement for the 1996 Bonds. No further payments are required to be made into the Reserve Account as long as the amount on deposit therein shall equal the Reserve Account Requirement for the Bonds outstanding. The Resolution requires the Reserve Account Requirement to be funded upon the issuance of Additional Bonds. The Reserve Account Requirement means, as of any date of calculation, an amount equal to the lesser of (i) the Maximum Debt Service Requirement, (ii) 125% of the average annual Debt Service Requirement, or (iii) 10% of the initial proceeds of all Bonds.

Application has been made to the MBIA Insurance Corporation (the "Insurer") for a commitment to issue a Reserve Account Insurance Policy. The Reserve Account Insurance Policy will provide that upon notice from the Paying Agent to the Insurer to the effect that insufficient amounts are on deposit in the Reserve Account to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the 1996 Bonds, the Insurer will promptly deposit with the Paying Agent an amount sufficient to pay the principal of and interest on the 1996 Bonds or the available amount of the Reserve Account Insurance Policy, whichever is less. Upon the later of: (i) three (3) days after receipt by the Insurer of a Demand for Payment in the form attached to the Reserve Account Insurance Policy, duly executed by the Paying Agent; or (ii) the payment date of the 1996 Bonds as specified in the Demand for Payment presented by the Paying Agent to the Insurer, the Insurer will make a deposit of funds in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts which are then due to the Paying Agent (as specified in the Demand for Payment) subject to the available amount of the Reserve Account Insurance Policy.

The available amount of the Reserve Account Insurance Policy is the initial face amount of the Reserve Account Insurance Policy less the amount of any previous deposits by the Insurer with the Paying Agent which have not been reimbursed by the County. The County and the Insurer have entered into a Financial Guaranty Agreement (the "Agreement"), pursuant to which the County is required to reimburse the Insurer within one year of any deposit, the amount of such deposit made by the Insurer with the Paying Agent under the Reserve Account Insurance Policy. Such reimbursement shall be made only from Pledged Funds and after all required deposits to the Operation and Maintenance Fund and Debt Service Fund have been made.

Under the terms of the Agreement, the County is required to reimburse the Insurer, with interest, until the face amount of the Reserve Account Insurance Policy is reinstated. No optional redemption of 1996 Bonds may be made until the Insurer's Reserve Account Insurance Policy is reinstated. The Reserve Account Insurance Policy will be held by the Paying Agent in the Reserve Account and is provided as an alternative to the County depositing funds equal to the Debt Service Requirement for outstanding 1996 Bonds. The Reserve Account Insurance Policy will be issued in the

face amount equal to Reserve Account Requirement for the 1996 Bonds, will be non-callable and the premium therefor will be fully paid by the County at the time of delivery of the 1996 Bonds.

Other Covenants

The County has covenanted in the Resolution to maintain the System in good condition and to operate the System in an efficient and economical manner. The County is required to adopt an annual budget and not to incur expenditures in excess of the amount provided in the budget without appropriate authorization from the governing body of the County. The County must keep books and records of the receipt of the Pledged Funds in accordance with generally accepted accounting principles. Within 180 days of the close of each Fiscal Year it must file a statement concerning the amount of the Pledged Funds received, the total amounts deposited to the credit of each fund and account created under the Resolution and the amounts on deposit in such funds and accounts, and other matters as provided in the Resolution. An annual audit by an independent firm of certified public accountants is required of the financial statements of the County.

The County also irrevocably covenants not to sell, lease, encumber or in any manner dispose of any facilities of the System except as provided in the Resolution, until all of the Bonds and all interest thereon shall have been paid in full or provision for payment shall have been made. The County is also required to carry such insurance as is ordinarily carried by private or public corporations owning and operating water and sewer facilities similar to the System in such amounts as the County shall determine to be sufficient. The property loss or damage insurance is required at all times to be equal to the fair appraisal value of the buildings, furniture, fixtures and equipment of the System.

Additional Bonds

Additional Bonds, payable from the Pledged Funds on a parity with the 1996 Bonds, the Parity Bonds and all other Bonds, may be issued for the purpose of financing the Cost of an Additional Project, or the completion thereof, or refunding any or all Outstanding Bonds or of any Subordinated Indebtedness of the County. No Additional Bonds may be issued unless the requirements of the Resolution have been met. See Section 5.02 of the Resolution in Appendix D hereof.

No Pledge of Credit or Taxing Power

The 1996 Bonds shall not be or constitute general obligations or indebtedness of the County as "bonds" within the meaning of any constitutional or statutory provision, but shall be special obligations of the County, payable solely from and secured by a lien upon and pledge of the Pledged Funds in accordance with the terms of the Resolution. No owner of any 1996 Bond shall ever have the right to compel the exercise of the ad valorem taxing power of the County to pay such 1996 Bond or be entitled to payment of such 1996 Bond from any moneys of the County except the Pledged Funds in the manner provided in the Resolution.

MUNICIPAL BOND INSURANCE

Concurrently with the issuance of the 1996 Bonds, the Insurer will issue its municipal bond insurance policy for the 1996 Bonds. A specimen of the Policy is contained herein as Appendix G. The information under this heading has been provided by the Insurer.

The Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the County to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant

to a mandatory sinking fund payment) and interest on, the 1996 Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any 1996 Bond. The Insurer's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Insurer's policy also does not insure against nonpayment of principal of or interest on the 1996 Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the 1996 Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of a 1996 Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such 1996 Bonds or presentment of such other proof of ownership of the 1996 Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the 1996 Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the 1996 Bonds in any legal proceeding related to payment of insured amounts on the 1996 Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

The Insurer, formerly known as Municipal Bond Investors Assurance Corporation, is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company. MBIA Inc. is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has one European branch in the Republic of France.

As of September 30, 1995 the Insurer had admitted assets of \$3.7 billion (unaudited), total liabilities of \$2.5 billion (unaudited), and total capital and surplus of \$1.2 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 1994, the Insurer had admitted assets of \$3.4 billion (audited), total liabilities of \$2.3 billion (audited), and total capital and surplus of \$1.1 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. All information regarding the Insurer, a wholly owned subsidiary of MBIA Inc., including the financial statements of the Insurer for the year ended December 31, 1994 prepared in

accordance with generally accepted accounting principals, included in the Annual Report on Form 10-K of MBIA Inc. for the year ended December 31, 1994 is hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof. Any statement contained in a document incorporated by reference herein shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Furthermore, copies of the Insurer's year end financial statements prepared in accordance with statutory accounting practices are available from the Insurer. A copy of the Annual Report on Form 10-K of MBIA Inc. is available from the Insurer or the Securities and Exchange Commission. The address of the Insurer is 113 King Street, Armonk, New York 10504.

Moody's Investors Service rates the claims paying ability of the Insurer "AAA."

Standard & Poor's Rating Group, a division of The McGraw Hill Companies, Inc., rates the claims paying ability of the Insurer "AAA."

Fitch Investors Service, L.P., rates the claims paying ability of the Insurer "AAA."

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the 1996 Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the 1996 Bonds. The Insurer does not guaranty the market price of the 1996 Bonds nor does it guaranty that the ratings on the 1996 Bonds will not be revised or withdrawn.

The insurance provided by this Policy is not covered by the Florida Insurance Guaranty Association created under Chapter 631, Florida Statutes.

SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the 1996 Bonds, together with other moneys of the County, are expected to be applied as described below:

Sources:

Principal Amount of 1996 Bonds	\$
Less: Original Issue Discount	()
Transfer from Debt Service Fund for Refunded Bonds	
Accrued Interest on the 1996 Bonds	_____
Total Sources:	\$ _____

Uses:

Deposit to Escrow for Refunded Bonds	\$
Deposit to Construction Fund	
Deposit to Interest Account ¹	
Underwriter's Discount	
Cost of Issuance (including bond insurance and Reserve Account Insurance Policy premiums)	_____
Total Uses:	\$ _____

¹ Includes \$_____ of capitalized interest and \$_____ of accrued interest.

DEBT SERVICE SCHEDULE

The following table sets forth the debt service schedule for the 1996 Bonds and the Parity Bonds.

Bond Year Ending June 1,	1996 Bonds			Parity Bonds Debt Service ¹	Aggregate Debt Service
	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>		
1996	\$	\$ ²	\$	\$ 2,149,160.00	\$
1997				2,860,550.00	
1998				2,481,915.00	
1999				2,481,270.00	
2000				2,115,492.50	
2001				2,111,372.50	
2002				2,603,140.00	
2003				2,602,650.00	
2004				2,605,200.00	
2005				2,601,800.00	
2006				2,602,450.00	
2007				2,601,450.00	
2008				2,603,450.00	
2009				2,597,850.00	
2010				2,489,650.00	
2011				2,482,400.00	
2012				3,625,000.00	
2013				3,625,000.00	
2014				3,625,000.00	
2015				3,625,000.00	
2016				3,625,000.00	
2017				3,625,000.00	
2018				3,625,000.00	
2019				3,625,000.00	
2020				3,625,000.00	
2021				3,625,000.00	
2022					
2023					
2024					
2025					
2026					
Totals	\$	\$	\$	\$76,239,800.00	\$

¹ Giving effect to the refunding of the Refunded Bonds.

² Includes \$_____ of accrued interest.

HISTORICAL AND PROJECTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE

The following tables show historical and projected revenues, expenses and debt service coverage for the System. The Consulting Engineer's Report contains more detailed historical information on the

System. The information is derived from the Consulting Engineer's Report which appears as Appendix A hereto. As shown below, for the County's Fiscal Year ended September 30, 1994, Net Revenues, not taking into account Connection Charges, were 109% of the Debt Service Requirement, rather than the 110% or more as required by the Resolution. The County initiated a rate study as required by Section 5.07 of the Resolution. However, the County later determined that the coverage deficiency was the direct result of a large non-recurring operating expenditure. The Resolution contemplates only curative actions involving rate increases. After careful analysis, the County determined that a rate increase was not necessary under the circumstances. Instead, the County acted to control costs and to broaden the customer base.

ST. JOHNS COUNTY
HISTORICAL DEBT SERVICE COVERAGE
COMBINED WATER AND SEWER SYSTEM

	Historical Fiscal Years ¹				
	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Operating Revenues:					
Water Sales	\$3,208,930	\$4,351,822	\$4,441,396	\$4,606,793	\$4,853,009
Sewer Service Charges	1,738,662	2,603,790	2,610,901	2,718,816	2,949,274
Meter Installations (Tapping Fees)	111,748	125,000	105,393	122,241	168,830
Irrigation Water Sales	10,535	18,060	18,060	18,060	19,008
Other Revenue	<u>111,532</u>	<u>130,953</u>	<u>129,408</u>	<u>180,165</u>	<u>338,608</u>
Total Operating Revenue	\$5,181,407	\$7,229,625	\$7,305,158	\$7,646,075	\$8,328,729
Operating Expenses:					
Contractual Services	\$ 328,886	\$ 253,845	\$ 230,654	\$ 389,426	\$ 513,874
Salaries and Benefits	1,368,177	1,809,959	1,861,470	2,062,862	2,264,742
Other Operating Expenses	817,636	1,145,043	1,103,855	1,147,528	1,381,572
Maintenance	<u>824,140</u>	<u>386,480</u>	<u>535,883</u>	<u>619,860</u>	<u>682,174</u>
Total Operating Expenses	\$3,338,839	\$3,595,327	\$3,731,862	\$4,219,676	\$4,842,362
Net Operating Revenues	\$1,842,568	\$3,634,298	\$3,573,296	\$3,426,399	\$3,486,367
Non-Operating Revenues (Expenses)	<u>973,825</u>	<u>557,461</u>	<u>514,593</u>	<u>531,080</u>	<u>803,659</u>
Total Net Revenues	\$2,816,393	\$4,191,759	\$4,087,889	\$3,957,479	\$4,290,026
Pledged Unit Connection Fees ("UCF")	<u>529,364</u>	<u>2,042,807</u>	<u>2,096,627</u>	<u>2,043,475</u>	<u>2,043,475</u>
Total Net Revenues + UCF	\$3,345,757	\$6,234,566	\$6,184,516	\$6,000,954	\$6,333,501
Debt Service Requirement ¹	\$1,590,590	\$3,277,638	\$3,359,154	\$3,626,354	\$3,625,569
Debt Service Coverage - Net Revenue Only (1.10 X Coverage Required)	1.77	1.28	1.22	1.09	1.18
Debt Service Coverage - Net + UCF (1.20 X Coverage Required)	2.10	1.90	1.84	1.65	1.75
Revenue Net of Bonds	\$1,225,803	\$ 914,121	\$ 728,735	\$ 331,125	\$ 664,457
Annual Payment State Revolving Fund ("SRF") Loan	0	0	0	0	14,486
Debt Service Coverage - SRF Loan (1.15 X Coverage Required)					45.87
Annual Payment Subordinated Revenue Bond	\$0	\$ 118,756	\$ 153,228	\$ 183,234	\$ 186,614
Revenue Net of Annual Debt Service Payments	\$1,225,803	\$ 795,365	\$ 575,507	\$ 147,891	\$ 463,357

¹ Based on audited figures, except Operating Revenue and Expenses for Fiscal Year 1995 are based on unaudited actual numbers for the 12-month period.

ST. JOHNS COUNTY
PROJECTED DEBT SERVICE COVERAGE
COMBINED WATER AND SEWER SYSTEM

	Projected Fiscal Years ¹				
	1996	1997	1998	1999	2000
Operating Revenues:					
Water Sales	\$4,936,221	\$5,084,308	\$5,408,324	\$5,740,907	\$ 6,098,371
Sewer Service Charges	2,972,082	3,061,244	3,311,823	3,574,992	3,862,287
Meter Installations (Tapping Fees)	125,000	125,000	125,000	125,000	125,000
Irrigation Water Sales	20,000	20,000	20,000	20,000	20,000
Other Revenue	<u>314,950</u>	<u>314,950</u>	<u>314,950</u>	<u>314,950</u>	<u>314,950</u>
Total Operating Revenue	\$8,368,253	\$8,605,502	\$9,180,097	\$9,775,849	\$10,420,608
Operating Expenses:					
Contractual Services	\$ 524,205	\$ 545,173	\$ 566,980	\$ 589,659	\$ 613,246
Salaries and Benefits	2,399,156	2,503,362	2,603,414	2,707,466	2,815,677
Other Operating Expenses	1,197,514	1,277,309	1,384,501	1,495,795	1,615,495
Maintenance	<u>579,534</u>	<u>602,715</u>	<u>626,824</u>	<u>651,897</u>	<u>677,973</u>
Total Operating Expenses	\$4,700,409	\$4,928,559	\$ 5,181,719	\$ 5,444,818	\$ 5,722,390
Net Operating Revenues	\$3,667,844	\$3,676,943	\$ 3,998,378	\$ 4,331,031	\$ 4,698,218
Non-Operating Revenues (Expenses)	<u>690,000</u>	<u>625,000</u>	<u>575,000</u>	<u>550,000</u>	<u>550,000</u>
Total Net Revenues	\$4,357,844	\$4,301,943	\$ 4,573,378	\$ 4,881,031	\$ 5,248,218
Pledged Unit Connection Fees ("UCF")	<u>2,043,475</u>	<u>2,043,475</u>	<u>2,043,475</u>	<u>2,043,475</u>	<u>2,043,475</u>
Total Net Revenues + UCF	\$6,401,319	\$6,345,418	\$ 6,616,853	\$ 6,924,506	\$ 7,291,693
Debt Service Requirement ²	\$3,552,821	\$ 3,552,298	\$ 3,700,518	\$ 4,020,540	\$ 4,160,508
Debt Service Coverage - Net Revenue Only	1.23	1.21	1.24	1.21	1.26
Debt Service Coverage - Net + UCF	1.80	1.79	1.79	1.72	1.75
Revenue Net of Bonds	\$ 805,023	\$ 749,645	\$ 872,860	\$ 860,491	\$ 1,087,710
Annual Payment State Revolving Fund ("SRF") Loan	131,013	131,013	131,013	131,013	131,013
Debt Service Coverage - SRF Loan	6.14	5.72	6.66	6.57	8.30
Annual Payment Subordinated Revenue Bond	\$ 184,654	\$ 182,642	\$ 185,577	\$ 183,177	\$ 185,737
Revenue Net of Annual Debt Service Payments	\$ 489,356	\$ 435,990	\$ 556,270	\$ 546,301	\$ 770,960

¹ Fiscal Years 1996 through 2000 Water Sales and Sewer Service Charge Revenues are based on an estimated 3% cost of living increase. In addition, Water Sales and Sewer Service Charges include the estimated revenue from the NWUI service area, beginning in Fiscal Year 1998. NWUI Water Sales and Sewer Service Charge revenue is based on Tables 5 and 6 of the Consulting Engineers Report, with the number of units provided by the developer. Non-Operating Revenue (interest) was based on an estimate of the year end cash balances, with an estimated interest rate of 5%. Operating Expenses were based on the fiscal year 1996 budgeted expenses, increased annually by 4% for inflation. There was also an adjustment for the additional costs of operating the NWUI facilities.

² Debt service payments for the Parity Bonds are based on the amortization schedule for each issue adjusted to give effect to the refunding based upon preliminary information provided by Public Financial Management, Inc. Debt service payments for the 1996 Bonds are based upon preliminary debt service schedules provided by Public Financial Management, Inc. based on interest rates from 3.35% to 5.45%.

THE SYSTEM

The System includes the complete water and sewer facilities now owned, operated and maintained by the County and all other water and sewer facilities hereafter acquired and operated by the County which are expressly declared by a resolution of the governing body of the County to be part of the System. In addition to water and sewer service provided by the County, under an agreement with the County, the City of St. Augustine (the "City") provides some water and sewer services in portions of the incorporated area of the County located near the City. Certain areas of the County outside of the City are served by private utilities.

Service Area

The various stages of development of the System have resulted in four distinct service areas. The mainland utility system ("MUS") includes both the State Road 207 service area and the I-95/State Road 16 service area. The former is bounded generally by the existing City service area on the northeast, the Matanzas River on the east, the State Road 206 corridor on the south, the Interstate 95 corridor on the west, and the FEC Railway on the north. The latter is located in the I-95/State Road 16 interchange area, extending eastward along State Road 16 to the St. Johns River Community College site at the City limits of the City. The Anastasia Island ("AI") service area is situated on an Atlantic coastal barrier island, east of the Intracoastal Waterway along the coast of the County, including 7.7 square miles which are developed or developable. The AI service area also includes a segment of Rattlesnake Island, approximately 2.5 miles in length, south of the Matanzas Inlet along State Road A1A. The St. Augustine Shores ("SAS") service area is bounded on the west by U.S. Highway 1, on the east by the Matanzas River and on the north by Moultrie Creek. Figures 2 and 3 of the Consulting Engineer's Report depict the service areas.

Upon acquisition and completion of the Project, the System service area will also include the Northwest Utilities I ("NWUI") service area, as shown in Figures 2 and 3 of the Consulting Engineer's Report. The System also includes two minor service areas within the County--Harmony Village and Eagle Creek.

Water System

Water Supply. The System contains seven shallow wells in the Tillman Ridge wellfield, each with a capacity of 300 gallons per minute ("gpm") or 0.432 million gallons per day ("mgd"). That wellfield has a safe yield withdrawal capacity of 5 mgd. The System also includes two deep wells located at the Tillman Ridge water treatment plant which draw from the Floridan aquifer at a combined rate of 2,400 gpm or 3.46 mgd. Only one of the deep wells is currently operational; the second one can be activated by adding mechanical equipment. The shallow well raw water and deep well raw water are blended prior to treatment in not less than a 1:1 ratio to reduce the mineral content to a level treatable by lime softening.

Water Treatment. The System's Tillman Ridge water treatment plant (completed in 1990) has a rated capacity of 7.0 mgd. This facility provides potable water service to the System's current service areas. This treatment plant utilizes tray aeration followed by lime softening and filtration.

Storage. The MUS service area consists of 1.0 million gallons ground storage at the previous Shore Drive water treatment plant, a 1.5 million gallon storage reservoir at the Tillman Ridge water treatment plant, and a 0.3 million gallon elevated tank at the I-95/State Road 16 interchange. The AI

service area provides storage by a 1.5 million gallon ground storage facility at the former 16th Street plant site, a 0.5 million gallon ground storage reservoir at Pope Road, and a 1.0 million gallon storage tank at Magnolia Avenue and State Road A1A. The SAS service area provides storage in a 1.0 million gallon ground storage reservoir at Domenico Circle, a 0.5 million gallon ground storage reservoir at Alhambra Drive, and a 0.15 million gallon elevated tank at Wildwood Drive and U.S. Highway 1.

Transmission and Distribution. The finished water transmission system in the MUS (SR207) service area consists of mains running southward along U.S. Highway 1 to south of Wildwood Drive, Old Moultrie Road to Dobbs Road, Dobbs Road to State Road 207, and State Road 207 to I-95. Transmission lines were recently constructed to extend and loop the existing transmission system lines. Water distribution in the MUS (SR207) service area consists of pipeline eight inches and smaller, along with related valves and hydrants, principally in the south St. Augustine area.

The finished water transmission system in the MUS (SR16) service area consists of mains extending from the Tillman Ridge water treatment plant to State Road 16, westerly along State Road 16 in the I-95 interchange area, then easterly to the city limits of the City. The water distribution system for this service area consists of eight inch and twelve inch pipeline, along with related valves and hydrants in the I-95/SR16 interchange area and on the north side of State Road 16 going eastward from the I-95/State Road 16 interchange.

The finished water transmission system for the AI service area consists of a 10-inch pipeline from the Shore Drive storage facility to State Road 312, which connects the AI and MUS service areas. A booster pump station serves to increase the main's hydraulic capacity. There is also a 20-inch finished water transmission main from Shore Drive, to yard piping at the former AI water treatment plant on 16th Street. Such pipeline includes a subaqueous crossing and buried pipeline at either end of the crossing. Finished water transmission also includes mains extending southerly along State Road 3, Old Beach Road, and State Road A1A from Pope Road to the Magnolia Avenue storage tank and pump station. The main travel southerly from that point along State Road A1A to south of the Matanzas Inlet. The water distribution system in the AI service area consists of approximately 140,000 linear feet of pipeline 16 inches and smaller, along with related valves and hydrants.

The finished water transmission system in the SAS service area consists of a 10-inch main interconnecting this service area to the MUS service area along U.S. Highway 1. The water distribution system consists of approximately 181,000 linear feet of four-inch through eighteen-inch mains.

There is sufficient pressure in all four service areas of the System to meet demand.

Wastewater System

A 4.0 mgd wastewater treatment plant is located in the AI service area on 16th Street. It consists of secondary treatment with a fine-bubble diffused air, complete mix, activated sludge system, secondary clarification, chlorination, and de-chlorination. Effluent is disposed of by surface water discharge to the Matanzas River through 27-inch outfall pipeline or by spray irrigation at the private Marsh Creek golf course. Filtration and high-level disinfection treatment is added to the flow routed to the golf course, with a service capacity of 0.6 mgd. The sludge treatment process consists of gravity thickeners and a belt filter press with disposal at land application sites in adjacent Flagler County. The County contracted in June, 1995 with Wheelabrator Clean Water Systems, Inc. to remove, transport and land-apply sludge from the AI wastewater treatment plant site. The sludge is stabilized with lime at a Bio-Gro site prior to land application. Wheelabrator Clean Water Systems, Inc. is responsible for

providing permitted sites for a minimum of 1,350 wet tons of sludge annually. Wet weather as well as additional effluent capacity are met by surface water discharge (3.2 mgd maximum). The AI service area collection system includes a major transmission force main of 12-inches along with two major pump stations. Additional pump stations and transmission force mains as well as approximately 3,000 linear feet of 27-inch gravity trunk main complete the collection system.

The MUS (SR207) wastewater treatment plant is a 0.250 mgd extended aeration activated sludge facility which includes flow equalization, aeration, secondary clarification, fine-media filtration, and chlorination. Effluent disposal is by spray irrigation to the County-owned Cypress Lakes golf course. Wet weather storage is met with a 1.00 million gallon concrete effluent storage tank. The plant also includes effluent pump facilities and a pipeline to the golf course site. Capacity at this plant is currently limited to 0.125 mgd, due to effluent disposal constraints at the golf course. The County plans to increase effluent disposal capacity with the addition of wetlands disposal; the cost is budgeted in the CIP plan. Transmission facilities extend from the treatment plant site to State Road 207 service area and consist of approximately 15,800 linear feet of 16-inch pipe, 11,700 linear feet of 10-inch pipe, and a wastewater pump station. Additionally, 5,000 linear feet of 10-inch force main were installed from South Park to Dobbs Road.

The MUS (SR16) wastewater treatment plant is a 0.5 mgd facility with advanced wastewater treatment utilizing a Modified Ludzak-Ettinger biological treatment process with deep-bed denitrification filters, chemical addition for phosphorous removal, chlorination and dechlorination. Effluent disposal is to an integrated existing and man-made wetlands area near the treatment plant conveyed by an effluent pump station and pipeline. A pump station/transmissions system services this service area. One pump station has a combined pump capacity (two pumps) of 600 gpm. The other pump station has a combined pump capacity (two pumps) of 740 gpm. The transmission pipeline consists of 4-inch, 8-inch, 10-inch and 12-inch force mains. The above transmission system consists of approximately 26,150 linear feet of pipeline. The collection system includes pipe size ranging from eight to 15 inches with approximately 7,340 linear feet of pipeline.

The SAS service area includes wastewater treatment facilities consisting of a wastewater treatment plant, percolation/evaporation ponds, spray irrigation pipeline and pump station, and transmission and collection systems. The wastewater treatment plant is a 0.5 mgd contact stabilization activated sludge wastewater treatment plant with tertiary filtration and high level disinfection. Sludge handling is accomplished by wasting to a sludge holding basin from which it is hauled to the Anastasia Island wastewater treatment plant for further treatment and disposal. The effluent from the filters enters three percolation ponds. Effluent from the ponds either goes to a nearby golf course for spray irrigation or is designed to percolate into the ground. However, percolation does not occur; and a discharge to Moses Creek results through a pond emergency overflow. The discharge constitutes a violation because it was not permitted. The Florida Department of Environmental Protection has instructed the County to either apply for a NPDES permit or eliminate the discharge. Due to the condition of the SAS wastewater treatment plant and the availability of treatment capacity at the Anastasia Island wastewater treatment plant, it was considered more cost effective to transmit the flow to the AI wastewater treatment plant. Final designs have been completed for a transmission/pump station system to connect the SAS wastewater treatment system to the AI wastewater treatment system. Once construction is completed (which is expected in approximately September, 1996), the SAS wastewater treatment plant will be abandoned. The existing transmission/collection system in the AI service area consists of over 23 miles of 8-inch and 10-inch gravity sewers, 24 lift stations, and over eight miles of force main.

Largest Customers

Set below are the ten largest utility customers of the System for the Fiscal Year ended September 30, 1995.

<u>Customer</u>	<u>Type</u>	<u>Amount Billed</u>	<u>Percentage of Water and Sewer Billing</u>
Ocean Gallery	Condo	\$234,523	3.00
St. Augustine Ocean & Racquet Club	Condo	124,421	1.59
Summerhouse Condo	Condo	119,428	1.53
Ocean Village Club	Condo	90,262	1.15
St. Augustine Beach Holiday Inn	Hotel/Motel	79,568	1.02
Four Winds Condo	Condo	79,478	1.02
Ocean Villas Condo	Condo	65,845	0.84
Colony Reef Club	Condo	62,995	0.81
Paradise Beach Resort	Condo	61,159	0.78
Sea Place Condo	Condo	60,958	0.78

The ten largest customers together represent less than 13% of the total water and sewer billing, and no single customer represents more than 3% of the total water and sewer billing.

Mandatory Connection

All new construction within the System's service areas is required to connect to the System when such facilities are available. Availability in general is defined as a service line within 200 feet of the property line for water service and a gravity line within 100 feet of the property line for wastewater service.

Billing and Collection

The County's Utilities Department is responsible for customer billings and collections. Meters are read and billed on a monthly basis. Automated meter reading devices are currently operational for 90% of the meter inventory. This has helped keep the annual write-off percentage to below .6% by allowing a quicker turnaround in the billing and collection process. The delinquency collection procedure begins with a formal notification 10 days after a second monthly bill has become due and

payable. If the payment is not received at this time, the meter is pulled, with the account being closed 30 days thereafter and within another 30 days referred for collection.

Regulation

The United States Environmental Protection Agency ("EPA") and the Florida Department of Environmental Protection ("FDEP") promulgate various regulations governing operation of the System. The wastewater treatment plant for the SAS service area is in violation of regulatory requirements. As stated above under the caption Wastewater System, the County is designing a method to eliminate this discharge. The Consulting Engineer's Report indicates that no fines or penalties have been levied for this discharge nor are any anticipated to be levied, due to the inherited nature of the problem.

Apart from that violation, the System is not facing any EPA or FDEP mandated schedule for elimination of discharges, or any wastewater-related administrative orders or consent decree decisions. The System is currently in compliance with all applicable regulations relating to water quality. The System's consumptive use permit expires on September 11, 1996; no problems are expected in the renewal process. The MUS wastewater treatment plant at State Road 207 has a permit which expires on December 17, 1995. Renewal of this permit is expected. A more detailed statement of the status of permits held by the System is contained in the Consulting Engineer's Report.

Capital Improvement Program

The System's capital improvement program (other than the Project) includes several major projects to be financed through a combination of unit connection fees and user fees. These projects include a new water storage tank, the addition of a new water transmission pipeline, and effluent disposal expansion for the MUS (SR207) wastewater treatment plant.

Conclusions of the Consulting Engineer

The Consulting Engineer reached the following conclusions in its report:

- a. The NWUI service area project is both feasible and sound and is designed in accordance with accepted engineering standards using proven technology.
- b. The existing St. Johns County Utilities Department management and staff are well qualified to operate the water and sewer systems.
- c. Both the water and sewer systems have been well operated and maintained.
- d. Upon completion of construction of the Project, it is reasonable to expect that operating permits will be obtained.
- e. The projection of revenues and expenses has been analyzed in detail and is reasonable for the System. Adequate coverage is provided by system-wide revenues for the 1996 Bond as well as outstanding Parity Bond requirements through 1999 based on the rate schedule provided in Table 10 of the Consulting Engineer's Report as well as the continuance of an annual consumer price index increase. The effect on operating revenues, should there be no revenue generated in the NWUI service area, would be the need to increase the utility

rates by 4.9 percent, rather than by the estimated annual consumer price index increase of three percent.

THE PROJECT

The Project involves constructing facilities to provide water, wastewater and reuse facilities to a new service area--the NWUI service area located at the I-95/International Golf Parkway interchange. The proposed facilities include an interconnection for raw wastewater transmission from the NWUI service area to the MUS (SR16) wastewater treatment plant, an effluent reuse pipeline from the MUS (SR16) wastewater treatment plant back to the NWUI service area, and on-site water treatment plant and on-site water, wastewater and reuse transmission systems. The proposed facilities for the water system include a 1.4 mgd water treatment plant providing treatment by aeration and chlorination, and ground storage of treated water, 28,350 linear feet of water transmission pipeline (6-inch through 16-inch), an irrigation system of 15,000 linear feet of pipeline (6-inch), and a pump station for potable water and fire protection consisting of four pumps with 60 psi residual pressure. All of these facilities would be on-site. The proposed facilities for the wastewater system include 47,300 linear feet of raw wastewater transmission pipeline (12-inch), 52,000 linear feet of effluent reuse pipeline (8-inch), a wastewater master pump station consisting of four pumps with 1,360 total gpm capacity, effluent reuse pipe, 25,850 linear feet of raw wastewater transmission pipeline (4-inch through 14-inch), and three wastewater master pump stations consisting of pumps with 150 and 250 gpm capacity plus one master pump station. These improvements would be both off-site and on-site, as more particularly detailed in the Consulting Engineer's Report. The estimated cost of these improvements is approximately \$7,501,799; the Consulting Engineer's Report details the elements comprising this total.

The NWUI service area is planned for both commercial and residential customers. It has been designed in phases, with the phase I development designed for a water flow demand of approximately 0.710 mgd. Wastewater demand is projected to be 0.4 mgd for Phase I.

The extension of the System to the NWUI service area is prompted by plans to develop a World Golf Village which would include the only professional golf hall of fame facility in the United States recognized by the PGA Tour, Inc., a hotel and related convention center, golf courses and other development. The Project is in furtherance of the County's policy to be the ultimate provider of water and sewer utilities for new development in the County. Where possible, the County intends to provide such utility service prior to another utility being established in conjunction with new development. The County expects to issue bonds in an amount of not to exceed \$18,000,000 to finance the convention center. The Circuit Court for the County has validated these bonds, and the Supreme Court of Florida by unanimous decision has affirmed such validation by an opinion rendered on February 15, 1996. One or more citizens have threatened to file other legal proceedings relating to the County's involvement in the convention center financing. Such efforts could result in a delay of the development in the area, which, in turn, could delay the receipt by the County of revenues from the extension of the System to the NWUI service area. The consulting engineer's report indicates that such circumstances would result in somewhat higher rates being required of other users of the System.

LEGAL MATTERS

Certain legal matters in connection with the authorization, issuance and sale of the 1996 Bonds are subject to the approval of Foley & Lardner, Jacksonville, Florida, Bond Counsel, the form of whose

approving opinion is attached hereto as Appendix F. Certain legal matters will be passed upon for the County by James G. Sisco, Esquire, St. Augustine, Florida, Attorney for the County, and for the Underwriter by its counsel, Rogers, Towers, Bailey, Jones & Gay, Jacksonville, Florida.

LITIGATION

On June 13, 1995, the County passed its Resolution No. 95-117 providing for the issuance by the County of not exceeding \$18,000,000 in aggregate principal amount of taxable convention center revenue bonds (the "Convention Center Bonds") to finance the acquisition of a County- owned convention center to be constructed within the NWUI service area. The County understands that the development scheduled for the NWUI service area depends in part upon the acquisition and successful operation of the convention center. The Convention Center Bonds were validated on July 18, 1995 by final judgment of the Circuit Court of the Seventh Judicial Circuit in and for St. Johns County, Florida and affirmed by a unanimous decision of the Supreme Court of Florida rendered on February 15, 1996. The time for filing a motion for rehearing expires on February 26, 1996, and if no such motion is filed, the decision is final. In addition, one or more citizens have threatened to sue the County in federal court to halt the County's acquisition of the convention center.

The County is the defendant in many lawsuits, most of which are being defended by the County's insurance carrier. Several lawsuits seek damages that significantly exceed the County's policy limits. In addition, the County has been threatened with a multimillion dollar lawsuit by the owner of an adult entertainment establishment for damages that the establishment alleges to have incurred by reason of the County's enactment of an allegedly unconstitutional anti-public nudity ordinance. The County's insurance carrier has advised the County that it will not defend or provide insurance coverage to the County in the event such lawsuit is filed. The constitutionality of the ordinance was recently upheld by the United States Court of Appeals for the Eleventh Circuit. On February 15, 1996, the entertainment establishment appealed the decision to the United States Supreme Court.

Other than as described in the preceding paragraphs, in the opinion of the County Attorney there are no legal proceedings pending or threatened which may materially adversely affect the County's ability to perform its obligations to the owners of the 1996 Bonds. Further, in his opinion, there is no litigation or controversy of any nature now pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the 1996 Bonds or in any way contesting the validity of the 1996 Bonds or any proceedings of the County taken with respect to the authorization, sale, or issuance of the 1996 Bonds or the pledge or application of any moneys provided for the payment of the 1996 Bonds.

TAX MATTERS

Federal Tax Matters

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the 1996 Bonds, including investment restrictions, a requirement of periodic payments of arbitrage profits to the United States, requirements regarding the use of bond proceeds and the facilities financed therewith, and certain other matters. The County has covenanted to use its best efforts to comply with all requirements of the Code that must be satisfied in order for the interest on the 1996 Bonds to be excluded from gross income for federal income tax

purposes. Failure to comply with certain of such requirements could cause interest on the 1996 Bonds to be included in gross income retroactive to the date of issuance of the 1996 Bonds.

Subject to the condition that the County comply with the pertinent requirements of the Code, under existing law, in the opinion of Bond Counsel, interest on the 1996 Bonds will be excluded from the gross income of the owners thereof for federal income tax purposes and will not be treated as an item of tax preference in computing the alternative minimum tax for individuals and corporations. Reference is made to a proposed form of the Bond Counsel opinion attached hereto as Appendix F for the complete text thereof.

In rendering the opinion, Bond Counsel will rely upon certificates of the County with respect to certain material facts relating to the property financed with the proceeds of the 1996 Bonds and the application of the proceeds of the 1996 Bonds.

The Code contains numerous provisions which could affect the economic value of the 1996 Bonds to certain owners of the 1996 Bonds. The following is a brief summary of some of the significant provisions that may be applicable to particular owners of the 1996 Bonds. Prospective owners of the 1996 Bonds, however, should consult their own tax advisors with respect to the impact of such provision on their own tax situations.

The 1996 Bonds will not be "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. Interest on indebtedness incurred or continued to purchase or carry the 1996 Bonds or, in the case of banks and certain other financial institutions, interest expense allocable to interest on the 1996 Bonds, will not be deductible for federal income tax purposes.

Insurance companies (other than life insurance companies) are required for taxable years beginning after 1986 to reduce the amount of their deductible underwriting losses by 15% of the amount of tax-exempt interest received or accrued on certain obligations, including the 1996 Bonds, acquired after August 7, 1986. If the amount of this reduction exceeds the amount otherwise deductible as losses incurred, such excess may be includable in income. Life insurance companies are subject to similar provisions under which taxable income is increased by reason of receipt or accrual of tax-exempt interest, such as interest on the 1996 Bonds.

Interest on the 1996 Bonds must be included in the "adjusted current earnings" of corporations (other than S corporations, regulated investment companies, real estate investment trusts, and REMICs), and such corporations are required to include in their calculation of alternative minimum taxable income 75% of the excess of adjusted current earnings over alternative minimum taxable income (determined with regard to this adjustment and prior to reduction of certain net operating losses).

An environmental tax is imposed on corporations (other than S corporations, regulated investment companies, real estate investment trusts, and REMICS) by Section 59A of the Code. The amount of the environmental tax is equal to 0.12% of the excess of the alternative minimum taxable income (determined without regard to net operating losses and the deduction for the environmental tax) over \$2 million. The environmental tax may be imposed even if the corporation pays no alternative minimum tax because the corporation's regular income tax liability exceeds its alternative minimum tax liability. For purposes of the environmental tax, alternative minimum taxable income includes interest on tax-exempt obligations, such as the 1996 Bonds, to the same extent and in the same manner as such interest is included in alternative minimum taxable income as described in the preceding paragraph.

Certain recipients of social security benefits and railroad retirement benefits are required to include a portion of such benefits in gross income by reason of the receipt or accrual of interest on tax-exempt obligations, such as the 1996 Bonds.

For foreign corporations that operate branches in the United States, Section 884 of the Code imposes a branch level tax on certain earnings and profits in the tax years beginning after 1986. Interest on tax-exempt obligations, such as the 1996 Bonds, may be included in the determination of such domestic branches' taxable base on which this tax is imposed.

Passive investment income, including interest on the 1996 Bonds, may be subject to federal income taxation under Section 1375 of the Code for S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of the S corporation consists of passive investment income.

Florida Tax Matters

It is also the opinion of Bond Counsel that, under existing law, the 1996 Bonds and the interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes on interest, income or profits on debt obligations owned by corporations, as defined in Chapter 220, Florida Statutes, as amended.

Original Issue Discount

In the opinion of Bond Counsel, under existing law, the original issue discount in the selling price of each 1996 Bond maturing in _____ (the "Discount Bonds"), to the extent properly allocable to each owner of a Discount Bond, is excluded from gross income for federal income tax purposes to the same extent that any interest payable on such Discount Bond is or would be excluded from gross income for federal income tax purposes. The original issue discount is the excess of the stated redemption price at maturity of such Discount Bond over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Discount Bonds were sold (the "issue price").

Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound interest basis. The amount of original issue discount that accrues to an owner of a Discount Bond during any accrual period generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of each accrual period), less (iii) any interest payable on such Discount Bond during such accrual period.

The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, and will increase the owner's tax basis in such Discount Bond. The adjusted tax basis in a Discount Bond will be used to determine taxable gain or loss upon a disposition (*e.g.*, sale, exchange, redemption, or payment at maturity) of such Discount Bond.

If a Discount Bond is purchased for a cost that exceeds the sum of the issue price plus accrued interest and accrued original issue discount, the amount of original issue discount that is deemed to

accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Discount Bond.

As described above regarding tax-exempt interest, a portion of the original issue discount that accrues in each year to an owner of a Discount Bond may result in certain collateral federal income tax consequences. In the case of a corporation, such portion of the original issue discount will be included in the calculation of the corporation's alternative minimum tax liability, the environmental tax liability and the branch profits tax liability. Corporate owners of any Discount Bonds should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, an environmental tax liability or a branch profits tax liability although the owners of such Discount Bonds will not receive a corresponding cash payment until a later year.

Owners of Discount Bonds who did not purchase such Discount Bonds in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of owning such Discount Bonds.

Owners of such Discount Bonds should consult their own tax advisors with respect to state and local tax consequences of the Discount Bonds. It is possible that under the applicable provisions governing the determination of state and local income taxes, accrued original issue discount on the Discount Bonds may be deemed to be received in the year of accrual, even though there will not be a corresponding cash payment until a later year.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of (i) the mathematical computation of the adequacy of the Federal Securities to be held under the Escrow Deposit Agreement to pay, when due or when called for redemption, the principal of, premium and interest on the Refunded Bonds, and (ii) the mathematical computations supporting the conclusion that the 1996 Bonds are not "arbitrage bonds" under Section 148 of the Code will be verified for the County by Deloitte & Touche, LLP. Such verification of mathematical accuracy and mathematical computations will be based upon information supplied by William R. Hough & Co. to the County.

RATINGS

Moody's Investors Service and Standard & Poor's Ratings Group have assigned their municipal bond ratings of "___" and "___," respectively, to the 1996 Bonds with the understanding that upon delivery of the 1996 Bonds, a policy insuring the payment when due of the principal of and interest on the 1996 Bonds will be issued by the Insurer. Such ratings reflect the views of the respective rating agencies, and an explanation of the significance of such ratings may be obtained only from the rating agencies. There is no assurance that such ratings will be in effect for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, if, in the judgment of the agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect upon the market price of the 1996 Bonds.

UNDERWRITING

William R. Hough & Co., (the "Underwriter") has agreed, subject to certain customary conditions to closing, to purchase the 1996 Bonds from the County at par less an aggregate underwriting discount of \$_____ and an original issue discount of \$_____. The Underwriter will be obligated to purchase all of the 1996 Bonds if any such 1996 Bonds are purchased. The public offering prices may be changed, from time to time, by the Underwriter.

FINANCIAL ADVISOR

The County has retained Public Financial Management, Inc., Fort Myers, Florida, as Financial Advisor (the "Financial Advisor") in connection with preparation of the County's plan of financing and with respect to the authorization and issuance of the 1996 Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement. Public Financial Management, Inc. is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading of municipal securities or any other negotiable instruments.

ANNUAL FINANCIAL REPORT

The Component Unit Financial Statements of the Board of County Commissioners of the County for the Fiscal Year ended September 30, 1995, reproduced herein as Appendix C, are integral parts of this Official Statement. Copies of the Financial Statements and the report of the auditors are available from the Finance Director upon request. The security for the 1996 Bonds is limited to the Pledged Funds as described under "AUTHORITY AND SECURITY FOR THE 1996 BONDS."

INVESTMENT POLICIES

The County has detailed written investment policies which it follows. The principal investment objectives of the County are to achieve safety, liquidity, and yield, in that priority.

CONTINUING DISCLOSURE

The County has covenanted in the Resolution to provide certain financial information and operating data relating to the County by not later than 270 days following the end of the County's Fiscal Year (which currently ends September 30) (the "Annual Report"), commencing with the report for the Fiscal Year ending 1996, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the County with each nationally recognized municipal securities information repository and with the appropriate state information depository, if any (the "State Depository"), designated as such by the State of Florida for purposes of Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The notices of material events will be filed by the County with (i) each nationally recognized municipal securities information repository or the Municipal Securities Rulemaking Board and (ii) the State Depository. The specific nature of the information to be contained in the Annual

Report and the notices of material events is summarized in "APPENDIX E - Summary of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with the Rule.

MISCELLANEOUS

All information included herein has been provided by the County, except where attributed to other sources. The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such reference or summary is qualified in its entirety by reference to each such document, statute, report or other instrument. The information herein has been compiled from official and other sources and, while not guaranteed by the County, is believed to be correct. So far as any statements made in the Official Statement and the Appendices attached hereto involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

Florida law provides for the exemption from registration of certain government securities (including the 1996 Bonds), provided that, if the issuer thereof has been in default at any time after December 31, 1975 as to principal or interest on any obligation, its securities may not be offered or sold in Florida pursuant to this exemption except by means of an offering circular containing a full and fair disclosure of such defaults, as prescribed by rules of the Florida Department of Banking and Finance (the "Department"). Under the rules of the Department, the prescribed disclosure is not required if the information is not an appropriate disclosure because such information would not be considered material by a reasonable investor. The County is not and has not been in default as to principal and interest on non-conduit bonds or other non-conduit debt obligations which it has issued or guaranteed. Although the County is not aware of any other defaults, it is not undertaking an independent review of bonds or other debt obligations for which it served only as a conduit issuer. Because the source of payment for any such defaulted bonds would be separate and distinct from the source of payment for the 1996 Bonds and would not be an obligation of the County other than to the extent the County receives funds from the party borrowing the proceeds of such bonds, any default on such bonds is not considered a material fact with respect to the 1996 Bonds.

AUTHORIZATION OF AND CERTIFICATION CONCERNING OFFICIAL STATEMENT

The delivery of this Official Statement has been duly authorized by the Board of County Commissioners of the County. Concurrently with the delivery of the 1996 Bonds, the undersigned or the then Chairman or Vice Chairman of the Board will furnish his or her certificate to the effect that, to the best of his or her knowledge, this Official Statement did not as of its date and does not as of the date of the delivery of the 1996 Bonds, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purposes for which this Official Statement is

to be used, or which is necessary in order to make the statements made herein, in light of the circumstances in which they were made, not misleading.

**ST. JOHNS COUNTY, FLORIDA, BOARD
OF COUNTY COMMISSIONERS**

By: _____
Chairman

dep\imw\stjohns.Hou\pos\pos.f



Camp Dresser & McKee Inc.

environmental
services6650 Southpoint Parkway, Suite 330
Jacksonville, Florida 32216

February 26, 1996

Honorable Chairman and Members
Board of Commissioners of St. Johns County
County Administration Building
4020 Lewis Speedway
St. Augustine, Florida 32084

Attn.: Mr. Nicholas Meiszer
St. Johns County Administrator

Subject: St. Johns County Water and Sewer
Revenue and Refunding Bond Issue - Series 1996
Consulting Engineers' Report

Dear Mr. Meiszer:

We have prepared this report to provide pertinent engineering information for inclusion in the official statement pertaining to the issuance of the St. Johns County, Florida Water and Sewer Revenue and Refunding Bonds, Series 1996.

1.0 INTRODUCTION

The Series 1996 bonds are being issued to finance the extension of water and wastewater service to the I-95/Northwest Utilities I service area, with the project to be known as the Northwest Utilities I (NWUI). The NWUI service area will be incorporated into the St. Johns County (County) combined water and wastewater systems. The facilities to be constructed with the Series 1996 bonds for the NWUI service area are outlined below:

- Off-site facilities consisting of a new raw wastewater transmission main extending from a new wastewater master pump station at the NWUI service area's water treatment plant site to the SR 16 wastewater treatment plant, with a total of approximately 47,300 linear feet of 12" pipeline. Off-site facilities also include a reclaimed water transmission main of approximately 52,000 linear feet of 8" pipe extending from the SR16 wastewater treatment plant site to the NWUI service area's water treatment plant site.

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- On-site facilities consisting of a new water treatment plant including two potable water supply wells, high service pump station, and a 500,000 gallon ground storage tank; and a water transmission and distribution system of approximately 28,350 linear feet of pipe ranging in diameter from 6" to 16". On-site facilities also include 3 wastewater pump stations, a wastewater transmission system of approximately 25,830 linear feet of pipe ranging in diameter from 4" to 14"; a reclaimed water line from the NWUI water treatment plant site to the World Golf Village reclaimed water storage pond site and a potable water pump station. On-site facilities also include an irrigation system of approximately 15,000 linear feet of 6" transmission main.

In preparing this report, the following sources were used for data:

- St. Johns County Utility Department staff
- St. Johns County Water and Wastewater Master Plan, October 13, 1994 prepared by Camp Dresser & McKee Inc.
- St. Johns County Water and Wastewater Rate Study, April 21, 1995 prepared by Camp Dresser & McKee Inc.
- St. Johns County Case Study Report Northwest Utilities I, November 4, 1994 prepared by Camp Dresser & McKee Inc.
- Report prepared by Camp Dresser & McKee Inc. dated February 8, 1995 in connection with the Island Landing/Eagle Creek Utility Acquisition.

Camp Dresser & McKee Inc. (CDM), has been the engineering firm responsible for the financial planning as well as the engineering design at the off-site improvements for the Series 1996 NWUI project. A substantial amount of data was obtained from the St. Johns County Utility and Administrative staff. We address the following aspects of the combined water and wastewater system in this report:

- General information and administration.
- Description of the existing and planned service areas.
- Capital improvements to the combined water and wastewater systems.
- The numbers and types of customers and their usage for the existing and planned service areas.
- Projections of revenues, expenses, debt service coverage, and necessary rates for the combined system.
- Summary of conclusions.

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2.0 GENERAL INFORMATION AND ADMINISTRATION

2.1 Organization

The St. Johns County Utility Department is responsible for providing water and sewer services within the County's service areas. There were originally two separate utility service areas, Anastasia Island (AI) and the Mainland Utility System (MUS), which have been combined into one utility structure under the title of the St. Johns County Utility Department. Both AI and MUS currently have functioning water and wastewater systems, with MUS recently putting into operation two wastewater treatment plants. These wastewater treatment plants provide service to two geographic areas within the MUS - one along the SR 16 corridor near I-95 and the other along SR 207. The MUS service area was expanded through the acquisition of the St. Augustine Shores Utility system. The Utility Department is also responsible for service in two minor service areas within St. Johns County, Harmony Village and Eagle Creek. Harmony Village has been operated by the County since September 1988 and the acquisition is in process. Eagle Creek was acquired in July, 1995.

All new construction in the St. Johns County Utilities service areas is required to connect to the County's collection, distribution, and treatment facilities for water and wastewater when such facilities are available. Availability in general is defined as a service line within 200 feet of the property line for water service and a gravity line within 100 feet for wastewater service.

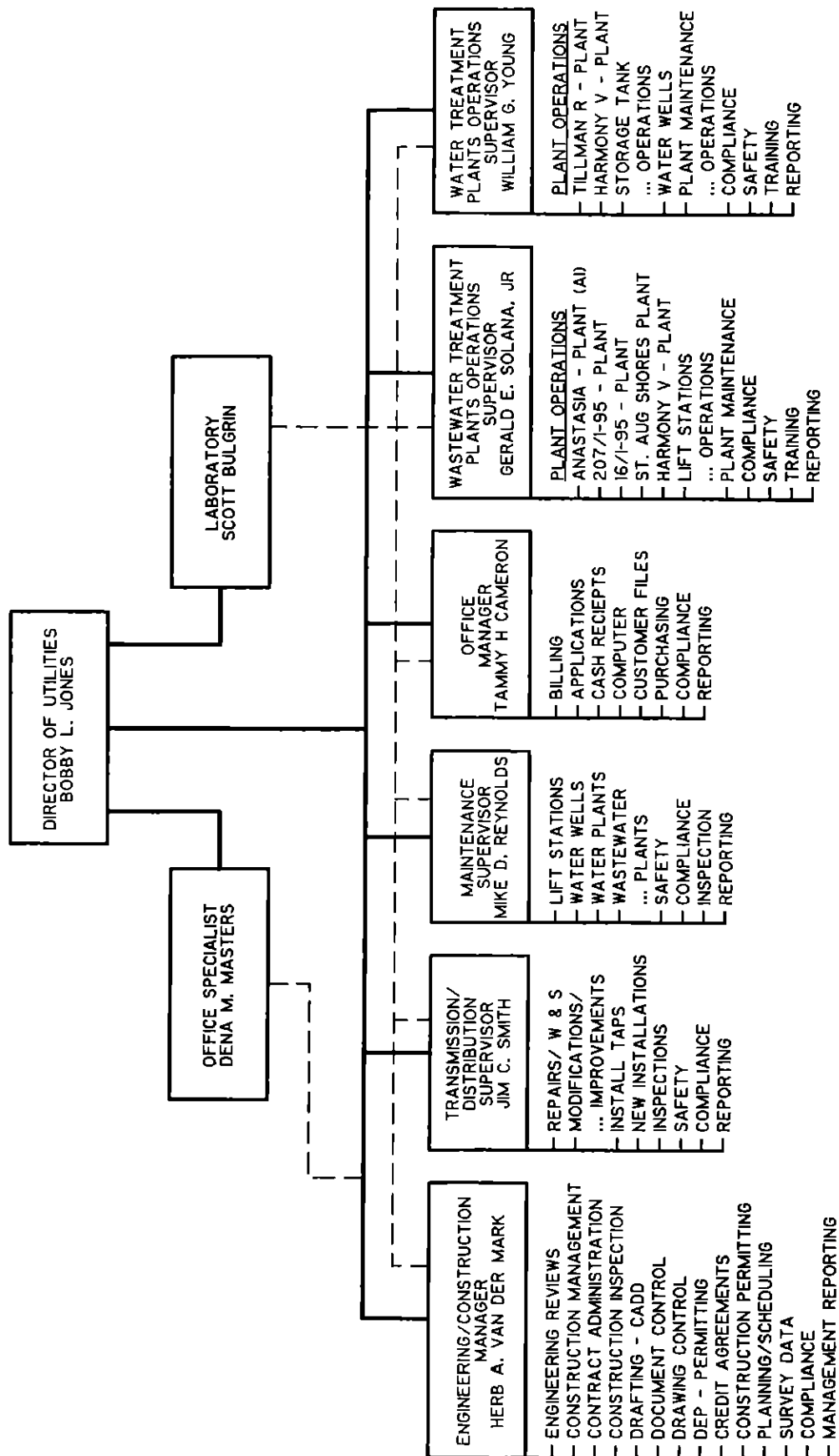
There are presently 69 permanent, full-time authorized positions in the department. These employees serve in the following areas: 48 - operations; 5 - engineering; and 16 - administration. Figure 1 provides an organizational chart of the department.

Mr. Bobby Jones is the Director of the St. Johns County Utility Department and has been employed with the department since November 1981. Mr. Jones has an "A" wastewater operator's license and a "B" water operator's license. Prior to joining St. Johns County, Mr. Jones was utility director for the City of St. Augustine.

Mr. William G. Young was recently promoted to the position of Assistant Director of Utilities for the St. Johns County Utility Department. He was previously Supervisor of the Water Treatment Plant operations. He has been employed by the County since June, 1985. He holds a Masters degree in Public Administration.

Mr. Herbert Van Der Mark is the Construction Manager for the St. Johns County Utility Department and has been with the department since October, 1988.

FUNCTIONAL ORGANIZATIONAL CHART ST. JOHNS COUNTY UTILITY DEPARTMENT



--- SUPPORT AS NEEDED

Honorable Chairman and Members
February 26, 1996
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2.2 Billing and Collection

The St. Johns County Utility Department is responsible for customer billings and collections. Meters are read and billed on a monthly basis. Automated meter reading devices are currently operational for 90 percent of the meter inventory. The automated meter reading service has helped keep the annual write-off percentage to below 0.6 percent, by allowing a quicker turn around in the billing and collection process.

The delinquency collection procedure begins with a formal notification 10 days after a second monthly bill has become due and payable. If payment is not received at this time, the meter is pulled, with the account being closed 30 days thereafter, and within another 30 days turned over for collection.

2.3 Largest Customers

The following table provides data on the County's ten largest utility customers for fiscal year ended September 30, 1995.

<u>Customer</u>	<u>Type</u>	<u>Amount Billed</u>	<u>Percentage of Water and Sewer Billing</u>
Ocean Gallery	Condo	\$234,523	3.00
St. Augustine Ocean & Racquet Club	Condo	124,421	1.59
Summerhouse Condo	Condo	119,428	1.53
Ocean Village Club	Condo	90,262	1.15
St. Augustine Beach Holiday Inn	Hotel/Motel	79,568	1.02
Four Winds Condo	Condo	79,478	1.02
Ocean Villas Condo	Condo	65,845	0.84
Colony Reef Club	Condo	62,995	0.81
Paradise Beach Resort	Condo	61,159	0.78
Sea Place Condo	Condo	60,958	0.78

The ten largest customers together represent less than 13% of the total water and sewer billing, and no single customer represents more than 3% of the total water and sewer billing.

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2.4 REGULATIONS REQUIREMENTS

2.4.1 Water

The federal government has set forth water quality standards for the protection of water for public uses including operation standards and quality controls for public water systems. The important Federal regulations affecting future operations of the water treatment plant are provided in the Safe Drinking Water Act. In December 1975, Congress passed the Safe Drinking Water Act (SDWA), Public Law 93-523. This law directed the Environmental Protection Agency (EPA) to establish minimum drinking water standards. The standards are divided into primary (those required for public health) and secondary (those recommended for aesthetic quality) regulations. The National Primary Drinking Water Regulations have been effective since June 24, 1977. Chapter 17-550, 17-555, and 17-560 of the Florida Administrative Code classify and define water supplies and establish regulations for the use thereof. In Florida, the primary and secondary standards set forth by the SDWA are mandatory. Enforcement of the standards is the responsibility of the Florida Department of Environmental Protection (FDEP). The FDEP issued changes effective January, 1989, in the Florida Administrative Code, Chapter 17-550, which include maximum contaminant levels (MCLs) for several volatile organics and synthetic organic contaminants. The rule requires sampling and analyses of these 126 compounds by February, 1989 for all community systems serving more than 3,300 persons and by February 1, 1991 for all community systems serving less than 3,300 persons. The Utility Department has sampled and analyzed for these compounds and the results were all demonstrated to be below the allowable MCLs.

EPA issued further amendments to the Safe Drinking Water Act in 1986. The major aspects of the 1986 Amendments include:

- Compulsory revisions to the Drinking Water Regulations in a timely fashion for new contaminants.
- Definition of a treatment technique for each contaminant regulated (there are currently 57 regulated contaminants).
- Requirement of a treatment technique where it is feasible to ascertain the level of a regulated contaminant.
- Filtration requirement for surface water supplies, with states establishing implementation criteria.
- Disinfection of all water supplies.
- Prohibition of use of lead products in all conveyances for drinking water.
- Requirement for protection of groundwater sources.

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The County has monitored its water for the presence of contaminants, with negative results, and has already implemented filtration and disinfection. In addition, the County adopted the standard building code and southern building code which precludes the use of soldered lead joints for water pipes. The County's groundwater supplies are jointly protected by regulations of the County, the St. Johns River Water Management District (SJRWMD), Florida Department of Environmental Protection (FDEP), and the Department of Health and Rehabilitation Services (HRS).

The SJRWMD manages water supplies to meet demands from existing and projected consumers. Regulation of consumptive use is achieved through a permitting system, through which water resources are allocated among the permitted consumers.

On August 24, 1989, the County received a modification to consumptive use permit No. 2-109-0128ANGM which authorizes annual withdrawal limits with varying amounts of gallons of water per day and a maximum combined withdrawal rate. The permit was issued on September 12, 1989 and is valid for seven years. There are no problems expected in the upcoming permit renewal process.

The withdrawal limits are permitted as follows:

Year	Maximum Annual withdrawal (million gal.)	Maximum Daily withdrawal (million gal.)
1989	762.9	2.61
1990	810.3	2.78
1991	857.8	2.94
1992	901.6	3.08
1993	949.0	3.25
1994	996.5	3.41
1995	1040.3	3.58
1996	1088.4	3.73

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2.4.2 Wastewater

The federal government, through EPA, and the State of Florida, through FDEP, promulgate various regulations governing operations of wastewater systems in St. Johns County. Regulations address primarily the quality of effluent discharge from County wastewater treatment facilities, the disposal of sludge generated by the wastewater treatment plants, the discharge of pollutants into the groundwater, and the nature of waste material discharged into the collection system. Associated with the regulations are various monitoring and reporting requirements.

Under applicable federal and state regulations, the County is required to operate wastewater treatment facilities according to the discharge limitations and reporting requirements set forth in the discharge permits. At the present time, St. Johns County operates its existing Anastasia Island Wastewater Treatment Plant (AIWWTP) under an operating permit (no. D055-195948 - expiration date of November 13, 1996) from the FDEP and a NPDES permit (no. FL0038831 - expiration date of October 31, 1999) from the EPA. The Mainland Utility System Wastewater Treatment Plant at SR 207 is currently operating under an operating permit (no. D055-188544 - expiration date of December 17, 1995) from FDEP. The permit application for renewal has been submitted, with a Capacity Analysis Report and an Operation and Maintenance Performance Report required prior to permit issuance. The other Mainland Utilities System Wastewater Treatment Plant at SR 16 is currently operating under an operating permit (no. D055-230779 - expiration date of February 16, 1999) from the FDEP and a NPDES permit (no. FL 0043109 - expiration date of July 31, 1999) from the EPA.

There is another wastewater treatment plant currently being operated in the St. Augustine Shores (SAS) service area. The plant is being operated under a temporary operating permit (no. DT55-214753) from FDEP. There is currently a discharge from the plant into Moses Creek, requiring either a NPDES permit or elimination of the discharge. Final designs have been completed which will re-direct the wastewater from this service area to the AIWWTP. The construction permits for the wastewater pump station and transmission system project to redirect the St. Augustine Shores wastewater flow have been secured, a contract has been awarded, and a State Revolving Fund (SRF) loan has been secured to provide funds for the project. Construction is scheduled to be finished by September 1996, with no permit problems anticipated.

The AIWWTP and the two Mainland Wastewater Treatment Plants have been operated successfully and do not have a history of permit violations. St. Johns County is proceeding with the plan to re-direct the flow from St. Augustine Shores and to phase out the wastewater treatment plant to eliminate any future permit concerns at that facility. There have been no fines or penalties levied for the current discharge into Moses Creek, nor are any anticipated, due to the inherited nature of the problem.

2.5 SERVICE AREAS

The service areas for the combined St. Johns County Utility System for water and wastewater are shown in Figures 2 and 3 and consist of four areas:

- Mainland Utility System (MUS) Service Area - SR 16
- Mainland Utility System (MUS) Service Area - SR 207
- Anastasia Island (AI) Service Area; and
- St. Augustine Shores (SAS) Service Area

2.5.1 MUS Area

The western portion of the Mainland Utility System service area (SR 207) is bounded generally by the existing City of St. Augustine system service area on the northeast, Matanzas River on the east, the State Road 206 corridor on the south, the Interstate 95 corridor on the west, and the FEC railway on the north.

The service area for the Mainland Utility System located in the I-95/SR 16 interchange area, extends eastward along State Road 16 to the St. Johns River Community College site at the city limits of St. Augustine.

2.5.2. AI Area

The eastern portion of the combined service area is Anastasia Island (AI), an Atlantic coastal barrier island situated east of the Intracoastal Waterway along the coast of St. Johns County, Florida. This service area includes an area of approximately 11.8 square miles, of which 7.7 square miles are or will be developed. The remaining 4.1 square mile area is zoned "Conservation and Preservation" due to the natural characteristics and environmental concerns.

The eastern area of the AI service area also includes a segment of Rattlesnake Island, which is approximately two and one-half (2-1/2) miles in length, south of Matanzas Inlet, and along Florida State Road A-1-A extending to the Flagler County line. This service area also includes the City of St. Augustine Beach at the northern end of Anastasia Island.

2.5.3 SAS Area

The SAS service area is bounded on the west by U.S. Highway 1, on the east by the Matanzas River, and the north by Moultrie Creek (see Figure 2 and 3).

3.0 EXISTING FACILITIES

The existing facilities are located in the four specific service areas described in Section 2.5. The facilities for each service area will be described in detail as follows.

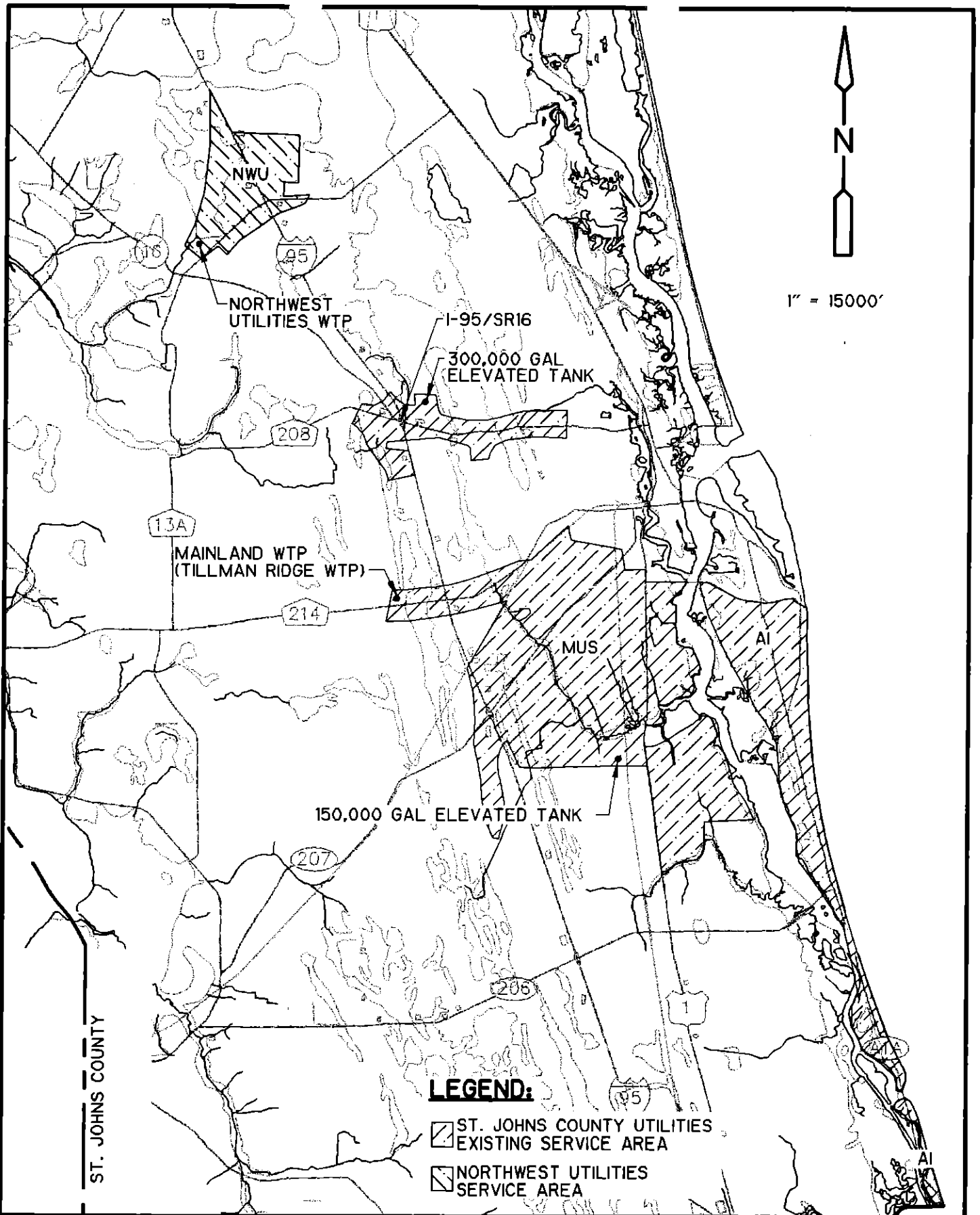
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ST. JOHNS COUNTY UTILITIES

WATER SERVICE AREAS AND PLANT LOCATIONS

CDM

environmental engineers, scientists,
planners, & management consultants

Figure No. 2

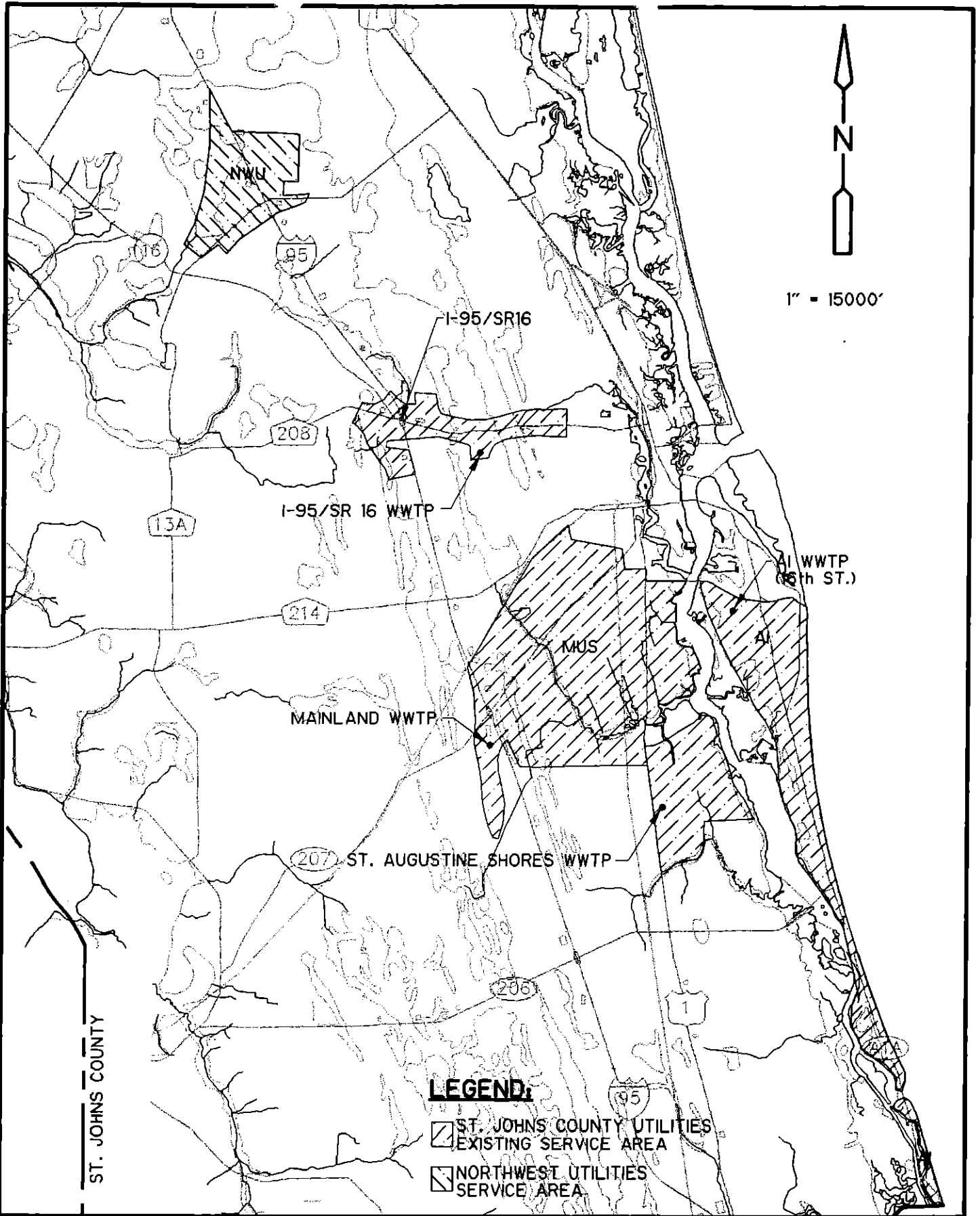
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FIG 3

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ST. JOHNS COUNTY UTILITIES

WASTEWATER SERVICE AREAS AND PLANT LOCATIONS

CDM

environmental engineers, scientists,
planners, & management consultants

Figure No. 3

Honorable Chairman and Members
February 26, 1996
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3.1 WATER SYSTEM FACILITIES - AI

The water system facilities currently operational in the AI service area consists of a potable water transmission and distribution system.

The finished water transmission system currently consists of a 10-inch pipeline from Shore Drive (former water treatment plant site) to SR 312, which connects the AI and MUS Systems. A booster pump station serves to increase the water main's hydraulic capacity. There is also a 20-inch finished water transmission main from Shore Drive, to yard piping at the former AI Water Treatment Plant on 16th Street. The pipeline consists of a subaqueous crossing (approximately 4,700 linear feet) and buried pipeline at either end of the crossing (approximately 5,550 linear feet).

Storage in the AI system consists of 1.5 million gallons of ground storage at the former 16th Street plant site, a 0.5 million gallon ground storage reservoir at Pope Road, and a 1.0 million gallon ground storage tank at Magnolia Avenue and SR A-1-A. Booster pump capacity consists of 3,000 gpm at the 16th Street reservoir, 2,300 gpm (repump) at the Magnolia Avenue tank, and 400 gpm at Pope Road.

The finished water transmission system consists additionally of mains extending southerly along SR3, Old Beach Road, and SR A-1-A from Pope Road to the Magnolia Avenue storage tank and pump station. The main travels southerly from that point along SR A-1-A to south of the Matanzas Inlet.

The water distribution system consist of approximately 140,000 linear feet of pipeline 16-inches and smaller, along with related valves and hydrants. There is sufficient pressure in the system to meet demand.

3.2 WATER SYSTEM FACILITIES - MUS

The rated capacity of the Tillman Ridge water treatment plant (completed 1990) is 7.0 mgd and provides potable water service to the AI service area, the MUS (SR 207) service area, the MUS (SR 16) service area, and the SAS service area. The MUS water treatment plant utilizes tray aeration followed by lime softening and filtration.

The wellfields of the combined utility system (shown on Table 1) consist of the following:

- (1) Shallow well supplies: 7 wells in the Tillman Ridge wellfield, capacity of 300 gallons per minute (gpm) each or 0.432 million gallons per day (mgd) each. The Tillman Ridge wellfield itself has a safe yield withdrawal capacity of 5 mgd.

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- (2) Deep well supplies: there are 2 wells at the Tillman Ridge water treatment plant site area which can draw from the Floridan aquifer at a combined rate of 2,400 gpm or 3.46 mgd. Only one of the deep wells is currently operational, however, the second one can be activated by adding mechanical equipment. The shallow well raw water and deep well raw water are blended prior to treatment in not less than a 1:1 ratio to reduce the mineral content to a level treatable by lime softening.

Storage in the MUS service area consists of 1.0 million gallons ground storage at the previous Shore Drive water treatment plant, a 1.5 million gallon storage reservoir at the Tillman Ridge water treatment plant, and a 0.3 million gallon elevated tank at the I-95/SR16 interchange.

The finished water transmission system in the MUS (SR 207) service area consists of mains running southward along U.S. Highway 1 to south of Wildwood Drive, Old Moultrie Road to Dobbs Road, Dobbs Road to S.R. 207, S.R. 207 to I-95. Transmission lines were constructed extending and looping the existing transmission system lines.

The water distribution system in the MUS (SR 207) service area consists of pipeline 8-inches and smaller, along with related valves and hydrants, principally in the South St. Augustine area. There is sufficient pressure in the system to meet demand.

The finished water transmission system in the MUS (SR 16) service area consists of mains extending from the MUS water treatment plant to SR16, westerly along SR 16 in the I-95 interchange area, then easterly to the city limits of St. Augustine.

The water distribution system in the MUS (SR 16) service area consists of 8" and 12" pipeline, along with related valves and hydrants in the I-95/SR 16 interchange area and on the north side of SR 16 going eastward from the I-95/SR 16 interchange. There is sufficient pressure in the system to meet demand.

3.3 WATER SYSTEM FACILITIES - SAS

The water system facilities currently operational in the SAS service area consists of a finished water transmission and distribution system.

The finished water transmission system consists of a 10" main interconnecting the SAS service area to the MUS service area along U.S. Highway 1. Storage in this service area is provided by a 1.0 million gallon ground storage reservoir at Domenico Circle with 2-500 gpm pumps and 1-100 gpm pump, a 0.5 million gallon ground storage reservoir at Alhambra Drive with 2-400 gpm pumps and 1-80 gpm pump, and a 0.15 million gallon elevated tank at Wildwood Drive and U.S. Highway 1.

The water distribution system consists of approximately 181,000 linear feet of 4-inch through 18-inch mains, along with related valves and hydrants. There is sufficient pressure in the system to meet demand.

Honorable Chairman and Members
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3.4 WASTEWATER SYSTEM FACILITIES - AI

The AI wastewater treatment plant, with 4.0 mgd of capacity, which is located on 16th Street, consists of secondary treatment provided by a fine-bubble diffused air, complete mix, activated sludge system, secondary clarification, chlorination, and de-chlorination. Effluent is disposed of by surface water discharge to the Matanzas River through a 27-inch outfall pipeline or by spray irrigation at the Marsh Creek Golf Course. Filtration and high-level disinfection treatment is added to the flow routed to the golf course, with a service capacity of 0.6 mgd (the gravity line size is the limitation).

The sludge treatment process consists of gravity thickeners and a belt filter press with disposal at land application sites in Flagler County. The County contracted in June 1995 with Wheelabrator Clean Water Systems, Inc. to remove, transport, and land-apply sludge from the AIWWTP site. The sludge is stabilized with lime at a Bio-Gro site (Wheelabrator proprietary name) prior to land application. Wheelabrator Clean Water Systems, Inc. is responsible for providing permitted sites for a minimum of 1,350 wet tons of sludge annually.

Effluent disposal facilities provide for spray irrigation disposal (effluent pumping, fine-filtration, and pipeline) at a private (Marsh Creek) golf course with an agreed upon supply ranging up to 0.8 mgd. Whereas the golf course has agreed to a supply of up to 0.8 mgd, the gravity line is only capable of supplying 0.6 mgd. Should demand require delivery of 0.8 mgd, sufficient pumping capacity will be supplied. Wet weather conditions as well as additional effluent disposal capacity will continue to be met by surface water discharge (3.2 mgd maximum).

Other facilities constructed at the AI Wastewater Treatment Plant site include an environmental laboratory and a maintenance building.

The major transmission force main is the 12-inch main from the Riverside Blvd. pump station running north along SR A-1-A and SR 3 to 16th Street. Major pump stations currently consist of the 16th Street pump station and the Riverside Blvd. pump station. The Riverside Blvd. pump station provides sufficient pump capacity to meet peak flow periods.

The collection system consists primarily of pump stations and transmission force mains, in addition to approximately 3,000 linear feet of 27-inch gravity trunk sewer along 16th Street.

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3.5 WASTEWATER SYSTEM FACILITIES - MUS (SR 207)

The MUS (SR 207) wastewater treatment plant is a 0.250 mgd extended aeration activated sludge facility which includes flow equalization, aeration, secondary clarification, fine-media filtration, and chlorination. Effluent disposal is by spray irrigation to the County owned Cypress Lakes golf course. Wet weather storage is met with a 1.00 million gallon concrete effluent storage tank. The plant also includes effluent pump facilities and pipeline to the golf course site. The plant went on-line in October 1990. Capacity at this plant is currently limited to 0.125 mgd, due to effluent disposal constraints at the golf course. Plans are under way to increase effluent disposal capacity with the addition of wetlands disposal, with the cost budgeted in the CIP plan.

Transmission facilities extend from the treatment plant site to the SR 207 service area and consist of approximately 15,800 linear feet of 16-inch pipe, 11,700 linear feet of 10-inch pipe, and a wastewater pump station. Additionally, 5,000 linear feet of 10-inch force main were installed from South Park to Dobbs Road.

3.6 WASTEWATER SYSTEM FACILITIES - MUS (SR 16)

The MUS (SR 16) wastewater treatment plant is a 0.5 mgd facility with advanced wastewater treatment utilizing a Modified Ludzack-Ettinger (MLE) biological treatment process with deep bed denitrification filters, chemical addition for phosphorous removal, chlorination and dechlorination. Effluent disposal is to an integrated existing and man-made wetlands area (66 acres) near the treatment plant conveyed by an effluent pump station and pipeline.

The pump station and transmission system services the I-95/SR 16 corridor. One pump station (P.S. #1) is located at the north side of SR 16, near the I-95 exit ramp. P.S. #1 has a combined pump capacity (2 pumps) of 600 gpm. The other pump station (P.S. #2) is located at Green Acres Road and SR 16. The pump station has a combined pump capacity (2 pumps) of 740 gpm, with flow being delivered from the interchange area to the treatment plant site. The transmission pipeline consists of the following:

- Stagecoach RV Park on CR 208 to Manhole #5 - 4" force main.
- Holmes Boulevard to wastewater treatment plant - 8" force main.
- Pump Station No. 2 to wastewater treatment plant - 10" and 12" force main.

The above items consist of approximately 26,150 linear feet of pipeline.

The collection system was designed to collect wastewater generated in the interchange area of I-95 and SR 16. The pipe sizes range from 8 to 15 inches, with approximately 7,340 linear feet of pipeline.

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3.7 WASTEWATER SYSTEM FACILITIES - SAS

The SAS wastewater treatment facilities currently consist of a wastewater treatment plant, percolation/evaporation ponds, spray irrigation pipeline and pump station, and transmission and collection systems.

The SAS wastewater treatment plant is a 0.5 mgd contact stabilization activated sludge wastewater treatment plant with tertiary filtration and high level disinfection. Sludge handling is accomplished by wasting to a sludge holding basin from which it is hauled to the AIWWTP for further treatment and disposal. The effluent from the filters enters three percolation ponds. Effluent from the ponds either goes to a nearby golf course for spray irrigation or is supposed to percolate into the ground. Percolation does not occur and a discharge to Moses Creek occurs through a pond emergency overflow. The discharge constitutes a violation because it was not permitted. FDEP has instructed the County to either apply for a NPDES permit or eliminate the discharge. Due to the condition of the SAS wastewater treatment plant and the availability of treatment capacity at the AIWWTP, it was considered more cost effective to transmit the flow to the AIWWTP. Final designs have been completed for a transmission/pump station system to interconnect the SAS wastewater treatment system to the AI wastewater treatment system. Once construction is complete, in approximately September 1996, the SAS wastewater treatment plant will be abandoned.

The existing transmission/collection system consists of over 23 miles of 8-inch and 10-inch gravity sewers, 24 lift stations, and over 8 miles of force main.

4.0 PROPOSED NORTHWEST UTILITIES I SERVICE AREA

4.1 GENERAL

The County entered into an agreement in February 1995 with Davidson Development, Inc., the master developer of the I-95/International Golf Parkway interchange service area, to acquire their privately franchised utility. The franchised utility (Northwest Utilities I) at that point had developed engineering plans and design drawings for the provision of water, wastewater, and reuse facilities. With the acquisition of the utility by the County, there were certain changes made to the original plan, primarily for wastewater service. The proposed facilities now include an interconnection for raw wastewater transmission from the Northwest Utilities I service area to the MUS (SR 16) wastewater treatment plant, an effluent reuse pipeline from the MUS (SR 16) wastewater treatment plant back to the Northwest Utilities I service area, an on-site water treatment plant and on-site water, wastewater, and irrigation transmission systems. The facilities are presented on Figures 2 and 3 for water and wastewater systems respectively. The costs for the proposed facilities are presented in Table 2 exclusive of the initial reimbursement to the developer for prior engineering work. The on-site pipeline and pump station costs are per an estimate by

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Bessent, Hammack & Ruckman, Inc., consulting engineers, December, 1995. Table 2 project costs are exclusive of contingency, with any actual costs exceeding the estimated project costs to be provided by funds on hand. The following describes the proposed facilities in greater detail.

4.2 WATER SYSTEM FACILITIES

The proposed facilities (all on-site):

- 1.4 mgd (firm) capacity water treatment plant providing treatment by aeration and chlorination, and ground storage of treated water.
- 28,350 linear feet of water transmission pipeline (6-inch through 16-inch).
- 15,000 linear feet of irrigation pipeline (6-inch).
- a pump station providing water for potable use and fire protection consisting of 4 pumps with 1,500 gpm capacity, with 60 psi residual pressure.

4.3 WASTEWATER SYSTEM FACILITIES

The proposed facilities (on-site and off-site):

- 47,300 linear feet of raw wastewater transmission pipeline (12-inch) - off-site.
- 52,000 linear feet of effluent reuse pipeline (8-inch) - off-site.
- a wastewater master pump station consisting of 4 pumps with a 1,360 total gpm capacity - off-site.
- effluent reuse pipeline - on-site.
- 25,850 linear feet of raw wastewater transmission pipeline (4-inch through 14-inch) - on-site.
- 3 wastewater master pump stations consisting of pumps with 150 and 250 gpm capacity - on-site, plus one master pump station on-site.

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5.0 CAPITAL IMPROVEMENT PROGRAM

Table 3 and 4 provide the current utility system capital improvement program projects split between expansionary and non-expansionary projects, respectively. The most immediate needs are to be funded by the Series 1996 bond issue. The balance of the projects are to be financed through a combination of unit connection fees and user fees. The major projects consist of a new water storage tank (location to be determined), the addition of a new water transmission pipeline, effluent disposal expansion for the MUS (SR 207) wastewater treatment plant, and the items for the NWUI service area.

The funds required from the Series 1996 bond issue for the NWUI Service Area are as follows:

NWUI Service Area	
<u>On-Site</u>	
Water Treatment Plant	\$1,139,281
Water Transmission Pipeline	1,209,418
Wastewater Transmission Pipeline	807,450
Wastewater Pump Stations	465,000
Effluent Pipelines	315,000
Wet Weather Discharge	36,750
Irrigation Transmission Pipeline	456,000
Water Pump Station	<u>138,300</u>
	\$4,567,199
Contingency	0
Engineering	<u>354,983</u>
Subtotal On-Site	\$4,922,182
 <u>Off-Site</u>	
Wastewater Transmission Pipeline	\$1,267,741
Effluent Transmission Pipeline	797,781
Master Pump Station	<u>234,255</u>
	\$2,299,777
Contingency	0
Engineering & Permits	<u>279,840</u>
Subtotal Off-Site	\$2,579,617
 Total	 <u>\$7,501,799</u>

6.0 CUSTOMER AND CAPACITY DATA

The NWUI service area is planned for both commercial and residential customers. The interchange area has been designed in phases, with Phase I development water flow demand identified on Table 5. The Phase I water capacity is projected to be approximately 1.4 mgd (firm). The water flow rates developed on Table 5 were based on the unit connection flow data provided by the County from Ordinance 93-14, Schedule A, with the exception of those for hotels and residences. When computing billable water demand (current rates), hotels were calculated based on 60 percent occupancy and residences were

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calculated based on the current usage in St. Johns County of 150 gallons per day. The projection of customers on Tables 5 and 6 is based on Davidson Development data, modified for conservatism's sake to allow for construction delays (which at present are not expected). The same information was used to project wastewater flow, with the wastewater capacity projected to be 0.4 mgd for Phase I. Table 6 presents the projection for Phase I of the wastewater flow, assuming the same criteria for wastewater flow as for water demand. The Phase I facilities only are to be financed and constructed at this time. Phase I and II for NWUI provide service solely for the I-95/International Golf Parkway interchange service area.

In addition to the above, normal system growth is planned to occur, with 450 new water ERC's per year and 300 new wastewater ERC's per year. Additionally, a new service area (Eagle Creek) is planned to have 7 new water and wastewater ERC's in 1996 and 15 per year thereafter. Table 7 presents a summary of water demands for both existing and planned service areas through fiscal year 2000.

Table 8 provides a summary of historical and projected wastewater customer data as well as pertinent operations and permit data by wastewater treatment plant. Sufficient treatment capacity is available in the near term.

6.1 REVENUES AND EXPENSES

Table 9 presents a summary of historical and projected revenues and expenses for the County's combined service area. Fiscal years 1991 through 1994 are based on audited financial figures furnished by St. Johns County. The County's realization of 109% of the debt service requirement rather than the required 110% in fiscal 1993-94 was a direct result of the non-recurring cost of a Utility Master Plan. Although the plan will be useful for several years it was necessary to charge the cost of the plan entirely in 1993-94 as Operating and Maintenance expense. Based upon the results of the fiscal year 1994 audit, the County contracted with CDM to prepare a rate study report.

The operating revenue and expenses for Fiscal Year 1995 reflect twelve months of actual data, unaudited. The operating revenue forecast for Fiscal Year 1996 was based on an adjustment for the current year annual consumer price index. Annual consumer price index increases have been authorized, with a projected effect on revenue of approximately 3 percent annually. Revenue from the NWUI service area is projected to begin in fiscal year 1998. In addition, customer growth per projections earlier in this section was anticipated for the period of Fiscal Years 1996 through 2000.

Fiscal year 1996 reflects budgeted expenditures. Expenditures projected for the period of Fiscal Year 1997 through 2000, reflect a 4 percent inflation factor over budgeted fiscal year 1996 expenses. Fiscal years 1997 through 2000 also include the estimated incremental expenditures for the NWUI service area.

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Non-operating income consists of interest revenue, with the projections of Fiscal Years 1996 through 2000 reflecting anticipated revenue and expenditure levels impacting the cash flow and corresponding interest revenue (assumed 5% interest rate).

The debt service amount projected is a combination of the debt service payment for the existing debt after refunding, plus the estimated debt service for the Series 1996 Bond Issue.

6.2 SCHEDULE OF FEES AND CHARGES

Table 10 presents a schedule of fees and charges for the combined system.

The new charges were developed such that debt service coverage is met for the total combined system assuming expenditures can be maintained as projected. The unit connection fees for the combined system are scheduled to remain the same, with the exception of consumer price index increases. Also listed are the current tapping fees which are scheduled to remain the same.

6.3 BOND RATE COVENANT

The current authorizing bond resolution requires that St. Johns County "fix, maintain and collect" rates if no assessments are pledged to the bonds, to provide:

- (1) Net Revenues in such Fiscal Year, together with any Connection Charges actually on deposit in the Current Account at the beginning of such Fiscal Year, equal to at least one hundred twenty percent (120%) of the Debt Service Requirement for the Bond Year ending in such Fiscal Year and at least one hundred percent (100%) of any amounts required by the terms of the Bond Resolution to be deposited in the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year, and
- (2) Net Revenues in such Fiscal Year, not taking into account Connection Charges, equal to at least one hundred ten percent (110%) of the Debt Service Requirement for the Bond Year ending in such Fiscal Year and at least one hundred percent (100%) of any amounts required by the terms of the Bond Resolution to be deposited in the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year, or

Such rates shall not be so reduced that the same will be insufficient to provide Net Revenues in each Fiscal Year fully adequate for the purposes provided therefor by the Bond Resolution, provided, however, anything in the Bond Resolution to the contrary notwithstanding, no provision of such Resolution shall be construed to obligate the County to impose or, once imposed, continue Connection Charges; but at any time and while

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Connection Charges shall be in effect and imposed by the County, the same shall be pledged under the Bond Resolution extent provided therein.

Using the provisions contained above, debt service coverage historically has ranged from approximately 1.09 to 1.77 coverage. The projected coverage factors range from approximately 1.21 to 1.26, without unit connection fees and from 1.72 to 1.80, including unit connection fees.

7.0 CONCLUSIONS

- The NWUI service area project is both feasible and sound and is designed in accordance with accepted engineering standards using proven technology.
- The existing St. Johns County Utility Department's management and staff are well qualified to operate the water and sewer systems.
- Both the water and sewer systems have been well operated and maintained.
- Upon completion of construction of the project, it is reasonable to expect that operating permits will be obtained.
- The projection of revenues and expenses has been analyzed in detail and is reasonable for the water and sewer system. Adequate coverage is provided by system-wide revenues for the Series 1996 Revenue bonds as well as outstanding parity bond requirements through 2000 based on the rate schedule provided in Table 10 as well as the continuance of an annual consumer price index increase. The effect on operating revenues, should there be no revenue generated in the NWUI service area, would be the need to increase the utility rates by 4.90 percent, rather than by the estimated annual consumer price index increase of 3 percent.

Sincerely,

CAMP DRESSER & MCKEE INC.



Donald E. Maurer, P.E.
Principal Engineer

DEM/DK/lak

TABLE 1

ST. JOHNS COUNTY
SUMMARY OF EXISTING WATER SUPPLY

Type of Well	Number	Size	Status	Location	Total Capacity (GPM)
Mainland Water System					
Shallow	7	8-inch	In Use	Tillman Ridge	2,100
Deep(1)	2	18-inch	In Use	Tillman Ridge	2,400
Total Average Wellfield Capacity - Gallons/Minute					4,500
Total Average Wellfield Capacity - MGD					6.48
Design Production Capacity - MGD					5

(1) Only 1 deep well is currently being used. The other is usable with addition of mechanical equipment.

TABLE 2
ST. JOHNS COUNTY
NORTHWEST UTILITIES I
PHASE I PROJECT COSTS (1)

Bid No.	Contractor	Project	Bid (B) or Engineer's Estimated (EE) Cost (2)			Substantial Completion Date
			Water	Wastewater	Irrig. System (B) or (EE)	
On-Site Projects						
	Indian River Ind. Utility	Water Treatment Plant	\$1,139,281		(B)	Final Complete
		Effluent Line to WGV		\$315,000	(EE)	Aug. 30, 1997
		Wet Weather Discharge		36,750	(EE)	Aug. 30, 1997
		Transmission - Water	1,209,418		(EE)	Aug. 30, 1997
		Transmission - Wastewater		807,450	(EE)	Aug. 30, 1997
		Transmission - Fire System			\$456,000 (EE)	Aug. 30, 1997
		Pump Station - Wastewater		465,000	(EE)	Aug. 30, 1997
		Pump Station - Fire System	138,300		(EE)	Aug. 30, 1997
	Subtotal		\$2,486,999	\$1,624,200	\$456,000	
	Engineering		159,666	144,379	50,938	
	On-Site Construction		\$2,646,665	\$1,768,579	\$506,938	
Off-Site Projects						
	Coxwell Construction	SR16 16" & 20" Sleeves		\$30,000		March 15, 1996
95-38	Eighteen Construction	Transmission - Wastewater Section A		757,658	(B)	March 15, 1996
95-38	Eighteen Construction	Transmission - Effluent Section A		357,027	(B)	March 15, 1996
95-39	Progressive Contractors	Transmission - Wastewater Section B		480,083	(B)	March 15, 1996
95-39	Progressive Contractors	Transmission - Effluent Section B		440,754	(B)	March 15, 1996
95-38	Eighteen Construction	Wastewater Master Pump Station		234,255	(B)	March 15, 1996
	Subtotal			\$2,299,777		
	Engineering & Permits			279,840		
	Off-Site Construction			\$2,579,617		
	Total Project Costs		\$2,646,665	\$4,348,196	\$506,938	

- (1) These costs do not include the \$713,840 paid to NWU for Initial engineering costs, which are not to be funded by the Series 1996 Bonds.
(2) The on-site pipeline and pump stations costs were estimated by Bessent, Hammack & Ruckman, Inc., consulting engineers December 1995.
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TABLE 3

ST. JOHNS COUNTY
SUMMARY AND PROJECTION OF CAPITAL IMPROVEMENTS - EXPANSIONARY PROJECTS
WATER AND WASTEWATER SYSTEMS

Projects	1995		1996		1997		1998		1999	
	UCF's	Bonds	UCF's	Bonds	UCF's	Bonds	UCF's	Bonds	UCF's	Bonds
Unit Connection Fees:										
Rate Stabilization - Beg of Year	3,360,438	0	1,772,982	-311,196	2,587,949	0	2,003,118	0	1,588,094	0
Reimb. from Series 1996 Bonds			2,410,154							
UCF - New	943,698	0	972,009	0	1,001,169	0	1,031,205	0	1,062,140	0
UCF - PGA	0	0	0	0	0	0	1,489,771	0	1,911,813	0
UCF - Eagle Creek	40,000	0	0	0	0	0	0	0	0	0
UCF - Receivable	114,000	0	114,000	0	114,000	0	114,000	0	114,000	0
Subtotal - Funds Available	4,458,136	0	5,269,145	-311,196	3,703,118	0	4,638,094	0	4,676,047	0
CIP Projects With Expansion:										
WATER										
Water Trans Exp	60,000	0	700,000	0	500,000	0	500,000	0	500,000	0
Water Storage	0	0	0	0	0	0	950,000	0	0	0
Water Sources	0	0	0	0	0	0	0	0	0	0
Water Treatment	0	0	0	0	0	0	0	0	450,000	0
Water Treatment - Eagle Creek	55,000	0	0	0	0	0	0	0	0	0
Water Treatment - NWUI - On's	1,155,458	56,965	0	0	0	0	1,000,000	0	0	0
Water Trans - NWUI - On's	0	1,434,242	0	0	0	0	0	0	387,517	0
Fire Line/Pump - NWUI - On's	0	506,938	0	0	0	0	0	0	775,968	0
Contingency on NWUI Projects	157,680		157,680	-157,680						
Subtotal Water	1,270,458	2,155,825	857,680	-157,680	500,000	0	2,450,000	0	2,113,485	0
WASTEWATER										
Effluent Disposal Exp	65,000	0	1,370,000	0	700,000	0	0	0	0	0
Force Main - NWUI - On's	148,041	1,237,520	0	0	0	0	0	0	2,275,465	0
Force Main - NWUI - Off's	1,106,655	578,106	0	0	0	0	0	0	0	0
Contingency on NWUI Projects	153,516		153,516	-153,516						
Force Main Exp	0	0	0	0	500,000	0	0	500,000	0	0
Wastewater Treatment - Eagle Creek	95,000	0	0	0	0	0	0	0	0	0
Wastewater Treatment Exp	0	0	300,000	0	0	1,000,000	600,000	500,000	0	4,000,000
Subtotal Wastewater	1,414,696	1,969,142	1,823,516	-153,516	1,200,000	1,000,000	600,000	1,000,000	2,275,465	4,000,000
Series 1996 Bonds	0	3,813,771	0	0	0	1,000,000	0	1,000,000	0	4,000,000
Series 1996 Bonds - Reimbursement(1)		2,410,154								
End Of Year Balance	1,772,982	-311,196	2,587,949	0	2,003,118	0	1,588,094	0	287,097	0

(1) The Series 1996 Bond reimbursement amount is intended to reimburse the account for estimated expenditures incurred prior to the sale of the Series 1996 Bonds.

The amount to be reimbursed equals Water Treatment NWUI - \$1,155,458, Force Main NWUI - Onsite \$148,041, and Force Main NWUI - Offsite \$1,106,655.

Contingency was not included in the Series 1996 Bond project costs, however, a 5% contingency is shown here as being provided by funds on hand.

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TABLE 4

ST. JOHNS COUNTY
SUMMARY AND PROJECTION OF CAPITAL IMPROVEMENTS - NON-EXPANSIONARY PROJECTS
WATER AND WASTEWATER SYSTEMS

Projects	1995		1996		1997		1998		1999	
	Const Funds	Bonds	Const Funds	Bonds	Const Funds	Bonds	Const Funds	Bonds	Const Funds	Bonds
Construction Funds on Hand	2,407,168	0	657,777	-63,894	1,181,680	0	851,680	0	(78,320)	0
Transfer from Operations	550,000		550,000		550,000		550,000		550,000	
Reimbursement from Series 1996 Bonds			587,797							
CIP Projects Without Expansion:										
WATER										
Deepwell Pump	0	0	50,000	0	0	0	0	0	0	0
Hydraulic Profile	75,000	0	0	0	0	0	0	0	0	0
DOT Line Replacement	25,000	0	175,000	0	250,000	0	550,000	0	50,000	0
Lab Expansion	250,000	0	0	0	190,000	0	190,000	0	0	0
Water Storage	0	0	0	0	0	0	0	950,000	0	0
NWUI Initial Eng. Costs	356,920	0	0	0	0	0	0	0	0	0
Subtotal Water	706,920	0	225,000	0	440,000	0	740,000	950,000	50,000	0
WASTEWATER										
Telemetry	0	0	0	0	0	0	0	0	0	0
Wetlands Monitor	29,638	0	0	0	0	0	0	0	0	0
DOT Line Replacement	25,000	0	175,000	0	250,000	0	550,000	0	50,000	0
Lab Expansion	250,000	0	0	0	190,000	0	190,000	0	0	0
NWUI Initial Eng. Costs	356,920	0	0	0	0	0	0	0	0	0
Sludge Disposal	0	0	0	0	0	0	0	0	0	0
Effluent Main/PS-NWUI-Ons	0	383,018	0	0	0	0	0	0	0	0
Effluent Main/PS-NWUI-Offs	587,797	307,060	0	0	0	0	0	0	0	0
Contingency on NWUI Projects	0	63,894	63,894	-63,894	0	0	0	0	0	0
Effluent Disposal	0	0	0	0	0	0	0	0	0	0
St. Augustine Shores (SRF)	343,116	2,495,700	0	0	0	0	0	0	0	0
Vacuum Truck	0	0	150,000	0	0	0	0	0	0	0
Subtotal Wastewater	1,592,471	3,249,672	388,894	-63,894	440,000	0	740,000	0	50,000	0
Series 1996 Bonds	0	690,078	0	0	0	0	0	950,000	0	0
Series 1996 Bonds - Reimbursement(1)		587,797								
Fiscal Year 1995 SRF Loans		2,495,700								
End Of Year Balance	657,777	-63,894	1,181,680	0	851,680	0	-78,320	0	371,680	0

(1) The Series 1996 Bond reimbursement amount is intended to reimburse the account for estimated expenditures incurred prior to the sale of the Series 1996 Bonds. The amount to reimburse equals Effluent Main/PS NWUI Offsite - \$587,797. Contingency was not included in the Series 1996 Bond project costs, however, a 5% contingency is being shown here as provided, if necessary, by funds on hand.

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TABLE 5

ST. JOHNS COUNTY
NORTHWEST UTILITIES I
PROPOSED DEVELOPMENT - WATER FLOW DEMAND

Connection Date	Development Name or Type	Units	Unit Type (a)	Gallons/ Unit (a) UCF	Water Demand (b) (gallons/day) UCF	ERC's (c) UCF	Gallons/ Unit (a) Current Rates	ERC's Current Rates	Water Demand (b) (gallons/day) Current Rates	First Year Annualized ERC's	First Year (gallons/day)
On-Line FY 96-97											
	Single Family Residences	0	Residence	350	0	0.00	150	0	0	0.00	0
	World Golf Village - Villas	0	Residence	350	0	0.00	150	0	0	0.00	0
	Apartments	0	Residence	350	0	0.00	150	0	0	0.00	0
	Subtotal - FY 96-97				0	0.00		0	0	0.00	0
On-Line FY97-98											
PGA Village											
1/1/98	Retail	53,300	100 sq. ft.	10	5,330	15.23	10	10	5,330	7.50	3,998
1/1/98	Restaurant	934	seat	50	46,700	133.43	50	3	46,700	2.25	35,025
	PGA Hall of Fame							1		0.75	
1/1/98	Exhibits	23,800	100 sq. ft.	25	5,950	17.00	0		0		0
1/1/98	Retail	1,800	100 sq. ft.	10	180	0.51	0		0		0
1/1/98	Lobby	1,590	100 sq. ft.	15	239	0.68	0		0		0
1/1/98	Support	29,705	100 sq. ft.	15	4,456	12.73	0		0		0
1/1/98	Theater	330	seat	5	1,650	4.71	5		1,650		1,238
1/1/98	Restaurant	260	seat	50	13,000	37.14	50		13,000		9,750
1/1/98	PGA - Clubhouse etc.	20,000	100 sq. ft.	10	2,000	5.71	10	1	2,000	0.75	1,500
1/1/98	PGA Hall of Fame - Office	50,000	100 sq. ft.	15	7,500	21.43	15	1	7,500	0.75	5,625
1/1/98	PGA Productions	50,000	100 sq. ft.	15	7,500	21.43	15	1	7,500	0.75	5,625
1/1/98	PGA Library	12,000	100 sq. ft.	25	3,000	8.57	25	1	3,000	0.75	2,250
1/1/98	Hotel	300	Room	100	30,000	85.71	60	1	18,000	0.75	13,500
1/1/98	Convention Center	13,000	100 sq. ft.	10	1,300	3.71	10		1,300		975
1/1/98	Retail/Commercial	0	100 sq. ft.	10	0	0.00	10	1	0	0.75	0
1/1/98	Saint Johns Sales Center	20,000	100 sq. ft.	10	2,000	5.71	10	1	2,000	0.75	1,500
3/1/98	Single Family Residences	100	Residence	350	35,000	100.00	150	100	15,000	50.00	7,500
	Apartments	0	Residence	350	0	0.00	150	0	0	0.00	0
	Life Care Facility	0	Residence	350	0	0.00	150	0	0	0.00	0
1/1/98	World Golf Village - Villas	30	Residence	350	10,500	30.00	150	30	4,500	22.50	3,375
	Subtotal - FY 97/98				176,304	503.73		151	127,480	88.25	91,860
On-Line FY98-99											
1/1/99	Retail/Commercial	105,000	100 sq. ft.	10	10,500	30.00	10	21	10,500	10.50	5,250
1/1/99	World Golf Village - Villas	30	Residence	350	10,500	30.00	150	30	4,500	15.00	2,250
1/1/99	Mayo Clinic	15,000	100 sq. ft.	10	1,500	4.29	10	1	1,500	0.50	750
1/1/99	Single Family Residences	200	Residence	350	70,000	200.00	150	200	30,000	100.00	15,000
1/1/99	Apartments	200	Residence	350	70,000	200.00	150	200	30,000	100.00	15,000
1/1/99	Life Care Facility	125	Residence	350	43,750	125.00	150	1	18,750	0.50	9,375
1/1/99	Hotel	200	Room	100	20,000	57.14	60	1	12,000	1.00	6,000
	Subtotal - FY 98/99				226,250	646.43		454	107,250	227.50	53,625
On-Line FY99-00											
1/1/00	Retail/Commercial	100,000	100 sq. ft.	10	10,000	28.57	10	20	10,000	10.00	5,000
1/1/00	World Golf Village - Villas	30	Residence	350	10,500	30.00	150	30	4,500	15.00	2,250
1/1/00	Residences	150	Residence	350	52,500	150.00	150	150	22,500	75.00	11,250
1/1/00	Life Care Facility	125	Residence	350	43,750	125.00	150	125	18,750	62.50	9,375
1/1/00	Hotel	525	Room	100	52,500	150.00	60	1	31,500	0.50	15,750
	Subtotal - FY 99/00				169,250	483.57		326	87,250	163.00	43,625
On-Line FY00-01											
1/1/01	Retail/Commercial	100,000	100 sq. ft.	10	10,000	28.57	10	20	10,000	10.00	5,000
1/1/01	Single Family Residences	130	Residence	350	45,500	130.00	150	130	19,500	65.00	9,750
1/1/01	Apartments	200	Residence	350	70,000	200.00	150	200	30,000	100.00	15,000
1/1/01	Hotel	0	Room	100	0	0.00	60	0	0	0.00	0
	Subtotal - FY 00/01				125,500	358.57		350	59,500	175.00	29,750
On-Line FY01-02											
1/1/02	Retail/Commercial	100,000	100 sq. ft.	10	10,000	28.57	10	20	10,000	10.00	5,000
1/1/02	Residences	125	Residence	350	43,750	125.00	150	125	18,750	62.50	9,375
1/1/02	Hotel	0	Room	100	0	0.00	60	0	0	0.00	0
	Subtotal - FY 01/02				53,750	153.57		145	28,750	72.50	14,375
Total Flow/ERC's Projected Through FY 01/02					751,054	2,145.87					
Total Flow & ERC's by Fiscal Year - Cumulative										0.00	0
FY 96/97										88.25	91,860
FY 97/98										378.50	181,105
FY 98/99										768.00	278,355
FY 99/00										1,106.00	351,730
FY 00/01										1,363.50	395,855
FY 01/02											

TABLE 6

ST. JOHNS COUNTY
NORTHWEST UTILITIES I
PROPOSED DEVELOPMENT - WASTEWATER FLOW

Connection Date	Development Name or Type	Units	Unit Type	Gallons/ Unit (a) UCF	Water Demand (b) (gallons/day) UCF	ERC's (c) UCF	Gallons/ Unit Current Rates	ERC's Current Rates	Water Demand (gallons/day) Current Rates	First Year Annualized ERC's	First Year (gallons/day)
On-Line FY 96-97											
	Single Family Residences	0	Residence	350	0	0.00	150	0	0	0.00	0
	World Golf Village - Villas	0	Residence	350	0	0.00	150	0	0	0.00	0
	Apartments	0	Residence	350	0	0.00	150	0	0	0.00	0
	Subtotal - FY 96-97				0	0.00		0	0	0.00	0
On-Line FY97-98											
	PGA Village										
1/1/98	Retail	53,300	100 sq. ft.	10	5,330	15.23	10	10	5,330	7.50	3,998
1/1/98	Restaurant	934	seat	50	46,700	133.43	50	3	46,700	2.25	35,025
	PGA Hall of Fame							1		0.75	
1/1/98	Exhibits	23,800	100 sq. ft.	25	5,950	17.00	0		0		0
1/1/98	Retail	1,800	100 sq. ft.	10	180	0.51	0		0		0
1/1/98	Lobby	1,590	100 sq. ft.	15	239	0.68	0		0		0
1/1/98	Support	29,705	100 sq. ft.	15	4,456	12.73	0		0		0
1/1/98	Theater	330	seat	5	1,650	4.71	5		1,650		1,238
1/1/98	Restaurant	260	seat	50	13,000	37.14	50		13,000		9,750
1/1/98	PGA - Clubhouse etc.	20,000	100 sq. ft.	10	2,000	5.71	10	1	2,000	0.75	1,500
1/1/98	PGA Hall of Fame - Office	50,000	100 sq. ft.	15	7,500	21.43	15	1	7,500	0.75	5,625
1/1/98	PGA Productions	50,000	100 sq. ft.	15	7,500	21.43	15	1	7,500	0.75	5,625
1/1/98	PGA Library	12,000	100 sq. ft.	25	3,000	8.57	25	1	3,000	0.75	2,250
1/1/98	Hotel	300	Room	100	30,000	85.71	60	1	18,000	0.75	13,500
1/1/98	Convention Center	13,000	100 sq. ft.	10	1,300	3.71	10	0	1,300		975
1/1/98	Retail/Commercial	0	100 sq. ft.	10	0	0.00	10	1	0	0.75	0
1/1/98	Saint Johns Sales Center	20,000	100 sq. ft.	10	2,000	5.71	10	1	2,000	0.75	1,500
3/1/98	Single Family Residences	100	Residence	350	35,000	100.00	150	100	15,000	50.00	7,500
	Apartments	0	Residence	350	0	0.00	150	0	0	0.00	0
	Life Care Facility	0	Residence	350	0	0.00	150	0	0	0.00	0
1/1/98	World Golf Village - Villas	30	Residence	350	10,500	30.00	150	30	4,500	22.50	3,375
	Subtotal - FY 97/98				176,304	503.73		151	127,480	88.25	91,860
On-Line FY98-99											
1/1/99	Retail/Commercial	105,000	100 sq. ft.	10	10,500	30.00	10	21	10,500	10.50	5,250
1/1/99	World Golf Village - Villas	30	Residence	350	10,500	30.00	150	30	4,500	15.00	2,250
1/1/99	Mayo Clinic	15,000	100 sq. ft.	10	1,500	4.29	10	1	1,500	0.50	750
1/1/99	Single Family Residences	200	Residence	350	70,000	200.00	150	200	30,000	100.00	15,000
1/1/99	Apartments	200	Residence	350	70,000	200.00	150	200	30,000	100.00	15,000
1/1/99	Life Care Facility	125	Residence	350	43,750	125.00	150	1	18,750	0.50	9,375
1/1/99	Hotel	200	Room	100	20,000	57.14	60	1	12,000	1.00	6,000
	Subtotal - FY 98/99				226,250	646.43		454	107,250	227.50	53,625
On-Line FY99-00											
1/1/00	Retail/Commercial	100,000	100 sq. ft.	10	10,000	28.57	10	20	10,000	10.00	5,000
1/1/00	World Golf Village - Villas	30	Residence	350	10,500	30.00	150	30	4,500	15.00	2,250
1/1/00	Residences	150	Residence	350	52,500	150.00	150	150	22,500	75.00	11,250
1/1/00	Life Care Facility	125	Residence	350	43,750	125.00	150	125	18,750	62.50	9,375
1/1/00	Hotel	525	Room	100	52,500	150.00	60	1	31,500	0.50	15,750
	Subtotal - FY 99/00				169,250	483.57		326	87,250	163.00	43,625
On-Line FY00-01											
1/1/01	Retail/Commercial	100,000	100 sq. ft.	10	10,000	28.57	10	20	10,000	10.00	5,000
1/1/01	Single Family Residences	130	Residence	350	45,500	130.00	150	130	19,500	65.00	9,750
1/1/01	Apartments	200	Residence	350	70,000	200.00	150	200	30,000	100.00	15,000
1/1/01	Hotel	0	Room	100	0	0.00	60	0	0	0.00	0
	Subtotal - FY 00/01				125,500	358.57		350	59,500	175.00	29,750
On-Line FY01-02											
1/1/02	Retail/Commercial	100,000	100 sq. ft.	10	10,000	28.57	10	20	10,000	10.00	5,000
1/1/02	Residences	125	Residence	350	43,750	125.00	150	125	18,750	62.50	9,375
1/1/02	Hotel	0	Room	100	0	0.00	60	0	0	0.00	0
	Subtotal - FY 01/02				53,750	153.57		145	28,750	72.50	14,375
Total Flow/ERC's Projected Through FY 01/02					751,054	2,145.87					
Total Flow & ERC's by Fiscal Year - Cumulative											
FY 96-97										0	0
FY 97/98										88.25	91,860
FY 98/99										378.50	181,105
FY 99/00										768.00	278,355
FY 00/01										1,106.00	351,730
FY 01/02										1,353.50	385,855

TABLE 7

ST. JOHNS COUNTY
WATER CAPACITIES

Fiscal Year	Water ERC's(a)			Billed Water Demand (MG)(b)	Annual Raw Pumpage (MG)(c)	Treated Water (MG)(d)		Consumptive Use Permit (MG)(e)	
	AI & MUS	Shores	NWUI			Annual	Max Day	Annual	Max Day
1991	11,705	0	0	710.859	829.859	746.495	3.42	857.80	2.94
1992	11,502	2,241	0	834.373	939.277	917.112	4.00	901.60	3.08
1993	11,783	2,305	0	888.179	1,032.713	1,029.323	4.26	949.00	3.25
1994	12,679	2,385	0	905.681	1,102.741	1,066.684	3.95	996.50	3.41
1995	13,020	2,470	0	919.017	1,153.003	1,118.115	4.15	1,040.30	3.58
1996	13,402	2,545	0	956.820	1,162.919	1,129.048	4.33	1,088.40	3.73
1997	13,784	2,620	0	984.240	1,196.245	1,161.403	4.45		
1998	14,166	2,695	88	1,045.189	1,270.323	1,233.323	4.73		
1999	14,548	2,770	379	1,105.183	1,343.240	1,304.116	5.00		
2000	14,930	2,845	768	1,168.100	1,419.708	1,378.357	5.29		

- (a) ERC's equal Equivalent Residential Connections. Fiscal Years 1991 through 1994 equal actual annual averages. Fiscal Year 1995 equals the average for the year based on the first 7 months. Fiscal Years 1996 through 2000 for AI and MUS equals an additional 382 ERC's/year; for Shores equals an additional 75 ERC's/year; and for NWUI, taken from Table 5.
- (b) Billed water demand for Fiscal Years 1991 through 1994 are actual. Fiscal Year 1995 equals the actual for the first 7 months, annualized by Fiscal Year 1994 ratio of the same months to total. Fiscal Year 1996 equals the projected ERC's times 60,000 gallons/year. Fiscal Years 1997 through 2000 equal the ERC's for AI and MUS plus the Shores times 60,000 gallons/year; and ERC's for NWUI, taken from Table 5 times 365 days.
- (c) Raw Pumpage for Fiscal Years 1991 through 1994 is actual. Raw Pumpage for Fiscal Year 1995 equals the actual for the first 7 months annualized by Fiscal Year 1994 ratio for same months. Raw Pumpage for Fiscal Years 1996 through 2000 equals the Treated Water figure plus 3% for processing.
- (d) Treated Water (Annual) is actual for Fiscal Years 1991 through 1994. Treated Water (Annual) for Fiscal Year 1995 is actual for first 7 months, annualized by Fiscal Year 1994 ratio for same months. Treated Water (Annual) for Fiscal Years 1996 through 2000 equals the Billed Water Demand figure increased by 18% for distribution system water losses. Treated Water (Max Day) for Fiscal Years 1991 through 1995 is actual. Treated Water (Max Day) for Fiscal Years 1996 through 2000 equals the Treated Water (Annual) expressed as MGD, increased by 40%.
- (e) The Consumptive Use Permit (CUP) was not amended once the Shores water demand was supplied by the St. Johns County Tillman Ridge wellfields. The CUP expires in 1996, at which time the requested water use for the Tillman Ridge wellfield will include former Shores customers. Although shown here as part of the combined water system, NWUI actually has its own permitted wellfield and treatment facility.

TABLE 8

ST. JOHNS COUNTY
WASTEWATER CAPACITIES

Fiscal Year	AIWWTP (Capacity 4.0 MGD)					MUS (Capacity 0.5 MGD + 0.25 MGD)					Shores (Capacity 0.5 MGD)				
	ERC' (a)	Billed (b) (MG)	ADF (MG)	Treated (c) ADF (MGD)	Treated Max Day (MGD)	ERC' (a)	Billed (b) (MG)	ADF (MG)	Treated (c) ADF (MGD)	Treated Max Day (MGD)	ERC' (a)	Billed (b) (MG)	ADF (MG)	Treated (c) ADF (MGD)	Treated Max Day (MGD)
1991	6,556	344,364	366,380	1,004	1,744	183	10,793	8,320	0.023	0.215	N/A	N/A	N/A	N/A	N/A
1992	6,491	352,062	350,048	0.959	1,972	289	31,646	32,125	0.088	0.378	2,224	78,202	90,900	0.249	0.734
1993	6,514	363,992	380,125	1,041	1,794	338	47,228	43,171	0.118	0.292	2,287	99,565	110,021	0.301	0.635
1994	6,552	364,574	411,760	1,128	1,919	370	59,275	52,863	0.145	0.274	2,363	104,760	129,054	0.354	0.694
1995	6,649	375,040	396,056	1,085	1,888	433	63,221	49,440	0.135	0.340	2,430	107,419	166,865	0.457	0.709
1996	6,866	384,496	397,953	1,090		463	64,820	65,468	0.179		2,490	110,058	135,371	0.371	
1997	7,083	396,648	527,186	1,444		493	69,020	69,710	0.191		2,550	112,710			
1998	7,300	408,800	542,508	1,486		611	106,749	107,816	0.295		2,610	115,362			
1999	7,517	420,952	557,830	1,528		932	143,523	144,959	0.397		2,670	118,014			
2000	7,734	433,104	573,152	1,570		1,351	183,220	185,052	0.507		2,730	120,666			

- (a) ERC's equal Equivalent Residential Connections. Fiscal Years 1991 through 1994 equal actual annual averages. Fiscal Year 1995 equals the average for the year based on the first 7 months. Fiscal Years 1996 through 2000 for AI, equals an additional 217 ERC's/year; for MUS equals an additional 30 ERC's/year plus the NWUI ERC's from Table 6; for Shores equals an additional 60 ERC's/year.
- (b) Billed flow for Fiscal Years 1991 through 1994 are actual. Fiscal Year 1995 equals the actual for the first 7 months, annualized by Fiscal Year 1994 ratio of the same months to total. Fiscal Years 1996 through 2000 for AI equals the projected ERC's times 56,000 gallons/year. Fiscal Year 1996 for MUS equals ERC's times 140,000 gallons/year. Fiscal Years 1997 through 2000 for MUS equals the ERC's times 140,000 gallons/year, plus the flow for NWUI from Table 6. Fiscal Years 1996 through 2000 for Shores equal ERC's times 44,200 gallons/year.
- (c) Treated Wastewater is actual for Fiscal Years 1991 through 1994. Treated Wastewater for Fiscal Year 1995 is actual for first 7 months, annualized by Fiscal Year 1994 ratio for same months. Treated Wastewater for Fiscal Years 1996 through 2000 for AI equals the Billed Flow figure increased by 3.5% for system inflow/infiltration, with the Billed Flow for the Shores included at AIWWTP beginning in 1997. Treated Wastewater for Fiscal Years 1996 through 2000 for MUS equals the Billed Flow figure increased by 1% for system inflow/infiltration.

TABLE 9
ST. JOHNS COUNTY
HISTORICAL DEBT SERVICE COVERAGE
COMBINED WATER AND WASTEWATER SYSTEM

	Historical (a) Fiscal Years				
	1991	1992	1993	1994	1995
Operating Revenues:					
Water Sales	\$3,208,930	\$4,351,822	\$4,441,396	\$4,606,793	\$4,853,009
Sewer Service Charges	1,738,662	2,603,790	2,610,901	2,718,816	2,949,274
Meter Installations (Tapping Fees)	111,748	125,000	105,393	122,241	168,830
Irrigation Water Sales(e)	10,535	18,060	18,060	18,060	19,008
Other Revenue	111,532	130,953	129,408	180,165	338,608
Total Operating Revenue	\$5,181,407	\$7,229,625	\$7,305,158	\$7,646,075	\$8,328,729
Operating Expenses:					
Contractual Services(f)	\$328,886	\$253,845	\$230,654	\$389,426	\$513,874
Salaries and Benefits	1,368,177	1,809,959	1,861,470	2,062,862	2,264,742
Other Operating Expenses	817,636	1,145,043	1,103,855	1,147,528	1,381,572
Maintenance	824,140	386,480	535,883	619,860	682,174
Total Operating Expenses	\$3,338,839	\$3,595,327	\$3,731,862	\$4,219,676	\$4,842,362
Net Operating Revenues	\$1,842,568	\$3,634,298	\$3,573,296	\$3,426,399	\$3,486,367
Non-Operating Revenue (Expense)	973,825	557,461	514,593	531,080	803,659
Total Net Revenues	\$2,816,393	\$4,191,759	\$4,087,889	\$3,957,479	\$4,290,026
Pledged Unit Connection Fees(UCF's)	529,364	2,042,807	2,096,627	2,043,475	2,043,475
Total Net Revenues + UCF's	\$3,345,757	\$6,234,566	\$6,184,516	\$6,000,954	\$6,333,501
Annual Parity Debt Service Payments:					
Series 1989 Issue (g)	\$650,313	\$911,183	\$911,083	\$909,783	\$906,908
Series 1990 BI and BII Issue (g)	940,277	1,934,625	1,929,875	1,933,375	1,934,775
Series 1991A Issue (g)	0	431,830	518,196	783,196	783,886
Series 1996 Issue (h)	0	0	0	0	0
Total Parity Debt Service Payments	\$1,590,590	\$3,277,638	\$3,359,154	\$3,626,354	\$3,625,569
Debt Service Coverage - Revenue Bonds - Net Revenue Only (1.10 X Coverage Required)	1.77	1.28	1.22	1.09	1.18
Debt Service Coverage - Revenue Bonds Net + UCF's (1.20 X Coverage Required)	2.10	1.90	1.84	1.65	1.75
Revenue Net of Revenue Bonds	\$1,225,803	\$914,121	\$728,735	\$331,125	\$664,457
Annual Payment State Revolving Fund (SRF) Loan (i)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	14,486
Debt Service Coverage - SRF Loan (1.15 X Coverage Required)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	45.87
Annual Payment Subordinated Revenue Bond - Series 1991 (g)	\$0	\$118,756	\$153,228	\$183,234	\$186,614
Revenue Net of Annual Debt Service Payments	\$1,225,803	\$795,365	\$575,507	\$147,891	\$463,357

TABLE 9 (Continued)

ST. JOHNS COUNTY
PROJECTED DEBT SERVICE COVERAGE
COMBINED WATER AND WASTEWATER SYSTEM

	Projected Fiscal Years				
	1996 (c)	1997 (d)	1998 (d)	1999 (d)	2000 (d)
Operating Revenues:					
Water Sales	\$4,936,221	\$5,084,308	\$5,408,324	\$5,740,907	\$6,098,371
Sewer Service Charges	2,972,082	3,081,244	3,311,823	3,574,992	3,862,287
Meter Installations (Tapping Fees)	125,000	125,000	125,000	125,000	125,000
Irrigation Water Sales(e)	20,000	20,000	20,000	20,000	20,000
Other Revenue	314,950	314,950	314,950	314,950	314,950
Total Operating Revenue	\$8,368,253	\$8,605,502	\$9,180,097	\$9,775,849	\$10,420,608
Operating Expenses:					
Contractual Services(f)	\$524,205	\$545,173	\$566,980	\$589,659	\$613,248
Salaries and Benefits	2,399,156	2,503,362	2,603,414	2,707,468	2,815,677
Other Operating Expenses	1,197,514	1,277,309	1,384,501	1,495,795	1,615,495
Maintenance	579,534	602,715	626,824	651,897	677,973
Total Operating Expenses	\$4,700,409	\$4,928,559	\$5,181,719	\$5,444,818	\$5,722,390
Net Operating Revenues	\$3,667,844	\$3,676,943	\$3,998,378	\$4,331,031	\$4,698,218
Non-Operating Revenue (Expense)	690,000	625,000	575,000	550,000	550,000
Total Net Revenues	\$4,357,844	\$4,301,943	\$4,573,378	\$4,881,031	\$5,248,218
Pledged Unit Connection Fees(UCF's)	2,043,475	2,043,475	2,043,475	2,043,475	2,043,475
Total Net Revenues + UCF's	\$6,401,319	\$6,345,418	\$6,616,853	\$6,924,506	\$7,291,693
Annual Parity Debt Service Payments:					
Series 1989 Issue (g)	\$852,319	\$800,760	\$416,960	\$420,785	\$418,908
Series 1990 BI and BII Issue (g)	1,854,440	1,691,340	1,694,485	1,689,485	1,696,585
Series 1991A Issue (g)	581,953	368,450	370,470	371,000	0
Series 1996 Issue (h)	264,109	691,748	1,218,603	1,539,270	2,045,015
Total Parity Debt Service Payments	\$3,552,821	\$3,552,298	\$3,700,518	\$4,020,540	\$4,160,508
Debt Service Coverage - Revenue Bonds - Net Revenue Only (1.10 X Coverage Required)	1.23	1.21	1.24	1.21	1.28
Debt Service Coverage - Revenue Bonds Net + UCF's (1.20 X Coverage Required)	1.80	1.79	1.79	1.72	1.75
Revenue Net of Revenue Bonds	\$805,023	\$749,645	\$872,860	\$860,491	\$1,087,710
Annual Payment State Revolving Fund (SRF) Loan (i)	131,013	131,013	131,013	131,013	131,013
Debt Service Coverage - SRF Loan (1.15 X Coverage Required)	6.14	5.72	6.66	6.57	8.30
Annual Payment Subordinated Revenue Bond - Series 1991 (g)	\$184,654	\$182,642	\$185,577	\$183,177	\$185,737
Revenue Net of Annual Debt Service Payments	\$489,356	\$435,990	\$556,270	\$546,301	\$770,960

- (a) Fiscal Years 1991 through 1994 are based on annual audited figures.
- (b) Fiscal Year 1995 Operating Revenue and Expenses are based on unaudited actual numbers for the 12 month period. Meter installation revenue is per the Fiscal Year 1995 budget, with Other Revenue adjusted by this amount, per the actual unaudited numbers for the 12 month period. Non-Operating Revenue (Interest) reflects the unaudited unadjusted amount for the 12 month period. Non-Operating Revenue (Other Revenue) was excluded, pending an audit adjustment.
- (c) Fiscal year 1996 revenues and expenses are based on the adopted budget.
- (d) Fiscal Years 1997 through 2000 Water Sales and Sewer Service Charge revenues were based on an estimated 3% cost of living increase. In addition, Water Sales and Sewer Service Charges include the estimated revenue from the NWUI service area, beginning in fiscal year 1998. NWUI Water Sales and Sewer Service Charge revenue is based on Tables 5 and 6, with the number of units provided by Davidson Development, Inc. Non-Operating Revenue (Interest) was based on an estimate of the year end cash balances, with an estimated interest rate of 5%. Operating Expenses were based on the fiscal year 1996 budgeted expenses, increased annually by 4% for inflation. There was also an adjustment for the additional costs of operating the NWUI facilities.
- (e) The projected Irrigation Water Sales figure does not include potential charges for the combined irrigation/fire system for NWUI because the applicable rates have not yet been adopted.
- (f) Historically, there have been changes made in the allocation of administrative costs to the various County departments. The amounts which have been allocated to date are as follows: fiscal year 1991, \$89,428; fiscal year 1992, \$109,152; fiscal year 1993, \$112,428; fiscal year 1994, \$118,030; fiscal year 1995, \$328,494; and fiscal year 1996, \$328,494. These costs can be modified either up or down.
- (g) The Series 1989 Issue, Series 1990 BI and BII Issue, Series 1991A Issue, and the Series 1991 Issue debt service payments were based on the amortization schedule for each bond issue.
- (h) The debt service payment for the Series 1996 Issue were based on preliminary debt service schedules provided by Public Financial Management, based on interest rates from 3.35% to 5.45%.
- (i) The SRF loan is based on the anticipated loan repayment amounts.

TABLE 10
ST. JOHNS COUNTY UTILITY SYSTEM
SCHEDULE OF FEES AND CHARGES

		Existing Rates (Effective 10/1/94)	Adopted Rates (Effective 10/1/95)(a)
<u>User Charges(b)</u>			
Water Rates - Monthly			
	Monthly Minimum Charge (4,000 gallons allowed)	\$17.67	\$18.20
	Charge per 1,000 gallons over allowance	\$4.67	\$4.81
	Commitment Billing (Units not yet connected)	\$10.60	\$10.92
Sewer User Fees - Monthly			
	Monthly Minimum Charge (4,000 gallons allowed)	\$18.23	\$18.78
	Charge per 1,000 gallons over allowance	\$4.25	\$4.38
	Commitment Billing (Units not yet connected)	\$10.94	\$11.27
<u>Tapping Fees</u>			
Water Meter Size			
	3/4 - inch	\$300.00	\$300.00
	1 - inch	\$412.00	\$412.00
	1 1/2 - inch	\$1,200.00	\$1,200.00
	2 - inch	\$1,800.00	\$1,800.00
	3 - inch	\$3,750.00	\$3,750.00
	4 - inch	\$6,000.00	\$6,000.00
	6 - inch	\$9,750.00	\$9,750.00
	8 inch or larger	(Cost of Labor, Equipment, & Mats plus 25%)	
<u>Unit Connection Fees(c)</u>			
	Water (per gpd)	\$3.62	\$3.73
	Sewer (per gpd)	\$4.58	\$4.72

- (a) The rates presented were adopted by the Board of County Commissioners on September 20, 1995, with an effective date of October 1, 1995.
- (b) The County Rate Ordinance requires the rates to be increased every year based on the Consumer Price Index as published by the University of Florida, Bureau of Economic and Business Research.
- (c) Connection fees are based on a schedule of typical volume usages per dwelling unit type or commercial establishment type; a schedule is incorporated in the Rate Ordinance. The single family unit (2 bedroom) connection fee equates to \$1,305.50 for water and \$1,652 for sewer, effective 10/1/95.

APPENDIX B

GENERAL INFORMATION CONCERNING THE COUNTY

The following information concerning St. Johns County, Florida is included only for the purpose of providing general background information.

Location

St. Johns County (the "County") encompasses approximately 617 square miles and is located in the northeast region of the State of Florida. The County is located directly south of Duval County, Florida, and is bordered on the west by the St. Johns River, on the south by Flagler County, and on the east by the Atlantic Ocean.

There are three incorporated municipalities located in the County: St. Augustine, Hastings and St. Augustine Beach. St. Augustine, which was founded in 1565, is the oldest permanent European settlement in the United States and is the county seat. A small portion of the municipality of Marineland (primarily located in Flagler County) on which no improvements are located is also a part of the County.

Population

St. Johns County currently ranks 32nd out of Florida's 67 counties in total gross population and ranks 24th statewide in the percentage change in population growth from 1990 to 1995.

St. Johns County has experienced steady population growth, as shown below:

<u>Year</u>	<u>Population</u>
1970 U.S. Census	31,035
1980 U.S. Census	51,303
1990 U.S. Census	83,829
1991	86,118
1992	88,417
1993	91,197
1994	94,758
1995	97,695

Source: U.S. Bureau of the Census; Florida Executive State Data Center, Office of the Governor, "Florida Population Estimate by County," September 1995.

Commerce and Industry

A combination of historical significance, favorable climate, and available recreational facilities including public beaches, golf courses, tennis courts, and cultural events has made the County a national and international tourist destination attracting more than a million visitors annually.

The County is home to a number of state, national and international business and sports organizations all contributing to a stable economy. Among those headquartered in the County are the PGA Tour, Inc., Association of Tennis Professionals, Flagler College, Florida School for the Deaf and Blind, Florida National Guard, and Florida East Coast Railway. Construction is about to begin in the northwestern part of the county on the World Golf Village complex. The project is a combined effort of the public and private sectors and includes the PGA Tour Hall of Fame, the LPGA Hall of Fame, the Mayo Clinic Sports Research Facility and exhibits by the United States Golf Association, Augusta National and the Royal and Ancient Golf Club of St. Andrews.

While tourism ranks highly in the economy, manufacturing and commercial activities, including food processing, airplane modification and repair, book binding, aluminum extrusion and commercial fishing play key roles.

Agriculture

Agribusiness remains a key sector of the state and the northeast region's economy. Agriculture is a major industry in the County and in 1995 provided the County with on-farm revenue in excess of \$56 million.

St. Johns County is known as the potato and cabbage capital of Florida, and leads the other counties in Florida in value of these products. Agriculture commodities produced in the County and their respective values for 1995 are as follows:

Potatoes	\$37,000,000
Cabbage	5,000,000
Forest Products	4,000,000
Ornamental Horticulture	4,000,000
Miscellaneous	2,000,000
Corn and Hay	2,000,000
Corn, Corn Silage & Hay	1,000,000
Livestock, Dairying & Poultry	<u>1,000,000</u>
Total	\$56,000,000

Source: Florida Department of Agriculture St. Johns County Extension Service, as of January 1995.

The County's temperate climate with a mean temperature of 70 degrees Fahrenheit and an average annual rainfall of 50 inches make it ideal for the agriculture products described above.

Employment

The following table shows the average monthly employment by category for the first quarter ended March, 1995.

<u>St. Johns County</u>		
<u>Distribution</u>	<u>Number of Employees</u>	<u>Percentage of Total</u>
Manufacturing	2,997	9.54%
Construction	1,342	4.27
Transportation, Communications & Utilities	500	1.59
Wholesale Trade	1,228	3.90
Retail Trade	8,407	26.76
Finance, Insurance and Real Estate	1,159	3.68
Services	9,896	31.50
Government	5,232	16.65
Agriculture (Except Domestic, Self Employed, Unpaid Family Workers and Seasonal Workers)	638	2.03
Mining	<u>13</u>	<u>.04</u>
TOTAL	31,412*	100.00%*

* Subtotals may not equal totals due to disclosure editing and/or rounding.

Source: State of Florida, Department of Labor and Employment Security, Edited ES-202 Report.

Major Employers

The following table shows some of the major employers in St. Johns County and their approximate level of employment as of February, 1995.

<u>Establishment</u>	<u>Product</u>	<u>Approximate Employment</u>
St. Johns County School System	Education	1,743
Flagler Hospital	Health Care	932
St. Johns County	County Government	850
Grumman St. Augustine Corporation	Aircraft Overhaul and Modification	800
Florida School for the Deaf and Blind	Educational Institution	594
V.A.W. of America, Inc.	Aluminum Extrusion	550
Florida Department of Military Affairs	Florida National Guard Headquarters	311
Luhrs Corporation	Pleasure Crafts/Sport Fishing Boats	395*
Tree of Life, Inc.	Health Food - Distributor	300
City of St. Augustine	Municipal Government	250
Florida East Coast Railway	Intrastate Railroad Freight & Express	190
Ideal Division of Epicor Industries, Inc.	Automotive Products	190
Tensolite Company	Hi-tech Wire Insulation	145
Flagler College	Four-year Liberal Arts College	120 (Full-time)
Holloway Sportswear, Inc.	Sports Clothing	105

* Seasonal.

Source: St. Augustine and St. Johns County Chamber of Commerce.

Tourism and Recreation

A combination of favorable climate and available recreational activities including public beaches, tennis courts, golf courses and cultural performances has made tourism a major industry in the County. Each year, more than one million people visit the County to tour its 300-year-old fortress, utilize the recreation facilities and to enjoy the antiquity of the nation's oldest city.

Transportation Facilities

Air: Commercial airline service is available at the Jacksonville International Airport located approximately 60 miles north of St. Augustine. The Daytona Beach Regional Airport is approximately 55 miles south of St. Augustine. Charter flights and flight training are available at the St. Augustine Municipal Airport.

Land: Three major north/south highways, Interstate 95, U.S. 1 and State Route A1A, serve the County. Bus transportation is provided to St. Augustine by Greyhound with 5 northbound and 11 southbound buses each day.

Rail: The County is served by the Florida East Coast Railway with freight service only. Amtrak and piggyback facilities are located in Jacksonville, 38 miles north of the County.

Waterways: The Matanzas Bay provides access to the St. Augustine Inlet, the Intracoastal Waterway and the Atlantic Ocean. The nearest deep water port is in Jacksonville.

Health Care Facilities

Medical facilities are provided by Flagler Hospital, which has 230 beds. There are approximately 110 physicians in the area, including specialists in most fields. The County has five nursing homes; two of which are funded by the County and three of which are private establishments.

Education

The public school system is operated by the St. Johns County School Board. There are twelve elementary schools, five middle schools, two high schools, one discipline program school (grades 6-12), two elementary parochial schools, a parochial high school, a tri-county Vocational and Technical Center, St. Johns River Community College, and Flagler College, which is a four-year liberal arts institution in which more than 1,300 students are enrolled. The State operates the Florida School for the Deaf and Blind in St. Augustine, with primary school through senior high school levels.

Source: St. Augustine and St. Johns County Chamber of Commerce.

St. Johns County, Florida
Civilian Labor Force
(unadjusted)

<u>Fiscal Year</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>	<u>State Unemployment Rate</u>
1984/85	31,263	28,953	2,310	7.4%	6.0%
1985/86	35,097	32,815	2,282	6.5	5.7
1986/87	37,681	35,471	2,210	5.9	5.3
1987/88	38,781	36,761	2,020	5.2	5.0
1988/89	39,288	37,030	2,258	5.7	5.6
1989/90	40,011	37,761	2,250	5.6	5.9
1990/91	40,510	37,889	2,621	6.5	7.3
1991/92	39,962	37,048	2,914	7.3	7.1
1992/93	46,078	43,215	2,863	6.2	7.0
1993/94	47,454	45,507	1,947	4.1	5.4
1994/95	47,421	45,411	2,019	4.3	5.4

Source: Florida Department of Labor and Employment Security, Bureau of Labor Market Information.

Note: Figures for 1994/95 are preliminary as of February, 1995.

St. Johns County, Florida
Taxable Assessed Property Valuations

<u>Tax Roll Year</u>	<u>Non-Exempt Real Property Valuations</u>	<u>Non-Exempt Personal Valuations</u>	<u>Non-Exempt Utilities Railroad</u>	<u>Total Taxable Assessed Property Valuations</u>
1985	\$1,670,984,352	\$185,401,615	\$ 8,022,393	\$1,864,408,360
1986	1,962,247,284	206,521,804	1,072,961	2,169,842,049
1987	2,184,537,016	233,803,639	14,441,818	2,432,782,473
1988	2,462,124,391	244,414,748	15,577,014	2,722,116,153
1989	2,915,553,142	271,870,308	11,858,243	3,199,281,693
1990	3,200,364,647	299,669,118	12,107,655	3,512,141,420
1991	3,399,910,947	307,882,418	11,995,281	3,719,788,646
1992	3,528,333,247	310,968,580	10,492,944	3,849,794,771
1993	3,849,758,343	302,035,159	9,447,083	4,161,240,585
1994	4,000,055,955	317,459,944	12,768,651	4,330,284,450
1995	4,336,130,363	338,279,655	12,176,831	4,688,586,849

Source: State of Florida, Department of Revenue, Florida Ad Valorem Valuations and Tax Data.

St. Johns County, Florida
Ad Valorem Tax Levies and Collections

<u>Tax Roll Year</u>	<u>Property Taxes Levied</u>	<u>Total Tax Collections¹</u>	<u>% of Levy Collected²</u>	<u>Delinquent Tax Uncollected</u>
1983	\$23,677,638	\$23,320,383	98.49%	\$357,255
1984	25,229,244	24,805,582	98.32	423,662
1985	31,295,519	31,042,190	99.19	253,329
1986	35,941,927	35,594,355	99.03	347,572
1987	40,160,327	39,785,685	99.07	374,642
1988	46,313,747	45,855,152	99.01	458,595
1989	59,828,202	58,709,509	98.13	1,118,693
1990	66,515,233	65,324,133	98.21	1,191,100
1991	70,079,557	69,486,147	99.15	593,410
1992	72,993,958	72,455,946	99.26	538,012
1993	75,800,471	75,566,764	99.79	157,336
1994	84,136,894	83,741,187	99.53	186,968

¹ Aggregate amount of tax collections as of close-out of fiscal year ending September 30, which includes the aggregate amount of discounts actually taken by taxpayers as allowed by Florida law. A 4% discount is allowed if the taxes are paid in November with the discount declining by 1% each month thereafter. Total tax collections include current taxes paid, tax certificate proceeds, delinquent tax payments upon taxable personal property and any prior period payments on County-held tax certificates.

² Represents percentage of current gross collections (total collections plus discounts taken) to property taxes levied.

Source: State of Florida, Department of Revenue, Florida Ad Valorem Valuations and Tax Data.

ST. JOHNS COUNTY, FLORIDA
NET DEBT STATEMENT
as of January 5, 1996
(Adjusted to give effect to the issuance of the 1996 Bonds
and the refunding of the Refunded Bonds)¹

<u>Direct Debt</u>	<u>General Obligation Bonds</u>	<u>Non-Self Supporting Revenue Bonds</u>	<u>Self Supporting Revenue Bonds</u>
Limited Ad Valorem Tax Refunding Bonds, Series 1994	\$10,105,000		
Water and Sewer Revenue Bonds, Series 1989			\$ 7,175,000
Water and Sewer Revenue Bonds, Series 1990B-I and Series 1990B-II			16,690,000
Water and Sewer Revenue Bonds, Series 1991A			9,955,364
Water and Sewer Subordinated Revenue Bond, Series 1991			2,185,000
Water and Sewer Revenue and Refunding Bonds, Series 1996			22,000,000*
State Revolving Loan Fund Agreement			260,500
Solid Waste Disposal Revenue Bonds, Series 1990 (\$11,320,000 less \$1,134,000 in Reserve Account)			10,186,000
Sales Tax Revenue Bonds, Series 1989		9,745,000	
Sales Tax Revenue and Refunding Bonds, Series 1994		11,115,000	
Capital Improvement Revenue Bonds, Series 1987A (\$1,515,000 less \$189,269 in Reserve Account)		1,325,731	
Transportation Improvement Revenue Refunding Bonds, Series 1992		<u>9,625,000</u>	
Total Direct Debt	\$10,105,000	\$31,810,731	\$68,451,964*

¹ Assessment debt not included.

* Preliminary; subject to change.

<u>Direct Debt</u>	<u>General Obligation Bonds</u>	<u>Non-Self Supporting Revenue Bonds</u>	<u>Self Supporting Revenue Bonds</u>
<u>Underlying Debt</u>			
City of St. Augustine, Florida			
Water and Sewer Revenue Refunding Bonds, Series 1986			\$ 8,485,000
Water and Sewer Revenue Refunding Bonds, Series 1995(A)			16,000,000
Water and Sewer Revenue Refunding Bonds, Series 1995(B)			870,000
Public Service Tax and Guaranteed Entitlement Revenue Bonds, Series 1992		\$ 7,195,000	
Public Service Tax and Guaranteed Entitlement Revenue Refunding Bonds, Series 1995		2,550,000	
Town of Hastings, Florida			
Water and Sewer Bonds (\$982,700 less \$47,419 in Reserve Account)			935,281
St. Johns County Board of Public Instruction			
Certificates of Indebtedness Dated 6/1/67 (\$195,000 less \$102,287 in Reserve Account)		92,713	
School District of St. Johns County, Florida			
General Obligation Refunding Bonds, Series 1993	<u>\$41,375,000</u>	<u> </u>	<u> </u>
Total Underlying Debt	\$41,375,000	\$ 9,837,713	\$26,290,281
Total Direct and Underlying Debt	\$51,480,000	\$41,648,444	\$94,742,145*

* Preliminary, subject to change

DEBT RATIOS

Direct and Underlying General Obligation Debt	\$ 51,480,000
Per Capita	\$ 543.28
As a Percent of Taxable Assessed Valuation	1.19%
As a Percent of Total Assessed Valuation	.92%
Direct and Underlying General Obligation and Non-Self Supporting Revenue Debt	\$ 93,129,444
Per Capita	\$ 982.80
As a Percent of Taxable Assessed Valuation	2.15%
As a Percent of Total Assessed Valuation	1.67%
1994 St. Johns County Population Estimate	94,758
1994 Taxable Assessed Valuation for St. Johns County	\$ 4,330,284,450
1994 Total Assessed Valuation for St. Johns County	\$ 5,568,464,893

Police and Fire Protection

St. Johns County is served by the Sheriff's Office, which has approximately 400 full- and part-time employees including deputies, the detective division, communications, jail and administrative personnel. There are sixteen fire stations operating within the County, served by volunteers. The County operates a special rescue unit manned by trained emergency medical technicians.

Government

The Board of County Commissioners of St. Johns County is organized under Article VIII of the Constitution of the State of Florida which empowers the creation of counties as a political subdivision of the state. St. Johns County is a nonchartered county and has the power of self government as provided by general and special law through county ordinances. Under the Constitution of the State of Florida, the offices of Clerk of Court, Property Appraiser, Sheriff, Tax Collector and Supervisor of Elections are specifically authorized and empowered to provide their functional services independently of the Board. The Board of County Commissioners of the County enacted an ordinance which established the office of the County Administrator, who serves as the Chief Administrative Officer of the County and is responsible for the administration of County departments, services and agencies as authorized by the Board of County Commissioners. The County School Board is a separately organized taxing entity not under the jurisdiction of the Board of County Commissioners and has specific legislative authority granted by the Constitution. The Board of County Commissioners is a seven member body with five members elected from districts and two elected countywide. The Board serves as the taxing authority for certain entities authorized by the Constitution of the State of Florida including the constitutional officers and special taxing districts that are authorized under legislation and approved by the Board of County Commissioners. Certain dependent county taxing districts also come under the purview of the Board's taxing limitations. The current general taxing limitation for the Board of County Commissioners is ten mills plus an additional ten mills in municipal service taxing or benefit units in unincorporated areas of the County, as authorized by the Legislature. A mill generates one dollar of tax for every one thousand dollars of taxable value.

APPENDIX D

THE RESOLUTION

**Resolution No. 89-84, as amended by Resolution 89-189,
Resolution No. 90-61, Resolution No. 90-208,
Resolution No. 91-113 and Resolution No. 95-87**

RESOLUTION PROVIDING FOR THE ACQUISITION, CONSTRUCTION AND ERECTION OF ADDITIONS, EXTENSIONS AND IMPROVEMENTS TO THE WATER DISTRIBUTION FACILITIES OF ST. JOHNS COUNTY, AND OF NEW SEWAGE COLLECTION AND TREATMENT FACILITIES TO BE OPERATED BY THE COUNTY IN COMBINATION WITH SUCH WATER FACILITIES AS A SINGLE WATER AND SEWER SYSTEM; AUTHORIZING THE ISSUANCE BY THE COUNTY OF NOT EXCEEDING \$10,430,000 PRINCIPAL AMOUNT OF WATER AND SEWER REVENUE BONDS, SERIES 1989, TO FINANCE THE COST THEREOF AND THE COST OF REFUNDING THE COUNTY'S OUTSTANDING WATER REVENUE BONDS; PROVIDING FOR THE REFUNDING OF SAID OUTSTANDING BONDS; PLEDGING TO SECURE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SAID SERIES 1989 BONDS CERTAIN PLEDGED FUNDS INCLUDING THE NET REVENUES OF SAID SYSTEM AND CERTAIN LAWFULLY AVAILABLE CONNECTION CHARGES, ALL MONEYS ON DEPOSIT IN AND INVESTMENTS HELD FOR THE CREDIT OF CERTAIN FUNDS CREATED HEREUNDER AND THE EARNINGS ON SUCH INVESTMENTS; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SAID SERIES 1989 BONDS; MAKING CERTAIN COVENANTS AND AGREEMENTS WITH THE HOLDERS OF SAID SERIES 1989 BONDS; REPEALING THE COUNTY'S RESOLUTION NO. 88-241 AND RESOLUTION NO. 88-253; AND PROVIDING AN EFFECTIVE DATE.

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BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF ST. JOHNS COUNTY, FLORIDA:

ARTICLE I

GENERAL

SECTION 1.01. Definitions. When used in this Resolution, 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 semiannual period in equal daily amounts on the basis of a 360-day year.

"Act" shall mean Chapter 125, Part I, Florida Statutes, as amended, St. Johns County Ordinance No.86-89 and other applicable provisions of law.

"Additional Bonds" shall mean the obligations issued at any time under the provisions of Section 5.02 hereof on a parity with the Series 1989 Bonds.

"Additional Project" shall mean the acquisition, construction, erection, renovation or reconstruction of capital improvements and additions to the System and shall include all property rights, appurtenances, easements, rights of way, franchises and equipment relating thereto and deemed necessary or convenient for the acquisition, construction, erection, renovation, reconstruction, or the operation thereof, which shall be financed in whole or in part with the proceeds of Additional Bonds.

"Amortization Installment" shall mean a mandatory redemption amount designated as such by Supplemental Resolution and established with respect to any Term Bonds.

"Annual Audit" shall mean the annual audit prepared pursuant to the requirements of Section 5.10 hereof.

"Annual Budget" shall mean the annual budget prepared pursuant to the requirements of Section 5.06 hereof.

"Assessments" shall mean the proceeds to be derived by the Issuer from any non-ad valorem special assessments which shall be levied by the Issuer, on its own behalf or as the governing body of a municipal service benefit unit, against some or all of the parcels of real property to be specially benefitted by the services and facilities of any Additional Project or by any portion thereof, and which shall be expressly declared by one or more resolutions of the Governing Body to be Assessments, as hereby defined, and which shall be expressly pledged by said resolution(s), including interest on such non-ad valorem special assessments and any penalties thereon and moneys received upon the foreclosure of the liens thereof and, by reason of such non-ad valorem special assessments, upon the sale of tax certificates, to the payment of the principal of and premium, if any, and interest on the Bonds or one or more Series of Bonds. The Issuer shall have the right to levy and collect non-ad valorem special assessments upon some or all of the parcels of real property specially benefitted by any Additional Project or by any portion thereof without declaring that such assessments shall be Assessments, as herein defined, and to provide for the application of such assessments to any lawful public purpose, including provision for the application of such assessments to the payment of the principal of or Redemption Price, if applicable, and interest on any particular Series of Bonds or Subordinated Indebtedness or any other obligations of the Issuer.

"Assessments Fund" shall mean the St. Johns County Water and Sewer Assessments Fund established pursuant to Section 4.06(A)(7) hereof.

"Assessments Redemption Bonds" shall mean the particular Bonds designated as such by resolution of the Governing Body, which shall be term or serial Bonds amortizing corresponding to the Issuer's receipt of the installments of the Assessments which shall be pledged to their payment, and which shall be subject to mandatory redemption by operation of the Assessments Fund pursuant to Section 4.06(A)(7) hereof. The final maturity of every Series of Assessment Redemption Bonds shall not be later than one year after the due date of the final installment of the Assessments which shall be pledged to their payment. Assessments Redemption Bonds shall not be issued in any principal amount which will cause the aggregate principal amount of all Assessments Redemption Bonds Outstanding to exceed 25% of the par value of all Bonds then Outstanding, unless all Bonds shall be insured and the Insurer shall consent to the issuance of any amount of Assessments Redemption Bonds which shall result in an aggregate principal amount of Assessments Redemption Bonds Outstanding in an amount greater than 25% of the par value of all Bonds Outstanding.

"Authorized Depository" shall mean the State Board of Administration of Florida or a bank or trust company in the State which is eligible under the laws of the State to receive funds of the Issuer.

"Authorized Investments" shall mean any of the following which shall be authorized from time to time by applicable laws of the State for deposit or purchase by the Issuer for the investment of its funds:

(1) Direct obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America and stripped and zero-coupon obligations) or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

(2) Bonds, debentures or notes or other evidences of indebtedness payable in cash issued by any one or a combination of any of the following federal agencies whose obligations represent full faith and credit of the United States of America: Export Import Bank of the United States, Federal Financing Bank, Farmers Home Administration, Federal Housing Administration, Maritime Administration, Public Housing Authority and Government National Mortgage Association.

(3) Certificates of deposit properly secured at all times by collateral security described in either or both of paragraphs (1) and (2) of this definition or in the collateral provisions of Chapter 280, Florida Statutes, as amended, and issued by commercial banks, savings and loan associations or mutual savings banks chartered by the State or the United States of America, and bank trust receipts issued by commercial banks or trust companies chartered by the State or the United States of America upon any securities described in paragraph (1) of this definition.

(4) The following investments fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation: (A) certificates of deposit, (B) savings accounts, (C) deposit accounts, or (D) depository receipts of a bank, savings and loan association or mutual savings bank.

(5) Commercial paper rated in one of the two highest rating categories by at least two nationally recognized rating agencies or commercial paper backed by a letter of credit or line of credit rated in one of the two highest rating categories by Moody's Investors Service and Standard & Poor's Corporation.

(6) Written repurchase agreements with any bank, savings institution or trust company which is insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or with any broker-dealer with retail customers which falls under Securities Investors Protection Corporation protection, provided that such repurchase agreements are fully secured by collateral described in (1) above or obligations of any agency or instrumentality of the United States of America, and provided further that (A) such collateral is held by a bank or trust company chosen by the Issuer which has no interest in the repurchase agreement during the term of such repurchase agreement, (B) such collateral is not subject to liens or claims of third parties, (C) such collateral has a market value (determined at least once every 30 days) at least equal to the amount invested in the repurchase agreement, (D) the entity holding the collateral has a perfected first security interest in the collateral for the benefit of the Bondholders, (E) the agreement shall be for a term not longer than 270 days and (F) the failure to maintain such collateral at the level required in (C) above will require the entity holding the collateral to liquidate the collateral.

(7) Money market funds rated in the highest rating category by Moody's Investors Service and Standard & Poor's Corporation.

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

(9) Obligations of state or local government municipal bond issuers that are rated in one of the two highest rating categories by Moody's Investors Service and Standard & Poor's Corporation.

(10) Such other obligations as shall be permitted to be legal investments of the Issuer by the laws of the State.

Rating categories when referred to herein shall be without regard to gradations within such categories, such as "plus" or "minus."

"Authorized Issuer Officer" for the performance on the behalf of the Issuer of any act of the Issuer or the execution of any instrument on behalf of the Issuer shall mean any person authorized by resolution of the Issuer or appointed by certificate of the Chairman to perform such act or sign such document.

"Bond Amortization Account" shall mean the separate account of that name in the Debt Service Fund established pursuant to Section 4.05 hereof.

"Bond Counsel" shall mean any 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.

"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, including the municipal bond new issue insurance policy issued by the Insurer that guarantees payment of the principal of and interest on the Series 1989 Bonds and the municipal bond new issue insurance policy issued by the Insurer that guarantees payment of the principal of and interest on the Series 1990A Bonds.

"Bond Service Requirement" for any Bond Year, as applied to the Bonds of any Series, shall mean (1) as of the date of delivery of such Series of Bonds, the sum of the Debt Service Requirement on such Series of Bonds and all other payments required by this Resolution to be paid in such Bond Year with respect to such Series of Bonds, and (2) as of any particular date of calculation thereafter with respect to such Series of Bonds, the sums of (a) the portion of the Debt Service Requirement and all other payments required by this Resolution that have been paid in such Bond Year plus (b) the portion of the Debt Service Requirement and all other payments required by this Resolution that have yet to be paid in such Bond Year. For purposes of this definition, "all other payments required by this Resolution" shall mean, with respect to any Series of Bonds, the pro rata deposits to the Reserve Account and the Renewal and Replacement Fund in such Bond Year, and redemption premiums, if any, payable in such Bond Year.

"Bond Year" pertaining to any Series shall mean the period commencing on June 2 of each year and continuing through the next succeeding June 1. Each Bond Year shall be designated with the number of the calendar year in which such Bond Year ends.

"Bondholder" or "Holder" or "holder" shall mean any Person who shall be the registered owner of any Outstanding Bond or Bonds according to the registration books of the Issuer.

"Bonds" shall mean the Series 1989 Bonds, together with any Additional Bonds and any Subordinated Indebtedness which accedes to the status of Bonds pursuant to Section 5.04 hereof.

"Capital Appreciation Bonds" shall mean those Bonds so designated by Supplemental Resolution, 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 prior to redemption of such Bonds, such Bonds shall be considered Capital Appreciation Bonds only during the period of time prior to such conversion.

"Chairman" shall mean the Chairman of the Governing Body or such other person as may be duly authorized by the Issuer to act on his or her behalf.

"Clerk" shall mean the Clerk of the Circuit Court for St. Johns County and ex officio Clerk of the Governing Body or such other person as may be duly authorized by the Clerk to act on his or her behalf.

"Code" shall mean the United States Internal Revenue Code of 1986, as the same may be amended from time to time, and the regulations thereunder, whether proposed, temporary or final, promulgated by the Department of the Treasury, Internal Revenue Service, and all other promulgations of said service pertaining thereto.

"Connection Charges" shall mean all non-refundable (except at the option of the Issuer) "water unit connection fees," "sewer unit connection fees, impact fees, capital expansion fees, utility improvement fees or other similar fees and charges, whether payable in full prior to connection with the System or to initiation of any service afforded by System facilities or payable in installments over any period of time, separately imposed from time to time by the Issuer upon new customers of the System as a nonuser capacity charge for a proportionate share of the cost of the acquisition or construction of Expansion Facilities, which are imposed by the Issuer for the purpose of allocating to each such customer a proportionate share of the cost of the additional System capacity made necessary by the inclusion or expected inclusion of System services to such new customers, but only to the extent that any such fee or charge has been lawfully levied and collected by the Issuer and may under applicable law be used for the acquisition or construction of the Expansion Facilities or for Connection Charges Debt Service Components, and any income from the investment of moneys on deposit in the Connection Charges Fund or any other moneys transferred to the Connection Charges Fund pursuant to the provisions of this Resolution. Connection Charges shall not include Assessments.

"Connection Charges Debt Service Component" for any Bond Year, as applied to the Bonds of any Series, shall mean the component of the Debt Service Requirement for such Series of Bonds, initially set forth in the Project Certificate and thereafter, from time to time as necessary, as determined by the Issuer, which shall be determined by multiplying the Bond Service Requirement for such Series of Bonds by the Expansion Percentage.

"Connection Charges Fund" shall mean the St. Johns County Water and Sewer System Connection Charges Fund established pursuant to Section 4.05 hereof.

"Construction Account" shall mean the special account for the payment of the cost of Project 1990A, established in the Construction Fund in accordance with the provisions hereof and Section 3.04 of Resolution No. 90-61 adopted by the Governing Body on March 27, 1990.

"Construction Fund" shall mean the Construction Fund established pursuant to Section 4.04 hereof.

"Consulting Engineers" shall mean the firm of engineers licensed as professional engineers in the State and retained by the Issuer to perform the duties of the Consulting Engineers under the provisions of this Resolution.

"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 Project during the construction period of such Project and for a reasonable period thereafter; (6) engineering, legal and other consultant fees and expenses; (7) costs and expenses incidental to the issuance of the Bonds including bond insurance premiums, rating agency fees and the fees and expenses of any auditors, Paying Agent, Registrar, Credit Bank or, depository; (8) 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 such Project; (9) costs of machinery or equipment required by the Issuer for the commencement of operation of such Project; and (10) any other costs properly attributable to the issuance of the Bonds, and such construction or acquisition, as determined by generally accepted accounting principles and shall include reimbursement to the Issuer for any such items of Cost heretofore paid by the Issuer. Any Supplemental Resolution may provide for additional items to be included in the aforesaid Costs.

"Costs of Issuance Account" shall mean the St. Johns County Water and Sewer Revenue Bonds Costs of Issuance Account established pursuant to Section 2.03(C) hereof.

"Coupon Bonds" shall mean any Bonds the interest payable on which shall be represented by bearer coupons attached thereto, and the interest on which Bonds shall be payable only upon the presentation and surrender of such coupons to the Paying Agent as they severally fall due.

"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 another credit or liquidity enhancement facility, as designated in the Supplemental Resolution providing for the issuance of such Bonds.

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

"Current Account" shall mean the separate account in the Connection Charges Fund established pursuant to Section 4.05 hereof.

"Debt Service Fund" shall mean the St. Johns County Water and Sewer Revenue Bonds Debt Service Fund established pursuant to Section 4.05 hereof.

"Debt Service Requirement" for any Bond Year shall mean the sum of:

(1) The aggregate amount required to pay the interest becoming due on the Bonds, other than Capital Appreciation Bonds, during such Bond Year, except to the extent that such interest shall have been provided by payments into the Interest Account out of Bond proceeds or other sources for a specific period of time. For purposes of this definition, any Variable Rate Bonds shall be assumed to bear interest at the rate of 9.20% per annum.

(2) The aggregate amount required to pay the principal becoming due on the Bonds, other than Capital Appreciation Bonds, for such Bond Year. For purposes of this definition: (a) the stated maturity date of any Term Bonds shall be disregarded and the principal of such Term Bonds shall be deemed to be due in the Bond Years and in the amounts of the Amortization Installments applicable to such Term Bonds; and (b) the principal amount of any single maturity of Term Bonds for which the Issuer shall have established no Amortization Installments shall be deemed to be due in the Bond Years and in such amounts as shall provide for the amortization of such principal amount over a term equal to the number of years such Term Bonds shall be Outstanding to such maturity and in equal annual installments of combined principal and interest; provided, however, that if the Issuer has employed a Credit Facility in connection with any such Term Bonds having no Amortization Installments the amortization of such Term Bonds shall be deemed to correspond to the applicable terms of such Credit Facility.

(3) The aggregate amount required to pay the Accreted Value due on any Capital Appreciation Bonds maturing in such Bond Year.

"Expansion Facilities" shall mean improvements, extensions and additions to the System, together with all lands or interest therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property, real or personal, tangible or intangible, heretofore or hereafter constructed or acquired in order to meet the increased demand upon the System, whether actual or anticipated, created by new users connecting to the System.

"Expansion Percentage" as applied to each Series of Bonds, shall mean a fraction having a numerator equal to that portion of the total original principal amount of all Bonds of such Series that are attributable to Expansion Facilities, if any, as shall be determined by the Qualified Independent Consultant and set forth in the Project Certificate relating to such Series, and a denominator equal to the total original principal amount of all Bonds of such Series. However, if amounts on deposit in the Stabilization Account are, pursuant to Section 4.06(A) hereof,

withdrawn therefrom and applied to the purchase or redemption of Bonds of such Series prior to the maturity date of such Bonds, then the numerator of the foregoing fraction shall be reduced by the amounts so withdrawn and the denominator shall be reduced by the total principal amount of the Bonds of such Series so purchased or redeemed. For purposes of the preceding sentence, Term Bonds redeemed from amounts on deposit in the Bond Amortization Account shall not be considered to have been redeemed prior to their maturity date.

"Federal Securities" shall mean direct obligations of the United States of America and obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, none of which permit redemption prior to maturity at the option of the obligor. Federal Securities shall include any certificates or any other evidences of an ownership interest in the aforementioned obligations or in specified portions thereof (which may consist of specified portions of the interest thereon).

"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.

"Governing Body" shall mean the Board of County Commissioners of the Issuer or its successor in function.

"Gross Revenues" shall mean all income and moneys received by the Issuer from the Rates, and all earnings and income derived from the investment of moneys under the provisions of this Resolution which are transferred to the Revenue Fund or the Interest Account as herein provided, but excluding (i) Connection Charges and (ii) non-ad valorem special assessments, including the Assessments.

"Initial Project" shall mean the acquisition, construction and erection of additions, extensions and improvements to the water distribution facilities of the Issuer, and of new sewage collection and treatment facilities to be operated in combination with such water facilities as a single water and sewer system, as more particularly described in and in accordance with certain plans on file or to be on file with the Issuer, with such changes, deletions, additions or modifications to the enumerated improvements, equipment and facilities, or such other improvements as shall be designated and approved by resolution of the Governing Body in accordance with the Act. The Initial Project shall also mean the laboratory testing facility operated by the Utility Department of St. Johns County, Florida. This facility will perform microbiological testing, wet chemical methods, metal analysis, as well as other testing. The analyses will be performed for the Utility Department, other St. Johns County departments, and other governmental entities.

"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 Resolution, 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 either Moody's Investors Service or Standard and Poor's Corporation, and with respect to any Series of Bonds, the Insurer which shall have insured or guaranteed payment of the principal of or interest on such Bonds.

"Interest Account" shall mean the separate account of that name in the Debt Service Fund established pursuant to Section 4.05 hereof.

"Interest Date" shall be such date or dates for the payment of interest on a Series of Bonds as shall be provided by Supplemental Resolution.

"Issuer" shall mean St. Johns County, Florida.

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

"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 Resolution delineating the details of such Bonds, that shall be the maximum rate of interest such Bonds may at any time bear in the future in accordance with the terms of such Supplemental Resolution.

"Moody's Investors Service" shall mean Moody's Investors Service, the nationally recognized securities rating firm, and any successor or successors thereto; and if such corporation shall be dissolved or liquidated or shall no longer perform securities rating functions, shall mean any other nationally recognized securities rating firm designated by the Issuer and approved by the Insurer and/or the Credit Bank, as applicable.

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

"Operation and Maintenance Fund" shall mean the Operation and Maintenance Fund created pursuant to Section 4.05 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, insurance and surety bond premiums, 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), the fees of any rebate compliance service or of Bond Counsel relating to compliance with the provisions of Section 148 of the Code, legal and engineering expenses, ordinary and current rentals of equipment or other property, refunds of moneys lawfully due to others, 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, all to the extent properly attributable to the System, in accordance with generally accepted accounting principles employed in respect of activities such as those involved in the operation of public water and sewer facilities similar to the System, and disbursements for the expenses, liabilities and compensation of any Paying Agent or Registrar under this Resolution, 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 the 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.

"Outstanding" shall mean all Bonds theretofore and thereupon being authenticated and delivered except, (1) any Bond in lieu of which another Bond or other Bonds have been issued under, an agreement to replace lost, mutilated or destroyed Bonds, (2) any Bond surrendered by the Holder thereof in exchange for another Bond or other Bonds under Sections 2.06 and 2.08 hereof, (3) Bonds deemed to have been paid pursuant to Section 8.01 hereof, and (4) Bonds canceled 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 resolution of the Governing Body and its successors or assigns, and any other Person which may at any time be substituted in its place pursuant to resolution of the Governing Body.

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

"Pledged Funds" shall mean the Net Revenues, any Connection Charges on deposit in the Current Account and, until applied in accordance with the provisions of this Resolution, the proceeds of the Bonds and all moneys, including investments thereof, in the Revenue Fund and the Debt Service Fund. Pledged Funds shall not include Net Revenues on deposit in the Rebate Fund or Connection Charges on deposit in the Stabilization Account.

"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, and as to which the obligor has reserved no right to call such bonds prior to such redemption date, (2) which are fully secured as to principal, redemption premium, if any, and interest by a fund consisting only of cash or Federal Securities, secured in the manner set forth in Section 8.01 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 deposited in such fund with any cash on deposit in such fund, are sufficient, as verified by an independent certified public accountant, 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 such irrevocable instructions, and (4) which are rated in the highest rating category of Standard & Poor's Corporation and of Moody's Investors Service.

"Principal Account" shall mean the separate account of that name in the Debt Service Fund established pursuant to Section 4.05 hereof.

"Project" shall mean the Initial Project, Project 1990A, Project 1990B and any Additional Project.

"Project 1990A" shall mean the acquisition, construction and erection of additions and extensions to the System to be made by the Issuer in the vicinity of State Road 16, as more particularly described in and in accordance with certain plans on file or to be on file with the Issuer, with such changes, deletions, additions or modifications to the enumerated improvements, equipment and facilities, or such other improvements, equipment and facilities, as shall be designated and approved by resolution of the Governing Body in accordance with applicable law. Project 1990A shall be an Additional Project.

"Project 1990B" shall mean the acquisition, construction and erection of the additions and extensions to the System described in Section 1.04(A) of Resolution No. 90-208 adopted by the Governing Body on November 14, 1990, and in accordance with the certain plans and specifications therefor on file or to be on file with the Issuer, with such changes, deletions, additions or modifications to the enumerated improvements, equipment and facilities, or such other improvements, equipment and facilities, as shall be designated and approved by resolution of the Governing Body in accordance with applicable law. Project 1990B shall be an Additional Project.

"Project Certificate" shall mean that certificate of the Qualified Independent Consultant filed with the Issuer at or prior to the delivery of any Series setting forth the estimated total cost of the Project, the estimated cost of the Expansion Facilities portion of the Project or the Additional Project which shall be financed with the proceeds of such Series, the Expansion Percentage and the Connection Charges Debt Service Component.

"Qualified Independent Consultant" shall mean one or more qualified and recognized independent consultants, having favorable repute, skill and experience with respect to the acts and duties required of a qualified independent consultant to be provided to the Issuer, as shall from

time to time be retained by the Issuer to perform the acts and carry out the duties herein provided for such consultants. The Qualified Independent Consultant may also be the Consulting Engineers.

"Rates" shall mean the fees and charges which shall be made and collected by the Issuer for the use of the services or facilities of the System. Rates shall be deemed to exclude (i) Connection Charges and (ii) non-ad valorem special assessments, including the Assessments.

"Rebate Fund" shall mean the Rebate Fund established pursuant to Section 4.05 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 Supplemental Resolution.

"Refinanced Bonds" shall mean the Issuer's outstanding Water Revenue Bond dated June 15, 1981.

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

"Renewal and Replacement Fund" shall mean the Renewal and Replacement Fund established pursuant to Section 4.05 hereof.

"Renewal and Replacement Fund Requirement" shall mean, as of any date of calculation, an amount of money equal to five percent (5%) of the Gross Revenues received by the Issuer in the immediately preceding Fiscal Year or such other greater or lesser sum as shall be recommended to the Issuer by the Qualified Independent Consultant and approved by the Governing Body as a sum appropriate for the Renewal and Replacement Fund considering the purposes therefor as prescribed by this Resolution, the past performance and existing condition of the System and the probable future System usage requirements of the Issuer, in keeping with sound management practices.

"Reserve Account" shall mean the separate account of that name in the Debt Service Fund established pursuant to Section 4.05 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 4.06(A)(2)(d).

"Reserve Account Letter of Credit" shall mean a Credit Facility (other than a Reserve Account Insurance Policy) issued by any bank or national banking association, insurance company or other financial institution and then on deposit in the Reserve Account in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.06(A)(2)(d) hereof.

"Reserve Account Requirement" shall mean, as of any date of calculation, an amount of money equal to the lesser of (1) the Maximum Debt Service Requirement, (2) 125% of the average annual Debt Service Requirement, or (3) 10% of the initial proceeds of all Bonds. In computing the Reserve Account Requirement, the interest rate on Variable Rate Bonds shall be assumed to be 9.20% per annum.

"Resolution" and "this Resolution" shall mean this instrument, as the same may from time to time be amended, modified or supplemented by any and all Supplemental Resolutions.

"Revenue Fund" shall mean the Revenue Fund established pursuant to Section 4.05 hereof.

"Securities" shall mean Federal Securities and Prerefunded Obligations.

"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 in a Supplemental Resolution authorizing the issuance by the Issuer of such Bonds as a separate Series, regardless of variations in maturity, interest rate, Amortization Installments or other provisions.

"Series 1989 Bonds" shall mean the Issuer's Water and Sewer Revenue Bonds, Series 1989, authorized pursuant to Section 2.02 hereof.

"Stabilization Account" shall mean the separate account in the Connection Charges Fund established pursuant to Section 4.05 hereof.

"Standard and Poor's Corporation" shall mean Standard and Poor's Corporation, the nationally recognized securities rating firm, and any successor and successors thereto; and if such corporation shall be dissolved or liquidated or shall no longer perform securities rating functions, shall mean any other nationally recognized securities rating firm designated by the Issuer and approved by the Insurer and/or the Credit Bank, as applicable.

"State" shall mean the State of Florida.

"Subordinated Indebtedness" shall mean that indebtedness of the Issuer, subordinate and junior to the Bonds, issued in accordance with the provisions of Section 5.01 hereof and any Variable Rate Bonds which become Subordinate Indebtedness in accordance with Section 5.02(F) hereof.

"Supplemental Resolution" shall mean any resolution of the Issuer amending or supplementing this Resolution, adopted and becoming effective prior to the issuance of the Series 1989 Bonds or in accordance with the terms of Sections 4.03, 7.01, 7.02 and 7.03 hereof.

"System" shall mean the complete water facilities now owned, operated and maintained by the Issuer, the Initial Project, every Additional Project and any and all other water and sewer facilities hereafter acquired and operated by the Issuer which shall be expressly declared by resolution of the Governing Body to be part of the System, which System shall also include any and all improvements, extensions and additions to the foregoing which shall be hereafter constructed or acquired, whether the same shall be financed from the proceeds of Bonds or from any other funds or sources, together with all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith. The System includes also the water and sewer facilities of the Anastasia Sanitary District, which facilities were vested in the Issuer by Chapter 90-498, Laws of Florida, Special Acts of 1990.

"Taxable Bond" shall mean any Bond which states, in the body thereof, that the interest income thereon is includable 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 Resolution and which are subject to mandatory redemption by Amortization Installments.

"Variable Rate Bonds" shall mean Bonds issued with a variable, adjustable, convertible or other interest rate which at the date of issue is not fixed as one or more stated percentages for the entire term of such Bonds.

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

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

SECTION 1.02. Authority for Resolution. This Resolution is adopted pursuant to the provisions of the Act.

SECTION 1.03. Resolution 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 Resolution shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds and shall be a part of the contract of the Issuer with any Credit Bank and any Insurer. The pledge made in this Resolution 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 the Bonds and for the benefit, protection and security of any Credit Bank and any Insurer. 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 Resolution.

SECTION 1.04. Findings. It is hereby ascertained, determined and declared as follows:

(A) The Issuer deems it necessary, desirable and in the best interests of the Issuer that the Initial Project be acquired and constructed and that the Refunded Bonds be refunded, all in the manner hereinafter provided.

(B) The Cost of the Initial Project shall be financed with the proceeds of the Series 1989 Bonds, and the cost of such refunding shall be financed with the proceeds of the Series 1989 Bonds.

(C) The Issuer deems it necessary, desirable and in the best interest of the Issuer that the Pledged Funds be pledged to the payment of the principal of and interest on the Bonds. No part of the Pledged Funds has been pledged or encumbered in any manner, except that certain of the Pledged Funds have been pledged as security for the Refunded Bonds; and such pledge in favor of the Refunded Bonds shall be extinguished simultaneously with the issuance of the Series 1989 Bonds.

(D) No Bondholder shall ever be entitled to compel the payment of the principal of and interest on the Bonds or any other payments provided for in this Resolution from any funds or revenues of the Issuer other than the sources herein provided in accordance with the terms hereof; nor will any Bondholder or any Credit Bank or any Insurer have the right to compel the exercise of the ad valorem taxing power of the Issuer to pay the principal of or interest on the Bonds or to make any other payments provided for in this Resolution, and the Bonds shall not constitute a lien upon the System or any other property of the Issuer or situated within its territorial limits, except the Pledged Funds.

(E) The Issuer presently levies and collects from each new customer of the System, with respect to additions to the System, at the time such customer requests utilities services, Connection Charges in order to defray the costs of Expansion Facilities. The Issuer deems it

necessary, desirable and in the best interest of the Issuer that the Connection Charges be pledged for the payment of the principal of and interest on the Bonds to the extent herein provided.

(F) The Issuer has heretofore, by the adoption of Resolution No. 88-241 and Resolution No. 88-253, authorized the issuance of two issues of bonds to finance the acquisition and construction of the same facilities constituting the Initial Project, with the intent that such bonds be sold and delivered to the United States of America, U.S. Department of Agriculture, Farmers Home Administration. It is in the best interest of the finances and economy of the Issuer that the Initial Project be financed instead in the manner herein provided and, accordingly, it is appropriate that the Issuer repeal said Resolution No. 88-241 and said Resolution No. 88-253.

SECTION 1.05. Initial Project Authorized. The acquisition and construction of the Initial Project in the manner herein provided is hereby authorized.

SECTION 1.06. Refunding Authorized. The refunding of the Refunded Bonds in the manner herein provided is hereby authorized.

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION AND REGISTRATION OF BONDS

SECTION 2.01. Authorization of Bonds. The Issuer hereby authorizes the issuance of Bonds of the Issuer to be designated as "St. Johns County, Florida, Water and Sewer 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 Resolution is not limited except as may hereafter be provided by Supplemental Resolution or as limited by the Act or by other applicable law.

The Bonds may, if and when authorized by the Issuer pursuant to this Resolution or Supplemental Resolution, 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 payable in lawful money of the United States of America and shall be issued for such purpose or purposes and bear interest at such rate or rates not exceeding the maximum rate permitted by law as shall be determined by this Resolution or by Supplemental Resolution. From and after any maturity date of any of the Bonds (deposit of moneys and/or Securities for the payment of the principal and interest on such Bonds having been made by the Issuer with the Paying Agents), notwithstanding that any of such Bonds shall not have been surrendered for cancellation, no further interest shall accrue upon the principal or upon the interest which shall have accrued and shall then be due on such date, and such Bonds shall cease to be entitled to any lien, benefit or security under this Resolution, and the Holders shall have no rights in respect of such Bonds except to receive payment of such principal and unpaid interest accrued to the maturity date.

The Bonds shall be issued in such denomination or denominations and such form, whether coupon or registered; shall be dated such date or dates; 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 on June 1 or December 1 in such years and amounts; and the proceeds shall be used in such manner all as determined by this Resolution or by Supplemental Resolution. The Issuer may issue Bonds which may be secured by a Credit Facility or by an insurance policy of an Insurer all as shall be determined by this Resolution or by Supplemental Resolution.

SECTION 2.02. Authorization and Description of Series 1989 Bonds. A Series of Bonds entitled to the benefit, protection and security of this Resolution is hereby authorized to be issued by the Issuer in an aggregate principal amount not to exceed \$10,430,000 for the principal purposes of financing a part of the cost of refunding the Refunded Bonds and acquiring and constructing the Initial Project, funding the Reserve Account and paying a part of the costs of issuance incurred with respect to such Series. Such Series shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "St. Johns County, Florida, Water and Sewer Revenue Bonds, Series 1989."

The Series 1989 Bond shall be dated as of the first day of the month in which occurs the delivery of the Series 1989 Bonds to the purchaser or purchasers thereof or such other date as may be set forth by Supplemental Resolution of the Issuer; shall be issued as fully registered Bonds; and 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 (calculated on the basis of a 360-day year of twelve 30-day months), payable in such manner and on June 1 and December 1 in each year; shall consist of such amounts of Serial Bonds, Term Bonds, Variable Rate Bonds and Capital Appreciation Bonds, maturing in such amounts and on June 1 or December 1 in such years not exceeding forty (40) years from their date; shall be payable in such place or places; shall have such Paying Agents and Registrars; and shall contain such redemption provisions; all as the Issuer shall hereafter provide by Supplemental Resolution.

The principal of or Redemption Price, if applicable, of the Series 1989 Bonds are payable upon presentation and surrender of the Series 1989 Bonds at the office of the Paying Agent. Interest payable on any Series 1989 Bond on any Interest Date will (except for the final payment of interest which will be paid only upon presentation and surrender of such Series 1989 Bond at the office of the Paying Agent) 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, unless otherwise provided by Supplemental Resolution, at the option of the Paying Agent, and at the request and expense of such Holder, by bank wire transfer for the account of such Holder. In the event the interest payable on any Series 1989 Bond is not punctually paid or duly provided for by the Issuer on such Interest Date, such defaulted interest will be paid to the Holder in whose name such Bond shall be registered at the close of business on a special record date for the payment of such defaulted interest as established by notice to such Holder, not less than ten (10) days preceding such special record date. All payments of principal of or Redemption Price, if applicable, and interest on the Series 1989 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 1989 Bond Proceeds. Except as otherwise provided by Supplemental Resolution, the proceeds derived from the sale of the Series 1989 Bonds, including accrued interest and premium, if any, shall, simultaneously with the delivery of the Series 1989 Bonds to the purchaser or purchasers thereof, be applied by the Issuer as follows:

(A) Accrued and capitalized interest shall be deposited in the Interest Account.

(B) An amount 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 4.06(A)(2)(d) hereof, shall equal the Reserve Account Requirement.

(C) The Issuer covenants and agrees to establish a separate account with an Authorized Depository to be known as the "St. Johns County Water and Sewer Revenue Bonds Costs of Issuance Account," which shall be used only for payment of the costs and expenses described in this subsection. A sum sufficient to pay all costs and expenses in connection with the preparation, issuance and sale of the Series 1989 Bonds, including fees of financial advisors, engineering and other consulting fees, legal fees, bond insurance premiums, printing fees, rating agency fees and all other similar costs shall be deposited to the credit of the Costs of Issuance Account, and all such costs and expenses shall be promptly paid by the Issuer to the persons respectively entitled to receive the same. When all moneys on deposit to the credit of the Costs of Issuance Account shall have been disbursed by the Issuer for the payment of such costs and expenses, the Costs of Issuance Account shall be closed; provided, however, that if any balance shall remain in the Costs of Issuance Account six months after issuance of the Series 1989 Bonds, such moneys shall be transferred by the Issuer to the Construction Fund and the Costs of Issuance Account shall be closed. After the Costs of Issuance Account shall be closed, the Issuer may pay from the Construction Fund any unpaid issuance expenses.

(D) The remaining proceeds of the Series 1989 Bonds which, together with the moneys held by the Issuer for the payment of the principal of and interest on the Refunded Bonds and a reserve therefor and interest earnings thereon, shall be sufficient to pay in full the principal of the Refunded Bonds, interest to accrue thereon to the date of maturity or redemption and any premium payable upon redemption shall be paid by the Issuer to the owners and holders of the Refunded Bonds or deposited with a bank or trust company and held for the benefit of such owners and holders pursuant to an escrow deposit agreement to be executed by the Issuer in favor of such bank or trust company and hereafter provided for by Supplemental Resolution.

(E) The balance of the Series 1989 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 Chairman 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 adoption of this Resolution, 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 Resolution. The form of such certificate shall be substantially in the form provided in Section 2.10 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 resolution of the Governing Body, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The Issuer, at its 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 Resolution. All temporary Bonds surrendered in exchange for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith canceled 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 such Holder's 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 or otherwise substituted shall be canceled 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 and shall be entitled to the same benefits and security as the Bond so lost, stolen or destroyed.

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 such Holder's 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 Resolution shall be and have all the qualities and incidents of negotiable instruments under the laws of the State of Florida, subject to the provisions for registration and transfer contained in this Resolution 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 such Holder's 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 such Holder's 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 such Holder's 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, shall forthwith (a) following the fifteenth day of the calendar month next preceding 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, 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 or draft 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 the Registrar shall authenticate and deliver such Bonds in accordance with the provisions of this Resolution. Execution of Bonds by the Chairman and the 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 canceled 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 any Bonds which shall have been selected for redemption or 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, during the fifteen (15) days next preceding the date of selection of Bonds to be redeemed.

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 resolution of the Governing Body.

Upon the occurrence of an Event of Default which would require Financial Guaranty, as defined in Section 5.16 hereof, to make payments under its Bond Insurance Policy, Financial Guaranty and its designated agent shall be provided with access to the registration books of the Issuer.

SECTION 2.09. Coupon Bonds. The Issuer, at its discretion, may by Supplemental Resolution authorize the issuance of Coupon Bonds, registrable as to principal only or as to both principal and interest. Such Supplemental Resolution shall provide for the negotiability, transfer, interchangeability, denominations and form of such Bonds and coupons appertaining thereto. Coupon Bonds (other than Taxable Bonds) shall only be issued if an opinion of Bond Counsel is received to the effect that issuance of such Coupon Bonds will not adversely affect the exclusion of the interest payable on such Bonds from gross income for federal income tax purposes.

SECTION 2.10. Form of Bonds. Except as otherwise provided pursuant to Section 2.09 hereof and except for Capital Appreciation Bonds and Variable Rate Bonds, the form of which shall be provided by Supplemental Resolution, the Bonds shall be in substantially the following form with such omissions, insertions and variations as may be necessary and/or desirable and approved by the Chairman or the Clerk prior, to the issuance thereof (which necessity and/or desirability and approval shall be evidenced conclusively by the Issuer's delivery of the Bonds to the purchaser or purchasers thereof):

[FORM OF BONDS INTENTIONALLY OMITTED]

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 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 sixty (60) 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. Unless waived by any Holder of Bonds to be redeemed, notice of any redemption made pursuant to this section shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to each Holder of Bonds to be redeemed at the address of such Holder shown on the registration books maintained by the Registrar or at such other address as shall be furnished in writing by such Holder to the Registrar; provided, however, that no defect in any notice given pursuant to this section to any Holder of Bonds to be redeemed nor failure to give such notice shall in any manner defeat the effectiveness of a call for redemption as to all other Holders of Bonds to be redeemed.

Every official notice of redemption shall be dated and shall state:

- (1) the redemption date,
- (2) the Redemption Price,
- (3) if less than all outstanding Bonds are to be redeemed, the number (and, in the case of a partial redemption of any Bond, the principal amount) of each Bond to be redeemed,
- (4) that on the redemption date the Redemption Price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and

(5) that such Bonds to be redeemed, whether as a whole or in part, are to be surrendered for payment of the Redemption Price plus accrued interest at the office of the Paying Agent.

Prior to any redemption date, the Issuer shall deposit with the Paying Agent an amount of money sufficient to pay the Redemption Price of and accrued interest on all the Bonds or portions of Bonds which are to be redeemed on that date; provided, however, that redemption of Bonds, other than mandatory sinking fund redemptions and other than pursuant to the application of refunding bond proceeds, shall be made only from and to the extent of funds on deposit with the Paying Agent, or other paying agent with respect to such Bonds, and available for such purpose on the date the official notice of redemption is mailed.

In addition to the foregoing notice, further notice shall be given by the Issuer as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

(1) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (a) the CUSIP numbers of all Bonds being redeemed; (b) the date of issue of the Bonds as originally issued; (c) the rate of interest borne by each Bond being redeemed; (d) the maturity date of each Bond being redeemed; and (e) any other descriptive information needed to identify accurately the Bonds being redeemed.

(2) Each further notice of redemption shall be sent at least thirty-five (35) days before the redemption date by registered or certified mail or overnight delivery service to any Insurer which shall have insured, or any Credit Bank which shall have provided a Credit Facility for, any of the Bonds being redeemed and to all registered securities depositories then in the business of holding substantial amounts of obligations of types similar to the type of which the Bonds consist (such depositories now being Depository Trust Company of New York, New York, Midwest Securities Trust Company of Chicago, Illinois, Pacific Securities Depository Trust Company of San Francisco, California, and Philadelphia Depository Trust Company of Philadelphia, Pennsylvania) and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

(3) Each such further notice shall be published one time in the Bond Buyer of New York, New York or, if such publication is impractical or unlikely to reach a substantial number of the Holders of the Bonds, in some other financial newspaper or journal which regularly carries notices of redemption of obligations similar to the Bonds, such publication to be made at least 30 days prior to the date fixed for redemption.

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 such Holder's 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 the same interest rate and maturity, and 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. Official notice of redemption having been given substantially as aforesaid, the Bonds or portions of Bonds 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. Each check or other transfer of funds issued by the Registrar and/or Paying Agent for the purpose of the payment of the Redemption Price of Bonds being redeemed shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. All Bonds which have been redeemed shall be canceled 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 accordance with the terms of this Resolution. No Holder of any Bond or any Credit Bank or any Insurer shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer to pay such Bond or be entitled to payment of such Bond from any moneys of the Issuer except the Pledged Funds, in the manner 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. The Pledged Funds shall be subject to the lien of this pledge immediately upon the issuance and delivery of the Series 1989 Bonds, without any physical delivery by the Issuer of the Pledged

Funds or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind against the Issuer, in tort, contract or otherwise. The Issuer does hereby irrevocably pledge the Pledged Funds in the manner provided in this Resolution to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds.

SECTION 4.03 Additional Security. Anything herein to the contrary notwithstanding, however, the Issuer may cause any Series of Bonds to be payable from and secured by a Credit Facility or an insurance policy of an Insurer not applicable to any one or more other Series of Bonds, as shall be provided by Supplemental Resolution, in addition to the security of the Pledged Funds provided herein.

SECTION 4.04 Construction Fund. The Issuer covenants and agrees to establish a separate fund with an Authorized Depository to be known as the "St. Johns County Water and Sewer System Construction Fund," which shall be used only for payment of the Costs of Projects. 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 held in trust by the Issuer and 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 Resolution or Supplemental Resolution, 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 the Initial Project and each Additional Project, the Cost of which is to be paid in whole or in part out of the Construction Fund.

The proceeds of insurance maintained pursuant to this Resolution 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.

The Issuer covenants that the acquisition and construction 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 documents and/or certificates signed by an Authorized Issuer Officer stating with respect to each disbursement or payment to be made: (1) the item number of the payment, (2) the name and address of the Person to whom payment is due, (3) the amount to be paid, (4) the Construction Fund account from which payment is to be made, (5) the purpose, by general classification, for which payment is to be made, and (6) that (A) 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 (B) 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 documents and/or certificates of the Authorized Issuer Officers for seven (7) years from the dates of such documents and/or certificates. The Clerk shall make available the documents and/or certificates 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.

The date of completion of a Project shall be determined by the Authorized Issuer Officer who shall certify such fact in writing to the Governing Body. Promptly after the date of the completion of a Project, and after paying or making provisions 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 (1) another account of the Construction Fund for which the Authorized Issuer Officer has stated that there are insufficient moneys present to pay the Cost of the related Project, (2) the Reserve Account, to the extent of a deficiency therein, (3) the Debt Service Fund, and (4) such other fund or account of the Issuer, including those 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 federal income tax purposes.

SECTION 4.05. Funds and Accounts. The Issuer covenants and agrees to establish with one or more Authorized Depositories separate funds to be known as the "St. Johns County Water and Sewer System Revenue Fund," the "St. Johns County Water and Sewer System Connection Charges Fund," the "St. Johns County Water and Sewer System Operation and Maintenance Fund," the "St. Johns County Water and Sewer Revenue Bonds Debt Service Fund," the "St. Johns County Water and Sewer System Renewal and Replacement Fund," and the "St. Johns County Water and Sewer Revenue Bonds Rebate Fund." The Issuer shall maintain in the Debt Service Fund four accounts: the "Interest Account," the "Principal Account," the "Bond Amortization Account," and the "Reserve Account." Moneys in the Debt Service Fund, until applied in accordance with the provisions hereof, shall be subject to a lien and charge in favor of the Holders and for the further security of the Holders. The Issuer shall maintain in the Connection Charges Fund two accounts: the "Current Account" and the "Stabilization Account."

The Issuer shall at any time and from time to time appoint one or more Authorized Depositories to hold, for the benefit of the Issuer and/or the Bondholders, any one or more of the funds and accounts established hereby. Such depository or depositories 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 and accounts as herein set forth, and all records of such depository in performing such duties shall be open at all reasonable times to inspection by the Issuer and its agent and employees.

SECTION 4.06 Flow of Funds.

(A) **Gross Revenues and Connection Charges.** The Issuer shall deposit the Connection Charges into the Current Account, promptly upon the receipt thereof, until an amount equal to the Connection Charges Debt Service Components for the then current Bond Year shall have been deposited into the Current Account in such Bond Year. After an amount equal to such Connection Charges Debt Service Components shall have been deposited into the Current Account in such Bond Year, the Issuer shall deposit additional Connection Charges received in such Bond Year into the Stabilization Account.

On or before the last day of each month, commencing with the month in which delivery of the Series 1989 Bonds shall be made to the purchasers thereof, all or any portion of the moneys in the Current Account may, at the option of the Issuer, be deposited or credited to the Debt Service Fund in the manner described in part (2) hereof, provided, however, that such moneys shall be deposited or credited to the Debt Service Fund in the manner described in part (2) hereof in the event that moneys in the Revenue Fund are insufficient or unavailable to make all of the deposits into the Debt Service Fund required by part (2) hereof. The balance of any moneys remaining in the Current Account after such deposits, if any, shall be transferred to the Stabilization Account.

Moneys in the Stabilization Account may, to the extent such moneys are lawfully available for such purpose, be applied only (i) to the Current Account in an amount which shall not exceed the Connection Charges Debt Service Components for the then current Bond Year, less amounts previously transferred from the Current Account to the Debt Service Fund during such Bond Year, (ii) to the purchase or redemption of Bonds or (iii) to the Issuer, from time to time, for the acquisition and construction of Expansion Facilities.

Notwithstanding anything to the contrary contained in this Resolution, the aggregate amount of Connection Charges applied and allocated to the aggregate Debt Service Requirements for the Bonds shall never exceed the aggregate Connection Charges Debt Service Components for the Bonds.

The Issuer shall deposit all Gross Revenues into the Revenue Fund, promptly upon the receipt thereof. On or before the last day of each month, commencing with the month in which delivery of the Bonds shall be made to the purchasers thereof, the moneys in the Revenue Fund shall be deposited or credited in the following manner and in the following order of priority:

(1) **Operation and Maintenance Fund.** The Issuer shall deposit into or credit to the Operation and Maintenance Fund such sum as shall be necessary to cause the moneys in the Operation and Maintenance Fund to be sufficient to pay Operating Expenses for the next succeeding month according to the Annual Budget; provided, however, that subject always to the provisions of Section 5.06 hereof, the Issuer shall transfer moneys from the Revenue Fund to the Operation and Maintenance Fund at any time to pay Operating Expenses to the extent there shall be a deficiency in the moneys in the Operation and Maintenance Fund for such purpose. Moneys in the Operation and Maintenance Fund shall be paid out from time to time by the Issuer to pay reasonable and necessary Operating Expenses as and when the same shall be incurred.

(2) **Debt Service Fund.** Next, the Issuer shall deposit into or credit to the Debt Service Fund, from moneys in the Revenue Fund and/or the Current Account, such sums which, together with the moneys deposited into or credited to the Debt Service Fund from the Assessment Fund pursuant to the provisions of part (7) of this subsection (A), shall be sufficient to make all of the deposits, transfers and payments described in this part (2). The moneys on deposit in the Debt Service Fund shall be applied by the Issuer in the manner provided herein solely for the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds, including Assessments Redemption Bonds, and for the purchase of, and reinstatement of the maximum limits of, any Reserve Account Insurance Policy and/or Reserve Account Letter of Credit, and shall not be available for any other purpose. The moneys transferred to the Debt Service Fund from the Assessments Fund, the Revenue Fund and the Current Account shall be deposited or credited in the following manner and in the following order of priority:

(a) **Interest Account.** The Issuer shall deposit into or credit to the Interest Account the sum which, together with the surplus moneys in the Interest Account not theretofore allocated to supplement any previous monthly deposit to the credit of the Interest Account, will be sufficient to pay one-sixth (1/6) of all interest coming due on the Bonds on the next Interest Date, plus the full balance of any continuing deficiencies in prior deposits to the Interest Account. Moneys in the Interest Account shall be applied by the Issuer to pay interest on the Bonds as and when the same become due, whether by redemption or otherwise, and for no other purpose. The Issuer shall adjust the amount of the deposit into the Interest Account not later than the 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.

(b) **Principal Account.** Next, the Issuer shall deposit into or credit to the Principal Account the sum which, together with the surplus moneys in the Principal Account not theretofore allocated to supplement any previous monthly deposit to the credit of the Principal Account, will be sufficient to pay (i) the principal amount of all Outstanding Bonds other than Term Bonds due and unpaid and (ii) one-twelfth (1/12) of the principal amount of the Bonds other than Term Bonds which shall thereafter mature during the then current Bond Year. Serial Capital Appreciation Bonds (including their respective interest components) shall be payable entirely from moneys in the Principal Account on their respective maturity dates, and deposits or credits to the Principal Account to provide funds for such purpose shall commence in the month which is one year prior to each such maturity date. Moneys in the Principal Account shall be applied by the Issuer to pay the principal of the Bonds other than Term Bonds as and when the same shall mature, and for no other purpose.

(c) **Bond Amortization Account.** Payments to the Bond Amortization Account shall be on a parity with payments to the Principal Account. Commencing in the month which is one year prior to the due date of each Amortization Installment, the Issuer shall deposit into or credit to the Bond Amortization Account the sum which, together with the balance in said account held for the credit of such Amortization Installment and all Outstanding Term Bonds due and unpaid and not theretofore allocated to supplement any previous monthly deposit, will be sufficient to pay (i) one-twelfth (1/12) of such Amortization Installments and (ii) the full balance of any continuing deficiencies in prior deposits to the Bond Amortization Account for such Amortization Installment and the principal amount of all such Outstanding Term Bonds due and unpaid. Term Capital Appreciation Bonds (including their respective interest components) shall be payable entirely from moneys in the Bond Amortization Account on the respective due dates of the Amortization Installments applicable thereto, and deposits or credits to the Bond Amortization Account to provide funds for such purpose shall commence in the month which is one year prior to each such Amortization Installment due date. Moneys in the Bond Amortization Account shall be applied by the Issuer to purchase or redeem Term Bonds in the manner herein provided, and for no other purpose.

Amounts accumulated in the Bond Amortization Account with respect to any Amortization Installment may be applied by the Issuer, on or prior, to the sixtieth (60th) day preceding the due date of such Amortization Installment (i) to the purchase of Term Bonds of the Series and maturity for which such Amortization Installment was established, at a price not greater than the Redemption Price at which such Term Bonds may be redeemed on the first date thereafter on which such Term Bonds shall be subject to redemption, or (ii) to the redemption at the applicable Redemption Price of such Term Bonds. 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 Bond Amortization Account until such Amortization Installment date, for the purposes of calculating the amount of such Account. As soon as practicable after the sixtieth (60th) day preceding the due date of any such Amortization 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 Amortization Installment was established (except in the case of Term Bonds maturing on an Amortization Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Amortization Installment. The Issuer shall pay out of the Bond Amortization Account and the Interest Account to the respective 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 Revenue Fund.

(d) **Reserve Account.** Next, the Issuer shall deposit into or credit to the Reserve Account such sum, if any, as will be necessary to immediately restore the funds on deposit therein to an amount equal to the Reserve Account Requirement including the reinstatement of any Reserve Account Insurance Policy or Reserve Account Letter of Credit on deposit therein or the cash replacement thereof. On or prior to each Interest Date and each maturity or redemption date for the payment of any principal of the Bonds, 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 Bond Amortization Account shall be insufficient for such purpose. Whenever there shall be surplus moneys in the Reserve Account by reason of a decrease in the Reserve Account Requirement or as a result of a deposit therein of a Reserve Account Insurance Policy and/or a Reserve Account Letter of Credit, such surplus moneys shall be deposited by the Issuer into the Principal Account or such other appropriate fund or account of the Issuer, provided such deposit to such other fund or account will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

Upon the issuance of any Series of Bonds, under the terms, limitations and conditions as herein provided, the Issuer shall provide for the funding of the Reserve Account in an amount 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.

Whenever moneys on deposit in the Reserve Account, together with the other available amounts in the Debt Service Fund, are sufficient to fully pay all Outstanding Bonds (including principal and interest thereon) in accordance with their terms, the funds on deposit in the Reserve Account shall be applied to the payment of Bonds.

Notwithstanding the foregoing provisions, in lieu of the required deposits into the Reserve Account, the Issuer may, at its sole option and discretion, cause to be deposited a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit in an amount equal to the difference between the Reserve Account Requirement applicable thereto and the sums, if any, remaining on deposit in the Reserve Account after the deposit of such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit. Such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall be payable to the Paying Agent for such Series (upon the giving of notice as required thereunder) on any interest payment or redemption date on which a deficiency exists which cannot be cured by funds in any other fund or account held pursuant to this Resolution and available for such purpose. The issuer providing such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall be either (a) an insurer (i) whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in one of the two highest rating categories (without regard to gradations, such as "plus" or "minus" of such categories) by either Standard & Poor's Corporation or Moody's Investors Service, or (ii) who holds one of the two highest policyholder ratings accorded insurers by A. M. Best & Company, or any comparable service, or (b) a commercial bank, insurance company or other financial institution the bonds payable or guaranteed by which have, or whose obligation to pay is guaranteed by a commercial bank, insurance company or other financial institution which has, been assigned a rating by either Moody's Investors Service or Standard & Poor's Corporation in one of the two highest rating categories (without regard to gradations, such as "plus" or "minus" of such categories).

If fifteen (15) days prior to an Interest Date, a principal maturity date or a mandatory 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 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 which, together with the sum then on deposit in the Reserve Account, are sufficient to pay all amounts due on such interest payment or redemption date.

If a disbursement is made from a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit provided pursuant to this Section 4.06(A)(2)(d), the Issuer shall reinstate the maximum limits of such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit immediately following such disbursement as soon as moneys are available in the Reserve Account in accordance with the provisions of the first paragraph of this Section 4.06(A)(2)(d), by depositing funds in the amount of the disbursement made under such instrument, with the issuer thereof, together with interest thereon to the date of reimbursement at the rate set forth in such Reserve Account Insurance Policy or such Reserve Account Letter of Credit, but in no case greater than the maximum rate of interest permitted by law. In addition, and in the same manner, the Issuer shall reimburse the issuer of the Reserve Account Insurance Policy and/or the issuer of the Reserve Account Letter of Credit for all reasonable expenses incurred by such issuer in connection with the draw on such Reserve Account Insurance Policy or the Reserve Account Letter of Credit, as the case may be.

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 and/or an agreement relating thereto, which shall be approved by Supplemental Resolution, provided, however, any such promissory note and any payment obligations of the Issuer under such agreement (i) 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 (ii) shall be payable solely from the moneys available in the Reserve Account in accordance with the provisions of the first paragraph of this Section 4.06(A)(2)(d). All of the provisions of such promissory note and such agreement, when executed and delivered by the Issuer, shall be deemed to be a part of this Resolution as fully and to the same extent as if incorporated verbatim herein.

To the extent the Issuer causes to be deposited into the Reserve Account, a Reserve Account Insurance Policy and/or a Reserve Account Letter of Credit for a term of years shorter than the life of the Series of Bonds so insured or secured, then the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit shall provide, among other things, that the issuer thereof shall provide the Issuer with notice as of each anniversary of the date of the issuance of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit of the intention of the issuer thereof to either (i) extend the term of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit beyond the expiration dates thereof, or (ii) terminate the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit on the initial expiration dates thereof or such other future date as the issuer thereof shall have established. If the issuer of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit notifies the Issuer pursuant to clause (ii) of the immediately preceding sentence or if the Issuer terminates the Reserve Account Letter of Credit and/or Reserve Account Insurance Policy, then the Issuer shall deposit into the Reserve Account pursuant to the first sentence of this Section 4.06(A)(2)(d), during the first full calendar month following the date on which such notice of intent to terminate is received by the Issuer and in each succeeding month, such sums as shall be sufficient to pay each month an amount equal to a fraction, the numerator of which is one (1) and the denominator of which is equal to the number of months remaining in the term of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit, of the portion of the Reserve Account Requirement covered by the Reserve Account Letter of Credit and/or the Reserve Account Insurance Policy on the date such notice was received, until the sum on deposit in the Reserve Account, and no later than the expiration of such Reserve Account Insurance Policy and/or such Reserve Account Letter of Credit, shall be equal to the Reserve Account Requirement.

If any Reserve Account Letter of Credit or Reserve Account Insurance Policy shall terminate prior to the stated expiration date thereof, the Issuer agrees that it shall fund the Reserve Account pursuant to the first sentence of this Section 4.06(A)(2)(d), during a period not to exceed twelve (12) months when it shall make consecutive equal monthly payments in order that the amount on deposit in such account at the end of such period shall be equal to the Reserve Account Requirement; provided, the Issuer may at its sole option and discretion, with the prior written consent of the Insurer, if any, obtain a new Reserve Account Letter of Credit or a new Reserve Account Insurance Policy in lieu of making the payments required by this paragraph.

Prior to deposit in the Reserve Account, any Reserve Account Letter of Credit or Reserve Account Insurance Policy shall be approved in writing by any Insurer or Credit Bank and shall conform to such additional or different restrictions as such Insurer or Credit Bank shall reasonably require.

(3) Subordinated Indebtedness. Next, the Issuer shall apply available moneys in the Revenue Fund to the payment of the debt service for any Subordinated Indebtedness.

(4) Renewal and Replacement Fund. Next, whenever the balance on deposit in the Renewal and Replacement Fund shall be less than the Renewal and Replacement Fund Requirement, the Issuer shall deposit into or credit to the Renewal and Replacement Fund the balance of all moneys remaining in the Revenue Fund to the extent necessary to cause the moneys in the Renewal and Replacement Fund to equal the Renewal and Replacement Fund Requirement. If at anytime the balance on deposit in the Renewal and Replacement Fund shall exceed the Renewal and Replacement Fund Requirement, such excess shall be withdrawn by the Issuer from the Renewal and Replacement Fund and deposited into the Revenue Fund. The moneys in the Renewal and Replacement Fund shall be applied by the Issuer to the payment of the cost

of extensions, improvements and additions to, or renewals and replacements of the capital assets of, the System, or extraordinary repairs of the System; provided, however, that whenever moneys in the Debt Service Fund shall be insufficient to pay all or any part of the principal of, Redemption Price or interest on any of the Bonds, moneys in the Renewal and Replacement Fund shall first be used to supplement the Debt Service Fund to the extent necessary to prevent a default on the Bonds.

(5) Rebate Fund. Next, the Issuer may, at its option, deposit into or credit to the Rebate Fund the amount described in Section 4.07(A) hereof.

(6) Excess Revenues. Finally, the Issuer may withdraw the balance of all moneys remaining on deposit to the credit of the Revenue Fund and apply the same to any lawful county purpose.

(7) Assessments. The Issuer covenants and agrees to establish with one or more Authorized Depositories a separate fund to be known as the "St. Johns County Water and Sewer Assessments Fund." The Assessments Fund shall be used only for the purposes hereinafter provided. All Assessments shall be deposited by the Issuer into the Assessments Fund promptly upon receipt thereof. As a first charge against moneys at any time on deposit to the credit of the Assessments Fund, the Issuer shall reimburse itself for all expenses incurred by the Issuer in connection with its conduct of the proceedings necessary for the imposition, levy and collection of the Assessments in accordance with applicable law. On or before the last day of each month in every Bond Year, all moneys in the Assessments Fund shall be deposited or credited to the Debt Service Fund until the aggregate amount of all such deposits therein during such Bond Year shall equal all of the installments of the Assessments scheduled to be paid to the Issuer during such Bond Year, and all such moneys thus deposited to the Debt Service Fund shall be applied by the Issuer in the same manner as other moneys therein are applied pursuant to the provisions of part (2) of this subsection (A). On each April 1 and October 1, moneys in the Assessments Fund in excess of the aggregate installments of Assessments scheduled to be paid to the Issuer in the current Bond Year shall be applied by the Issuer, promptly thereafter, to the purchase of Assessments Redemption Bonds, at a price not greater than the Redemption Price at which such Assessments Redemption Bonds may be redeemed on the next succeeding Interest Date (or the principal amount of any such Assessments Redemption Bonds which shall be about to mature on the next succeeding June 1), and/or shall be exhausted by the Issuer, to the maximum extent possible, on such next succeeding Interest Date, by application thereof by the Issuer to the mandatory redemption of Assessments Redemption Bonds. The Issuer shall call for redemption the Assessments Redemption Bonds to be redeemed by causing notice to be given as provided in Section 3.03 hereof. The Issuer shall pay out of the Assessments Fund to the Paying Agent for the Assessments Redemption Bonds to be redeemed (or paid at maturity), on or before the day preceding the redemption date (or maturity date) the amount required to pay the principal of or Redemption Price, if applicable, and interest on the Assessments Redemption Bonds to be redeemed (or then maturing), and such amount shall be applied by the Paying Agent to such redemption (or payment). All expenses in connection with the purchase, redemption or payment of Assessments Redemption Bonds shall be paid by the Issuer from the Revenue Fund.

Nothing in this part (7) contained shall be construed to limit the source of payment of the principal of or Redemption Price, if applicable, or interest on the Assessments Redemption Bonds to moneys on deposit in the Assessments Fund, the Assessments Redemption Bonds being secured and payable in the same manner as all other Bonds as provided in part (2) of this subsection (A). After all of the Assessments Redemption Bonds of any Series shall have been retired, whether from moneys of the Debt Service Fund or moneys of the Assessments Fund or both, all funds remaining on deposit to the credit of the account for such Series in the Assessments Fund and all Assessments collected by the Issuer for such Series shall be promptly deposited in the Revenue Fund.

The Assessments 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 Assessments Fund may be invested and reinvested in Authorized Investments maturing not later than thirty (30) days from the date of acquisition thereof. Any and all income received by the Issuer from the investment of moneys in the Assessments Fund shall be deposited in the Interest Account.

In the event that Assessments are hereafter pledged to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds or one or more Series of Bonds, the Issuer covenants that it will forthwith, whenever it shall first be timely, adopt all resolutions, hold all hearings and perform all acts which are conditions precedent to and are necessary for the lawful levy and collection of the Assessments. The Issuer covenants that if any Assessment shall be either in whole or in part annulled, vacated or set aside by the judgment of any court, or if the Issuer shall be satisfied that any Assessment is so irregular or defective that the same cannot be enforced or collected, or if the Issuer shall have failed to assess any particular parcel of property which should have been assessed within an area designated by the Issuer for such Assessments, the Issuer shall take all steps necessary to cause a new and valid non-ad valorem special assessment to be made against such property; and in any case any such second assessment, or an initial assessment for one that shall have been omitted, shall be either in whole or in part annulled, vacated or set aside or be unenforceable or uncollectible by reason of defect or irregularity, the Issuer shall obtain and make other non-ad valorem special assessments until a valid assessment shall be made.

(B) Discretionary Purchase or Redemption. 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.

(C) Deposit with Paying Agent. At least one (1) business day prior to the date established for payment of any principal of or Redemption Price, if applicable, or interest on the Bonds, the Issuer shall withdraw from the Debt Service Fund sufficient moneys to pay such principal or Redemption Price, if applicable, or interest and deposit such moneys with the Paying Agent for the Bonds to be paid.

(D) Reimbursement of Credit Bank. In the case of Bonds secured by a Credit Facility, amounts on deposit in any funds or accounts established for such Bonds may be applied as provided in the applicable Supplemental Resolution to reimburse the Credit Bank for amounts drawn under such Credit Facility to pay the principal of or Redemption Price, if applicable, and interest on such Bonds or to pay the purchase price of any such Bonds which are tendered by the Holders thereof for payment.

SECTION 4.07. 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 Treasury (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. The Issuer agrees to undertake all actions required of it in its arbitrage certificate, relating to the Bonds, and other instructions from Bond Counsel, delivered in connection with or subsequent to the issuance of the 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 from moneys in the Revenue Fund or from other moneys of the Issuer derived from sources other than ad valorem taxation and legally available for such purpose 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 derived from sources other than ad valorem taxation 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 4.07 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 of the Series of which such accounts were created.

The provisions of the above-described instructions of Bond Counsel may be amended from time to time as shall be necessary, in the opinion of Bond Counsel, to comply with the provisions of the Code.

Public Financial Management, Inc., Philadelphia, Pennsylvania, is hereby appointed to serve as rebate administrator hereunder with respect to every Series of the Bonds until the Issuer shall by resolution appoint as successor rebate administrator any Bond Counsel or any certified public accountant, bank or trust company, or other agent of the Issuer who shall be qualified to assure compliance by the Issuer with the requirements of this section. The rebate administrator is hereby authorized to hire counsel, accountants, and other experts which the rebate administrator may, in its sole discretion, determine advisable for the purpose of obtaining the required calculations of the rebate amounts and determinations as to the due dates for the rebate thereof and other matters necessary for compliance with Section 148(f) of the Code as the same relates to the Bonds. The rebate administrator will not be liable for any loss occasioned by its reliance upon the instructions of such experts or upon the Issuer's certification of the amounts earned on nonpurpose investments, as such term is defined in Section 148(b)(2) of the Code, in which gross proceeds of the Bonds shall be invested. The duties and responsibilities of the rebate administrator may be performed by more than one Person.

SECTION 4.08. Investments. The Construction Fund, the Revenue Fund, the Connection Charges Fund, the Debt Service 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, the Connection Charges Fund, the Operation and Maintenance Fund, the Rebate Fund, the Renewal and Replacement Fund and the Debt Service Fund, other than the Reserve Account, may be invested and reinvested in Authorized Investments maturing not later than the date on which the moneys therein will be needed. Moneys on deposit in the Reserve Account may be invested or reinvested in Authorized Investments which shall mature no later than five (5) years from the date of acquisition thereof.

Any and all income received by the Issuer from the investment of moneys in the Construction Fund, in the Rebate Fund, in the Revenue Fund and in the Reserve Account in the Debt Service Fund (to the extent the amount therein is less than the Reserve Account Requirement) shall be retained in such respective fund or account unless otherwise required by applicable law.

Any and all income received by the Issuer from the investment of moneys in the Interest Account, the Principal Account and the Bond Amortization Account in the Debt Service Fund, in the Current Account and in the Stabilization Account in the Connection Charges Fund, in the Operation and Maintenance Fund and in the Renewal and Replacement Fund shall be deposited in the Revenue Fund.

Any and all income received by the Issuer from the investment of moneys in the Reserve Account in the Debt Service Fund (to the extent the amount therein is greater than the Reserve Account Requirement) shall be deposited in the Interest Account.

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

SECTION 4.09. Separate Accounts. The moneys required to be accounted for in each of the foregoing funds and accounts established herein may be deposited in a single bank account, and funds allocated to the various funds and accounts established herein may be invested in

a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the moneys on deposit therein and such investments for the various purposes of such funds and accounts as herein provided.

The designation and establishment of the various funds and accounts 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 for certain purposes and to establish certain priorities for application of such revenues as herein provided.

ARTICLE V

SUBORDINATED INDEBTEDNESS ADDITIONAL BONDS, AND COVENANTS OF ISSUER

SECTION 5.01. 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 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 that are not Additional Bonds and that are payable in whole or in part out of the Pledged Funds and which may be secured by a pledge of the 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 Resolution. 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 pursuant to Section 5.02 hereof.

SECTION 5.02. Issuance of Additional Bonds. No Additional Bonds, payable from the Pledged Funds on a parity with the Bonds then Outstanding pursuant to this Resolution, 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: financing the Cost of an Additional Project, or the completion thereof or of the Initial Project, or 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) 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 Resolution and has complied with the covenants and agreements of this Resolution.

(B) There shall have been obtained and filed with the Issuer a certificate of an independent certified public accountant: (1) stating that he has examined the books and records of the Issuer relating to the collection and receipt of the Gross Revenues, the Connection Charges and the Assessments; (2) stating for the immediately preceding Fiscal Year or any twelve (12) consecutive months selected by the Issuer of the twenty-four (24) months immediately preceding the issuance of such Additional Bonds the amount of the Net Revenues, the amount of the Connection Charges deposited into the Current Account and, as to each separate lot of Assessments which shall have been levied for a Project or a part of a Project, the dollar amount of the Assessments deposited into the Assessments Fund, and stating, for each separate lot of Assessments which shall have been levied for a Project or a part of a Project, the dollar amount of the portion of such lot of Assessments to become due and payable to the Issuer during the first full Fiscal Year after the issuance of such Additional Bonds in which installments of such lot of Assessments shall be payable; (3) if no Assessments shall be pledged to the Outstanding Bonds or such Additional Bonds then proposed to be issued, stating that (a) such Net Revenues and such Connection Charges, each adjusted as provided in Section 5.02(E) hereof, equal at least one hundred twenty percent (120%) of the Maximum Debt Service Requirement for all Outstanding Bonds and such Additional Bonds then proposed to be issued, and (b) such Net Revenues, adjusted as provided in Section 5.02(E) hereof, not taking into account Connection Charges, equal at least one hundred ten percent (110%) of the Maximum Debt Service Requirement for all Outstanding Bonds and such Additional Bonds then proposed to be issued; (4) if Assessments shall be pledged to the Outstanding Bonds or such Additional Bonds then proposed to be issued, stating that (a) such Net Revenues, adjusted as provided in Section 5.02(E) hereof, together with the dollar amount of the portion of each lot of Assessments to become due and payable during the first full Fiscal Year after the issuance of such Additional Bonds in which installments of such lot of Assessments shall be payable, but (except for the first Fiscal Year in which such lot of Assessments shall be billed) not exceeding the dollar amount of the portion of such lot of Assessments deposited in the Assessments Fund as stated pursuant to clause (2) of this paragraph, and such Connection Charges, adjusted as provided in Section 5.02(E) hereof, equal at least one hundred twenty percent (120%) of the Maximum Debt Service Requirement for all Outstanding Bonds and such Additional Bonds then proposed to be issued, (b) such Net Revenues, adjusted as provided in Section 5.02(E) hereof, and the amount of the Assessments allowed under clause (4)(a) of this paragraph, without taking into account Connection Charges, equal at least one hundred ten percent (110%) of the Maximum Debt Service Requirement for all Outstanding Bonds and such Additional Bonds then proposed to be issued, (c) such Net Revenues and such Connection Charges, each adjusted as provided in Section 5.02(E) hereof, without taking into account Assessments, equal at least one hundred twenty percent (120%) of the Maximum Debt Service Requirement for all Outstanding Bonds and such Additional Bonds then proposed to be issued, excluding all Outstanding and proposed Assessments Redemption Bonds, and (d) such Net Revenues, adjusted as provided in Section 5.02(2) hereof, not taking into account Assessments or Connection Charges, equal at least one hundred ten percent (110%) of the Maximum Debt Service Requirement for all Outstanding Bonds and such Additional Bonds then proposed to be issued, excluding all Outstanding and proposed Assessments Redemption Bonds; and (5) stating

that no Event of Default was disclosed in the report of the most recent Annual Audit, or if such Event of Default was so disclosed, that it shall have been cured.

(C) In computing Maximum Debt Service Requirement for purposes of this Section 5.02, the interest rate on outstanding Variable Rate Bonds, and on additional parity Variable Rate Bonds then proposed to be issued, shall be deemed to be the Maximum Interest Rate applicable thereto.

(D) For the purpose of this Section 5.02, the phrase "immediately preceding Fiscal Year or any twelve (12) consecutive months selected by the Issuer of the twenty-four (24) months immediately preceding the issuance of such Additional Bonds" shall be sometimes referred to as "twelve consecutive months."

(E) The Net Revenues and the Connection Charges deposited into the Current Account may be adjusted by the independent certified public accountant, at the option of the Issuer, as follows:

(1) If the Issuer, prior to the issuance of the proposed Additional Bonds but not prior to the beginning of such twelve consecutive months, shall have increased the Rates and/or shall have begun to derive revenues from newly constructed or acquired facilities of the System or from a new contract with any public or private entity for residential and/or business use of the facilities and services of the System, which contract shall have a duration not less than the final maturity of such Additional Bonds ("capacity agreement"), the Net Revenues for the twelve consecutive months shall be adjusted to show the Net Revenues which would have been derived in such twelve consecutive months if such increased Rates had been in effect and/or such new facilities and/or such capacity agreement had produced revenues during all of such twelve consecutive months.

(2) In the event the Issuer shall have completed additions, extensions or improvements to the System prior to the issuance of the proposed Additional Bonds but not prior to the beginning of such twelve consecutive months and/or shall be constructing or acquiring additions, extensions or improvements to the System to be financed wholly or in part from the proceeds of such Additional Bonds or from any other source, and/or shall have entered into a capacity agreement, from which capacity agreement and/or from which Project or Projects the Issuer expects to derive revenues within three (3) years after issuance of such Additional Bonds, such Net Revenues may be adjusted by adding thereto the net revenues estimated by the Consulting Engineers to be derived by reason of such capacity agreement during the first twelve (12) months the Issuer shall receive income thereunder and/or to be derived from existing occupied residential and business development during the first twelve (12) months of operation of such Project or Projects after completion of the construction or acquisition thereof.

(3) If the Issuer, in connection with the issuance of Additional Bonds, shall enter into a capacity agreement, then the Net Revenues of the System during the twelve (12) consecutive months shall be increased by the least amount to be paid to the Issuer in any one year thereunder, after deducting therefrom the proportion of operating expenses and repair, renewal and replacement cost attributable in such year to such capacity agreement.

(4) 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 entered into any capacity agreement and/or established fees, rates or charges to be charged and collected from users of such facilities when service is rendered, such Net Revenues and such Connection Charges may be adjusted by adding thereto the Net Revenues and the Connection Charges (in an amount not exceeding the Connection Charges Debt Service Component for the proposed Additional Bonds for the first Bond Year commencing after completion of the construction or acquisition of said additions, extensions and improvements) estimated by the Consulting Engineers to be derived during the first twelve (12) months of operation after completion of the construction or acquisition of said additions, extensions and improvements pursuant to such capacity agreement and/or from existing residential and business users of the facilities to be financed by such Additional Bonds together with other funds on hand or lawfully obtained for such purpose.

(F) Additional Bonds shall be deemed to have been issued pursuant to this Resolution the same as the Outstanding Bonds, and all of the other covenants and other provisions of this Resolution (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 Resolution; provided, however, any Supplemental Resolution authorizing the issuance of Additional Bonds may provide that any of the covenants herein contained will not be applicable to such Additional Bonds, provided that such provision shall not, in the opinion of Bond Counsel, adversely affect the rights of any Bonds which shall then be Outstanding. Except as provided in Sections 4.02 and 4.06 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; provided, however, that the Issuer shall include a provision in any Supplemental Resolution authorizing the issuance of Variable Rate Bonds pursuant to this Section 5.02 that in the event the principal thereof is accelerated due to such Bonds being held by the issuer of a Credit Facility, the lien of such Bonds on the Pledged Funds shall be subordinate in all respects to the pledge of the Pledged Funds created by this Resolution.

(G) In the event any Additional Bonds are issued for the purpose of refunding any Bonds then Outstanding, the conditions of this Section 5.02 shall not apply, provided that the issuance of such Additional Bonds shall not result in an increase in the aggregate amount of principal of and interest on the Outstanding Bonds becoming due in the current Fiscal Year and all subsequent Fiscal Years. The conditions

of Section 5.02(B) hereof 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.

(H) In the event that the total amount of the Bonds herein authorized to be issued are not issued simultaneously, such Bonds which are subsequently issued shall be subject to the conditions of Section 5.02(B) hereof.

(I) In addition to all of the other requirements specified in this Section 5.02, the Issuer must comply with any applicable provisions of any financing documents relating to outstanding Subordinated Indebtedness to the extent such provisions impact on the ability of the Issuer to issue Additional Bonds.

SECTIONS 5.03. 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 Resolution, as shall be provided by resolution of the Issuer.

SECTION 5.04. 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 Section 5.02 hereof, assuming, for purposes of said requirements, that such Subordinated Indebtedness shall be Additional Bonds, and (B) the Issuer shall provide for the funding of the Reserve Account, upon such accession, in an amount equal to the increase in the amount of the Reserve Account Requirement occasioned by such accession in accordance with Section 4.06(A)(2)(d) hereof. If the aforementioned conditions are satisfied, the Subordinated Indebtedness shall be deemed to have been issued pursuant to this Resolution the same as the Outstanding Bonds, and such Subordinated Indebtedness shall be considered Bonds for all purposes provided in this Resolution.

SECTION 5.05. 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 will obtain and renew to the full extent required by applicable law all permits for acquisition, construction and operation of the System.

SECTION 5.06. 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 Operating Expenses 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.

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 Fiscal Year, if it be approved by the Consulting Engineers, shall be deemed to be in effect for such Fiscal Year until the Annual Budget for such Fiscal Year shall be adopted; and if the preliminary budget shall not have been approved by the Consulting Engineers, the Annual Budget for the preceding Fiscal Year shall be deemed to continue in effect.

The Issuer may at any time adopt an amended Annual Budget for the then current Fiscal Year, but no such amended Annual Budget shall supersede any prior budget until it shall be approved by the Consulting Engineers as being, in their opinion, reasonable and necessary.

The Issuer shall mail copies of such Annual Budgets and amended Annual Budgets and all resolutions authorizing increased expenditures for Operating Expenses to any Holder who shall file an address with the Clerk and request in writing that copies of all such Annual Budgets and resolutions be furnished to such Holder and shall make available all such Annual Budgets and resolutions authorizing increased expenditures for Operating Expenses at all reasonable times to any Holder or to anyone acting for or on behalf of any Holder. The Issuer shall be permitted to make a reasonable charge for furnishing to any Holder such Annual Budgets and resolutions.

SECTION 5.07. Rates and Connection Charges. The Issuer shall fix, establish, maintain and collect Rates, and revise the same effective at the beginning of each Fiscal Year, in the manner provided in this Section 5.07, to the extent necessary, to provide (A) if no Assessments shall be pledged to the Bonds, (1) Net Revenues in such Fiscal Year, together with any Connection Charges actually on deposit in the Current Account at the beginning of such Fiscal Year, equal to at least one hundred twenty percent (120%) of the Debt Service Requirement for the Bond Year ending in such Fiscal Year and at least one hundred percent (100%) of any amounts required by the terms hereof to be deposited in the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year, and (2) Net Revenues in such Fiscal Year, not taking into account Connection Charges, equal to at least one hundred ten percent (110%) of the Debt Service Requirement for the Bond Year ending in such Fiscal Year and at least one hundred percent (100%) of any amounts required by the terms hereof to be deposited in the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year, or (B) if Assessments shall be pledged to the Bonds, (1) Net Revenues in such Fiscal Year, together with the dollar amount of the Assessments to be collected in such Fiscal Year (but as to each separate lot of Assessments levied for any improvements which shall be part of a Project, except for the first Fiscal Year in which such lot of Assessments shall be billed, not exceeding the dollar amount of the portion of such lot of Assessments actually collected by the Issuer in the immediately preceding Fiscal Year) and any Connection Charges actually on deposit in the Current Account at the beginning of such Fiscal Year, equal to at least one hundred twenty percent (120%) of the Debt Service Requirement

for the Bond Year ending in such Fiscal Year and at least one hundred percent (100%) of any amounts required by the terms hereof to be deposited in the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year, (2) Net Revenues in such Fiscal Year, together with the dollar amount of the Assessments to be collected in such Fiscal Year (but as to each separate lot of Assessments levied for any improvements which shall be part of a Project, except for the first Fiscal Year in which such lot of Assessments shall be billed, not exceeding the dollar amount of the portion of such lot of Assessments actually collected by the Issuer in the immediately preceding Fiscal Year), without taking into account Connection Charges, equal to at least one hundred ten percent (110%) of the Debt Service Requirement for the Bond Year ending in such Fiscal Year and at least one hundred percent (100%) of any amounts required by the terms hereof to be deposited in the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year, (3) Net Revenues in such Fiscal Year, together with any Connection Charges actually on deposit in the Current Account at the beginning of such Fiscal Year, without taking into account Assessments, equal to at least one hundred twenty percent (120%) of the amount obtained by reducing the Debt Service Requirement for the Bond Year ending in such Fiscal Year by the amount of the debt service for all Assessments Redemption Bonds and at least one hundred percent (100%) of any amounts required by the terms hereof to be deposited in the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year, and (4) Net Revenues in such Fiscal Year, not taking into account Assessments or Connection Charges, equal to at least one hundred ten percent (110%) of the amount obtained by reducing the Debt Service Requirement for the Bond Year ending in such Fiscal Year by the amount of the debt service for all Assessments Redemption Bonds and at least one hundred percent (100%) of any amounts required by the terms hereof to be deposited in the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year. Such Rates shall not be so reduced that the same will be insufficient to provide Net Revenues in each Fiscal Year fully adequate for the purposes provided therefor by this Resolution, provided, however, anything herein to the contrary notwithstanding, no provision hereof shall be construed to obligate the Issuer to impose or, once imposed, continue Connection Charges; but at any time and while Connection Charges shall be in effect and imposed by the Issuer, the same shall be pledged hereunder to the extent provided herein.

The Issuer covenants and agrees that prior to the beginning of each Fiscal Year, whenever the Rates which shall be projected by the Annual Budget proposed for such Fiscal Year shall be insufficient for the coverage required by the first paragraph of this section, the Issuer shall revise the Rates by adopting a schedule thereof by resolution or ordinance in the manner provided by applicable Florida law.

The Issuer further covenants and agrees that after receipt by the Issuer of each Annual Audit, if the Net Revenues shall be shown by such Annual Audit to have been insufficient in the Fiscal Year audited for the coverage required by the first paragraph of this section, the Issuer shall, prior to the commencement of the next succeeding Fiscal Year, revise the Rates by adopting a schedule thereof by resolution or ordinance in the manner provided by applicable Florida law, with respect to which revised Rates schedule the Issuer shall have obtained a certificate in writing from an independent firm of certified public accountants of suitable qualifications and experience that (1) had such revised schedule been in effect during such immediately preceding Fiscal Year the coverages required by this section would have been met or exceeded, and (2) had the same been in effect since the beginning of the then current Fiscal Year, (a) based upon the current Annual Budget said coverage would be met or exceeded for such Current Fiscal Year and (b) estimated Gross Revenues for such current Fiscal Year as reflected in the current Annual Budget would exceed the actual Gross Revenues received in such immediately preceding Fiscal Year as reflected in such Annual Audit by at least the amount that the estimated Operating Expenses for such current Fiscal Year as reflected in the current Annual Budget shall exceed the actual Operating Expenses during such immediately preceding Fiscal Year as reflected in such Annual Audit. If and whenever the Issuer shall be required to increase the Rates by reason of the provisions of this paragraph, the Issuer shall cause the Consulting Engineers to review its Rates, Gross Revenues, Operating Expenses and methods of operation and to make written recommendations as to the means, including further Rate increases, by which the Issuer may best assure Net Revenues in the next succeeding Fiscal Year sufficient for compliance with all of the terms of this Resolution. The Issuer shall implement such recommendations by making any recommended revisions in the Rates in the aforesaid manner, effective at the beginning of the next succeeding Fiscal Year or as soon thereafter as shall be possible, and by taking any other recommended action as soon thereafter as shall be practicable.

The Issuer shall proceed diligently to perform legally and effectively all steps required in the collection of the Connection Charges. Upon the due date of any such Connection Charges, 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 5.08. Books and Records. The Issuer will keep books, records and accounts of the receipt of the Pledged Funds in accordance with generally accepted accounting principles, and any Credit Bank, Insurer, or Holder 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.

The Issuer covenants that within one hundred eighty (180) days of the close of each Fiscal Year it will cause to be prepared and filed with the Clerk and mailed to all Credit Banks, Insurers and Holders who shall have filed their names and addresses with the Clerk for such purpose a statement setting forth in respect of the preceding Fiscal Year: (A) the amount of the Pledged Funds received in the preceding Fiscal Year; (B) the total amounts deposited to the credit of each fund and account created under the provisions of this Resolution; (C) the principal amount of all Bonds issued, paid, purchased or redeemed; and (D) the amounts on deposit at the end of such Fiscal Year to the credit of each such fund or account.

SECTION 5.09. Annual Audit. The Issuer shall, immediately after the close of each Fiscal Year, cause the financial statements of the Issuer 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, a statement of change in retained earnings, 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, to any Insurer and to any Holder who shall have furnished an address to the Clerk and requested in writing that the same be furnished to such Holder. The Issuer shall be permitted to make a reasonable charge for furnishing to any Holder such Annual Audit.

SECTION 5.10. Mortgage, Sale or Closing of Facilities. The Issuer irrevocably covenants, binds and obligates itself not to sell, lease, encumber or in any manner dispose of any facilities of the System except as provided in this section, 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 8.01 hereof.

The Issuer shall have and hereby reserves the right to close any facility of the System or part thereof and/or sell, lease or otherwise dispose of any site, facilities or property comprising a part of the System in the manner provided in this Section 5.10, if in the judgment of the Issuer such closing or disposition will not adversely affect the security for the Bondholders and any one of the following conditions exist: (A) such site, facilities or property is not necessary for the operation of the System, (B) such site, facilities or property is not useful in the operation of the System, (C) such site, facilities or property is not profitable in the operation of the System, or (D) in the case of a lease of such site, facilities or property, such lease will be advantageous to the System.

Prior to the Issuer's closing, sale, lease or other disposition of any facility of the System or part thereof, an Authorized Issuer Officer shall first make a finding in writing and the Consulting Engineers shall first make an engineering finding in writing determining that one or more of the conditions for the closing, sale, lease or other disposition of property provided for in the second paragraph of this Section 5.10 have been met, and the Governing Body shall, by resolution, duly adopt, approve and concur in such finding. Prior to any such sale, lease or other disposition of said property: (1) if the value thereof at original cost is not in excess of one-half (1/2) of one percent (1 %) of the 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 the closing, sale, lease or disposition of property provided for in the second paragraph of this Section 5.10 have been met; or (2) if the value of said property at original cost shall be in excess of one-half (1/2) of one percent (1 %) of the value of the gross plant of the System at original cost, an Authorized Issuer Officer shall first make a finding in writing and the Consulting Engineers shall first make an engineering finding in writing determining that one or more of the conditions for the closing, sale, lease or other disposition of property provided for in the second paragraph of this Section 5.10 have been met, and the Governing Body shall, by resolution, duly adopt, approve and concur in such findings.

The proceeds from any such sale, lease or other disposition shall be deposited into 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 is excluded from gross income of the holders thereof for federal income tax purposes under Section 103 of the Code, shall not be deemed prohibited by this Section 5.10 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 5.10, 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 deposited into the Revenue Fund.

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.

SECTION 5.11. Insurance. So long as the Net Revenues are pledged hereunder, the Issuer will carry, with a reputable insurance carrier or carriers, such insurance as is ordinarily carried by private or public corporations owning and operating water and sewer facilities similar to the System, including public liability insurance, in such amounts as the Issuer shall determine to be sufficient. The property loss or damage insurance shall at all times be in an amount or amounts equal to the fair appraisal value of the buildings, furniture, fixtures and equipment of the System.

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.

SECTION 5.12. No Impairment. The pledging of the Pledged Funds in the manner provided herein shall not be subject to repeal, modification or impairment by any subsequent ordinance, resolution or other proceedings of the Governing Body. This provision shall not, however, be deemed to prohibit the reduction or elimination of the Rates in the manner provided in Section 5.07 hereof.

SECTION 5.13. Special Covenants Relating to Reserve Account Insurance Policy or Reserve Account Letter of Credit.

(A) The Issuer shall annually submit to the issuer of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit, records of withdrawals on such Reserve Account Insurance Policy or such Reserve Account Letter of Credit, as the case may be, received by the Paying Agent and remaining unpaid, the respective dates of such withdrawals, the interest accrued on such withdrawals and the aggregate amount of interest due by the Issuer to the issuer of such Reserve Account Insurance Policy or such Reserve Account Letter of Credit, as the case may be.

(B) The Issuer hereby acknowledges that the issuer of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit shall be deemed a third-party beneficiary of this Resolution for the purpose of enforcing the terms, conditions and obligations of the Resolution which benefit the issuer of such Reserve Account Insurance Policy or such Reserve Account Letter of Credit, as the case may be.

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 Resolution 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 Resolution.

SECTION 5.15. Federal Income Tax Covenants; Taxable Bonds.

(A) 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 includable in the gross income of the Holder thereof for federal income tax purposes.

(B) 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 knowingly 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 Section 148 of the Code, and neither, the Issuer nor any such other Person shall knowingly do any act or fail to do any act which would cause the interest on such Series of Bonds to become includable in the gross income of the Holder thereof for federal income tax purposes.

(C) The Issuer hereby covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that it will use its best efforts to comply with all provisions of the Code necessary to maintain the exclusion of interest on the Bonds from the gross income of the Holder thereof for federal income tax purposes, including, in particular, the payment of any amount required to be rebated to the United States Treasury pursuant to the Code.

(D) The Issuer may, if it so elects, issue one or more Series of Taxable Bonds the interest on which is (or may be) includable 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 the interest on any other Bonds theretofore issued hereunder to be or become includable in the gross income of the Holder thereof for federal income tax purposes. The covenants set forth in subsections (A), (B) and (C) of this Section 5.15 shall not apply to any Taxable Bonds.

SECTION 5.16. Financial Guaranty as Insurer. Notwithstanding any provisions to the contrary contained herein, the following provisions shall apply so long as the Bond Insurance Policy issued by Financial Guaranty, as hereinafter defined, shall be in full force and effect:

(A) Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto ("Financial Guaranty"), shall be deemed the Insurer of the Series 1989 Bonds.

(B) The notice address for Financial Guaranty shall be: Financial Guaranty Insurance Company, 175 Water Street, New York, New York 10038, Attention: President.

(C) Financial Guaranty shall be provided with the Annual Budget pursuant to Section 5.06 hereof, the Annual Audit pursuant to Section 5.09 hereof and in addition Financial Guaranty shall be provided with the following information:

- (1) Official statements, if any, prepared in connection with the issuance of additional debt, whether or not such debt is on a parity with the Bonds within 30 days of the sale thereof;
- (2) Notice of any draw upon or deficiency due to market fluctuation in the Reserve Account;
- (3) Notice of the redemption, other than mandatory sinking fund redemption, of any of the Bonds, including the principal amount, maturities and CUSIP numbers thereof;
- (4) On an annual basis commencing October 1, 1989:

- (a) The number of System users as of the end of the Fiscal Year;
- (b) Notification of the withdrawal of any major System users (defined as a user comprising 4% or more of System sales measured in terms of revenue dollars) since the last reporting date;
- (c) Since the last reporting date any significant plant retirements or expansions planned or undertaken; and
- (5) Such additional information as Financial Guaranty may reasonably request from time to time.

(D) For the purposes of Article VI hereof, Financial Guaranty shall be deemed the sole Holder of Bonds insured by Financial Guaranty, and the prior written consent of Financial Guaranty shall be required for any waiver of an Event of Default.

(E) For the purposes of Section 8.01 hereof, only cash or Federal Securities shall be used to accomplish defeasance of the Bonds, provided, however, that Prerefunded Obligations may be used with the prior written consent of Financial Guaranty, and in the event of an advance refunding, there shall be provided a verification report of an independent nationally recognized certified public accounting firm.

ARTICLE VI

DEFAULTS AND REMEDIES

SECTION 6.01. Events of Default. The following events shall each constitute an "Event of Default" hereunder:

(A) Default shall be made in the payment of the principal of, Amortization Installment, redemption premium or interest on any Bond when due by the Issuer.

(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 Resolution 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 any Insurer or the Holders of not less than twenty-five percent (25%) of the aggregate principal amount of Bonds Outstanding or any Credit Bank. Notwithstanding the foregoing, the Issuer shall not be deemed in default hereunder if such default can be cured within a reasonable period of time and if the Issuer in good faith institutes curative action and diligently pursues such action until the default has been corrected.

SECTION 6.02. Remedies. Any Holder of Bonds issued under the provisions of this Resolution 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, or granted and contained in this Resolution, and may enforce and compel the performance of all duties required by this Resolution or by any applicable statutes to be performed by the Issuer or by any officer thereof. This paragraph shall not be deemed to be a waiver by the Issuer of its venue rights.

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 Resolution 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 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 6.03. Directions to Trustee as to Remedial Proceedings. The Holders of a majority in principal amount of the Bonds then Outstanding (or any Insurer insuring, or any Credit Bank providing a Credit Facility for, 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, 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 such direction which in the opinion of the trustee would be unjustly prejudicial to Holders of Bonds not parties to such direction.

SECTION 6.04. 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 6.05. 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 6.02 of this Resolution to the Bondholders may be exercised from time to time, and as often as may be deemed expedient.

SECTION 6.06. Application of Moneys After Default. If an Event of Default shall happen and shall not have been remedied, the Issuer or a court-appointed trustee or receiver shall apply all Pledged Funds 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, Registrar and Paying Agent hereunder; and

(B) To the payment of the amounts required for reasonable and necessary Operation Expenses, and for the reasonable renewals, repairs and replacements of the System necessary to prevent loss of Gross Revenues, as certified by the Consulting Engineers; and

(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 8.01 of this Resolution), 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 Resolution.

(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 6.07. Control by Insurer or Credit Bank. Upon the occurrence and continuance of an Event of Default, each Insurer or Credit Bank, if such Insurer or Credit Bank shall have honored all of its commitments under its Bond Insurance Policy or its Credit Facility, as the case may be, shall be entitled to direct and control the enforcement of all rights and remedies with respect to the Bonds it shall insure or for which such Credit Facility is provided.

ARTICLE VII

SUPPLEMENTAL RESOLUTIONS

SECTION 7.01. Supplemental Resolution Without Bondholders' Consent. The Issuer, from time to time and at any time, may adopt such Supplemental Resolutions without the consent of the Bondholders (which Supplemental Resolution 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 Resolution 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 Resolution other conditions, limitations and restrictions thereafter to be observed.

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

(E) To specify and determine at any time prior to the first delivery of any Series of Bonds 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 Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination.

(F) To authorize Additional Projects or to change or modify the description of the Initial Project or any Additional Project.

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

(H) To authorize Additional Bonds or Subordinated Indebtedness.

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

Except Supplemental Resolutions described in subsections (E), (F) and (H) of this Section 7.01 and Supplemental Resolutions adopted for the purpose of authorizing Additional Bonds in compliance with all applicable provisions hereof, no Supplemental Resolution adopted pursuant to Article VII shall become effective unless approved by every Insurer; and the Issuer covenants and agrees to furnish to each Insurer an executed original transcript of the Issuer's proceedings with respect to the adoption of each Supplemental Resolution.

SECTION 7.02. Supplemental Resolution With Bondholders' Insurer's and Credit Bank's Consent. Subject only to the terms and conditions contained in this Section 7.02 and Section 7.01 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, to consent to and approve the adoption of such Supplemental Resolution or Resolutions 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 Resolution; 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 7.02. Any Supplemental Resolution which is adopted in accordance with the provisions of this Section 7.02 shall also require the written consent of the Insurer of, or any Credit Bank providing a Credit Facility for, any Bonds which are outstanding at the time such Supplemental Resolution shall take effect. No Supplemental Resolution 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 which adversely affects the rights granted by the Bonds or this Resolution in favor of any Bondholders, (D) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (E) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Resolution. Nothing herein contained, however, shall be construed as making necessary the approval by Bondholders, the Insurer or the Credit Bank of the adoption of any Supplemental Resolution as authorized in Section 7.01 hereof.

If at any time the Issuer shall determine that it is necessary or desirable to adopt any Supplemental Resolution pursuant to this Section 7.02, the Clerk shall cause the Registrar to give notice of the proposed adoption of such Supplemental Resolution 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 and to all Insurers of, and Credit Banks providing a Credit Facility for, Bonds Outstanding. Such notice shall briefly set forth the nature of the proposed Supplemental Resolution 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 7.02 to be mailed and any such failure shall not affect the validity of such Supplemental Resolution when consented to and approved as provided in this Section 7.02.

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 Resolution 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 Resolution 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 Resolution 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 Resolution, 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 Resolution pursuant to the provisions of this Section 7.02, this Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Resolution 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 Resolution as so modified and amended.

SECTION 7.03. Amendment with Consent of Insurer and/or Credit Bank Only. If all of a Series of Bonds Outstanding hereunder are insured or secured as to payment of principal and interest by an Insurer or Insurers and/or by a Credit Facility provided by a Credit Bank or Credit Banks, and the Insurer or Insurers and/or the Credit Bank or Credit Banks, as applicable, are not in default, and such 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 or such Credit Facility was provided no lower than the ratings assigned thereto by such rating agencies on the date such Bonds were insured or such Credit Facility was provided, the Issuer may enact one or more Supplemental Resolutions amending all or any part of Articles I, IV, V, VI and VIII hereof with the written consent of said Insurer or Insurers and/or said Credit Bank or Credit Banks, as applicable, and the acknowledgment by said Insurer or Insurers and/or said Credit Bank or Credit Banks that its Bond Insurance Policy or its Credit Facility, as the case may be, will remain in full force and effect. If the Issuer shall provide to Moody's Investors Service and Standard & Poor's Corporation notice of an amendment and a copy thereof at least 15 days in advance of its adoption, 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 5.15 hereof with respect to the exclusion, if applicable, of interest on said Bonds from the gross income of the Holders thereof for federal income tax purposes nor may any such amendments deprive the Holders of any Bond of right to payment of the Bonds from, and their lien on, the Pledged Funds and any additional security pledged hereunder. Upon filing with the Clerk of evidence of such notice to such rating agencies and such consent of the Insurer or Insurers and/or the Credit Bank or Credit Banks as aforesaid, the Issuer may adopt such Supplemental Resolution. After the adoption by the Issuer of such Supplemental Resolution, notice thereof shall be mailed in the same manner as notice of an amendment under Section 7.02 hereof. Anything contained in this section to the contrary notwithstanding, any Supplemental Resolution or other amendment or supplement to this Resolution shall be subject to the prior written consent of Financial Guaranty Insurance Company so long as any Bonds insured by Financial Guaranty Insurance Company shall remain Outstanding.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. 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 Resolution, then the pledge of the Pledged Funds and any additional security pledged hereunder, 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 Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Except as otherwise provided in Section 5.16 hereof, 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 8.01 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 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, 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. Neither the 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 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 thereof; provided, however, the Issuer may substitute new Securities and moneys for the deposited Securities and moneys if the new Securities and moneys are sufficient to pay the principal of or Redemption Price, if applicable, and interest on such Bonds, and any trust agreement governing the deposit of such Securities and moneys may provide for the investment of moneys unclaimed by Bondholders and for the payment to the Issuer of such unclaimed moneys and the investment earnings thereon.

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 Securities and moneys, if any, in accordance with this Section 8.01, 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 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 in order to satisfy this Section 8.01, 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 Resolution.

In the event the Bonds for which moneys are to be deposited for the payment thereof in accordance with this Section 8.01 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 8.01 of moneys or Securities has been made and said Bonds are deemed to be paid in accordance with the provisions of this Section 8.01 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 or any portion thereof shall be paid by an Insurer or Insurers or a Credit Bank or Credit Banks and such Insurer or Credit Bank shall not have been reimbursed by the Issuer, such Bonds or any portion thereof shall remain Outstanding, shall not be defeased and shall not be considered paid by the Issuer, and the pledge of the Pledged Funds and any additional security pledged hereunder, and all covenants, agreements and other obligations of the Issuer to the Bondholders shall continue to exist and such Insurer or Insurers or such Credit Bank or Credit Banks shall be subrogated to the rights of such Bondholders.

SECTION 8.02. 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 Resolution, 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 Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

SECTION 8.03. General Authority. The members of the Governing Body and the Issuer's officers, attorneys and other agents and employees are hereby authorized to do all acts and things required of them by this Resolution or desirable or consistent with the requirements hereof for the full, punctual and complete performance of all of the terms, covenants and agreements contained in the Bonds and this Resolution, and they are hereby authorized to execute and deliver all documents which shall be required by Bond Counsel or the initial purchasers of the Bonds to effectuate the sale of the Bonds to said initial purchasers.

SECTION 8.04. No Personal Liability. No representation, statement, covenant, warranty, stipulation, obligation or agreement herein contained, or contained in the Bonds, or in any certificate or other instrument to be executed on behalf of the Issuer in connection with the issuance of the Bonds, shall be deemed to be a representation, statement, covenant, warranty, stipulation, obligation or agreement of any member of the Governing Body, officer, employee or agent of the Issuer in his or her individual capacity, and none of the foregoing persons nor any officer of the Issuer executing the Bonds or any certificate or other instrument to be executed in connection with the issuance of the Bonds, shall be liable personally thereon or be subject to any personal liability or accountability by reason of the execution or delivery thereof.

SECTION 8.05. No Third Party Beneficiaries. Except such other Persons as may be expressly described herein or in the Bonds, nothing in this Resolution, or in the Bonds, expressed or implied, is intended or shall be construed to confer upon any Person other than the Issuer, the Insurer and the Holders any right, remedy or claim, legal or equitable, under and by reason of this Resolution or any provision hereof, or of the Bonds, all provisions hereof and thereof being intended to be and being for the sole and exclusive benefit of the Issuer, the Insurer and the Persons who shall from time to time be the Holders. The Insurer shall be entitled to (i) give notice of the occurrence of an Event of Default and (ii) intervene in judicial proceedings that affect the Bonds or the security therefor.

SECTION 8.06. 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 Resolution and other applicable provisions of law.

SECTION 8.07. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions of this Resolution 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 Resolution 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 8.08. Repeal of Inconsistent Resolutions. Resolution No. 88-241 and Resolution No. 88-253 of the Issuer are hereby repealed. All other resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

SECTION 8.09. Table of Contents and Headings not Part Hereof. The Table of Contents preceding the body of this Resolution and the headings preceding the several articles and sections hereof shall be solely for convenience of reference and shall not constitute a part of this Resolution or affect its meaning, construction or effect.

SECTION 8.10. Effective Date. This Resolution shall become effective immediately upon its passage.

APPENDIX E

SUMMARY OF CONTINUING DISCLOSURE CERTIFICATE

In connection with the issuance of the 1996 Bonds (hereinafter, the "Bonds"), pursuant to the Resolution, the County (hereinafter, the "Issuer") will execute and deliver a Continuing Disclosure Certificate (the "Disclosure Certificate") in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5).

Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used herein unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, the Sections entitled "Provision of Annual Reports" and "Content of Annual Reports" below.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in the Section entitled "Reporting of Listed Events" below.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Florida.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of the Disclosure Certificate, there is no State Repository.

Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than the date which shall be 270 days after the end of the Issuer's fiscal year (presently September 30), commencing with the report for the 1995-1996 fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of the Section entitled "Content of Annual Reports" below. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided under said Section entitled "Content of Annual Reports;" provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event.

(b) Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the Repositories an Annual Report (other than the audited financial statements described in subsection (a) above) by the date required in subsection (a) above, the Issuer shall send a notice thereof to (i) each National Repository or the Municipal Securities Rule Making Board and (ii) the State Repository.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to the Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to subsection (a) under the Section entitled "Provision of Annual

Reports" above, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement relating to the Bonds (the "Official Statement"), and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) An update of the following portions of the Official Statement relating to the Bonds: the financial information and operating data of the Issuer contained in the tables under the caption "HISTORICAL AND PROJECTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE." Such update shall include only financial information and operating data for the prior Fiscal Year and shall not include any projections for future Fiscal Years.

The information provided under subsection (b) above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer will clearly identify each such other document so included by reference.

Reporting of Listed Events. Pursuant to the provisions of the Disclosure Certificate, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material: (i) principal and interest payment delinquencies, (ii) non-payment related defaults, (iii) modifications to rights of Bondholders, (iv) bond calls, (v) defeasances, (vi) rating changes, (vii) adverse tax opinions or events affecting the tax-exempt status of the Bonds, (viii) unscheduled draws on debt service reserves reflecting financial difficulties, (ix) unscheduled draws on credit enhancements reflecting financial difficulties, (x) substitution of credit or liquidity providers or their failure to perform and (xi) release, substitution or sale of property securing repayment of the Bonds.

The Issuer shall promptly file a notice of such occurrence with (i) each National Repository or the Municipal Securities Rulemaking Board and (ii) the State Repository. Notwithstanding the foregoing, notice of bond calls and defeasances need not be given any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

Termination of Reporting Obligation. The Issuer's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event.

Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to the Disclosure Certificate.

Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the Issuer may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions under subsection (a) under the Section entitled "Provision of Annual Reports" above, the Section entitled "Content of Annual Reports" above or the first paragraph of the Section entitled "Reporting of Listed Events" above, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the Issuer will describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Disclosure Certificate, the Issuer shall have no obligation under the Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Default. In the event of a failure of the Issuer to comply with any provision of the Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under the Disclosure Certificate; provided, however, the sole remedy under the Disclosure Certificate in the event of any failure of the Issuer to comply with the Disclosure Certificate shall be an action to compel performance.

A default under the Disclosure Certificate shall not be deemed an event of default under the Resolution.

Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

APPENDIX F

FORM OF BOND COUNSEL LEGAL OPINION

March __, 1996

The Honorable Chairman and
Members of the Board of County
Commissioners of St. Johns County
St. Augustine, Florida

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Board of County Commissioners (the "Board") of St. Johns County, Florida (the "Issuer"), and other proofs submitted relative to the authorization, issuance and sale of and the security for the following described bonds (the "Bonds"):

\$ _____
ST. JOHNS COUNTY, FLORIDA
WATER AND SEWER REVENUE AND REFUNDING BONDS
SERIES 1996
Dated as of March 1, 1996

The Bonds are issued pursuant to the Constitution and laws of the State of Florida, including particularly Chapter 125, Part I, Florida Statutes, as amended, St. Johns County Ordinance No. 86-89, and Resolution No. 89-84 duly adopted by the Board on April 25, 1989, as amended and supplemented, particularly as supplemented by Resolution No. 96-__ duly adopted by the Board on February 27, 1996 (the "Resolution"), to finance the cost of the acquisition, construction and erection of additions, extensions and improvements to the public water and sewer system of the Issuer (the "System," as defined in the Resolution), the cost of refunding certain outstanding obligations of the Issuer, the cost of a reserve account insurance policy relating to the Bonds and the costs of issuance of the Bonds. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. All terms used herein in capitalized form and not otherwise defined herein shall have the respective meanings assigned to such terms in the Resolution.

The principal of, premium, if any, and interest on the Bonds are payable solely from and secured by a prior lien upon and a pledge of (1) the Net Revenues of the System, (2) certain Connection Charges to the extent provided in the Resolution and (3) until applied in accordance with the provisions of the Resolution, the proceeds of the Bonds, all moneys and

The Honorable Chairman and
Members of the Board of County
Commissioners of St. Johns County
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investments thereof in certain of the funds and accounts established pursuant to the Resolution and the earnings on such investments (collectively, the "Pledged Funds"), all in the manner and to the extent described in the Resolution. The Bonds are payable from the Pledged Funds on a parity with the Issuer's outstanding Water and Sewer Revenue Bonds, Series 1989, Water and Sewer Revenue Bonds, Series 1990B-I and Series 1990B-II, and Water and Sewer Revenue Bonds, Series 1991A (collectively, the "Parity Obligations"), in the manner provided in the Resolution.

The Bonds and the interest thereon do not constitute a general indebtedness of the Issuer or a pledge of its faith and credit, but are payable solely from the Pledged Funds in the manner provided in the Resolution. No owner of any of the Bonds shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer to pay the Bonds or interest thereon or be entitled to payment of the Bonds or interest thereon from any moneys of the Issuer except the Pledged Funds.

The Issuer has reserved the right to issue additional parity bonds to be payable from and secured by the Pledged Funds equally and ratably with the Bonds and the Parity Obligations, upon the terms and conditions prescribed in the Resolution.

As to questions of fact material to our opinion, we have relied upon the representations of the Issuer contained in the Resolution and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Issuer is a duly created and validly existing political subdivision of the State of Florida with the power to adopt the Resolution, perform the agreements on its part contained therein and issue the Bonds.
2. The Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer in accordance with its terms.
3. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding special obligations of the Issuer enforceable in accordance with their terms.

The Honorable Chairman and
Members of the Board of County
Commissioners of St. Johns County
Page 3

4. The Bonds and the interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes on interest, income or profits on debt obligations owned by corporations, as defined by Chapter 220, Florida Statutes, as amended.

5. Interest on the Bonds (including any original issue discount properly allocable to the owners thereof) (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax applicable to all taxpayers; provided, however, that interest on the Bonds is included in "adjusted current earnings" for purposes of calculating the alternative minimum tax imposed on corporations. The opinion set forth in clause (a) above is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements.

We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Resolution is exempt from qualification as an indenture under the Trust Indenture Act of 1939, as amended.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

FOLEY & LARDNER



FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [INSERT NAME OF PAYING AGENT] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
 [LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

The insurance provided by this policy is not covered by the Florida Insurance Guaranty Association created under chapter 631, Florida Statutes.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

COUNTERSIGNED:

 Resident Licensed Agent

 City, State

MBIA Insurance Corporation

 President

Attest:

 Assistant Secretary

SPECIMEN

EXHIBIT B

BOND PURCHASE AGREEMENT

BOND PURCHASE AGREEMENT

_____, 1996

Board of County Commissioners
of St. Johns County, Florida
St. Johns County Administration
Building
4020 Lewis Speedway
St. Augustine, Florida 32095

Re: \$____,000,000 St. Johns County, Florida, Water and
Sewer Revenue and Refunding Bonds, Series 1996

Ladies and Gentlemen:

The Underwriter hereby delivers as Attachment I hereto the disclosure statement required by Chapter 218, Part III, Florida Statutes and proposes to purchase all of the Bonds from the County and to make a public offering of the Bonds subject to the acceptance of this proposal by the County on or before 5:00 o'clock p.m. local time then prevailing in St. Augustine, Florida, on the date hereof and subject to the following provisions:

Section 1. Definitions. The following terms shall have the following meanings in this Agreement unless another meaning is plainly intended:

(a) "Accountants" means Deloitte & Touche, LLP independent certified public accountants;

(b) "Agreed Upon Procedures Letter" means the letter from the Accountants dated the Closing in form and substance acceptable to the County and the Underwriter;

(c) "Agreement" means this Bond Purchase Agreement between the Underwriter and the County;

(d) "Bond Counsel" means Foley & Lardner;

(e) "Bonds" means the County's \$____,000,000 Water and Sewer Revenue and Refunding Bonds, Series 1996. The Bonds shall be issued under and secured as provided in the Resolution, shall be dated as of March 1, 1996 and shall have the maturities and interest rates and be subject to redemption as set forth on Annex A hereto;

(f) "Closing" refers to the transaction at which the Bonds are delivered by the County to the Underwriter, and paid for by the Underwriter, pursuant to this Agreement;

(g) "Closing Documents" means the documents described in

Section 9 hereof and required to be delivered to the Underwriter at the Closing;

(h) "Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder and otherwise in effect;

(i) "Consulting Engineer's Report" means that certain study in the form of a letter dated February __, 1996 or thereafter prepared by Camp Dresser & McKee Inc. relating to the water and sewer system of the County which is attached to the Preliminary Official Statement as Appendix A and is attached to the Final Official Statement as Appendix A;

(j) "County" means St. Johns County, a political subdivision organized and existing under the laws of the State of Florida;

(k) "County's Counsel" means James G. Sisco, Esquire;

(l) "Escrow Agreement" means the Escrow Deposit Agreement between the County and The Bank of New York relating to the Refunded Bonds;

(m) "Financial Agreement" means the Financial Guaranty Agreement between the County and MBIA Insurance Corporation relating to the reserve account for the Bonds under the Resolution;

(n) "Final Official Statement" means the Official Statement of the County, relating to the Bonds, dated the date hereof;

(o) "Official Statements" means the Final Official Statement and the Preliminary Official Statement;

(p) "Preliminary Official Statement" means the Preliminary Official Statement of the County relating to the Bonds dated February __, 1996;

(q) "Refunded Bonds" means the County's (i) \$1,675,000 principal amount maturing June 1, 1998 through June 1, 2001 of the County's Water and Sewer Revenue Bonds, Series 1989, (ii) \$2,295,000 principal amount maturing June 1, 1997 through June 1, 2011 of the County's Water and Sewer Revenue Bonds, Series 1990B-II, and (iii) \$6,395,000 principal amount maturing June 1, 2000 through June 1, 2011 of the County's Water and Sewer Revenue Bonds, Series 1991A;

(r) "Resolution" means Resolution No. 89-84 of the

County, as amended and supplemented, particularly as supplemented by Resolution No. 96-____, authorizing the issuance of the Bonds;

(s) "Underwriter" means William R. Hough & Co., acting for and on behalf of itself and such other securities dealers, if any, as may from time to time be designated by the Underwriter;

(t) "Underwriter's Counsel" means Rogers, Towers, Bailey, Jones & Gay;

(u) "Verification Report" means the report, dated the date of the Closing, of Deloitte & Touche, LLP to the effect that it has verified (a) the sufficiency of cash plus the maturing principal amounts of the eligible investments on deposit in the escrow account established pursuant to the escrow deposit agreement executed in connection with the defeasance of the Refunded Bonds and interest to be earned on such eligible investments, to pay, when due, interest on the Refunded Bonds and to pay, on the due dates or call date, the principal of or redemption price of the Refunded Bonds, and (b) certain mathematical computations supporting conclusions that the Bonds are not "arbitrage bonds" under the Code.

Section 2. Purchase Price. Upon the terms and conditions and upon the basis of the representations herein set forth, the Underwriter shall purchase and the County shall sell all, but not less than all, of the Bonds at an aggregate purchase price of \$_____ (net of an underwriting discount of \$_____ and an original issue discount of \$_____) plus accrued interest thereon from March 1, 1996 to the date of Closing.

Section 3. Public Offering. The Underwriter shall make a bona fide public offering of the Bonds at prices not in excess of the initial offering price or prices (or at yields not lower than the yield or yields) set forth in the Final Official Statement, plus accrued interest on the Bonds. The Underwriter represents that, based on prevailing market conditions, they have no reason to believe that any of the Bonds will be initially sold to the public (excluding bond houses, brokers or similar organizations acting in the capacity of underwriters or wholesalers) at prices greater than the prices (or yields lower than the yields) shown on the cover of the Final Official Statement, plus accrued interest. The Underwriter shall sell at least 10% of the Bonds of each maturity to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at initial offering prices not greater than the respective prices shown on the cover of the Final Official Statement, or in the case of discount obligations sold on a yield basis, at yields no lower than the yields shown on such cover, plus

accrued interest on the Bonds. The Underwriter reserves the right to change such initial public offering prices as the Underwriter deems necessary in connection with the marketing of the Bonds.

Section 4. Good Faith Check. Delivered to the County herewith is a good faith check payable to the order of the County in the amount of \$_____ [approximately 1% of the par amount of the Bonds] as security for the performance by the Underwriter of its obligation to accept and pay for the Bonds on the Closing Date referred to in Section 8 hereof (the "Closing Date") in accordance with the provisions hereof. The County shall hold such check uncashed until the Closing Date. The proceeds of such check is hereinafter called "Earnest Money." In the event of the Underwriter's compliance with its obligations hereunder, the uncashed good faith check shall be returned to the Underwriter on the Closing Date upon payment to the County as provided in Section 8 hereof, of the aggregate purchase price of the Bonds plus accrued interest. In the event of the County's failure to tender the Bonds on the Closing Date, or if the County shall be unable on the Closing Date to satisfy the conditions to the obligations of the Underwriter contained herein, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Agreement, the uncashed good faith check shall be immediately returned to the Underwriter. If the Underwriter fails (other than for a reason permitted hereunder) to accept and pay for the Bonds upon tender thereof by the County on the Closing Date as herein provided, the County may cash the good faith check and the Earnest Money shall be retained by the County as and for full agreed upon liquidated damages to the County, and not as a penalty, for such failure; it being understood and agreed by the parties hereto that the actual amount of damages caused by such failure to accept and pay for the Bonds may be difficult to ascertain.

Section 5. Representations of County. The County represents to the Underwriter that: (a) on the date hereof and on the date of the Closing, unless disclosed in the Final Official Statement, the statements and information contained in the Official Statements are and will be true and complete in all material respects, and the Official Statements do not and will not omit any statement or information which is necessary to make the statements and information therein, in light of the circumstances under which they are made, not misleading; (b) the Official Statements do not and will not omit any information with respect to the County or its business, properties and affairs which might in a material respect adversely or unfavorably affect the transactions contemplated by the Official Statements; (c) when delivered to and paid for by the Underwriter at the Closing in accordance with the provisions of this Agreement, the Bonds will have been duly authorized, executed, issued and delivered by the County and, upon being authenticated by

the Registrar, will constitute valid, binding and enforceable obligations of the County of the character referred to in the Official Statements, in conformity with, and entitled to the benefit and security of, the Resolution, except that the enforceability of such obligations are subject to applicable bankruptcy, reorganization, insolvency and other similar laws affecting creditors' rights generally; (d) the County is empowered and has been duly authorized to enter into this Agreement, to adopt the Resolution and to enact Ordinance 86-89; (e) the execution and delivery of this Agreement, the Bonds and compliance with the provisions thereof, under the circumstances contemplated herein and therein, will not in any material respect conflict with or constitute on the part of the County a breach of or default under any agreement or other instrument to which the County is a party, or any existing law, administrative regulation, court order or consent decree to which the County is subject; (f) the County has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied upon; (g) the County has never been in default at any time after December 31, 1975, as to principal of or interest on any obligation pledging the ad valorem taxes or the revenues of the County which it has issued, and to the best of its knowledge, has never been in default at any time after December 31, 1975, as to principal or interest on any other obligation which it has issued; (h) except for certain permits necessary to construct or operate certain of the improvements to the System and Project 1996 (both terms as defined in the Resolution) which permits are expected to be obtained, all approvals, consents and orders, if any, of any governmental body having jurisdiction in any matter which would constitute a condition precedent to the performance by the County of its obligations under the Resolution and this Agreement have been obtained and are in full force and effect; (i) subsequent to the date of the last audited financial statements contained in the Official Statements, there have been no material adverse changes in the assets, liabilities or condition of the County, financial or otherwise, and neither the business, the properties, nor the affairs of the County have been adversely affected in any substantial way as the result of any fire, explosion, accident, strike, riot, flood, windstorm, earthquake, embargo, war or act of God or of the public enemy; and (j) the Preliminary Official Statement is deemed final within the meaning of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, as of its date, except for omissions of no more than the following information: the offering price(s), the interest rate(s), selling compensation, aggregate principal amount, amount per maturity, delivery date, ratings and other terms depending on such matters.

Section 6. Final Official Statement; Public Offering.

The County shall prepare and deliver to the Underwriter as promptly as practicable, but in any event, not later than within seven (7) business days after the acceptance by the County of this Agreement [400] copies of the Final Official Statement, together with all supplements and amendments thereto, substantially in the form of the Preliminary Official Statement, with only such changes therein as shall have been accepted by the Underwriter (acceptance to be conclusively presumed by the Underwriter's payment for the Bonds), ten copies of which shall be signed on behalf of the County by the Chairman or the Vice Chairman of its Board of County Commissioners. The County agrees that the Official Statements and copies of the Resolution and comparative financial statements of the County and the Consulting Engineer's Report may be used by the Underwriter in the public offering of the Bonds; and that they will cooperate with the Underwriter if the Underwriter decides to qualify the Bonds under the securities acts of any state; provided, however, the County shall not be required to register as a dealer or broker in any such state or to qualify to do business in connection with any such qualification of the Bonds for sale in any state.

Section 7. Agreed Upon Procedures Letter. The County will cause the Agreed Upon Procedures Letter to be delivered to the Underwriter on the date of the Closing.

Section 8. Closing, Delivery and Payment. The Bonds shall be printed or lithographed on steel engraved borders as fully registered Bonds in the denomination of \$5,000 each or integral multiples thereof as requested by the Underwriter prior to the Closing, and shall be made available for checking and packaging by representatives of the Underwriter in New York, New York, at a place designated by the Underwriter, not less than 24 hours prior to the Closing.

The Closing shall be held beginning at 9:00 o'clock a.m., March __, 1996, at the offices of Foley & Lardner, _____, or at such later time and other place as is mutually agreeable to the Underwriter and the County. At the Closing, the Underwriter shall accept the delivery of the Bonds from the County and shall make payment therefor as provided herein in immediately available funds upon (i) tender of the definitive Bonds to the Underwriter by the County; and (ii) the delivery by the County to the Underwriter of all of the Closing Documents.

Section 9. Closing Documents. The Closing Documents shall consist of the following, each properly executed, certified or otherwise verified, dated as of the date of Closing, and in such form, as may be satisfactory to Bond Counsel, the Underwriter and Underwriter' Counsel, including, but not limited to, the matters hereinafter set forth:

(a) A certified copy of (i) the Resolution and (ii) Ordinance 86-89, both as amended and supplemented to the date of Closing;

(b) The County's closing certificate confirming (i) the representations made by the County herein; (ii) other than as disclosed in the Final Official Statement, that there is no litigation pending or, to its knowledge, threatened to restrain or enjoin the issuance or delivery of the Bonds or in any way contesting or affecting any authority for the issuance of the Bonds, or the validity of the Bonds, the Resolution, or in any way contesting the existence or the powers of the County; (iii) other than as disclosed in the Final Official Statement, that there is no litigation pending or, to its knowledge, threatened against or affecting the County or involving any of the businesses, properties or affairs of the County which involves the possibility of any judgment or liability which may result in any material adverse change in the properties, businesses or assets or in the condition, financial or otherwise, of the County; (iv) the application of the proceeds of the sale of the Bonds as described in the Resolution; and (v) other than as disclosed in the Final Official Statement the adoption and present effectiveness of all reasonable resolutions or ordinances of the County requested by Bond Counsel and Underwriter's Counsel, in connection with the transactions contemplated hereby, together with copies of said resolutions and ordinances;

(c) Evidence satisfactory to Bond Counsel to the effect that Section 5.02 of the Resolution has been complied with to enable the Bonds to be on a parity as to lien on the Pledged Funds (as defined in the Resolution) with all bonds issued and outstanding under the Resolution;

(d) The unqualified approving opinion of Bond Counsel, dated the date of Closing, substantially in the form of Appendix F of the Preliminary Official Statement;

(e) An opinion of Bond Counsel in form satisfactory to the Underwriter and Underwriter's Counsel regarding the federal income tax treatment of the original issue discount;

(f) A reliance letter of Bond Counsel, dated the date of Closing, addressed to the Underwriter to the effect that the Underwriter may rely on the opinions of Bond Counsel described in paragraphs (d) and (e) above as if such opinions were addressed to it;

(g) A supplemental opinion of Bond Counsel, dated the date of Closing, addressed to the Underwriter and the County to the

effect that the information contained in the Final Official Statement under the headings "SUMMARY STATEMENT--Authority and Security for the 1996 Bonds," "REFUNDING PLAN," "DESCRIPTION OF THE 1996 BONDS," "AUTHORITY AND SECURITY FOR THE 1996 BONDS," "LEGAL MATTERS," "TAX MATTERS," "CONTINUING DISCLOSURE," "MISCELLANEOUS" (pertaining to Section 517.051, Florida Statutes, as amended), "APPENDIX D--The Resolution" and APPENDIX E--Summary of Continuing Disclosure Certificate are accurate statements or summaries of the matters set forth therein and fairly present the information purported to be shown, and nothing has come to its attention which would lead it to believe that such sections of the Final Official Statement contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such statements, in light of the circumstances in which they were made, not misleading.

(h) An opinion of the County's Counsel (which may assume that the interest on the Bonds is excluded from gross income for federal income tax purposes and that neither the Bonds, this Agreement, the Resolution, or any other matter or documents need to be registered or qualified under the Securities Act of 1933, as amended, the Trust Indenture Act of 1939, as amended, Chapter 517, Florida Statutes, or the securities or blue sky laws of any jurisdiction) to the effect that (i) the County is a political subdivision organized and validly existing under the laws of the State of Florida and has all the necessary power and authority to issue the Bonds and enter into this Agreement; (ii) other than as disclosed in the Final Official Statement, the Escrow Agreement, the Financial Agreement, this Agreement and the Bonds have been duly authorized, executed and delivered by the County and, with respect to such agreements, assuming due execution thereof by the respective other parties thereto, and, with respect to the Bonds, assuming proper authentication thereof by the Registrar, constitute legal, valid and binding obligations of the County enforceable in accordance with their respective terms, except as the enforceability thereof may be limited by applicable bankruptcy, reorganization, insolvency and other similar laws affecting the enforcement of creditors' rights generally, and no opinion need be expressed as to the availability of any discretionary equitable remedy; (iii) the County has approved the Final Official Statement and the execution and delivery thereof to the purchasers of the Bonds; (iv) the execution and delivery of the Bonds, this Agreement, the Escrow Agreement and the Financial Agreement, the adoption of the Resolution, the enactment of Ordinance 86-89 and the issuance of the Bonds pursuant to the Resolution, and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the County a breach of or default under any existing law, regulation, court order or consent decree to

which the County is subject; (v) nothing has come to his attention which would lead him to believe that the Final Official Statement (with the exception of financial and statistical information) contains an untrue statement of a material fact, or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (vi) other than as disclosed in the Final Official Statement, no litigation or proceeding is pending or to the best of his knowledge is threatened against or affecting the County to restrain or enjoin the issuance or delivery of the Bonds or in any way contesting or affecting any authority for the issuance of the Bonds, or the validity of the Bonds, this Agreement, the Escrow Agreement or the Financial Agreement, or in any way contesting the existence or the powers of the County; (vii) other than as disclosed in the Final Official Statement, no litigation or proceeding is pending or to the best of his knowledge is threatened against or affecting the County or involving any of the business, property or affairs of the County which involves the possibility of any judgment or liability which may result in any material adverse change in the financial condition of the County and (viii) except for certain permits necessary to construct or operate certain of the improvements of the System or Project 1996 (both as defined in the Resolution), the County has obtained the consents, approvals, authorizations or other orders of all municipal, state or regulatory authorities required for the issuance of the Bonds and the completion of Project 1996 as described in the Resolution;

(i) The Accountants' consent to the use of their report in the Official Statements and to the references to their firm therein;

(j) A copy of the Consulting Engineer's Report manually signed by Camp Dresser & McKee Inc. together with its consent to the use of such report in the Official Statements and to the references to the firm therein, and its certificate, dated the date of the Closing, as to the accuracy of the Consulting Engineer's Report and to the effect that the information contained in the Official Statements under the headings "Summary Statement, Financial Information," "HISTORICAL AND PROJECTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE," "THE SYSTEM" and "THE PROJECT" are accurate statements and fairly present the information purported to be shown, and nothing has come to its attention which would lead it to believe that such sections of the Official Statements contained an untrue statement of a material fact or omit to state a material fact required to be stated therein are necessary to make such statements, in light of the circumstances in which they were made, not misleading;

(k) Appropriate arbitrage certifications and agreements by the County in form and substance satisfactory to Bond Counsel and Underwriter's Counsel;

(l) A municipal bond insurance policy issued by MBIA Insurance Corporation insuring the payment of the principal of and interest on the Bonds when due;

(m) A Reserve Account Insurance Policy (as defined in the Resolution) issued by MBIA Insurance Corporation with respect to the Reserve Account Requirement (as defined in the Resolution) allocable to the Bonds;

(n) Appropriate evidence that the Bonds have been assigned ratings of Aaa by Moody's Investors Service and AAA by Standard & Poor's Corporation;

(o) The Verification Report manually signed by Deloitte & Touche, LLP;

(p) A report of Deloitte & Touche, LLP evidencing compliance with the requirements of Section 5.02(B) of Resolution No. 89-84 of the County, as amended, and Section 7.02 of the State Loan Agreement (as defined in the Resolution) after giving effect to the issuance of the Bonds;

(q) A certificate of the Registrar and Paying Agent relating to the incumbency of its officers and its power to serve as Registrar and Paying Agent in form and substance acceptable to Bond Counsel and Underwriter's Counsel;

(r) A certificate of the escrow holder for the Refunded Bonds relating to the incumbency of its officers and its power to serve as escrow agent, in form and substance acceptable to Bond Counsel and Underwriter's Counsel;

(s) The opinion of Underwriter's Counsel, dated the date of Closing, in form and substance reasonably acceptable to the Underwriter;

(t) An executed continuing disclosure certificate of the County in form and substance acceptable to the Underwriter; and

(u) Such additional legal opinions, certificates, instruments and other documents and such multiple copies of the above listed documents as the Underwriter, Underwriter's Counsel or Bond Counsel may reasonably request to evidence compliance by the County with legal requirements; the truth and accuracy, as of the date of Closing, of the respective representations contained herein

and in the Final Official Statement; and the due performance or satisfaction by them of all agreements to be performed by them and all conditions to be satisfied by them at or prior to the Closing.

Section 10. Termination by Underwriter. This Agreement may be terminated in writing prior to the Closing by the Underwriter if any of the following shall occur: (i) this Agreement shall not have been accepted by the County within the time herein provided; (ii) the signed Final Official Statement shall not have been provided within the time required by this Agreement; (iii) the Bonds and all of the Closing Documents shall not have been delivered to the Underwriter as of 2:00 p.m. (unless such time shall have been extended by mutual agreement of the parties hereto) on the date of Closing; (iv) (a) legislation shall have been enacted by the Congress, or introduced in the Congress, or recommended to the Congress for passage by the President of the United States or the United States Department of the Treasury or the Internal Revenue Service or any member of the United States Congress, or favorably reported for passage to either House of Congress by any Committee of such House to which such legislation has been referred for consideration, or (b) a decision shall have been rendered by a court established under Article III of the Constitution of the United States, or the United States Tax Court, or (c) an order, ruling, regulation or communication (including a press release) shall have been issued by the Treasury Department of the United States, the Internal Revenue Service or the Securities and Exchange Commission, or (d) any action shall be taken or statement made by or on behalf of the President of the United States or the United States Department of the Treasury or the Internal Revenue Service or any member of the United States Congress, which indicates or implies that interest on obligations such as the Bonds may not be excludable from gross income for federal income tax purposes or that legislation will be introduced in the next scheduled session of the United States Congress, in each case referred to in clauses (a), (b), (c) and (d), with the purpose or effect, directly or indirectly, of (x) imposing federal income taxation upon interest to be received by any holders of the Bonds or (y) requiring the offer or sale of the Bonds to be registered under the Securities Act of 1933 or the Resolution to be qualified as an indenture under the Trust Indenture Act of 1939; (v) there shall exist any event or circumstance which, in the reasonable opinion of the Underwriter, either makes untrue or incorrect in a material respect any statement or information contained in the Final Official Statement, or any event or circumstance is not reflected in the Final Official Statement but should be reflected therein in order to make the statements and information contained therein not misleading in a material respect; (vi) there shall have occurred any outbreak of hostilities or other national or international calamity or crisis, the effect of such outbreak, calamity or crisis on the financial

markets of the United States of America being such as in the reasonable opinion of the Underwriter, would make it impracticable for the Underwriter to sell the Bonds; (vii) there shall be in force a general suspension of trading on the New York Stock Exchange, or any other major United States stock exchange, or minimum or maximum prices for trading shall have been fixed and be in force; (viii) in the reasonable judgment of the Underwriter the market price of the Bonds, or the market price generally of obligations of the general character of the Bonds, might be adversely affected because: (a) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any United States governmental authority or by any United States national securities exchange, or (b) the New York Stock Exchange or other United States national securities exchange, or any United States governmental authority, shall impose, as to the Bonds or similar obligations, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter; (ix) a general banking moratorium shall have been declared by either federal, New York or Florida authorities having jurisdiction, and shall be in force; or (x) there shall have occurred any material adverse change in the affairs of the County.

Section 11. Termination by County. This Agreement may be terminated in writing by the County in the event that the Underwriter shall fail to accept delivery of the Bonds on the Closing Date upon tender thereof to the Underwriter by the County, and delivery to the Underwriter of all of the Closing Documents. Such termination shall not affect the County's rights to the Earnest Money.

Section 12. Changes Affecting the Final Official Statement After the Closing. After the Closing, and so long as the Underwriter or any participating dealer shall be offering Bonds which constitute the whole or a part of their unsold participations, but in no event later than 90 days after the Closing, the County will not adopt any amendment of or supplement to the Final Official Statement except with the written consent of the Underwriter, which consent shall not be unreasonably withheld; and during such period of time, if any event relating to or affecting the County shall occur the result of which shall make it necessary, in the reasonable opinion of the (i) County or (ii) Underwriter or Underwriter's Counsel, to amend or supplement the Final Official Statement in order to make it not misleading in the light of the circumstances existing at that time, the County shall forthwith prepare and furnish to the Underwriter, at the County's expense, a reasonable number of copies of an amendment of or supplement to the Final Official Statement in form and substance

satisfactory to the Underwriter, so that it then will not contain an untrue statement of material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances existing at that time, not misleading.

Section 13. Expenses. The Underwriter shall pay its own out-of-pocket expenses, the fees and expenses of Underwriter's Counsel, and the fees and expenses in connection with the preparation of the Legal Investment Survey and Blue Sky Memoranda and the registration of the Bonds for "Blue Sky" purposes.

The County shall pay all of the other costs and expenses in connection with the financing contemplated by this Agreement, including, but not limited to: (i) the fees and expenses of Bond Counsel, Counsel to the County and the expenses of the County, if any; (ii) fees and expenses incurred for the preparation of the Verification Report, and the fees and expenses of any other experts or consultants retained by the County; (iii) the cost of preparation and printing of the Bonds; (iv) the cost of printing and duplication for the Official Statements and any amendments or supplements thereto; (v) bond rating agency fees; and (vi) premium and fees for the municipal bond insurance policy.

Section 14. Notices. Any notice or other communication to be given to the County under this Agreement may be given by delivering the same in writing to the address set forth above; and any such notice or other communication to be given to the Underwriter may be given by delivering the same in writing to the Underwriter addressed to William R. Hough & Co., One Independent Drive, Suite 2502, Jacksonville, Florida 32202.

Section 15. Parties and Interests; County's Undertakings; Survival of Representations. This Agreement is made solely for the benefit of the County and the Underwriter, including the successors and assigns of the Underwriter, and no other person, partnership, association or corporation shall acquire or have any rights hereunder or by virtue hereof except as provided in Section 13 hereof. All representations and agreements by the County in this Agreement shall remain in full force and effect regardless of any investigation made by or on behalf of the Underwriter, and shall survive the delivery of and payment for the Bonds.

Section 16. Truth-In-Bonding. The County is proposing to issue \$_____ of debt for the purpose of (i) advance refunding the Refunded Bonds, (ii) acquiring, constructing and erecting certain additions, extensions and improvements to the water and sewer system of the County, (iii) capitalizing a portion of interest on the Bonds, (iv) funding a portion of the reserve account for the Bonds by the purchase of a reserve account

insurance policy, and (v) paying the cost of issuance with respect to such debt. This debt is expected to be repaid over a period of _____ years at a forecasted interest rates of ____% to ____%. Total interest paid over the life of the debt will be \$_____.

The source of repayment or security for this proposal is net revenues of the County's water and sewer system, certain connection charges and other funds described in the Resolution (the "Pledged Funds"). Issuing the debt effects a refunding of the Refunded Bonds. Average annual debt service on the refunding bonds is less than average annual debt service on the Refunded Bonds. Therefore, it is expected that authorizing this debt for the refunding of the Refunded Bonds will not result in any adverse change in the amount of Pledged Funds available to finance the other services or expenditures of the County each year; however, the new money portion of the Bonds will result in a reduction in the amount of Pledged Funds available to finance the other services or expenditures of the County each year.

WILLIAM R. HOUGH & CO.

By: _____
Senior Vice President

Accepted by the Board of County Commis-
sioners of St. Johns County, Florida on
_____, 1996

(SEAL)

By: _____
Chairman

ATTACHMENT 1

WILLIAM R. HOUGH & CO.
One Independent Drive, Suite 2502
Jacksonville, Florida 32202

_____, 1996

Chairman and Members of the
Board of County Commissioners
of St. Johns County, Florida
St. Augustine, Florida

Re: \$____,000,,000 St. Johns County, Florida Water and Sewer
Revenue and Refunding Bonds, Series 1996

Ladies and Gentlemen:

Pursuant to Florida Statutes, Section 218.385(6), the following information is provided in connection with the sale of the captioned obligations (the "Bonds").

1. The nature and estimated amount of expenses which the managing underwriter expects to incur with respect to the Bonds is as follows:

Clearance.....\$____ per \$1,000
Underwriter's Counsel.....\$____ per \$1,000
MSRB, PSA, CUSIP.....\$____ per \$1,000
Federal Funds and day loan.....\$____ per \$1,000
DTC-Munifacts.....\$____ per \$1,000
Travel/Out-of-Pocket.....\$____ per \$1,000

2. There are no finders, as defined in Section 218.386, Florida Statutes, who have been retained or who will be paid by the managing underwriter in connection with the issuance of the Bonds.

3. The amount of underwriting spread expected to be realized with respect to the Bonds is \$____ per \$1,000 which includes \$____ per \$1,000 for risk and \$____ per \$1,000 for takedown.

4. The management fee to be charged by the managing underwriter is \$____ per \$1,000.

5. No fee, bonus or other compensation is to be paid by the managing underwriter in connection with the Bonds to any person not regularly employed or retained by it, other than underwriter's counsel as described above.

6. The managing underwriter is William R. Hough & Co., One Independent Drive, Suite 2502, Jacksonville, Florida 32202.

Very truly yours,

WILLIAM R. HOUGH & CO.

By: _____

Senior Vice President

ANNEX A

MATURITIES, AMOUNTS AND INTEREST RATES

\$____,000 Serial Bonds

<u>Maturity</u> <u>June 1,</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>June 1,</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>
	\$	%		\$	%

\$_____ % Term Bonds due June 1, 20____
(Plus Accrued Interest)

REDEMPTION PROVISIONS

The Bonds maturing prior to June 1, 2007 are not subject to redemption prior to maturity. The Bonds maturing on June 1, 2007 or thereafter may be redeemed prior to maturity at the option of the County, as a whole on June 1, 2006, or any date thereafter, or in part, from such maturity or maturities as the County shall designate and by lot within a maturity, on June 1, 2006, or on any interest payment date thereafter, at the following redemption prices (expressed as a percentage of the principal amount of the Bonds to be redeemed) plus accrued interest to the redemption date, if redeemed during the following periods:

<u>Redemption Periods</u> <u>(both dates inclusive)</u>	<u>Redemption</u> <u>Prices</u>
June 1, 2006 through May 31, 2007	102%
June 1, 2007 through May 31, 2008	101
June 1, 2008 and thereafter	100

Mandatory Redemption

The Bonds maturing June 1, _____, are subject to mandatory redemption in part prior to maturity by lot at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the redemption date, beginning on June 1, _____ and on each June 1 thereafter in the years and in the principal amounts corresponding to the Amortization Installments as follows:

June 1,

(maturity)

Amortization
Installments

\$

EXHIBIT C

INSURER'S COMMITMENTS



**REVISED AS OF FEBRUARY 20, 1996
COMMITMENT TO ISSUE A
FINANCIAL GUARANTY INSURANCE POLICY**

Application No.: 96-02-1109
Sale Date: February, 1996 (T)
Program Type: Negotiated DP

Re: \$19,715,000 (Est.) St. Johns County, Florida, Water and Sewer Revenue and Refunding Bonds, Series 1996
(the "Obligations")

This commitment to issue a financial guaranty insurance policy (the "Commitment") dated February 20, 1996, constitutes an agreement between ST. JOHNS COUNTY, FLORIDA the ("Applicant") and MBIA Insurance Corporation (the "Insurer"), a stock insurance company incorporated under the laws of the State of New York.

Based on an approved application dated February 14, 1996, the Insurer agrees, upon satisfaction of the conditions herein, to issue on the earlier of (i) 120 days of said approval date or (ii) on the date of delivery of and payment for the Obligations, a financial guaranty insurance policy (the "Policy") for the Obligations, insuring the payment of principal of and interest on the Obligations when due. The issuance of the Policy shall be subject to the following terms and conditions:

1. Payment by the Applicant, or by the Trustee on behalf of the Applicant, on the date of delivery of and payment for the Obligations, of a nonrefundable premium in the amount of .175% of total debt service of the refunding money portion (for MBIA and non-MBIA refunding) and .275% of total debt service of the new money portion, premium rounded to the nearest thousand. The premium set out in this paragraph shall be the total premium required to be paid on the Policy issued pursuant to this Commitment.

2. The Obligations shall have received the unqualified opinion of bond counsel with respect to the tax-exempt status of interest on the Obligations.

3. There shall have been no material adverse change in the Obligations or the Resolution, Bond Ordinance, Trust Indenture or other official document authorizing the issuance of the Obligations or in the final official statement or other similar document, including the financial statements included therein.

4. There shall have been no material adverse change in any information submitted to the Insurer as a part of the application or subsequently submitted to be a part of the application to the Insurer.

5. No event shall have occurred which would allow any underwriter or any other purchaser of the Obligations not to be required to purchase the Obligations at closing.

6. A Statement of Insurance satisfactory to the Insurer shall be printed on the Obligations.



7. Prior to the delivery of and payment for the Obligations, none of the information or documents submitted as a part of the application to the Insurer shall be determined to contain any untrue or misleading statement of a material fact or fail to state a material fact required to be stated therein or necessary in order to make the statements contained therein not misleading.

8. No material adverse change affecting any security for the Obligations shall have occurred prior to the delivery of and payment for the Obligations.

9. This Commitment may be signed in counterpart by the parties hereto.

10. Compliance with the Insurer's Standard Conditions for Refundings (attached).

11. Compliance with the Insurer's List of Permissible Investments for Indentured Funds (attached).

12. Compliance with the Insurer's General Document Provisions (attached).

Dated this 20th day of February, 1996.

MBIA Insurance Corporation

By 
Assistant Secretary

ST. JOHNS COUNTY, FLORIDA

By: _____
Title: _____



**REVISED AS OF FEBRUARY 20, 1996
COMMITMENT TO ISSUE A
DEBT SERVICE RESERVE SURETY BOND**

Application No.: 96-02-1110
Sale Date: February, 1996 (T)
Program Type: Negotiated DP

RE: \$2,000,000 (Est.) Debt Service Reserve Fund for the \$19,715,000 (Est.) St. Johns County, Florida, Water and Sewer Revenue and Refunding Bonds, Series 1996 (the "Obligations")

This commitment to issue a debt service reserve surety bond (the "Commitment") constitutes an agreement between ST. JOHNS COUNTY, FLORIDA, (the "Applicant"), and MBIA Insurance Corporation (the "Insurer"), a stock insurance company incorporated under the laws of the State of New York.

Based on an approved application dated February 14, 1996, the Insurer agrees, upon satisfaction of the conditions herein, to issue on the earlier of (i) 120 days of said approval date or (ii) on the date of delivery of and payment for the Obligations, a debt service reserve surety bond (the "Surety Bond"), for the Obligations, guaranteeing the payment to the issuer of up to \$2,000,000 (Est.) on the Obligations. The issuance of the Surety Bond shall be subject to the following terms and conditions:

1. Payment by the Applicant, or by the Trustee on behalf of the Applicant, on the date of delivery of and payment for the Obligations, of a nonrefundable premium in the amount of 2.0% of surety amount, premium rounded to the nearest thousand. The premium set out in this paragraph shall be the total premium required to be paid on the Policy issued pursuant to this Commitment.

2. The Obligations shall have received the unqualified opinion of bond counsel with respect to the tax-exempt status of interest on the Obligations.

3. There shall have been no material adverse change in the Obligations or the Resolution, Bond Ordinance, Trust Indenture or other official document authorizing the issuance of the Obligations or in the final official statement or other similar document, including the financial statements included therein.

4. There shall have been no material adverse change in any information submitted to the Insurer as a part of the Application or subsequently submitted to be a part of the Application to the Insurer.

5. No event shall have occurred which would allow any underwriter or any other purchaser of the Obligations not to be required to purchase the Obligations at closing.

6. Prior to the delivery of and payment for the Obligations, none of the information or documents submitted as a part of the Application to the Insurer shall be determined to contain any untrue or misleading statement of a material fact or fail to state a material fact required to be stated therein or necessary in order to make the statements contained therein not misleading.



7. No material adverse change affecting any security for the Obligations shall have occurred prior to the delivery of and payment for the Obligations.

8. This Commitment may be signed in counterpart by the parties hereto.

9. Compliance with the Insurer's Term Sheet for Debt Service Reserve Fund Program (see Attachment A).

Dated this 20th day of February, 1996.

MBIA Insurance Corporation

By 
Assistant Secretary

ST. JOHNS COUNTY, FLORIDA

By: _____
Title: _____



(Attachment A)

TERM SHEET FOR DEBT SERVICE RESERVE FUND PROGRAM

Introduction

The Insurer can, under certain circumstances, issue a debt service reserve fund surety bond (the "Surety Bond"), to be used as a replacement for a cash funded reserve, in any amount up to the full amount of the debt service reserve fund requirement.

The Insurer requires that the issuer and/or the underlying obligor of the bonds enter into a Financial Guaranty Agreement with the Insurer providing for, among other things, the reimbursement to the Insurer of amounts drawn under the Surety Bond. A sample draft of such an agreement is attached.

The Insurer will undertake its standard credit analysis of the issuer and/or obligor which may result in requests for modifications of the structure or certain provisions of the bond documents. These changes would be in addition to the specific changes required in all financings where a Surety Bond will be issued (see Required Terms below).

The Surety Bond may be structured to provide debt service reserve fund replacement for the current issue of bonds and any other debt issued on a parity therewith. However, in all cases, the Surety Bond will expire on the final maturity date of the current issue.

The program criteria are subject to change by the Insurer.

General Terms

Provision should be made in the bond documents for the creation of a debt service reserve fund and there should be a requirement to maintain that fund at a certain level. It should also be provided that this requirement may be satisfied by cash or a qualified surety bond or a combination of these two (Note: A "qualified surety bond" means a surety bond issued by an insurance company rated in the highest rating category by Standard & Poor's and Moody's and, if rated by A.M. Best & Company, must also be rated in the highest rating category by A.M. Best & Company.

In those instances where the issuance of parity debt will cause the debt service reserve fund requirement to increase, the Insurer requires that at the time of issuance of such parity debt, either cash or a qualified surety bond be provided so that the increased requirement will be satisfied.

In any event where the debt service reserve fund contains both an the Insurer Surety Bond and cash, the Insurer requires that the cash be drawn down completely before any demand is made on the Surety Bond. In any event where the debt service reserve fund contains a surety bond from another entity and an INSURER Surety Bond, the documents should provide for a pro-rata draw on each of the surety bonds.

With regard to replenishment, any available monies, as defined in the Indenture or Resolution, should be used first to reimburse the Insurer, thereby reinstating the Surety Bond, and second to replenish the cash in the debt service reserve fund.

The rate covenant should be expanded so that, in addition to all other coverage requirements, there are sufficient monies available to pay all amounts owed to the Insurer under the terms of the Financial Guaranty Agreement.



If the documents provide for the issuance of additional bonds that do not share a common reserve fund with the current issue, the Insurer can issue a surety bond that is, by its terms, available only as a reserve for the current issue. In such cases, the Insurer would require a covenant that any revenues available for debt service must be distributed between the current issue and any additional bonds on a pro rata basis without regard to the existence of a funded debt service reserve or a surety bond.

The bond documents should require the Trustee to deliver a Demand For Payment (see attached form) at least three days prior to the date on which funds are required.

Required Terms

With respect to any security interest in collateral granted to the bondholders, the Insurer should be granted that same interest subject only to that of the bondholders. This would apply to existing security, if any, as well as any to be granted in the future.

The Insurer should receive an opinion from counsel to the issuer/obligor that the Financial Guaranty Agreement is a legal, valid and binding obligation of the issuer/obligor and is enforceable against the issuer/obligor in accordance with its terms.

In general terms, the "flow of funds" would be structured as follows:

All gross revenues should be paid in the following order with the priority indicated:

- (1) expenses of operation and maintenance;
- (2) debt service on the bonds;
- (3) reimbursement of amounts advanced by the Insurer under the Surety Bond;
- (4) reimbursement of cash amounts, if any, drawn from the reserve fund;
- (5) replenishment of Renewal and Replacement Fund;
- (6) payment to the Insurer of interest on amounts advanced under the Surety Bond;
- (7) all other lawful uses, including the debt service payment on any subordinate bonds.

Provision must be made for the Insurer to be paid all amounts owed to it under the terms of the Financial Guaranty Agreement or any other documents before the bond documents may be terminated.

It will be the responsibility of the trustee/paying agent to maintain adequate records, verified with the Insurer, as to the amount available to be drawn at any given time under the Surety Bond and as to the amounts paid and owing to the Insurer under the terms of the Financial Guaranty Agreement.

There may be no optional redemption of bonds or distribution of funds to the issuer and/or the underlying obligor unless all amounts owed to the Insurer under the terms of the Financial Guaranty Agreement or any other documents have been paid in full.

8/12/93



STANDARD CONDITIONS FOR REFUNDINGS

A. Receipt by the Insurer of the final debt service schedule on the issue within three business days from the sale date.

B. Receipt, satisfactory review and subsequent oral approval by the Insurer at least ten days in advance of closing of draft copies of:

1. a verification by an independent CPA firm of the sufficiency of the escrow to timely retire the refunded bonds;

2. the escrow securities purchase contracts of SLG subscription forms or open market confirmations; and,

3. the escrow agreement

Final and signed copies of all the above documents to be sent via overnight mail from closing.

An independent CPA firm is defined as a licensed CPA firm acting at arms length of the transaction on behalf of the bondholders. It may not be the underwriter, bond counsel or financial adviser for the refunding issue. The firm must carry errors and omissions insurance. The Insurer reserves the right to review the provider of the verification on a deal by deal basis.

C. Receipt by the Insurer at least five business days prior to closing of a draft opinion from Bond Counsel (or Special Tax Counsel) to the effect that the refunding bonds are being issued in compliance with state law and that the interest on the refunding bonds is tax-exempt.

D. Receipt by the Insurer at least five business days prior to closing of a draft opinion from Bond Counsel stating that the refunded bonds have been legally defeased. (This condition is only applicable in those situations where the refunding issue is legally defeasing the refunded issue.) Final executed copies of items C and D to be sent via overnight mail.

E. If the escrow agreement allows for the substitution of securities in the escrow account, then it should be provided in the escrow agreement that no such substitution may occur unless there has first been delivered to the escrow agent/trustee, (1) a CPA verification that the escrow investments, as substituted, are sufficient to pay debt service, as it becomes due, on the refunded bonds and (2) an opinion of nationally recognized bond counsel to the effect that the substitution is permitted under the documents and the substitution has no adverse effect on the tax-exempt nature of the refunding bonds. See 2 above for the definition of an independent CPA.

F. Escrow investments must be limited to:

1. Cash

2. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series -- "SLGS").

3. Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities.



4. Resolution Funding Corp. (REFCORP) Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.

5. Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P. If however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.

6. Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:

- a. U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
- b. Farmers Home Administration (FmHA)
Certificates of beneficial ownership
- c. Federal Financing Bank
- d. General Services Administration
Participation certificates
- e. U.S. Maritime Administration
Guaranteed Title XI financing
- f. U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures - U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

G. If a forward supply contract is being executed in conjunction with the refunding (or subsequent to the closing of the refunding transaction), the following conditions must also be met:

1 The Insurer must review and approve the forward supply contract at least five business days prior to closing (or after closing, at least five business days prior to execution if not contemplated at the time of closing).

2 The forward supply contract must provide by its terms that the securities delivered under the forward supply are sufficient (when taken with other funds remaining in the escrow) as to amount and timeliness to retire the refunded bonds.

3 The Insurer requires an opinion from a nationally recognized bankruptcy counsel that the securities in escrow and payments to owners of refunded bonds will not constitute assets of the fsc supplier and will not be subject to automatic stay in the event of bankruptcy and/or insolvency of the supplier.



4. The supplier of the securities delivered under the forward supply contract must affirm in the contract that it has no rights to or interest in the monies or securities held in the escrow.

5. The escrow agent must be acceptable to the Insurer. The Insurer reserves the right to replace the escrow agent for cause.

6. See 6 above for investments permitted under the forward supply contract. Investments must be non-callable.

7. The supplier should have no right to substitute the original escrow securities. The supplier may substitute securities previously delivered by the supplier under the forward supply contract only if:

a. The substituted securities mature on a date that is later than the previously delivered securities would have matured; and

b. The substituted securities mature prior to the date needed to pay principal and/or interest on the bonds.

8. Two days before each delivery date for the forward supply securities, the escrow agent must notify the Insurer in writing of the securities to be delivered, the maturity amount of the securities and the maturity date.

9. The forward supply contract cannot be amended or modified without the Insurer's written consent.

5/6/93



LIST OF PERMISSIBLE INVESTMENTS FOR INDENTURED FUNDS

- A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.
- B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):
 - 1. U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
 - 2. Farmers Home Administration (FmHA)
Certificates of beneficial ownership
 - 3. Federal Financing Bank
 - 4. Federal Housing Administration Debentures (FHA)
 - 5. General Services Administration
Participation certificates
 - 6. Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA - guaranteed mortgage-backed bonds
GNMA - guaranteed pass-through obligations
(not acceptable for certain cash-flow sensitive issues.)
 - 7. U.S. Maritime Administration
Guaranteed Title XI financing
 - 8. U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures - U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds
- C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):
 - 1. Federal Home Loan Bank System
Senior debt obligations



2. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
Participation Certificates
Senior debt obligations
 3. Federal National Mortgage Association (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations
 4. Student Loan Marketing Association (SLMA or "Sallie Mae")
Senior debt obligations
 5. Resolution Funding Corp. (REFCORP) obligations
 6. Farm Credit System
Consolidated systemwide bonds and notes
- D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2.
- E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.
- F. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.
- G. Investment Agreements, including GIC's, acceptable to MBIA (refer to Investment Agreement criteria).
- H. Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P.
- I. Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.
- J. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P.
- K. Repurchase agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.



Repurchase Agreements must satisfy the following criteria or be approved by MBIA.

1. Repos must be between the municipal entity and a dealer bank or securities firm
 - a. Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by Standard & Poor's Corporation and Moody's Investor Services, or
 - b. Banks rated "A" or above by Standard & Poor's Corporation and Moody's Investor Services.
2. The written repo contract must include the following:
 - a. Securities which are acceptable for transfer are:
 - (1) Direct U.S. governments, or
 - (2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)
 - b. The term of the repo may be up to 30 days
 - c. The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).
 - d. Valuation of Collateral
 - (1) The securities must be valued weekly, marked-to-market at current market price plus accrued interest



- (a) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

3. Legal opinion which must be delivered to the municipal entity:

- a. Repo meets guidelines under state law for legal investment of public funds.

Additional Notes

- (i) There is no list of permitted investments for non-indentured funds. Your own credit judgment and the relevant circumstances (e.g., amount of investment and timing of investment) should dictate what is permissible.
- (ii) Any state administered pool investment fund in which the issuer is statutorily permitted or required to invest will be deemed a permitted investment.
- (iii) DSRF investments should be valued at fair market value and marked to market at least once per year. DSRF investments may not have maturities extending beyond 5 years.



GENERAL DOCUMENT PROVISIONS

- A. Notice to the Insurer The basic legal documents must provide that any notices required to be given by any party should also be given to the Insurer, Attn: Insured Portfolio Management.
- B. Amendments. In the basic legal document, there are usually two methods of amendment. The first, which typically does not require the consent of the bondholders, is for amendments which will cure ambiguities, correct formal defects or add to the security of the financing. The second, in which bondholder consent is a prerequisite, covers the more substantive types of amendments. For all financings, the Insurer must be given notice of any amendments that are of the first type and the Insurer's consent must be required for all amendments of the second type. All documents must contain a provision which requires copies of any amendments to such documents which are consented to by the Insurer to be sent to Standard & Poor's.
- C. Supplemental Legal Document. If the basic legal document provides for a supplemental legal document to be issued for reasons other than (1) a refunding to obtain savings; or (2) the issuance of additional bonds pursuant to an additional bonds test, there must be a requirement that the Insurer's consent also be obtained prior to the issuance of any additional bonds and/or execution of such supplemental legal document.
- D. Events of Default and Remedies. All documents normally contain provisions which define the events of default and which prescribe the remedies that may be exercised upon the occurrence of an event of default. At a minimum, events of default will be defined as follows:
 - 1. the issuer/obligor fails to pay principal when due;
 - 2. the issuer/obligor fails to pay interest when due;
 - 3. the issuer/obligor fails to observe any other covenant or condition of the document and such failure continues for 30 days and
 - 4. the issuer/obligor declares bankruptcy.

The Insurer, acting alone, shall have the right to direct all remedies in the event of a default. The Insurer shall be recognized as the registered owner of each bond which it insures for the purposes of exercising all rights and privileges available to bondholders. For bonds which it insures, the Insurer shall have the right to institute any suit, action, or proceeding at law or in equity under the same terms as a bondholder in accordance with applicable provisions of the governing documents. Other than the usual redemption provisions, any acceleration of principal payments must be subject to the Insurer's prior written consent.

- E. Defeasance requires the deposit of:
 - 1. Cash
 - 2. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series -- "SLGs")



3. Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities
4. Resolution Funding Corp. (REFCORP) Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.
5. Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P. If however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.
6. Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:
 - a. U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
 - b. Farmers Home Administration (FmHA)
Certificates of beneficial ownership
 - c. Federal Financing Bank
 - d. General Services Administration
Participation certificates
 - e. U.S. Maritime Administration
Guaranteed Title XI financing
 - f. U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures - U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

F. Agents:

1. In transactions where there is an agent/enhancer (other than the Insurer), the trustee, tender agent (if any), and paying agent (if any) must be commercial banks with trust powers.
2. The remarketing agent must have trust powers if they are responsible for holding moneys or receiving bonds. As an alternative, the documents may provide that if the remarketing agent is removed, resigns or is unable to perform its duties, the trustee must assume the responsibilities of remarketing agent until a substitute acceptable to the Insurer is appointed.

The following information has been furnished by MBIA Insurance Corporation (the "Insurer") for use in this Official Statement. Reference is made to Appendix ___ for a specimen of the Insurer's policy.

The Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond. The Insurer's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Insurer's policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

The Insurer, formerly known as Municipal Bond Investors Assurance Corporation, is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company. MBIA Inc. is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has one European branch in the Republic of France.

As of September 30, 1995 the Insurer had admitted assets of \$3.7 billion (unaudited), total liabilities of \$2.5 billion (unaudited), and total capital and surplus of \$1.2 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 1994, the Insurer had admitted assets of \$3.4 billion (audited), total liabilities of \$2.3 billion (audited), and total capital and surplus of \$1.1 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. All information regarding the Insurer, a wholly owned subsidiary of MBIA Inc., including the financial statements of the Insurer for the year ended December 31, 1994, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of MBIA Inc. for the year ended December 31, 1994 is hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof. Any statement contained in a document incorporated by reference herein shall be modified or superceded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is incorporated by reference herein modifies or supercedes such statement. Any statement so modified or superceded shall not be deemed, except as so modified or superceded, to constitute a part of this Official Statement.

Furthermore, copies of the Insurer's year end financial statements prepared in accordance with statutory accounting practices are available from the Insurer. A copy of the Annual Report on Form 10-K of MBIA Inc. is available from the Insurer or the Securities and Exchange Commission. The address of the Insurer is 113 King Street, Armonk, New York 10504.

Moody's Investors Service ("Moody's") rates the claims paying ability of the Insurer "Aaa".

Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc. ("Standard & Poor's"), rates the claims paying ability of the Insurer "AAA".

Fitch Investors Service, L.P., rates the claims paying ability of the Insurer "AAA".

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. The Insurer does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

The insurance provided by this Policy is not covered by the Florida Insurance Guaranty Association created under chapter 631, Florida Statutes.

DEBT SERVICE RESERVE FUND SURETY BOND

Application has been made to the MBIA Insurance Corporation (the "Insurer") for a commitment to issue a surety bond (the "Debt Service Reserve Fund Surety Bond"). The Debt Service Reserve Fund Surety Bond will provide that upon notice from the Paying Agent to the Insurer to the effect that insufficient amounts are on deposit in the Debt Service Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the 1989 Obligations, the Insurer will promptly deposit with the Paying Agent an amount sufficient to pay the principal of and interest on the 1989 Obligations or the available amount of the Debt Service Reserve Fund Surety Bond, whichever is less. Upon the later of (i) three (3) days after receipt by the Insurer of a Demand for Payment in the form attached to the Debt Service Reserve Fund Surety Bond, duly executed by the Paying Agent; or (ii) the payment date of the Obligations as specified in the Demand for Payment presented by the Paying Agent to the Insurer, the Insurer will make a deposit of funds in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts which are then due to the Paying Agent (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

The available amount of the Debt Service Reserve Fund Surety Bond is the initial face amount of the Debt Service Reserve Fund Surety Bond less the amount of any previous deposits by the Insurer with the Paying Agent which have not been reimbursed by the City. The City and the Insurer have entered into a Financial Guaranty Agreement dated [] (the "Agreement"). Pursuant to the Agreement, the City is required to reimburse the Insurer, within one year of any deposit, the amount of such deposit made by the Insurer with the Paying Agent under the Debt Service Reserve Fund Surety Bond. Such reimbursement shall be made only after all required deposits to the Operation and Maintenance Fund and the Debt Service Fund have been made.

Under the terms of the Agreement, the Paying Agent is required to reimburse the Insurer, with interest, until the face amount of the Debt Service Reserve Fund Surety Bond is reinstated before any deposit is made to the General Fund. No optional redemption of Obligations may be made until the Insurer's Debt Service Reserve Fund Surety Bond is reinstated. The Debt Service Reserve Fund Surety Bond will be held by the Paying Agent in the Debt Service Reserve Fund and is provided as an alternative to the City depositing funds equal to the Debt Service Requirement for outstanding Obligations. The Debt Service Reserve Fund Surety Bond will be issued in the face amount equal to Maximum Annual Debt Service for the Obligations, will be non-cancellable and the premium therefor will be fully paid by the City at the time of delivery of the Obligations.

MBIA
FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [INSERT NAME OF PAYING AGENT] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

The insurance provided by this policy is not covered by the Florida Insurance Guaranty Association created under chapter 631, Florida Statutes.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

COUNTERSIGNED:

MBIA Insurance Corporation

Resident Licensed Agent

President

City, State

Attest:

Assistant Secretary

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STATEMENT OF INSURANCE

MBIA Insurance Corporation (the "Insurer") has issued a policy containing the following provisions, such policy being on file at [INSERT NAME OF TRUSTEE OR PAYING AGENT, INCLUDING CITY, STATE].

The Insurer, in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [INSERT NAME OF TRUSTEE OR PAYING AGENT] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean: [INSERT LEGAL TITLE OF BONDS, CENTERED AS FOLLOWS:]

[\$ PAR AMOUNT]
[ISSUER]
[DESCRIPTION OF BONDS]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

The insurance provided by this Policy is not covered by the Florida Insurance Guaranty Association created under chapter 631, Florida Statutes.

MBIA Insurance Corporation

PAYMENTS UNDER THE POLICY

A. In the event that, on the second Business Day, and again on the Business Day, prior to the payment date on the Obligations, the Paying Agent has not received sufficient moneys to pay all principal of and interest on the Obligations due on the second following or following, as the case may be, Business Day, the Paying Agent shall immediately notify the Insurer or its designee on the same Business Day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

B. If the deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent shall so notify the Insurer or its designee.

C. In addition, if the Paying Agent has notice that any Bondholder has been required to disgorge payments of principal or interest on the Obligation to a trustee in Bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes a voidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Paying Agent shall notify the Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

D. The Paying Agent is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Holders of the Obligations as follows:

1. If and to the extent there is a deficiency in amounts required to pay interest on the Obligations, the Paying Agent shall (a) execute and deliver to State Street Bank and Trust Company, N.A., or its successors under the Policy (the "Insurance Paying Agent"), in form satisfactory to the Insurance Paying Agent, an instrument appointing the Insurer as agent for such Holders in any legal proceeding related to the payment of such interest and an assignment to the Insurer of the claims for interest to which such deficiency relates and which are paid by the Insurer, (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Policy payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (c) disburse the same to such respective Holders; and

2. If and to the extent of a deficiency in amounts required to pay principal of the Obligations, the Paying Agent shall (a) execute and deliver to the Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument appointing the Insurer as agent for such Holder in any legal proceeding relating to the payment of such principal and an assignment to the Insurer of any of the Obligation surrendered to the Insurance Paying Agent of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Paying Agent and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Policy payment therefor from the Insurance Paying Agent, and (c) disburse the same to such Holders.

E. Payments with respect to claims for interest on and principal of Obligations disbursed by the Paying Agent from proceeds of the Policy shall not be considered to discharge the obligation of the Issuer with respect to such Obligations, and the Insurer shall become the owner of such unpaid Obligation and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

F. Irrespective of whether any such assignment is executed and delivered, the Issuer and the Paying Agent hereby agree for the benefit of the Insurer that:

1. They recognize that to the extent the Insurer makes payments, directly or indirectly (as by paying through the Paying Agent), on account of principal of or interest on the Obligations, the Insurer will be subrogated to the rights of such Holders to receive the amount of such principal and interest from the Issuer, with interest thereon as provided and solely from the sources stated in this Indenture and the Obligations; and

2. They will accordingly pay to the Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in this Indenture and the Obligation, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Obligations to Holders, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

G. In connection with the issuance of additional Obligations, the Issuer shall deliver to the Insurer a copy of the disclosure document, if any, circulated with respect to such additional Obligations.

H. Copies of any amendments made to the documents executed in connection with the issuance of the Obligations which are consented to by the Insurer shall be sent to Standard & Poor's Corporation.

I. The Insurer shall receive notice of the resignation or removal of the Paying Agent and the appointment of a successor thereto.

J. The Insurer shall receive copies of all notices required to be delivered to Bondholders and, on an annual basis, copies of the Issuer's audited financial statements and Annual Budget.

Notices: Any notice that is required to be given to a holder of the Obligation or to the Paying Agent pursuant to the Indenture shall also be provided to the Insurer. All notices required to be given to the Insurer under the Indenture shall be in writing and shall be sent by registered or certified mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504 Attention: Surveillance.

FINANCIAL GUARANTY AGREEMENT

FINANCIAL GUARANTY AGREEMENT made as of [DATE OF OBLIGATIONS] by and between [ISSUER] (the "Issuer") and MBIA Insurance Corporation (the "Insurer"), organized under the laws of the state of New York.

WITNESSETH:

WHEREAS, the Issuer has or will issue the Obligations; and

WHEREAS, pursuant to the terms of the Document the Issuer agrees to make certain payments on the Obligations; and

WHEREAS, the Insurer will issue its Surety Bond, substantially in the form set forth in Annex A to this Agreement, guaranteeing certain payments by the Issuer subject to the terms and limitations of the Surety Bond; and

WHEREAS, to induce the Insurer to issue the Surety Bond, the Issuer has agreed to pay the premium for the Surety Bond and to reimburse the Insurer for all payments made by the Insurer under the Surety Bond, all as more fully set forth in this Agreement; and

WHEREAS, the Issuer understands that the Insurer expressly requires the delivery of this Agreement as part of the consideration for the execution by the Insurer of the Surety Bond; and

NOW, THEREFORE, in consideration of the premises and of the agreements herein contained and of the execution of the Surety Bond, the Issuer and the Insurer agree as follows:

ARTICLE I DEFINITIONS; SURETY BOND

Section 1.01. Definitions The terms which are capitalized herein shall have the meanings specified in Annex B hereto.

Section 1.02. Surety Bond

(a) The Insurer will issue the Surety Bond in accordance with and subject to the terms and conditions of the Commitment.

(b) The maximum liability of the Insurer under the Surety Bond and the coverage and term thereof shall be subject to and limited by the terms and conditions of the Surety Bond.

Section 1.03. Premium In consideration of the Insurer agreeing to issue the Surety Bond hereunder, the Issuer hereby agrees to pay or cause to be paid the Premium set forth in the in Annex B hereto. The Premium on the Surety Bond is not refundable for any reason.

Section 1.04. Certain Other Expenses The Issuer will pay all reasonable fees and disbursements of the Insurer's special counsel related to any modification of this Agreement or the Surety Bond.

ARTICLE II REIMBURSEMENT AND INDEMNIFICATION OBLIGATIONS OF ISSUER AND SECURITY THEREFOR

Section 2.01. Reimbursement for Payments Under the Surety Bond and Expenses; Indemnification

(a) The Issuer will reimburse the Insurer, within the Reimbursement Period, without demand or notice by the Insurer to the Issuer or any other person, to the extent of each Surety Bond Payment with interest on each Surety Bond Payment from and including the date made to the date

of the reimbursement at the lesser of the Reimbursement Rate or the maximum rate of interest permitted by then applicable law.

(b) The Issuer also agrees to reimburse the Insurer immediately and unconditionally upon demand, to the extent permitted by state law, for all reasonable expenses incurred by the Insurer in connection with the Surety Bond and the enforcement by the Insurer of the Issuer's obligations under this Agreement, the Document, and any other document executed in connection with the issuance of the Obligations, together with interest on all such expenses from and including the date incurred to the date of payment at the rate set forth in subsection (a) of this Section 2.01.

(c) The Issuer agrees to indemnify the Insurer, to the extent permitted by state law, against any and all liability, claims, loss, costs, damages, fees of attorneys and other expenses which the Insurer may sustain or incur by reason of or in consequence of (i) the failure of the Issuer to perform or comply with the covenants or conditions of this Agreement or (ii) reliance by the Insurer upon representations made by the Issuer or (iii) a default by the Issuer under the terms of the Document or any other documents executed in connection with the issuance of the Obligations.

(d) The Issuer agrees that all amounts owing to the Insurer pursuant to Section 1.03 hereof and this Section 2.01 must be paid in full prior to any optional redemption or refunding of the Obligations.

(e) All payments made to the Insurer under this Agreement shall be paid in lawful currency of the United States in immediately available funds at the Insurer's office at 113 King Street, Armonk, New York 10504, Attention: Accounting and Surveillance Departments, or at such other place as shall be designated by the Insurer.

Section 2.02. Allocation of Payments. The Insurer and the Issuer hereby agree that each payment received by the Insurer from or on behalf of the Issuer as a reimbursement to the Insurer as required by Section 2.01 hereof shall be applied by the Insurer first, toward payment of any unpaid premium; second, toward repayment of the aggregate Surety Bond Payments made by the Insurer and not yet repaid, payment of which will reinstate all or a portion of the Surety Bond Coverage to the extent of such repayment (but not to exceed the Surety Bond Limit); and third, upon full reinstatement of the Surety Bond Coverage to the Surety Bond Limit, toward other amounts, including, without limitation, any interest payable with respect to any Surety Bond Payments then due to the Insurer.

Section 2.03. Security for Payments; Instruments of Further Assurance. To the extent, but only to the extent, that the Document, or any related indenture, trust agreement, ordinance, resolution, mortgage, security agreement or similar instrument, if any, pledges to the Owners or any trustee therefor, or grants a security interest or lien in or on any collateral, property, revenue or other payments ("Collateral and Revenues") in order to secure the Obligations or provide a source of payment for the Obligations, the Issuer hereby grants to the Insurer a security interest in or lien on, as the case may be, and pledges to the Insurer all such Collateral and Revenues as security for payment of all amounts due hereunder and under the Document or any other document executed in connection with the issuance of the Obligations, which security interest, lien and/or pledge created or granted under this Section 2.03 shall be subordinate only to the interests of the Owners and any trustee therefor in such Collateral and Revenues, except as otherwise provided. The Issuer agrees that it will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, any and all financing statements, if applicable, and all other further instruments as may be required by law or as shall reasonably be requested by the Insurer for the perfection of the security interest, if any, granted under this Section 2.03 and for the preservation and protection of all rights of the Insurer under this Section 2.03.

Section 2.04. Unconditional Obligation. The obligations hereunder are absolute and unconditional and will be paid or performed strictly in accordance with this Agreement, subject to the limitations of the Document, irrespective of

(a) any lack of validity or enforceability of, or any amendment or other modification of, or waiver with respect to the Obligations, the Document or any other document executed in connection with the issuance of the Obligations; or

(b) any exchange, release or nonperfection of any security interest in property securing the Obligations or this Agreement or any obligations hereunder, or

(c) any circumstances that might otherwise constitute a defense available to, or discharge of, the Issuer with respect to the Obligations, the Document or any other document executed in connection with the issuance of the Obligations; or

(d) whether or not such obligations are contingent or matured, disputed or undisputed, liquidated or unliquidated.

Section 2.05. Insurer's Rights The Issuer shall repay the Insurer to the extent of payments made and expenses incurred by the Insurer in connection with the Obligations and this Agreement. The obligation of the Issuer to repay such amounts shall be subordinate only to the rights of the Owners to receive regularly scheduled principal and interest on the Obligations.

Section 2.06. On-Going Information Obligations of Issuer

(a) **Quarterly Reports** The Issuer will provide to the Insurer within 45 days of the close of each quarter interim financial statements covering all fund balances under the Document, a statement of operations (income statement), balance sheet and changes in fund balances. These statements need not be audited by an independent certified public accountant, but if any audited statements are produced, they must be provided to the Insurer;

(b) **Annual Reports** The Issuer will provide to the Insurer annual financial statements audited by an independent certified public accountant within 90 days of the end of each fiscal year;

(c) **Access to Facilities, Books and Records** The Issuer will grant the Insurer reasonable access to the project financed by the Obligations and will make available to the Insurer, at reasonable times and upon reasonable notice all books and records relative to the project financed by the Obligations; and

(d) **Compliance Certificate** On an annual basis the Issuer will provide to the Insurer a certificate confirming compliance with all covenants and obligations hereunder and under the Revenue Agreement, the Document or any other document executed in connection with the issuance of the Obligations.

ARTICLE III AMENDMENTS TO DOCUMENT

So long as this Agreement is in effect, the Issuer agrees that it will not agree to amend the Document or any other document executed in connection with the issuance of the Obligations, without the prior written consent of the Insurer.

ARTICLE IV EVENTS OF DEFAULT; REMEDIES

Section 4.01. Events of Default The following events shall constitute Events of Default hereunder.

(a) The Issuer shall fail to pay to the Insurer when due any amount payable under Sections 1.03; or

(b) The Issuer shall fail to pay to the Insurer any amount payable under Sections 1.04 and 2.01 hereof and such failure shall have continued for a period in excess of the Reimbursement Period; or

(c) Any material representation or warranty made by the Issuer under the Document or hereunder or any statement in the application for the Surety Bond or any report, certificate, financial statement, document or other instrument provided in connection with the Commitment, the Surety Bond, the Obligations, or herewith shall have been materially false at the time when made; or

(d) Except as otherwise provided in this Section 4.01, the Issuer shall fail to perform any of its other obligations under the Document, or any other document executed in connection with the issuance of the Obligations, or hereunder, provided that such failure continues for more than 30 days after receipt by the Issuer of written notice of such failure to perform; or

(e) The Issuer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of, or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take action for the purpose of effecting any of the foregoing; or

(f) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Issuer, or of a substantial part of its property, under of the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law or (ii) the appointment of a receiver, trustee, custodian, sequestrator or similar official for the Issuer or for a substantial part of its property, and such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall continue unstayed and in effect for 30 days.

Section 4.02. Remedies. If an Event of Default shall occur and be continuing, then the Insurer may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under this Agreement or to enforce performance of any obligation of the Issuer to the Insurer under the Document or any related instrument, and any obligation, agreement or covenant of the Issuer under this Agreement; provided, however, that the Insurer may not take any action to direct or require acceleration or other early redemption of the Obligations or adversely affect the rights of the Owners. In addition, if an Event of Default shall occur due to the failure to pay to the Insurer the amounts due under Section 1.03 hereof, the Insurer shall have the right to cancel the Surety Bond in accordance with its terms. All rights and remedies of the Insurer under this Section 4.02 are cumulative and the exercise of any one remedy does not preclude the exercise of one or more of the other available remedies.

ARTICLE V SETTLEMENT

The Insurer shall have the exclusive right to decide and determine whether any claim, liability, suit or judgment made or brought against the Insurer, the Issuer or any other party on the Surety Bond shall or shall not be paid, compromised, resisted, defended, tried or appealed, and the Insurer's decision thereon, if made in good faith, shall be final and binding upon the Insurer, the Issuer and any other party on the Surety Bond. An itemized statement of payments made by the Insurer, certified by an officer of the Insurer, or the voucher or vouchers for such payments, shall be prima facie evidence of the liability of the Issuer, and if the Issuer fails to immediately reimburse the Insurer upon the receipt of such statement of payments, interest shall be computed on such amount from the date of any payment made by the Insurer at the rate set forth in subsection (a) of Section 2.01 hereof.

ARTICLE VI MISCELLANEOUS

Section 6.01. Interest Computations. All computations of interest due hereunder shall be made on the basis of the actual number of days elapsed over a year of 360 days.

Section 6.02. Exercise of Rights. No failure or delay on the part of the Insurer to exercise any right, power or privilege under this Agreement and no course of dealing between the Insurer and the Issuer or any other party shall operate as a waiver of any such right, power or privilege, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of

any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Insurer would otherwise have pursuant to law or equity. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances, or constitute a waiver of the right of the other party to any other or further action in any circumstances without notice or demand.

Section 6.03. Amendment and Waiver. Any provision of this Agreement may be amended, waived, supplemented, discharged or terminated only with the prior written consent of the Issuer and the Insurer. The Issuer hereby agrees that upon the written request of the Paying Agent, the Insurer may make or consent to issue any substitute for the Surety Bond to cure any ambiguity or formal defect or omission in the Surety Bond which does not materially change the terms of the Surety Bond nor adversely affect the rights of the Owners, and this Agreement shall apply to such substituted surety bond. The Insurer agrees to deliver to the Issuer and to the company or companies, if any, rating the Obligations, a copy of such substituted surety bond.

Section 6.04. Successors and Assigns; Descriptive Headings

(a) This Agreement shall bind, and the benefits thereof shall inure to, the Issuer and the Insurer and their respective successors

and assigns; provided, that the Issuer may not transfer or assign any or all of its rights and obligations hereunder without the prior written consent of the Insurer.

(b) The descriptive headings of the various provisions of this Agreement are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof

Section 6.05. Other Sureties. If the Insurer shall procure any other surety to reinsure the Surety Bond, this Agreement shall inure to the benefit of such other surety, its successors and assigns, so as to give to it a direct right of action against the Issuer to enforce this Agreement, and "the Insurer," wherever used herein, shall be deemed to include such reinsuring surety, as its respective interests may appear.

Section 6.06. Signature on Bond. The Issuer's liability shall not be affected by its failure to sign the Surety Bond nor by any claim that other indemnity or security was to have been obtained nor by the release of any indemnity, nor the return or exchange of any collateral that may have been obtained.

Section 6.07. Waiver. The Issuer waives any defense that this Agreement was executed subsequent to the date of the Surety Bond, admitting and covenanting that such Surety Bond was executed pursuant to the Issuer's request and in reliance on the Issuer's promise to execute this Agreement.

Section 6.08. Notices, Requests, Demands. Except as otherwise expressly provided herein, all written notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been given or made when actually received, or in the case of telex or telecopier notice sent over a telex or a telecopier machine owned or operated by a party hereto, when sent, addressed as specified below or at such other address as any of the parties may hereafter specify in writing to the others:

If to the Issuer:

[ISSUER]

Attention: [NAME]

If to the Paying Agent:

[PAYING AGENT]

Attention: [NAME]

If to the Insurer:

MBIA Insurance Corporation

113 King Street

Armonk, New York 10504

Attention: Surveillance Department

Section 6.09. Survival of Representations and Warranties. All representations, warranties and obligations contained herein shall survive the execution and delivery of this Agreement and the Surety Bond.

Section 6.10. Governing Law. This Agreement and the rights and obligations of the parties under this Agreement shall be governed by and construed and interpreted in accordance with the laws of the State.

Section 6.11. Counterparts. This Agreement may be executed in any number of copies and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument. Complete counterparts of this Agreement shall be lodged with the Issuer and the Insurer.

Section 6.12. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 6.13. Survival of Obligations. Notwithstanding anything to the contrary contained in this Agreement, the obligation of the Issuer to pay all amounts due hereunder and the rights of the Insurer to pursue all remedies shall survive the expiration, termination or substitution of the Surety Bond and this Agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

[ISSUER]

By: _____
Title: _____

MBIA Insurance Corporation

President

Attest: _____
Assistant Secretary

ANNEX A

**DEBT SERVICE RESERVE
SURETY BOND**

**MBIA Insurance Corporation
Armonk, New York 10504**

Surety Bond No. XXXXXX

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this Surety Bond, hereby unconditionally and irrevocably guarantees the full and complete payments that are to be applied to payment of principal of and interest on the Obligations (as hereinafter defined) and that are required to be made by or on behalf of [Name of Issuer] (the "Issuer") under the [Title of the Document] (the "Document") to [Name of Paying Agent], (the "Paying Agent"), as such payments are due but shall not be so paid, in connection with the issuance by the Issuer of [Title of the Obligations], [if parity " together with any bonds issued on a parity therewith,'] (the "Obligations"), provided, that the amount available hereunder for payment pursuant to any one Demand for Payment (as hereinafter defined) shall not exceed [a: FIXED COVERAGE [Dollar Amount of Coverage] (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein.] or [b: VARIABLE COVERAGE the annual amount set forth for the applicable bond year on Exhibit A attached hereto (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein.]

1. As used herein, the term "Owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the applicable paying agent, the Issuer or any designee of the Issuer for such purpose. The term "Owner" shall not include the Issuer or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment for the Obligations.

2. Upon the later of: (i) three (3) days after receipt by the Insurer of a demand for payment in the form attached hereto as Attachment 1 (the "Demand for Payment"), duly executed by the Paying Agent; or (ii) the payment date of the Obligations as specified in the Demand for Payment presented by the Paying Agent to the Insurer, the Insurer will make a deposit of funds in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts that are then due to the Paying Agent (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

3. Demand for Payment hereunder may be made by prepaid telecopy, telex, TWX or telegram of the executed Demand for Payment c/o the Insurer. If a Demand for Payment made hereunder does not, in any instance, conform to the terms and conditions of this Surety Bond, the Insurer shall give notice to the Paying Agent, as promptly as reasonably practicable, that such Demand for Payment was not effected in accordance with the terms and conditions of this Surety Bond and briefly state the reason(s) therefor. Upon being notified that such Demand for Payment was not effected in accordance with this Surety Bond, the Paying Agent may attempt to correct any such nonconforming Demand for Payment if, and to the extent that, the Paying Agent is entitled and able to do so.

4. The amount payable by the Insurer under this Surety Bond pursuant to a particular Demand for Payment shall be limited to the Surety Bond Coverage. The Surety Bond Coverage shall be reduced automatically to the extent of each payment made by the Insurer hereunder and will be reinstated to the extent of each reimbursement of the Insurer pursuant to the provisions of Article II of the Financial Guaranty Agreement dated the date hereof between the Insurer and the [Issuer or Obligor] (the "Financial Guaranty Agreement"); provided, [ANNUAL PREMIUM OPTION: that no premium is due and unpaid on this Surety Bond and] that in no event shall such reinstatement exceed the Surety Bond Limit. The Insurer will notify the Paying Agent, in writing within five (5) days of such reimbursement, that the Surety Bond Coverage has been reinstated to the extent of such reimbursement pursuant to the Financial Guaranty Agreement and such reinstatement shall be effective as of the date the Insurer gives such notice. The notice to the Paying Agent will be substantially in the form attached hereto as Attachment 2.

5. Any service of process on the Insurer or notice to the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

6. The term of this Surety Bond shall expire [ANNUAL PREMIUM OPTION: unless cancelled pursuant to paragraph 9 hereof,] on the earlier of (i) [MATURITY DATE] (the maturity date of the Obligations being currently issued), or (ii) the date on which the Issuer has made all payments required to be made on the Obligations pursuant to the Document.

7. The premium payable on this Surety Bond is not refundable for any reason, including the payment prior to maturity of the Obligations.

8. [OPTIONAL FIRST SENTENCE: This Surety Bond shall be governed by and interpreted under the laws of the State of (STATE)]. Any suit hereunder in connection with any payment may be brought only by the Paying Agent within [1 or 3 years] after (i) a Demand for Payment, with respect to such payment, is made pursuant to the terms of this Surety Bond and the Insurer has failed to make such payment, or (ii) payment would otherwise have been due hereunder but for the failure on the part of the Paying Agent to deliver to the Insurer a Demand for Payment pursuant to the terms of this Surety Bond, whichever is earlier.

[NOS. 9 and 11 are OPTIONAL]

9. Subject to the terms of the Document, the Issuer shall have the right, upon 30 days prior written notice to the Insurer and the Paying Agent, to terminate this Surety Bond. In the event of a failure by the Issuer to pay the premium due on this Surety Bond pursuant to the terms of the Financial Guaranty Agreement, the Insurer shall have the right upon [No. of days] days prior written notice to the Issuer and the Paying Agent to cancel this Surety Bond. No Demand for Payment shall be made subsequent to such notice of cancellation unless payments are due but shall not have been so paid in connection with the Obligations.

10. There shall be no acceleration payment due under this Policy unless such acceleration is at the sole option of the Insurer.

11. This policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

In witness whereof, the Insurer has caused this Surety Bond to be executed in facsimile on its behalf by its duly authorized officers, this [DATE] day of [MONTH, YEAR]

In witness whereof, the Insurer has caused this Surety Bond to be executed in facsimile on its behalf by its duly authorized officers, this day of October, 1995

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

EXHIBIT A

Surety Bond No. XXXXXX

<u>Bond Year</u>	<u>Maximum Annual Debt Service</u>
199 to 199	\$
199 to 199	\$
199 to 199	\$

DEMAND FOR PAYMENT

_____, 19__

MBIA Insurance Corporation
113 King Street
Armonk, New York 10504

Attention: President

Reference is made to the Surety Bond No. XXXXXXXX (the "Surety Bond") issued by the MBIA Insurance Corporation (the "Insurer"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

The Paying Agent hereby certifies that:

(a) In accordance with the provisions of the Document (attached hereto as Exhibit A), payment is due to the Owners of the Obligations on _____ (the "Due Date") in an amount equal to \$ _____ (the "Amount Due").

(b) The amounts legally available to the Paying Agent on the Due Date will be \$ _____ less than the Amount Due (the "Deficiency").

(c) The Paying Agent has not heretofore made demand under the Surety Bond for the Amount Due or any portion thereof.

The Paying Agent hereby requests that payment of the Deficiency (subject to the Surety Bond Coverage) be made by the Insurer under the Surety Bond and directs that payment under the Surety Bond be made to the following account by bank wire transfer of federal or other immediately available funds in accordance with the terms of the Surety Bond: _____

[Paying Agent's Account]

Any Person Who Knowingly And With Intent To Defraud Any Insurance Company Or Other Person Files An Application For Insurance Or Statement Of Claim Containing Any Materially False Information, Or Conceals For The Purpose Of Misleading, Information Concerning Any Fact Material Thereto, Commits A Fraudulent Insurance Act, Which Is A Crime, And Shall Also Be Subject To A Civil Penalty Not To Exceed Five Thousand Dollars And The Stated Value Of The Claim For Each Such Violation.

[PAYING AGENT]

By _____

Its _____

Attachment 2
Surety Bond No. XXXXXXX

NOTICE OF REINSTATEMENT

_____, 19__

[Paying Agent]

[Address]

Reference is made to the Surety Bond No. XXXXXXX (the "Surety Bond") issued by the MBIA Insurance Corporation (the "Insurer"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

The Insurer hereby delivers notice that it is in receipt of payment from the Obligor pursuant to Article II of the Financial Guaranty Agreement and as of the date hereof the Surety Bond Coverage is \$

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

ANNEX B
DEFINITIONS

For all purposes of this Agreement and the Surety Bond, except as otherwise expressly provided herein or unless the context otherwise requires, all capitalized terms shall have the meaning as set out below, which shall be equally applicable to both the singular and plural forms of such terms.

"Agreement" means this Financial Guaranty Agreement.

"Closing Date" means [CLOSING DATE].

"Commitment" means the commitment to issue Municipal Bond Guaranty Insurance in the form attached hereto as Annex C.

"Debt Service Payments" means those payments required to be made by or on behalf of the Issuer which will be applied to payment of principal of and interest on the Obligations.

"Demand for Payment" means the certificate submitted to the Insurer for payment under the Surety Bond substantially in the form attached to the Surety Bond as Attachment 1.

"Document" means [DEFINE DOCUMENT].

"Event of Default" shall mean those events of default set forth in Section 4.01 of the Agreement.

"Insurer" has the same meaning as set forth in the first paragraph of this Agreement.

"Issuer" means [ISSUER].

"Obligations" means [LEGAL DESCRIPTION OF OBLIGATIONS] [IF APPLICABLE: (together with any bonds issued on a parity therewith, excluding bonds issued for the purpose of refunding the Obligations)].

"Owners" means the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer or any designee of the Issuer for such purpose.

"Paying Agent" means [PAYING AGENT/TRUSTEE].

"Premium" means [AMOUNT] payable to the Insurer on or prior to the Closing Date.

"Reimbursement Period" means, with respect to a particular Surety Bond Payment, the period commencing on the date of such Surety Bond Payment and ending on the earlier of the date of cancellation of the Surety Bond due to nonpayment of Premium when due or on the expiration of [NUMBER OF MONTHS] following such Surety Bond Payment.

"Reimbursement Rate" means Citibank's prime rate plus three (3) percent per annum, as of the date of such Surety Bond Payment, said "prime rate" being the rate of interest announced from time to time by Citibank, N.A., New York, New York, as its prime rate. The rate of interest shall be calculated on the basis of the actual number of days elapsed over a 360-day year.

"State" means [STATE].

"Surety Bond" means that surety bond attached hereto as Annex A and issued by the Insurer guaranteeing, subject to the terms and limitations thereof, Debt Service Payments required to be made by the Issuer under the Document.

"Surety Bond Coverage" means the amount available at any particular time to be paid under the terms of the Surety Bond, which amount shall never exceed the Surety Bond Limit.

"Surety Bond Limit" means [AMOUNT]

"Surety Bond Payment" means an amount equal to the Debt Service Payment required to be made by the Issuer pursuant to the Document less (i) that portion of the Debt Service Payment paid by or on behalf of the Issuer, and (ii) other funds legally available for payment to the Owners, all as certified in a Demand for Payment.

ANNEX C
COMMITMENT
[To be provided.]

TERM SHEET FOR DEBT SERVICE RESERVE FUND PROGRAM

Introduction

The Insurer can, under certain circumstances, issue a debt service reserve fund surety bond (the "Surety Bond"), to be used as a replacement for a cash funded reserve, in any amount up to the full amount of the debt service reserve fund requirement.

The Insurer requires that the issuer and/or the underlying obligor of the bonds enter into a Financial Guaranty Agreement with the Insurer providing for, among other things, the reimbursement to the Insurer of amounts drawn under the Surety Bond. A sample draft of such an agreement is attached.

The Insurer will undertake its standard credit analysis of the issuer and/or obligor which may result in requests for modifications of the structure or certain provisions of the bond documents. These changes would be in addition to the specific changes required in all financings where a Surety Bond will be issued (see Required Terms below).

The Surety Bond may be structured to provide debt service reserve fund replacement for the current issue of bonds and any other debt issued on a parity therewith. However, in all cases, the Surety Bond will expire on the final maturity date of the current issue.

The program criteria are subject to change by the Insurer.

General Terms

Provision should be made in the bond documents for the creation of a debt service reserve fund and there should be a requirement to maintain that fund at a certain level. It should also be provided that this requirement may be satisfied by cash or a qualified surety bond or a combination of these two (Note: A "qualified surety bond" means a surety bond issued by an insurance company rated in the highest rating category by Standard & Poor's and Moody's and, if rated by A.M. Best & Company, must also be rated in the highest rating category by A.M. Best & Company.)

In those instances where the issuance of parity debt will cause the debt service reserve fund requirement to increase, the Insurer requires that at the time of issuance of such parity debt, either cash or a qualified surety bond be provided so that the increased requirement will be satisfied.

In any event where the debt service reserve fund contains both an the Insurer Surety Bond and cash, the Insurer requires that the cash be drawn down completely before any demand is made on the Surety Bond. In any event where the debt service reserve fund contains a surety bond from another entity and an INSURER Surety Bond, the documents should provide for a pro-rata draw on each of the surety bonds.

With regard to replenishment, any available monies, as defined in the Indenture or Resolution, should be used first to reimburse the Insurer, thereby reinstating the Surety Bond, and second to replenish the cash in the debt service reserve fund.

The rate covenant should be expanded so that, in addition to all other coverage requirements, there are sufficient monies available to pay all amounts owed to the Insurer under the terms of the Financial Guaranty Agreement.

If the documents provide for the issuance of additional bonds that do not share a common reserve fund with the current issue, the Insurer can issue a surety bond that is, by its terms, available only as a reserve for the current issue. In such cases, the Insurer would require a

covenant that any revenues available for debt service must be distributed between the current issue and any additional bonds on a pro rata basis without regard to the existence of a funded debt service reserve or a surety bond.

The bond documents should require the Trustee to deliver a Demand For Payment (see attached form) at least three days prior to the date on which funds are required.

Required Terms

With respect to any security interest in collateral granted to the bondholders, the Insurer should be granted that same interest subject only to that of the bondholders. This would apply to existing security, if any, as well as any to be granted in the future.

The Insurer should receive an opinion from counsel to the issuer/obligor that the Financial Guaranty Agreement is a legal, valid and binding obligation of the issuer/obligor and is enforceable against the issuer/obligor in accordance with its terms.

In general terms, the "flow of funds" would be structured as follows:

All gross revenues should be paid in the following order with the priority indicated:

- (1) expenses of operation and maintenance;
- (2) debt service on the bonds;
- (3) reimbursement of amounts advanced by the Insurer under the Surety Bond;
- (4) reimbursement of cash amounts, if any, drawn from the reserve fund;
- (5) replenishment of Renewal and Replacement Fund;
- (6) payment to the Insurer of interest on amounts advanced under the Surety Bond;
- (7) all other lawful uses, including the debt service payment on any subordinate bonds.

Provision must be made for the Insurer to be paid all amounts owed to it under the terms of the Financial Guaranty Agreement or any other documents before the bond documents may be terminated.

It will be the responsibility of the trustee/paying agent to maintain adequate records, verified with the Insurer, as to the amount available to be drawn at any given time under the Surety Bond and as to the amounts paid and owing to the Insurer under the terms of the Financial Guaranty Agreement.

There may be no optional redemption of bonds or distribution of funds to the issuer and/or the underlying obligor unless all amounts owed to the Insurer under the terms of the Financial Guaranty Agreement or any other documents have been paid in full.

8/12/93

TERM SHEET FOR DEBT SERVICE RESERVE FUND PROGRAM

Introduction

The Insurer can, under certain circumstances, issue a debt service reserve fund surety bond (the "Surety Bond"), to be used as a replacement for a cash funded reserve, in any amount up to the full amount of the debt service reserve fund requirement.

The Insurer requires that the issuer and/or the underlying obligor of the bonds enter into a Financial Guaranty Agreement with the Insurer providing for, among other things, the reimbursement to the Insurer of amounts drawn under the Surety Bond. A sample draft of such an agreement is attached.

The Insurer will undertake its standard credit analysis of the issuer and/or obligor which may result in requests for modifications of the structure or certain provisions of the bond documents. These changes would be in addition to the specific changes required in all financings where a Surety Bond will be issued (see Required Terms below).

The Surety Bond may be structured to provide debt service reserve fund replacement for the current issue of bonds and any other debt issued on a parity therewith. However, in all cases, the Surety Bond will expire on the final maturity date of the current issue.

The program criteria are subject to change by the Insurer.

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Provision should be made in the bond documents for the creation of a debt service reserve fund and there should be a requirement to maintain that fund at a certain level. It should also be provided that this requirement may be satisfied by cash or a qualified surety bond or a combination of these two (Note: A "qualified surety bond" means a surety bond issued by an insurance company rated in the highest rating category by Standard & Poor's and Moody's and, if rated by A.M. Best & Company, must also be rated in the highest rating category by A.M. Best & Company).

In those instances where the issuance of parity debt will cause the debt service reserve fund requirement to increase, the Insurer requires that at the time of issuance of such parity debt, either cash or a qualified surety bond be provided so that the increased requirement will be satisfied.

In any event where the debt service reserve fund contains both an the Insurer Surety Bond and cash, the Insurer requires that the cash be drawn down completely before any demand is made on the Surety Bond. In any event where the debt service reserve fund contains a surety bond from another entity and an INSURER Surety Bond, the documents should provide for a pro-rata draw on each of the surety bonds.

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covenant that any revenues available for debt service must be distributed between the current issue and any additional bonds on a pro rata basis without regard to the existence of a funded debt service reserve or a surety bond.

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Required Terms

With respect to any security interest in collateral granted to the bondholders, the Insurer should be granted that same interest subject only to that of the bondholders. This would apply to existing security, if any, as well as any to be granted in the future.

The Insurer should receive an opinion from counsel to the issuer/obligor that the Financial Guaranty Agreement is a legal, valid and binding obligation of the issuer/obligor and is enforceable against the issuer/obligor in accordance with its terms.

In general terms, the "flow of funds" would be structured as follows:

All gross revenues should be paid in the following order with the priority indicated:

- (1) expenses of operation and maintenance;
- (2) debt service on the bonds;
- (3) reimbursement of amounts advanced by the Insurer under the Surety Bond;
- (4) reimbursement of cash amounts, if any, drawn from the reserve fund;
- (5) replenishment of Renewal and Replacement Fund;
- (6) payment to the Insurer of interest on amounts advanced under the Surety Bond;
- (7) all other lawful uses, including the debt service payment on any subordinate bonds.

Provision must be made for the Insurer to be paid all amounts owed to it under the terms of the Financial Guaranty Agreement or any other documents before the bond documents may be terminated.

It will be the responsibility of the trustee/paying agent to maintain adequate records, verified with the Insurer, as to the amount available to be drawn at any given time under the Surety Bond and as to the amounts paid and owing to the Insurer under the terms of the Financial Guaranty Agreement.

There may be no optional redemption of bonds or distribution of funds to the issuer and/or the underlying obligor unless all amounts owed to the Insurer under the terms of the Financial Guaranty Agreement or any other documents have been paid in full.

8/12/93

EXHIBIT D

**CONSENTS OF FGIC AND MBIA RELATING TO
RESERVE ACCOUNT INSURANCE POLICY**

FINANCIAL GUARANTY INSURANCE COMPANY CONSENT

The undersigned authorized representative of Financial Guaranty Insurance Company hereby consents, as the bond insurer for the St. Johns County, Florida, Water and Sewer Revenue Bonds, Series 1989, Series 1990B-I and Series 1990B-II, to the deposit of a reserve account insurance policy issued by MBIA Insurance Corporation into the reserve account in connection with the issuance of the St. Johns County, Florida, Water and Sewer Revenue and Refunding Bonds, Series 1996.

Dated: February 23, 1996

FINANCIAL GUARANTY
INSURANCE COMPANY

By Donita Z. Dorland
Name: Donita Z. Dorland
Title: Vice President

MBIA INSURANCE CORPORATION CONSENT

The undersigned authorized representative of MBIA Insurance Corporation ("MBIA") hereby consents, as the bond insurer for the St. Johns County, Florida, Water and Sewer Revenue Bonds, Series 1991A, to the deposit of a reserve account insurance policy issued by MBIA into the reserve account in connection with the issuance of the St. Johns County, Florida, Water and Sewer Revenue and Refunding Bonds, Series 1996.

Dated: February 21, 1996

MBIA INSURANCE CORPORATION

By Joseph C. Lynch
Name: Joseph C. Lynch
Title: Vice President

EXHIBIT E

ESCROW DEPOSIT AGREEMENT

ESCROW DEPOSIT AGREEMENT

In consideration of the facts hereinafter recited and of the mutual covenants and agreements herein contained, ST. JOHNS COUNTY, a political subdivision created and existing under the laws of the State of Florida (the "Issuer"), and THE BANK OF NEW YORK, New York, New York, a New York banking organization, as Escrow Holder (the "Escrow Holder"), do hereby agree as follows:

Section 1. Definitions. Terms used herein shall have the respective meanings assigned in and by the Resolution hereinafter defined, and the following terms which are not defined in the Resolution shall have the following meanings, unless the text clearly otherwise requires:

"Aggregate Debt Service" shall mean, as of any particular date, the sum of the amounts of Annual Debt Service for all years with respect to which the Annual Debt Service shall remain unpaid. Aggregate Debt Service as of the date of the delivery of this Agreement is set forth in the Verification Report.

"Agreement" shall mean this Escrow Deposit Agreement.

"Annual Debt Service" shall mean, with respect to any year, the interest on the Refunded Obligations becoming due in such year and the principal of and premium, if any, on the Refunded Obligations maturing or becoming due in such year according to the Verification Report.

"Escrow Account" shall mean the Escrow Account created pursuant to the provisions of Section 3 of this Agreement.

"Escrow Requirement" shall mean, as of any particular date, the sum of an amount in cash in the Escrow Account and the principal amount of the Federal Securities held by the Escrow Holder pursuant to Section 4 hereof which, together with the interest which shall thereafter become payable on the Federal Securities, will be sufficient to pay Aggregate Debt Service, as each of the respective installments thereof shall become due.

"Federal Securities" shall mean direct obligations of the United States of America, none of which permit redemption prior to maturity at the option of the obligor, which obligations are set forth in the Verification Report, and such other obligations as may be purchased in accordance with Section 8 hereof.

"Parity Obligations" shall mean the Series 1990B-I Bonds and the portion of the Series 1989 Bonds, the Series 1990B-II Bonds and the Series 1991A Bonds remaining Outstanding after the refunding of the Refunded Obligations as set forth on Exhibit A-2 attached hereto.

"Refunded Obligations" shall mean \$1,675,000 principal amount of the Series 1989 Bonds maturing June 1, 1998 through June 1, 2001 (the "Refunded 1989 Bonds"), \$2,295,000 principal amount of the Series 1990B-II Bonds maturing June 1, 1997 through June 1, 2011 (the "Refunded 1990B-II Bonds") and the total principal amount of the Series 1991A Bonds maturing June 1, 2000 through June 1, 2011 (the "Refunded 1991A Bonds") as set forth on Exhibit A-1 attached hereto.

"Resolution" shall mean Resolution No. 96-__ adopted by the Issuer on February 27, 1996, as amended and supplemented from time to time, authorizing issuance of the Series 1996 Bonds and the execution and delivery of this Agreement.

"Series 1989 Bonds" shall mean the Issuer's outstanding Water and Sewer Revenue Bonds, Series 1989, authorized to be issued pursuant to the Original Instrument.

"Series 1990B-I Bonds" shall mean the Issuer's outstanding Water and Sewer Revenue Bonds, Series 1990B-I, authorized to be issued pursuant to the Original Instrument.

"Series 1990B-II Bonds" shall mean the Issuer's outstanding Water and Sewer Revenue Bonds, Series 1990B-II, authorized to be issued pursuant to the Original Instrument.

"Series 1991A Bonds" shall mean the Issuer's outstanding Water and Sewer Revenue Bonds, Series 1991A, authorized to be issued pursuant to the Original Instrument.

"Series 1996 Bonds" shall mean the Issuer's Water and Sewer Revenue and Refunding Bonds, Series 1996, authorized pursuant to the Resolution.

"Verification Report" shall mean the Verification Report dated March __, 1996, issued by Deloitte & Touche, LLP, Jacksonville, Florida, independent certified public accountants, in connection with the issuance of the Series 1996 Bonds, a copy of which is attached hereto as Exhibit B and incorporated herein by reference.

Section 2. Recitals.

(a) The Issuer adopted the Resolution for the purpose of authorizing the issuance of the Series 1996 Bonds for the purpose of, among other things, financing the cost of refunding the Refunded Obligations.

(b) The Resolution authorized the Issuer to enter into this Agreement for the purposes expressed therein and herein, and all acts and things have been done and performed to make this Agreement valid and binding for the security of the Refunded Obligations.

(c) The Escrow Holder has the powers and authority of a trust company under the laws of the United States of America and, accordingly, the power to execute the trust hereby created.

Section 3. Deposit of Funds. There is hereby created and established with the Escrow Holder a special account to be known as the "Escrow Account." Simultaneously with the execution and delivery of this Agreement, the Issuer has deposited with the Escrow Holder, for deposit by the Escrow Holder to the Escrow Account, a portion of the proceeds of the Series 1996 Bonds in the amount of \$_____ and \$_____ heretofore held by the Issuer for the payment of the principal of and interest on the Refunded Obligations, totalling \$_____. After such funds are invested to the extent required to purchase the Federal Securities, the uninvested portion of such funds and the principal amount of such Federal Securities and the interest to become due thereon will equal or exceed the Escrow Requirement as of the date of the delivery of this Agreement. Such Federal Securities shall mature and such interest shall be payable on or before the funds represented thereby shall be required for timely payment of the principal of, premium, if any, and interest on the Refunded Obligations as the same shall become due and payable in accordance with their terms as described in the Verification Report.

The Escrow Holder shall hold the Escrow Account as a separate trust account wholly segregated from all other funds held by the Escrow Holder in any capacity and shall make disbursements from the Escrow Account only in accordance with the provisions of this Agreement. The Federal Securities described in the Verification Report shall not be sold or otherwise disposed of or reinvested except as provided in Sections 4 and 8 hereof. The owners of the Refunded Obligations are hereby granted a first and prior lien on the principal of and interest on such Federal Securities until the same shall be used and applied in accordance with the provisions of this Agreement.

Section 4. Use and Investment of Funds. The Escrow Holder acknowledges receipt of the cash described in Section 3 of this Agreement and agrees:

(a) to hold the same in irrevocable escrow for application in the manner provided herein;

(b) to apply such cash and the proceeds of such Federal Securities in the manner provided in this Agreement, and only in such manner;

(c) to invest immediately \$_____ thereof by purchasing the Federal Securities described in the Verification Report [and to reinvest on _____ 1 of each year commencing _____ 1, 19____, and continuing through and including _____ 1, 20____, the respective amounts listed next to the applicable dates shown in the Verification Report by purchasing zero-yield U.S. Treasury

Certificates of Indebtedness--State and Local Government Series maturing on the next succeeding _____ 1];

(d) to retain _____ thereof in cash in the Escrow Account for application as shown in the Verification Report; and

(e) to deposit in the Escrow Account, as received, the principal of all of such Federal Securities described in the Verification Report and any other Federal Securities acquired hereunder which shall mature during the term of this Agreement, all interest which shall be derived during the term of this Agreement from such Federal Securities and any other Federal Securities acquired hereunder, and the proceeds of any sale, transfer, redemption or other disposition of such Federal Securities and any other Federal Securities acquired hereunder.

All moneys held by the Escrow Holder pursuant to any provision of this Agreement, on deposit in the Escrow Account or otherwise, shall at all times be continually secured in the manner provided by Florida law for the securing of municipal funds.

Section 5. Payment of the Refunded Obligations and Expenses. The owners of the Refunded Obligations shall have a first and prior lien on the principal of and interest on the Federal Securities and all moneys held by the Escrow Holder in the Escrow Account, until all such moneys shall be used and applied by the Escrow Holder as provided in paragraph (a) below.

(a) Refunded Obligations. On each date which shall be an interest payment date for any of the Refunded Obligations, the Escrow Holder shall pay to the paying agent for the Refunded Obligations, from the moneys on deposit in the Escrow Account, a sum sufficient to pay that portion of Annual Debt Service due on such date, as shown in the Verification Report. After making such payments from the Escrow Account, the Escrow Holder, upon the written request of the Issuer, signed by the Chairman of the Governing Body, the Clerk of the Governing Body or the County Administrator of the Issuer shall pay to the Issuer any moneys remaining in said account in excess of the Escrow Requirement, for the Issuer to use for any lawful purpose, provided that, prior to any such payment, the Escrow Holder shall have received a verification report prepared by a nationally recognized firm of independent certified public accountants verifying the Escrow Requirement and that such moneys to be paid to the Issuer are in excess of the Escrow Requirement.

(b) Fees and Expenses.

(i) In consideration of the services rendered by the Escrow Holder under this Agreement, the Issuer upon the execution hereof has paid to the Escrow Holder a fee of \$_____ for all services and ordinary expenses to be incurred as Escrow Holder in connection with such services. The term "ordinary expenses" means expenses

of holding, investing and disbursing the Escrow Account as provided herein.

- (ii) The Issuer shall also reimburse the Escrow Holder for any extraordinary expenses incurred by it in connection herewith. The term "extraordinary expenses" includes (a) expenses arising out of the assertion of any third party to any interest in the Escrow Account or any challenge to the validity hereof, including reasonable attorneys' fees, (b) expenses relating to any substitution under Section 8 hereof, and (c) expenses (other than ordinary expenses) not occasioned by the Escrow Holder's misconduct or negligence.
- (iii) The fees and expenses payable by the Issuer under this section shall not be paid from the Escrow Account, but shall be paid by the Issuer as an Operating Expense of the System. The Escrow Holder shall have no lien for the payment of its fees or expenses or otherwise for its benefit on the Escrow Account and hereby waives any rights of set off against the Escrow Account which it may lawfully have or acquire.

Section 6. Notices. The Parity Obligations shall remain outstanding after the issuance of the Series 1996 Bonds. New Amortization Installments have been established for the Refunded 1990B-II Bonds as shown on Exhibit A-2. New CUSIP numbers have been assigned to the Series 1989 Bonds and the Series 1990B-II Bonds. Within thirty (30) days after the issuance of the Series 1996 Bonds, the Escrow Holder shall give or cause to be given notice of the advance refunding of the Refunded Obligations and such new Amortization Installments and CUSIP numbers, which notice shall be substantially in the form of the Notices attached hereto as Exhibits C-1, C-2 and C-3. Such notices shall be sent by registered or certified mail to each owner of Refunded Obligations and Parity Obligations at the address of such owner shown on the registration books maintained by the registrar for the Refunded Obligations and Parity Obligations and to Depository Trust Company of New York, New York, Midwest Securities Trust Company of Chicago, Illinois, and Philadelphia Depository Trust Company of Philadelphia, Pennsylvania, and to one or more national information services that disseminate notices of advance refunding of obligations such as the Refunded Obligations.

The Issuer has called (a) all Refunded 1989 Bonds maturing after June 1, 1997, for redemption on June 1, 1997, at a redemption price of 102% (expressed as a percentage of the principal amount of the Refunded 1989 Bonds to be redeemed) plus accrued interest to the redemption date, (b) all Refunded 1990B-II Bonds for redemption on December 1, 1996, at a redemption price of 103% (expressed as a percentage of the principal amount of the Refunded 1990B-II Bonds to be redeemed), plus accrued interest to the redemption date, and (c) all Refunded 1991A Bonds for redemption on December 1, 1999, at a redemption price of 102% (expressed as a percentage of the principal amount of the Refunded 1991A Bonds to be

redeemed), plus accrued interest to the redemption date. The Issuer hereby irrevocably instructs the Escrow Holder to and the Escrow Holder hereby agrees to give or cause to be given notice of such call for redemption in the manner provided in the resolution of the Issuer pursuant to which the Refunded Obligations were issued.

Section 7. No Redemption or Acceleration of Maturity. The Issuer will not accelerate the maturity of any Refunded 1989 Bonds or exercise any option to redeem any Refunded 1989 Bonds before June 1, 1997. The Issuer will not accelerate the maturity of any Refunded 1990B-II Bonds or exercise any option to redeem any Refunded 1990B-II Bonds before December 1, 1996. The Issuer will not accelerate the maturity of any Refunded 1991A Bonds or exercise any option to redeem any Refunded 1991A Bonds before December 1, 1999.

Section 8. Reinvestment. Except as provided in Section 4 of this Agreement and in this Section, the Escrow Holder shall have no power or duty to invest any funds held under this Agreement or to sell, transfer or otherwise dispose of or make substitutions for any Federal Securities held hereunder.

At the written request of the Issuer and upon compliance with the conditions stated in this Section, the Escrow Holder shall sell, transfer, or otherwise dispose of or request the redemption of any of the Federal Securities acquired hereunder and shall purchase either Refunded Obligations or other Federal Securities to be substituted for such Federal Securities disposed of or redeemed.

The Issuer will not request the Escrow Holder to exercise any of the powers described in the preceding sentence in any manner which will cause the Series 1996 Bonds or the Refunded Obligations to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and the applicable regulations proposed or promulgated thereunder.

The Escrow Holder may, at the written direction of the Issuer, substitute other noncallable Federal Securities ("Substitute Federal Securities") in lieu of the Federal Securities then on deposit in the Escrow Account provided that, prior to any such substitution, the Escrow Holder and the Issuer shall have received:

(a) New debt service and cash flow schedules showing (i) the dates and amounts of all principal, premium, if any, and interest payments thereafter to become due on the Refunded Obligations, (ii) the cash and Federal Securities to be on deposit in the Escrow Account upon making such substitution, (iii) the dates and amounts of maturing principal and interest to be received by the Escrow Holder from such Federal Securities, and (iv) that the cash on hand in the Escrow Account plus cash to be derived from the maturing principal and interest of such Federal Securities shall be sufficient to pay when due all remaining debt service payments on the Refunded Obligations (the most recent debt service and cash flow schedules shall be considered to be the applicable "Debt Service and Cash Flow Schedules");

(b) A new verification report prepared by a nationally recognized firm of independent certified public accountants verifying the accuracy of the new Debt Service and Cash Flow Schedules (the most recent verification report shall be considered to be the applicable "New Verification Report" for purposes hereof); and

(c) An opinion of nationally recognized bond counsel to the effect that such substitution is permissible hereunder, that (based on said new Debt Service and Cash Flow Schedules and New Verification Report as to sufficiency) such substitution will not adversely affect the defeasance of the Refunded Obligations or the exclusion from gross income for federal income tax purposes of the interest payable on the Series 1996 Bonds or the Refunded Obligations.

Section 9. Indemnity. Whether or not any action or transaction authorized or contemplated hereby shall be undertaken or consummated, the Issuer hereby agrees to the extent allowed by Florida law to indemnify, protect, save and keep harmless the Escrow Holder and its respective successors, agents and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and attorneys' disbursements and expenses) of whatsoever kind and nature which may be imposed on, incurred by or asserted against the Escrow Holder at any time, whether or not the same may be indemnified against by the Issuer or any other Person under any other agreement or instrument, by reason of or arising out of the execution and delivery of this Agreement, the establishment of the Escrow Account, the acceptance by the Escrow Holder of the funds herein described, the purchase, retention or disposition of the Federal Securities or the proceeds thereof, or any payment, transfer or other application of funds or securities by the Escrow Holder in accordance with the provisions of this Agreement; provided, however, that the Issuer shall not be required to indemnify the Escrow Holder for any expense, loss, costs, disbursements, damages or liability resulting from its own negligence or misconduct. The indemnities contained in this Section shall survive the termination of this Agreement.

Nothing in this Section contained shall give rise to any liability on the part of the Issuer in favor of any Person other than the Escrow Holder.

Section 10. Responsibilities of Escrow Holder. The Escrow Holder and its respective successors, agents and servants shall not be held to any personal liability whatsoever, in tort, contract or otherwise, by reason of the establishment of the Escrow Account, the acceptance and disposition of the various moneys and funds described herein, the purchase, retention or disposition of the Federal Securities or the proceeds thereof, any payment, transfer or other application of funds or securities by the Escrow Holder when done in accordance with the provisions of this Agreement or by reason of any non-negligent act of the Escrow Holder made in good faith in the conduct of its duties. The Escrow Holder shall, however, be liable to the Issuer and to holders of the Refunded Obligations to the extent of their respective damages for negligent or willful acts, omissions or errors of the Escrow Holder which violate or fail to comply with the terms of this Agreement. The duties and obligations of the Escrow Holder shall

be determined by the express provisions of this Agreement. The Escrow Holder may consult with counsel, who may or may not be counsel to the Issuer, and be entitled to receive from the Issuer reimbursement of the reasonable fees and expenses of such counsel, and in reliance upon the opinion of such counsel have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Holder shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the Issuer.

Section 11. Resignation of Escrow Holder. The Escrow Holder may resign and thereby become discharged from the duties and obligations hereby created, by notice in writing given to the Issuer and published once in a newspaper of general circulation published in the territorial limits of the Issuer, and in a daily newspaper of general circulation or a financial journal published in the Borough of Manhattan, City and State of New York, not less than sixty (60) days before such resignation shall take effect. Such resignation shall take effect immediately upon the appointment of a new Escrow Holder hereunder, if such new Escrow Holder shall be appointed before the time limited by such notice and shall then accept the duties and obligations of the Escrow Holder hereunder.

Section 12. Removal of Escrow Holder.

(a) The Escrow Holder may be removed at any time by an instrument or concurrent instruments in writing, executed by the owners of not less than fifty-one per centum (51%) in aggregate principal amount of the Refunded Obligations then outstanding, such instrument or instruments to be filed with the Issuer, and notice published once in a newspaper of general circulation published in the territorial limits of the Issuer, and in a daily financial journal published in the Borough of Manhattan, City and State of New York, not less than sixty (60) days before such removal is to take effect as stated in said instrument or instruments. A photographic copy of any instrument filed with the Issuer under the provisions of this paragraph shall be delivered by the Issuer to the Escrow Holder.

(b) The Escrow Holder may also be removed at any time by any court of competent jurisdiction upon the application of the Issuer or the owners of not less than five per centum (5%) in aggregate principal amount of the Refunded Obligations then outstanding for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of this Agreement with respect to the duties or obligations of the Escrow Holder.

Section 13. Successor Escrow Holder.

(a) If at any time hereafter the Escrow Holder shall resign, be removed, be dissolved or otherwise become incapable of acting, or shall be taken over by any governmental official, agency, department or board, the position of Escrow Holder shall thereupon become vacant. If the position of Escrow Holder shall become vacant for any of the foregoing reasons

or for any other reason, the Issuer shall appoint a successor Escrow Holder to fill such vacancy. The Issuer shall publish notice of any such appointment once in each week for four (4) successive weeks in a newspaper of general circulation published in the territorial limits of the Issuer and in a daily financial journal published in the Borough of Manhattan, City and State of New York.

(b) At any time within one year after such vacancy shall have occurred, the owners of not less than fifty-one per centum (51%) in aggregate principal amount of Refunded Obligations then outstanding, by an instrument or concurrent instruments in writing, executed by such owners and filed with the Governing Body of the Issuer, may appoint a successor Escrow Holder, which shall supersede any successor Escrow Holder theretofore appointed by the Issuer. Photographic copies of each such instrument shall be promptly delivered by the Issuer to the predecessor Escrow Holder and to the Escrow Holder so appointed by such owners.

(c) If no appointment of a successor Escrow Holder shall be made pursuant to the foregoing provisions of this Section, the owner of any Refunded Obligations then outstanding, or the retiring Escrow Holder may apply to any court of competent jurisdiction to appoint a successor Escrow Holder. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Escrow Holder.

(d) Every successor Escrow Holder appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Issuer an instrument in writing accepting such appointment hereunder, and thereupon such successor Escrow Holder, without any further act, shall become full vested with all of the duties and obligations of its predecessor under this Agreement.

Section 14. Predecessor Escrow Holder. Every predecessor Escrow Holder shall deliver to its successor and also to the Issuer an accounting of all moneys and securities held by it under this Agreement, and shall deliver to its successor all such moneys and securities held by it as Escrow Holder hereunder.

Section 15. Amendments. This Agreement is made for the benefit of the Issuer and the holders from time to time of the Refunded Obligations and it shall not be repealed, revoked, altered or amended without the written consent of all such holders, the Escrow Agent and the Issuer; provided, however, that the Issuer and the Escrow Agent may, without the consent of, or notice to, such holders, enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission in this Agreement;

(b) to grant, or confer upon, the Escrow Agent for the benefit of the holders of the Refunded Obligations, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Escrow Agent; and

(c) to subject to this Agreement additional funds, securities or properties.

The Escrow Agent shall be entitled to rely exclusively upon an unqualified opinion of nationally recognized bond counsel with respect to compliance with this Section 15, including the extent, if any, to which any change, modification or addition affects the rights of the holders of the Refunded Obligations, or that any instrument executed hereunder complies with the conditions and provisions of this Section 15.

Section 16. Notices. All notices, approvals, consents, requests and other communications hereunder shall be in writing and shall be deemed to have been given when mailed or delivered by registered or certified mail, return receipt requested, postage prepaid, and addressed as follows:

If to the Issuer: St. Johns County, Florida
4020 Lewis Speedway
St. Augustine, Florida 32095

Attention: Chairman of the Board of County Commissioners

If to the Escrow Holder: The Bank of New York
c/o The Bank of New York Trust Company of Florida, N.A.
Towermarc Plaza
10161 Centurion Parkway
Jacksonville, Florida 32256

Attention: Corporate Trust Department

The Issuer and the Escrow Holder may, by notice given hereunder, designate any further or different addresses to which subsequent notices, approvals, consents, requests or other communications shall be sent or persons to whose attention the same may be directed.

Section 17. Term. This Agreement shall commence upon its execution and delivery and shall terminate when the Refunded Obligations shall have been paid and discharged in accordance with the proceedings authorizing the Refunded Obligations and all excess moneys have been paid to the Issuer.

Section 18. Severability. If any of the covenants, agreements or provisions of this Agreement on the part of the Issuer or the Escrow Holder to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant, agreement or provision shall be null and void, shall be deemed separable from the remaining covenants, agreements and provisions of this Agreement and shall in no way affect the validity of the remaining covenants, agreements or provisions of this Agreement.

Section 19. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as the original and shall constitute and be but one and the same instrument.

Section 20. Governing Law. This Agreement shall be construed under the laws of the State of Florida.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers and their seals to be hereunto affixed and attested, all as of the ____ day of March, 1996.

ST. JOHNS COUNTY, FLORIDA

(SEAL)

By _____
Chairman of its Board of County
Commissioners

ATTEST:

Clerk of its Board of County
Commissioners

THE BANK OF NEW YORK, as Escrow Holder

By: The Bank of New York Trust Company of
Florida, N.A., its Agent

(SEAL)

By _____
Title: _____

ATTEST:

Title: _____

EXHIBIT A-1

REFUNDED OBLIGATIONS

Refunded 1989 Bonds

The Series 1989 Bonds identified below have been advance refunded in connection with the issuance of the Series 1996 Bonds:

<u>Maturity Date</u> <u>(June 1)</u>	<u>Principal Amount</u> <u>to Be Refunded</u>	<u>Interest</u> <u>Rate</u>
1998	\$380,000	6.50%
1999	405,000	6.55
2000	430,000	6.60
2001	460,000	6.65

Refunded 1990B-II Bonds

The Series 1990B-II Bonds identified below have been advance refunded in connection with the issuance of the Series 1996 Bonds:

<u>Maturity Date</u> <u>(June 1)</u>	<u>Principal Amount</u> <u>to Be Refunded</u>	<u>Interest</u> <u>Rate</u>
1997	\$ 85,000	6.30%
1998	90,000	6.40
1999	95,000	6.50
2000	100,000	6.60
2001	110,000	6.70
2002	115,000	6.80
2005	390,000*	7.00
2011	1,310,000**	7.00

* Represents a portion of the Series 1990B-II Bonds maturing on June 1, 2005. The following is a listing of the portions of each amortization installment attributable to the Series 1990B-II Bonds maturing June 1, 2005, which have been refunded from the proceeds of the Series 1996 Bonds:

<u>Year</u>	<u>Amortization Installment</u>
2003	\$120,000
2004	130,000
2005 (maturity)	140,000

*** Represents a portion of the Series 1990B-II Bonds maturing June 1, 2011. The following is a listing of the portions of each amortization installment attributable to the Series 1990B-II Bonds maturing June 1, 2011, which have been refunded from the proceeds of the Series 1996 Bonds:

<u>Year</u>	<u>Amortization Installment</u>
2006	\$150,000
2007	160,000
2008	170,000
2009	185,000
2010	310,000
2011 (maturity)	335,000

Refunded 1991A Bonds

The Series 1991A Bonds identified below have been advance refunded in connection with the issuance of the Series 1996 Bonds:

<u>Maturity Date (June 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2000	\$ 370,000	6.100%
2001	390,000	6.200
2002	415,000	6.375
2006	1,955,000	6.500
2011	3,265,000	6.500

EXHIBIT A-2

PARITY OBLIGATIONS

Outstanding 1989 Bonds

The Series 1989 Bonds identified below remain outstanding after the issuance of the Series 1996 Bonds:

<u>Maturity Date</u> <u>(June 1)</u>	<u>Principal Amount</u>	<u>Interest</u> <u>Rate</u>
1996	\$ 420,000	6.30%
1997	450,000	6.40
1998	95,000	6.50
1999	105,000	6.55
2000	110,000	6.60
2001	115,000	6.65
2009	5,880,000	5.00

Outstanding 1990B-II Bonds

The Series 1990B-II Bonds identified below remain outstanding after the issuance of the Series 1996 Bonds:

<u>Maturity Date</u> <u>(June 1)</u>	<u>Principal Amount</u>	<u>Interest</u> <u>Rate</u>
1996	\$ 225,000	6.20%
1997	155,000	6.30
1998	165,000	6.40
1999	170,000	6.50
2000	190,000	6.60
2001	205,000	6.70
2002	215,000	6.80
2005	735,000*	7.00
2011	2,430,000**	7.00

* Represents a portion of the Series 1990B-II Bonds maturing on June 1, 2005. The following is a listing of the portions of each amortization installment attributable to the Series 1990B-II Bonds maturing June 1, 2005, which remain outstanding after the issuance of the Series 1996 Bonds:

<u>Year</u>	<u>Amortization Installment</u>
2003	\$230,000
2004	245,000
2005 (maturity)	260,000

** Represents a portion of the Series 1990B-II Bonds maturing on June 1, 2011. The following is a listing of the portions of each amortization installment attributable to the Series 1990B-II Bonds maturing June 1, 2011, which remain outstanding after the issuance of the Series 1996 Bonds:

<u>Year</u>	<u>Amortization Installment</u>
2006	\$275,000
2007	300,000
2008	320,000
2009	340,000
2010	575,000
2011 (maturity)	620,000

Outstanding 1991A Bonds

The Series 1991A Bonds identified below remain outstanding after the issuance of the Series 1996 Bonds:

<u>Serial Bonds</u>		
<u>Maturity Date (June 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
1996	\$300,000	5.75%
1997	310,000	5.80
1998	330,000	5.90
1999	350,000	6.00

Capital Appreciation Bonds

<u>Maturity Date</u> <u>(June 1)</u>	<u>Payment</u> <u>at Maturity</u>	<u>Yield</u>
2012	\$3,625,000	7.00%
2013	3,625,000	7.00
2014	3,625,000	7.00
2015	3,625,000	7.00
2016	3,625,000	7.05
2017	3,625,000	7.05
2018	3,625,000	7.05
2019	3,625,000	7.05
2020	3,625,000	7.05
2021	3,625,000	7.05

EXHIBIT B
VERIFICATION REPORT

EXHIBIT C

NOTICES

EXHIBIT C-1

NOTICE OF ADVANCE REFUNDING AND EXCHANGE OF BONDS

ST. JOHNS COUNTY, FLORIDA WATER AND SEWER REVENUE BONDS SERIES 1989

Notice is hereby given by St. Johns County, Florida (the "Issuer"), that the St. Johns County, Florida, Water and Sewer Revenue Bonds, Series 1989, described below (the "Refunded 1989 Bonds"), have been advance refunded by depositing in irrevocable escrow cash and obligations of the United States of America sufficient to pay the interest on the Refunded 1989 Bonds due before June 1, 1997, as the same shall become payable in accordance with their terms, and for the payment on June 1, 1997, of the principal of, applicable redemption premium and accrued interest on all Refunded 1989 Bonds, which Refunded 1989 Bonds have been called for redemption on June 1, 1997. This notice is not a notice of redemption of the Refunded 1989 Bonds. A notice of redemption of the Refunded 1989 Bonds will be mailed, by registered or certified mail, postage prepaid, at least thirty (30) and not more than sixty (60) days before June 1, 1997, to all registered owners of the Refunded 1989 Bonds or portions of Refunded 1989 Bonds to be redeemed at their addresses as they appear on the bond register maintained in accordance with the provisions of the resolution authorizing the issuance of the Refunded 1989 Bonds.

Refunded 1989 Bonds

The maturity dates, bond numbers (and for each bond number refunded in part only, the principal amount refunded), principal amounts and CUSIP numbers of the Refunded 1989 Bonds are as follows:

<u>Maturity Date</u> <u>June 1</u>	<u>Bond</u> <u>Nos.</u>	<u>Principal</u> <u>Amount</u> <u>Refunded</u>	<u>Total</u> <u>Principal</u> <u>Amount</u>	<u>Current</u> <u>CUSIP No.</u> <u>(790420)</u>
1998		\$380,000	\$475,000	
1999		405,000	510,000	
2000		430,000	540,000	
2001		460,000	575,000	

Exchange of Bonds

The Issuer's Water and Sewer Revenue Bonds, Series 1989, maturing June 1, 1998 through June 1, 2001, have been refunded in part and a part shall remain outstanding. The

portion of such bonds constituting Refunded 1989 Bonds (described above) have been assigned new CUSIP numbers which are set forth below. The portion of such bonds remaining outstanding (the "Outstanding 1989 Bonds") also have been assigned new CUSIP numbers which are set forth below. Holders of the Refunded 1989 Bonds and the Outstanding 1989 Bonds which have been assigned new CUSIP numbers must forward their bonds to _____

New bonds bearing the new, correct CUSIP numbers will be issued to the holders of the Refunded 1989 Bonds and the Outstanding 1989 Bonds. If your bond has been refunded in part you will receive new bonds representing the portion refunded and the portion remaining outstanding bearing the correct CUSIP numbers.

New CUSIP Numbers for Refunded 1989 Bonds

The new CUSIP numbers for the Refunded 1989 Bonds are as follows:

<u>Maturity Date</u> <u>(June 1)</u>	<u>New CUSIP No.</u> <u>(790420)</u>
1998	
1999	
2000	
2001	

New CUSIP Numbers for Outstanding 1989 Bonds

The new CUSIP numbers for the Outstanding 1989 Bonds are as follows:

<u>Maturity Date</u> <u>(June 1)</u>	<u>New CUSIP No.</u> <u>(790420)</u>
1998	
1999	
2000	
2001	

Miscellaneous

The Refunded 1989 Bonds are deemed to be no longer outstanding under the resolution of the Issuer authorizing the issuance of the Refunded 1989 Bonds.

Prior to June 1, 1997, the Issuer will not accelerate the maturity of the Refunded 1989 Bonds or exercise any option to redeem the Refunded 1989 Bonds before maturity.

No representation is made as to the correctness of the CUSIP numbers either as printed on the Refunded 1989 Bonds or the Outstanding 1989 Bonds or as contained herein and reliance may be placed only on the description of the Refunded 1989 Bonds and the Outstanding 1989 Bonds.

Dated: March ____, 1996

ST. JOHNS COUNTY, FLORIDA

EXHIBIT C-2

NOTICE OF ADVANCE REFUNDING, EXCHANGE OF BONDS AND NEW AMORTIZATION INSTALLMENTS FOR CERTAIN BONDS

ST. JOHNS COUNTY, FLORIDA WATER AND SEWER REVENUE BONDS SERIES 1990B-II

Notice is hereby given by St. Johns County, Florida (the "Issuer"), that the St. Johns County, Florida, Water and Sewer Revenue Bonds, Series 1990B-II, described below (the "Refunded 1990B-II Bonds"), have been advance refunded by depositing in irrevocable escrow cash and obligations of the United States of America sufficient to pay the interest on the Refunded 1990B-II Bonds due before December 1, 1996, as the same shall become payable in accordance with their terms, and for the payment on December 1, 1996, of the principal of, applicable redemption premium and accrued interest on all Refunded 1990B-II Bonds, which Refunded 1990B-II Bonds have been called for redemption on December 1, 1996. This notice is not a notice of redemption of the Refunded 1990B-II Bonds. A notice of redemption of the Refunded 1990B-II Bonds will be mailed, by registered or certified mail, postage prepaid, at least thirty (30) and not more than sixty (60) days before December 1, 1996, to all registered owners of the Refunded 1990B-II Bonds or portions of Refunded 1990B-II Bonds to be redeemed at their addresses as they appear on the bond register maintained in accordance with the provisions of the resolution authorizing the issuance of the Refunded 1990B-II Bonds.

Refunded 1990B-II Bonds

The maturity dates, bond numbers (and for each bond number refunded in part only, the principal amount refunded), principal amounts and CUSIP numbers of the Refunded 1990B-II Bonds are as follows:

<u>Maturity Date</u> <u>June 1</u>	<u>Bond</u> <u>Nos.</u>	<u>Principal</u> <u>Amount</u> <u>Refunded</u>	<u>Total</u> <u>Principal</u> <u>Amount</u>	<u>Current</u> <u>CUSIP No.</u> <u>(790420)</u>
1997		\$ 85,000	\$ 240,000	
1998		90,000	255,000	
1999		95,000	265,000	
2000		100,000	290,000	
2001		110,000	315,000	
2002		115,000	330,000	
2005		390,000	1,125,000	
2011		1,310,000	3,740,000	

Exchange of Bonds

Each maturity of the Issuer's Water and Sewer Revenue Bonds, Series 1990B-II, maturing after June 1, 1996, have been refunded in part and a part shall remain outstanding. The portion of such bonds constituting Refunded 1990B-II Bonds (described above) have been assigned new CUSIP numbers which are set forth below. The portion of such bonds remaining outstanding (the "Outstanding 1990B-II Bonds") also have been assigned new CUSIP numbers which are set forth below. Holders of the Refunded 1990B-II Bonds and the Outstanding 1990B-II Bonds which have been assigned new CUSIP numbers must forward their bonds to _____

New bonds bearing the new, correct CUSIP numbers will be issued to the holders of the Refunded 1990B-II Bonds and the Outstanding 1990B-II Bonds. If your bond has been refunded in part you will receive new bonds representing the portion refunded and the portion remaining outstanding bearing the correct CUSIP numbers.

New CUSIP Numbers for Refunded 1990B-II Bonds

The new CUSIP numbers for the Refunded 1990B-II Bonds are as follows:

<u>Maturity Date</u> <u>(June 1)</u>	<u>New CUSIP No.</u> <u>(790420)</u>
1997	
1998	
1999	
2000	
2001	
2002	
2005	
2011	

New CUSIP Numbers for Outstanding 1990B-II Bonds

The new CUSIP numbers for the Outstanding 1990B-II Bonds are as follows:

Maturity Date
(June 1)

New CUSIP No.
(790420)

1997
1998
1999
2000
2001
2002

2005
2011

New Amortization Installments for Certain Outstanding 1990B-II Bonds

In connection with the refunding of the Refunded 1990B-II Bonds new mandatory redemption amortization installments have been established by the Issuer for the Outstanding 1990B-II Bonds, maturing June 1, 2005 and June 1, 2011 (the "Outstanding 1990B-II Term Bonds"), as follows:

The Outstanding 1990B-II Term Bonds maturing on June 1, 2005 and June 1, 2011, are subject to mandatory redemption from sinking fund payments prior to their respective maturity dates, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the redemption date, on June 1, 2003 and June 1, 2006, respectively, and on each June 1 thereafter in the years and principal amounts set forth below:

<u>Outstanding</u> <u>Term Bonds Due 2005</u>		<u>Outstanding</u> <u>Term Bonds Due 2011</u>	
<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2003	\$230,000	2006	\$275,000
2004	245,000	2007	300,000
2005 (maturity)	260,000	2008	320,000
		2008	340,000
		2010	575,000
		2011 (maturity)	620,000

Miscellaneous

The Refunded 1990B-II Bonds are deemed to be no longer outstanding under the resolution of the Issuer authorizing the issuance of the Refunded 1990B-II Bonds.

Prior to December 1, 1996, the Issuer will not accelerate the maturity of the Refunded 1990B-II Bonds or exercise any option to redeem the Refunded 1990B-II Bonds before maturity.

No representation is made as to the correctness of the CUSIP numbers either as printed on the Refunded 1990B-II Bonds or the Outstanding 1990B-II Bonds or as contained herein and reliance may be placed only on the description of the Refunded 1990B-II Bonds and the Outstanding 1990B-II Bonds.

Dated: March ____, 1996

ST. JOHNS COUNTY, FLORIDA

EXHIBIT C-3

NOTICE OF ADVANCE REFUNDING

ST. JOHNS COUNTY, FLORIDA
WATER AND SEWER REVENUE BONDS
SERIES 1991A

Notice is hereby given by St. Johns County, Florida (the "Issuer"), that the St. Johns County, Florida, Water and Sewer Revenue Bonds, Series 1991A, described below (the "Refunded 1991A Bonds"), have been advance refunded by depositing in irrevocable escrow cash and obligations of the United States of America sufficient to pay the interest on the Refunded 1991A Bonds due before December 1, 1999, as the same shall become payable in accordance with their terms, and for the payment on December 1, 1999, of the principal of, applicable redemption premium and accrued interest on all Refunded 1991A Bonds, which Refunded 1991A Bonds have been called for redemption on December 1, 1999. This notice is not a notice of redemption of the Refunded 1991A Bonds. A notice of redemption of the Refunded 1991A Bonds will be mailed, by registered or certified mail, postage prepaid, at least thirty (30) and not more than sixty (60) days before December 1, 1999, to all registered owners of the Refunded 1991A Bonds at their addresses as they appear on the bond register maintained in accordance with the provisions of the resolution authorizing the issuance of the Refunded 1991A Bonds.

The maturity dates, principal amounts and CUSIP numbers of the Refunded 1991A Bonds are as follows:

Maturity Date <u>June 1</u>	Principal Amount <u>Refunded</u>	Current CUSIP No. <u>(790420)</u>
2000	\$ 370,000	
2001	390,000	
2002	415,000	
2006	1,955,000	
2011	3,265,000	

The Refunded 1991A Bonds are deemed to be no longer outstanding under the resolution of the Issuer authorizing the issuance of the Refunded 1991A Bonds.

Prior to December 1, 1999, the Issuer will not accelerate the maturity of the Refunded 1991A Bonds or exercise any option to redeem the Refunded 1991A Bonds before maturity.

No representation is made as to the correctness of the CUSIP numbers either as printed on the Refunded 1991A Bonds or as contained herein and reliance may be placed only on the description of the Refunded 1991A Bonds.

Dated: March ____, 1996

ST. JOHNS COUNTY, FLORIDA

EXHIBIT F

CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by St. Johns County, Florida (the "Issuer"), in connection with the issuance of \$ _____ in aggregate principal amount of St. Johns County, Florida, Water and Sewer Revenue and Refunding Bonds, Series 1996 (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Issuer on February 27, 1996 (the "Resolution"). The Issuer agrees as follows:

SECTION 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer in order to assist the Participating Underwriter (as hereinafter defined) in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission, and a method of obtaining hereafter the most current listing of approved National Repositories, are set forth in Exhibit B.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Florida.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than the date which shall be 270 days after the end of the Issuer's Fiscal Year (presently September 30), commencing with the report for the 1995-1996 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the Repositories an Annual Report (other than the audited financial statements described in Section 3(a)) by the date required in Section 3(a), the Issuer shall send a notice to (i) each National Repository or the Municipal Securities Rule Making Board and (ii) the State Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement relating to the Bonds, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) An update of the following portions of the Official Statement relating to the Bonds: the financial information and operating data of the Issuer contained in the tables under the caption "HISTORICAL AND PROJECTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE". Such update shall include only financial information and operating data for the prior Fiscal Year and shall not include any projections for future Fiscal Years.

The information provided under Section 4(b) may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults.
- (3) Modifications to rights of Bondholders.
- (4) Bond calls.
- (5) Defeasances.
- (6) Rating changes.
- (7) Adverse tax opinions or events affecting the tax-exempt status of the Bonds.

(8) Unscheduled draws on debt service reserves reflecting financial difficulties.

(9) Unscheduled draws on credit enhancements reflecting financial difficulties.

(10) Substitution of credit or liquidity providers or their failure to perform.

(11) Release, substitution or sale of property securing repayment of the Bonds.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly file a notice of such occurrence with (i) each National Repository or the Municipal Securities Rulemaking Board and (ii) the State Repository. Notwithstanding the foregoing, notice of Listed Events described in Sections 5(a)(4) and 5(a)(5) need not be given under this Section 5 any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c) and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate; provided, however, the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution.

SECTION 11. Duties of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate and any agreement between the Issuer and the Dissemination Agent consistent with the terms of this Certificate.

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: St. Johns County, Florida

Name of Bond Issue: St. Johns County, Florida, Water and Sewer
Revenue and Refunding Bonds, Series 1996, dated as
of March 1, 1996

Date of Issuance: March __, 1996

NOTICE IS HEREBY GIVEN that the Issuer has not provided an annual report with respect to the above-referenced Bonds as required by Section 4.8 of the resolution duly adopted by the Issuer on February 27, 1996, authorizing the issuance of the Bonds, and Sections 3 and 4(b) of the Continuing Disclosure Certificate dated March __, 1996, executed and delivered by the Issuer pursuant to Section 4.8 of said resolution. [The Issuer anticipates that the annual report will be filed by _____.]

Dated: _____

ST. JOHNS COUNTY, FLORIDA

By: _____
Name:
Title:

SECTION 12 Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: March __, 1996.

ST. JOHNS COUNTY, FLORIDA

By: _____
Chairman of its Board of County
Commissioners

EXHIBIT B

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission as of March ____, 1996:

Bloomberg Municipal Repository
P.O. Box 840
Princeton, NJ 08542-0840
(609) 279-3200
FAX (609) 279-5962

The Bond Buyer
Attn: Municipal Disclosure
395 Hudson Street
New York, NY 10014
Internet address: Disclosure@muller.com
(212) 807-3814
FAX (212) 989-9282

Disclosure, Inc.
Attn: Document Acquisitions/
Municipal Securities
5161 River Road
Bethesda, MD 20816
(301) 951-1450
FAX (301) 718-2329

Kenny Information Systems, Inc.
Attn: Kenny Repository Service
65 Broadway, 16th Floor
New York, NY 10006
(212) 770-4595
FAX (212) 797-7994

Moody's NRMSIR
Public Finance Information Center
99 Church Street
New York, NY 10007
(800) 339-6306
FAX (212) 553-1460

Donnelly Financial
Municipal Securities
Disclosure Archive
559 Main Street
Hudson, MA 01749
(800) 580-3670

According to a Securities and Exchange Commission press release dated June 26, 1995, a list of the names and addresses of all designated nationally recognized municipal securities information repositories as of any point in time is available by calling the SEC's Fax on Demand Service at (202) 942-8088 from a telecopier machine and requesting document number 0206.