
ST. JOHNS COUNTY, FLORIDA

PONTE VEDRA UTILITY SYSTEM REVENUE BOND RESOLUTION

NO. 2006 - 21

ADOPTED JANUARY 24, 2006

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RESOLUTION NO. 2006 - 21

A RESOLUTION AUTHORIZING THE ISSUANCE OF NOT EXCEEDING \$31,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF ST. JOHNS COUNTY, FLORIDA, PONTE VEDRA UTILITY SYSTEM REVENUE BONDS, SERIES 2006, TO FINANCE THE ACQUISITION OF A NEW WATER AND SEWER SYSTEM TO BE KNOWN AS THE PONTE VEDRA UTILITY SYSTEM AND THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF ADDITIONS, EXTENSIONS AND IMPROVEMENTS THERETO AND CERTAIN WORKING CAPITAL FOR SUCH UTILITY SYSTEM; PROVIDING FOR THE ISSUANCE OF ADDITIONAL UTILITY SYSTEM REVENUE BONDS FROM TIME TO TIME FOR THE PRINCIPAL PURPOSES OF ACQUIRING, CONSTRUCTING AND EQUIPPING VARIOUS CAPITAL IMPROVEMENTS TO THE SUCH UTILITY SYSTEM; PLEDGING THE NET REVENUES OF SUCH UTILITY SYSTEM AND THE MONEYS IN CERTAIN FUNDS AND ACCOUNTS CREATED HEREBY TO SECURE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON BONDS ISSUED HEREUNDER; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF BONDS ISSUED HEREUNDER; MAKING CERTAIN OTHER COVENANTS AND AGREEMENTS IN CONNECTION WITH BONDS ISSUED HEREUNDER; AUTHORIZING THE AWARDING OF SAID SERIES 2006 BONDS PURSUANT TO A NEGOTIATED SALE IN ACCORDANCE WITH CERTAIN PARAMETERS; DELEGATING CERTAIN AUTHORITY TO THE CHAIR OF THE BOARD OF COUNTY COMMISSIONERS OF THE COUNTY AND THE COUNTY ADMINISTRATOR FOR THE AWARD OF SAID SERIES 2006 BONDS AND THE APPROVAL OF THE TERMS AND DETAILS OF SAID SERIES 2006 BONDS; APPOINTING THE PAYING AGENT AND REGISTRAR FOR SAID SERIES 2006 BONDS; AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND THE EXECUTION AND DELIVERY OF AN OFFICIAL STATEMENT WITH RESPECT TO SAID SERIES 2006 BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT AND A CONTINUING DISCLOSURE CERTIFICATE FOR SAID SERIES 2006 BONDS; AUTHORIZING MUNICIPAL BOND INSURANCE FOR SAID SERIES 2006 BONDS; AUTHORIZING A RESERVE ACCOUNT SURETY BOND WITH RESPECT TO SAID SERIES 2006 BONDS; AND PROVIDING FOR AN EFFECTIVE DATE FOR THIS RESOLUTION.

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 semi-annual 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, as amended, and other applicable provisions of law.

“Additional Bonds” shall mean the obligations issued at any time under the provisions of Section 6.02 hereof on a parity with the Series 2006 Bonds.

“Acquisition Contract” shall mean the Agreement to Purchase Water and Wastewater Assets by and between the Issuer and St. Johns Service Company dated as of August 29, 2005, as amended.

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

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

“Annual Debt Service” shall mean the aggregate amount of Debt Service on the Bonds for each applicable Fiscal Year.

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

- (1) (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency

or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

(2) Federal Housing Administration debentures.

(3) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

(a) Federal Home Loan Mortgage Corporation (FHLMC);

(b) Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) - Senior Debt obligations;

(c) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) Consolidated system-wide bonds and notes;

(d) Federal Home Loan Banks (FHL Banks) Consolidated debt obligations;

(e) Federal National Mortgage Association (FNMA) Senior debt obligations mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);

(f) Student Loan Marketing Association (SLMA) Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(g) Financing Corporation (FICO) Debt obligations; and

(h) Resolution Funding Corporation (REFCORP) Debt obligations.

(4) Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated "A-1" or better by S&P.

(5) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million.

(6) Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's.

(7) Money market funds rated "AAm" or "AAm-G" by S&P, or better.

(8) "State Obligations," which means:

(a) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated;

(b) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (a) above and rated "A-1+" by S&P and "MIG-1" by Moody's; and

(c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated "AA" or better by S&P and "Aa" or better by Moody's.

(9) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(a) the municipal obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");

(d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(e) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(f) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(10) Repurchase agreements:

With (i) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by S&P and Moody's; or (ii) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated (or the guarantor of which is rated) "A" or better by S&P and Moody's, *provided* that:

(a) The market value of the securities is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach);

(b) The Paying Agent or a third party acting solely as agent therefor or for the Issuer (the "Holder of the Securities") has possession of the securities or the securities have been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

(c) The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such securities are delivered to the effect that, if the transactions for which provision is made in the repurchase agreement were to be recharacterized as secured loan transactions with the securities constituting collateral therefor, the Holder of the Securities would have a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Securities is in possession);

(d) All other requirements of S&P in respect of repurchase agreements shall be met;

(e) The repurchase agreement shall provide that if during its term the provider's (or its guarantor's) rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the Issuer or the Paying Agent, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Issuer or the Paying Agent.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (a) above, so long as such collateral levels are 103 percent or better and the provider is rated at least "A" by S&P and Moody's, respectively.

(11) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa" by Moody's; *provided* that, by the terms of the investment agreement:

(a) interest payments are to be made to the Paying Agent at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;

(b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Issuer and the Paying Agent hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(c) the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(d) the Issuer or the Paying Agent receives the opinion of domestic counsel (which opinion shall be addressed to the Issuer and the Insurer) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Insurer;

(e) the investment agreement shall provide that if during its term

(i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3," respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Issuer, the Paying Agent or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to

S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment, and

(ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Issuer or the Paying Agent (who shall give such direction if so directed by the Insurer), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Issuer or Paying Agent;

(f) The investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(g) the investment agreement must provide that if during its term

(i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Issuer or the Paying Agent, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Paying Agent, as appropriate, and

(ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Paying Agent, as appropriate.

(12) Authorized Investments shall specifically exclude the use of an investment product whereby a trust department of a bank or other financial institution invests trust assets as a depositor of such bank or financial institution unless such bank or financial institution is rated not less than "AA" by S&P and "Aa" by Moody's throughout the term during which such investment product is used.

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

"Authorized Issuer Officer" shall mean any person authorized by resolution of the Issuer or appointed by certificate of the Chair to perform such act or sign such document.

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

“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. The Bond Insurance Policy in regard to the Series 2006 Bonds shall mean the financial guaranty insurance policy issued by Financial Security insuring the payment when due of the principal of and interest on the Series 2006 Bonds as provided therein.

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

“Bonds” shall mean the Series 2006 Bonds, together with any Additional Bonds issued pursuant to this Resolution and any Subordinated Indebtedness which accedes to the status of Bonds pursuant to Section 6.04 hereof.

“Capital Appreciation Bonds” shall mean those Bonds of a Series so designated under the authority of the Issuer, whether by Supplemental Resolution, purchase contract, or otherwise, which may be either Serial Bonds or Term Bonds and which shall bear interest payable at maturity or redemption. In the case of Capital Appreciation Bonds that are convertible to Bonds with interest payable prior to maturity or redemption of such Bonds, such Bonds shall be considered Capital Appreciation Bonds only during the period of time prior to such conversion.

“Chair” shall mean the Chair 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 authorized by the Clerk to act on his or her behalf.

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

“Construction Fund” shall mean the fund established pursuant to Section 4.03 hereof.

“Consulting Engineers” shall mean any engineering firm of reputation for skill and experience with respect to the construction and operation of facilities similar to the facilities that make up all or a portion of the System, which is duly licensed under the laws of the State of Florida and designated by the Issuer to perform the duties of the Consulting Engineers under the provisions hereof.

“Continuing Disclosure Certificate” shall mean the Continuing Disclosure Certificate of the Issuer with respect to the Series 2006 Bonds, substantially in the form attached hereto as Exhibit B and incorporated herein by reference.

"Cost," when used in connection with a Project, shall mean (1) the Issuer's cost of physical construction; (2) costs of acquisition by or for the Issuer of such Project; (3) costs of land and interests therein and the cost of the Issuer incidental to such acquisition; (4) the cost of any indemnity and surety bonds and premiums for insurance during construction; (5) all interest due to be paid on the Bonds and other obligations relating to the System during the period of acquisition and construction of such Project and for such period subsequent to completion as the Issuer shall determine; (6) engineering, legal and other consultant fees and expenses; (7) costs and expenses of the financing, including audits, fees and expenses of any Paying Agent, Registrar or depository; (8) amounts, if any, required by this Resolution to be paid into the Interest Account upon the issuance of any Series of Bonds; (9) payments, when due (whether at the maturity of principal or the due date of interest or upon redemption) on any indebtedness of the Issuer (other than the Bonds) incurred for a Project for the System; (10) costs of machinery, equipment and supplies and reserves required by the Issuer for the commencement of operation of such Project; and (11) any other costs properly attributable to such construction or acquisition, as determined by generally accepted accounting principles applicable to public utility systems similar to the System, and shall include reimbursement to the Issuer for any such items of Cost heretofore paid by the Issuer and interest on any interfund loan related thereto. Any Supplemental Resolution may provide for additional items to be included in the aforesaid Costs.

"Counterparty" shall mean the entity entering into a Hedge Agreement with the Issuer. Counterparty would also include any guarantor of such entity's obligations under such Hedge Agreement.

"County Administrator" shall mean the County Administrator of the Issuer.

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

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

"Debt Service" shall mean, at any time, the aggregate amount in the then applicable period of time of (1) interest required to be paid on the Outstanding Bonds during such period of time, except to the extent that such interest is to be paid from deposits in the Interest Account or Construction Fund made from Bond proceeds for such purpose, (2) principal of Outstanding Serial Bonds maturing in such period of time, and (3) the Sinking Fund Installments designated with respect to such period of time. For purposes of this definition, (A) all amounts payable on a Capital Appreciation Bond shall be considered a principal payment in the year it becomes due, (B) with respect to debt service on any Bonds which relate to a Qualified Hedge Agreement, interest on such Bonds during the term of such Qualified Hedge Agreement shall be deemed to be the Hedge Payments coming due during such period of time, (C) if any Series of Bonds has 25 percent or more of the aggregate principal amount of such Series coming due in any one year, Debt Service shall be determined on such Series during such period of time as if the principal of

and interest on such Series were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of 25 years from the date of calculation, and (D) the amount on deposit in the Reserve Account (or any subaccount thereof) on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Bonds which are secured by such Reserve Account (or subaccount thereof) and in each preceding year until such amount is exhausted. For purposes of Section 5.04 hereof, clause (C) above shall be applicable only in a Fiscal Year in which principal on a Series of Bonds described in such clause (C) comes due.

"Debt Service Reserve Fund Policy Agreement" shall mean any agreement securing the obligation of the Issuer to repay Policy Costs associated with a Reserve Account Letter of Credit or Reserve Account Insurance Policy.

"Draft Preliminary Official Statement" shall mean the draft preliminary official statement relating to the Series 2006 Bonds, substantially in the form attached hereto as Exhibit C and incorporated herein by reference.

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

"Financial Advisor" shall mean Public Financial Management, Inc. or such other firm designated by the Issuer as such.

"Financial Security" shall mean Financial Security Assurance Inc., a New York domiciled financial guaranty insurance company.

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

"Fitch" means Fitch Ratings and any assigns and successors thereto.

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

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

"Gross Revenues" shall mean all income and moneys received by the Issuer from the rates, fees, rentals, charges and other income to be made and collected by the Issuer for the use of the products, services and facilities to be provided by the System, or otherwise received by the

Issuer or accruing to the Issuer in the management and operation of the System, calculated in accordance with generally accepted accounting principles applicable to public utility systems similar to the System, including, without limiting the generality of the foregoing, (1) proceeds from use and occupancy insurance on the System and (2) Investment Earnings. Notwithstanding the foregoing, "Gross Revenues" shall not include (A) Government Grants, (B) proceeds of Bonds or other Issuer debt, (C) Investment Earnings in the Construction Fund and (D) any gain resulting from the valuation of investment securities or Hedge Agreements at market value and any other gain that does not require or result in the receipt of cash.

"Hedge Agreement" shall mean an agreement in writing between the Issuer and the Counterparty pursuant to which (1) the Issuer agrees to pay to the Counterparty an amount, either at one time or periodically, which may, but is not required to, be determined by reference to the amount of interest (which may be at a fixed or variable rate) payable on a notional amount specified in such agreement during the period specified in such agreement and (2) the Counterparty agrees to pay to the Issuer an amount, either at one time or periodically, which may, but is not required to, be determined by reference to the amount of interest (which may be at a fixed or variable rate) payable on all or a portion of a notional amount specified in such agreement during the period specified in such agreement. Hedge Agreement shall also include any financial product or agreement which is used by the Issuer as a hedging device with respect to its obligations to pay interest on Bonds, or any portion thereof, which is designated by the Issuer as "Hedge Agreement."

"Hedge Payments" shall mean any amounts payable by the Issuer as interest on the related notional amount under a Qualified Hedge Agreement; excluding, however, any payments due as a penalty or a fee or by virtue of termination of a Qualified Hedge Agreement or any obligation to provide collateral.

"Hedge Receipts" shall mean any amounts receivable by the Issuer on the related notional amount under a Qualified Hedge Agreement which shall be deposited into the Interest Account in accordance with Section 4.05(B)(1) hereof.

"Initial Project" shall mean the acquisition by the Issuer of the water and sewer system from St. Johns Service Company pursuant to the Acquisition Contract and the acquisition, construction and equipping of extensions, additions and improvements thereto and the funding of working capital, all as more particularly described in and in accordance with certain plans on file or to be on file with the Issuer.

"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 highest categories (without regard to gradations, such as "+" or "-" or "1, 2 or 3" of such categories) by one of the Rating Agencies. The Insurer of the Series 2006 Bonds shall mean Financial Security.

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

"Interest Date" or "interest payment date" shall be such date or dates for the payment of interest on the Bonds as provided pursuant to Section 2.01 hereof. Notwithstanding the foregoing, the Interest Dates for the Series 2006 Bonds shall be April 1 and October 1 of each year, commencing April 1, 2006 or October 1, 2006, as selected by the Chair or the County Administrator, such selection to be contained in the Purchase Contract.

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

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

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

"Maximum Interest Rate" shall mean, with respect to any particular Variable Rate Bonds, a numerical rate of interest, which shall be set forth in, or determined in accordance with, the Supplemental Resolution of the Issuer authorizing the issuance of such Bonds, that shall be the maximum rate of interest such Bonds may at any particular time bear.

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

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

"Operating Expenses" shall mean the Issuer's expenses for operation, maintenance, repairs and replacements with respect to the System and shall include, without limiting the generality of the foregoing, administration expenses, payments for the purchase of materials essential to or used in the operation of the System including bulk purchases of water or sewage services, fees for the management of the System or any portion thereof, any insurance and surety bond fees, the fees to the provider of a Reserve Account Insurance Policy or Reserve Account Letter of Credit (but excluding any expenses or reimbursement obligations for draws made thereunder), accounting, legal and engineering expenses, ordinary and current rentals of equipment or other property, refunds of moneys lawfully due to others, payments to others for disposal of sewage or other wastes, payments to pension, retirement, health and hospitalization funds, and any other expenses required to be paid for or with respect to proper operation or maintenance of the System, including appropriate reserves therefor, all to the extent properly attributable to the System in accordance with generally accepted accounting principles applicable to public utility systems similar to the System, and disbursements for the expenses, liabilities and compensation of any Paying Agent or Registrar under this 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 service or of Gross Revenues or minor capital expenditures necessary for the proper and economical operation or maintenance of the System, or any provision for interest, depreciation, amortization or similar

charges, or any loss resulting from the valuation of investment securities or Hedge Agreements at market value and any other loss that does not require or result in the expenditure of cash.

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

“Outstanding,” when used with reference to Bonds and as of any particular date, shall describe all Bonds theretofore and thereupon being authenticated and delivered except, (1) any Bond in lieu of which other Bond or Bonds have been issued under agreement to replace lost, mutilated or destroyed Bonds, (2) any Bond surrendered by the Holder thereof in exchange for other Bond or Bonds under Sections 2.05 and 2.07 hereof, (3) Bonds deemed to have been paid pursuant to Section 9.01 hereof and (4) Bonds cancelled after purchase in the open market or because of payment at or redemption prior to maturity.

“Paying Agent” shall mean for each Series of Bonds, the paying agent appointed by the Issuer for such Series of Bonds and its successor or assigns, if any. With respect to the Series 2006 Bonds, the Paying Agent initially shall be as provided in Section 11.02 hereof.

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

“Pledged Funds” shall mean (1) the Net Revenues and (2) until applied in accordance with the provisions of this Resolution, all moneys, including investments thereof, in the funds and accounts established hereunder, except (A) as for the Rebate Fund and the Operation and Maintenance Fund and (B) any moneys set aside in a particular subaccount of the Reserve Account if such moneys shall be pledged solely for the payment of the separate Series of Bonds for which it was established in accordance with the provisions hereof.

“Policy Costs” shall mean, collectively, the repayment of draws, reasonable expenses and interest related to a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit.

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

interest on the bonds or other obligations on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (1) above and are not available to satisfy any other claims, including those against the fiduciary holding the same, and (4) which are rated in the highest rating category (without regard to gradations, such as "+" or "-" or "1, 2 or 3" of such categories) of one of the Rating Agencies.

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

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

"Purchase Contract" shall mean the Bond Purchase Agreement relating to the Series 2006 Bonds to be executed between the Issuer and the Purchaser, substantially in the form attached hereto as Exhibit D and incorporated herein by reference.

"Purchaser" shall mean RBC Dain Rauscher Inc. and Frazer Lanier Company, the expected purchasers of the Series 2006 Bonds.

"Qualified Hedge Agreement" shall mean a Hedge Agreement with a Counterparty that at the time it enters into such Hedge Agreement is rated "A-" or better by Standard & Poor's and "A3" or better by Moody's.

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

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

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

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

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

"Registrar" shall mean for each Series of Bonds, the bond registrar appointed by the Issuer for such Series of Bonds and its successor or assigns, if any. With respect to the Series 2006 Bonds, the Registrar initially shall be as provided in Section 11.02 hereof.

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

"Renewal and Replacement Fund Requirement" shall mean, on the date of calculation, an amount of money equal to (1) five percent of the Gross Revenues received by the Issuer in the immediately preceding Fiscal Year, or (2) such greater or lesser amount as may be recommended to the Issuer by the Consulting Engineers and approved by the Governing Body as an amount appropriate for the purposes of this Resolution, taking into account past performance and existing condition of the System and the probable future System usage requirements, all in keeping with sound management practices.

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

"Reserve Account Insurance Policy" shall mean the insurance policy deposited in the Reserve Account in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.05(B)(4). The municipal bond debt service reserve insurance policy to be issued by Financial Security in connection with the issuance of the Series 2006 Bonds shall constitute a Reserve Account Insurance Policy.

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

"Reserve Account Requirement" shall mean, as of any date of calculation for the Reserve Account, an amount equal to the lesser of (1) Maximum Annual Debt Service for all Outstanding Bonds secured thereby, (2) 125 percent of the average Annual Debt Service for all Outstanding Bonds secured thereby, or (3) the maximum amount of Bond proceeds which may be deposited to the Reserve Account without subjecting the same to yield restriction under the Code, or causing interest on any of the Bonds (other than Taxable Bonds) to be included in gross income for purposes of federal income taxation; *provided, however*, the Issuer may establish by Supplemental Resolution a different Reserve Account Requirement with respect to any particular Series of Bonds that is either not secured by the Reserve Account or is secured by a separate subaccount within the Reserve Account pursuant to Section 4.05(B)(4) hereof. In computing the Reserve Account Requirement in respect of a Series of Bonds that constitutes Variable Rate Bonds, the interest rate on such Bonds shall be assumed to be (A) if such Variable Rate Bonds have been Outstanding for at least 12 months prior to the date of calculation, the highest of (i) the actual rate of interest on the date of calculation, (ii) the average interest rate borne by such Variable Rate Bonds for the 12-month period preceding each date of calculation, and (iii) the *Bond Buyer* 25-Bond Revenue Index most recently published prior to the time of calculation, and (B) if such Variable Rate Bonds have not been Outstanding for at least 12 months prior to the date of calculation, the higher of (i) the actual rate of interest on the date of calculation, and (ii)

the *Bond Buyer* 25-Bond Revenue Index most recently published prior to the time of calculation. The time of calculation of the Reserve Account Requirement for Variable Rate Bonds shall be each October 1.

“Resolution” shall mean this Resolution, as the same may from time to time be amended, modified or supplemented by Supplemental Resolution.

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

“Serial Bonds” shall mean all of the Bonds other than the Term Bonds.

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

“Series 2006 Bonds” shall mean the St. Johns County, Florida, Ponte Vedra Utility System Revenue Bonds, Series 2006, authorized pursuant to Sections 2.01 and 2.02 hereof.

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

“Sinking Fund Installment” shall mean an amount designated as such by this Resolution or by Supplemental Resolution of the Issuer and established with respect to the Term Bonds.

“Standard and Poor’s” or “S&P” shall mean Standard and Poor’s, a division of the McGraw-Hill Companies, Inc., and any assigns and successors thereto.

“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 6.01 hereof or deemed subordinate and junior to the Bonds in accordance with the provisions hereof or in accordance with the provisions of such Subordinated Indebtedness.

“Supplemental Resolution” shall mean any resolution of the Issuer amending or supplementing this Resolution adopted and becoming effective in accordance with the terms of Sections 8.01, 8.02 and 8.03 hereof.

“System” shall mean any and all water production, transmission, treatment and distribution facilities, sewage collection, transmission, treatment and disposal facilities and reclaimed water (reuse) facilities to be acquired pursuant to the Acquisition Contract, which System shall also include any and all improvements, extensions and additions thereto hereafter constructed or acquired either from the proceeds of Bonds or from any other sources, together with all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith, including all contractual rights, rights to capacity and obligations or undertakings associated therewith. Notwithstanding the foregoing, “System” shall also include any other separate utility facilities only if and to the extent the Issuer determines by

Supplemental Resolution to include such separate utility facilities within the System as described herein. "System" shall exclude the Issuer's water and sewer system described as the "System" under the Issuer's Resolution No. 89-84, as amended and supplemented.

"Taxable Bonds" means 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 of the Issuer and which are subject to mandatory redemption by Sinking Fund Installments.

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

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

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

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 masculine gender include every other gender.

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. The Issuer has ascertained and hereby determines that adoption of this Resolution is necessary to carry out the powers, purposes and duties expressly provided in the Act, that each and every matter and thing as to which provision is made herein is necessary in order to carry out and effectuate the purposes of the Issuer in accordance with the Act, and that the powers of the Issuer herein exercised are in each case exercised in accordance with the provisions of the Act and in furtherance of the purposes of the Issuer.

SECTION 1.03 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 a part of the contract of the Issuer with the Holders of the Bonds, and shall be deemed to be and shall constitute a contract between the Issuer, the Holders from time to time of the Bonds and any Insurer or Credit Bank. The pledge made in the 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 said Bonds and any Insurer or Credit Bank, but only in accordance with the terms hereof. All of the Bonds, regardless of the time or times of their

issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or pursuant to this Resolution.

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

(A) The Issuer has heretofore determined that it is necessary and in the best interests of the health, safety and welfare of the Issuer and its inhabitants that the Issuer acquire, operate, maintain, improve, manage and expand the System.

(B) It is necessary and desirable and in the best interests of the Issuer to borrow moneys from time to time to acquire, improve and expand the System.

(C) In order to provide financing with respect to the capital acquisition of the System pursuant to the terms of the Acquisition Contract and the construction of extensions and improvements thereto, it is in the best interests of the Issuer to issue the Series 2006 Bonds to finance the Initial Project.

(D) The most efficient and cost-effective method of acquiring, constructing and equipping the Initial Project is by the issuance of the Series 2006 Bonds secured by the Pledged Funds.

(E) 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 as provided in this Resolution.

(F) The Series 2006 Bonds and any Additional Bonds and Subordinated Indebtedness issued hereunder shall be secured by the Pledged Funds as provided herein and such Pledged Funds have not been pledged or encumbered.

(G) The estimated Gross Revenues to be derived in each year hereafter from the operation of the System will be sufficient to pay all the Operating Expenses, the principal of and interest on the Series 2006 Bonds, as the same become due, and all other payments provided for in this Resolution.

(H) The principal of and interest on the Bonds and any Subordinated Indebtedness to be issued pursuant to this Resolution, and all other payments provided for in this Resolution will be paid solely from the Pledged Funds in accordance with the terms hereof; and the ad valorem taxing power of the Issuer will never be necessary or authorized to pay the principal of and interest on the Bonds and Subordinated Indebtedness to be issued pursuant to this Resolution, or to make any other payments provided for in this Resolution, and neither the Bonds nor any Subordinated Indebtedness shall constitute a lien upon the System or upon any other property whatsoever of or in the Issuer.

(I) The Governing Body is advised that due to the present volatility of the market for tax-exempt public obligations such as the Series 2006 Bonds, it is in the best interest

of the Issuer to sell the Series 2006 Bonds by 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 2006 Bonds, and, accordingly, the Governing Body does hereby find and determine that it is in the best financial interest of the Issuer for the Chair or the County Administrator to accept the expected offer of the Purchaser to purchase the Series 2006 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 2006 Bonds shall be sold to the Purchaser pursuant to the terms and provisions of the Purchase Contract.

(J) The Issuer has advised that because the terms of the Series 2006 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 2.02 of this Resolution, the terms of the Series 2006 Bonds, including their date, maturity dates, interest rates and redemption provisions, to the Chair or the County Administrator in the manner hereinafter provided.

(K) The Issuer has received from the Insurer its commitments to provide a Bond Insurance Policy and Reserve Account Insurance Policy with respect to the Series 2006 Bonds copies of which commitments are attached hereto as Exhibit E and incorporated herein by reference; on behalf of the Issuer, Ben W. Adams, Jr., its County Administrator accepted the Insurer's commitments; and it is in the best financial interest of the Issuer that the Issuer ratify such acceptance of said commitments.

(L) 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 2006 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 2006 Bonds. For this purpose, it is appropriate that the distribution of the preliminary official statement substantially in the form of the Draft Preliminary Official Statement be approved and confirmed and that preparation and distribution of a preliminary official statement and a final official statement be authorized in substantially the form of the Draft Preliminary Official Statement, the final forms thereof to be approved by the Chair at any time at or prior to the issuance of the Series 2006 Bonds, all in the manner hereinafter provided.

(M) It is necessary and appropriate that the Issuer appoint a registrar and a paying agent for the Series 2006 Bonds in order to provide for the services of a Registrar and Paying Agent for the Series 2006 Bonds; it is necessary and appropriate that the Issuer authorize the execution and delivery of an agreement between the Issuer and the Registrar and Paying Agent in the manner hereinafter provided.

(N) In order to provide for compliance with the requirements of Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"), it is necessary and appropriate that the Issuer authorize the execution and delivery of the Continuing Disclosure Certificate in the manner hereinafter provided.

SECTION 1.05 AUTHORIZATION OF INITIAL PROJECT. The acquisition, construction and equipping of the Initial Project are hereby authorized.

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION AND REGISTRATION OF BONDS

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

The Bonds may, if and when authorized by the Issuer pursuant to this 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 issued for such purpose or purposes; shall bear interest at such rate or rates not exceeding the maximum rate permitted by law; and shall be payable in lawful money of the United States of America on such dates; all as determined hereby or by Supplemental Resolution of the Issuer.

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

SECTION 2.02 AUTHORIZATION AND DESCRIPTION OF SERIES 2006 BONDS; AWARD OF THE SERIES 2006 BONDS WITHIN PARAMETERS; REDEMPTION PROVISIONS FOR SERIES 2006 BONDS. (A) A Series of Bonds entitled to the benefit, protection and security of this Resolution is hereby authorized in the aggregate principal amount of not exceeding \$31,000,000 for the principal purpose of financing the acquisition, construction and equipping of the Initial Project. Such Series of Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "St. Johns County, Florida, Ponte Vedra Utility System Revenue Bonds, Series 2006." A negotiated sale of the Series 2006 Bonds is hereby authorized. The Chair or the County Administrator is hereby authorized and directed to award the sale of the Series 2006 Bonds to the Purchaser

within the following parameters (the "Parameters"): the principal amount of the Series 2006 Bonds shall not exceed \$31,000,000; the purchase price (excluding any original issue discount or original issue premium) shall not be less than 99.0 percent of the original principal amount of the Series 2006 Bonds (the "Minimum Purchase Price"); the true interest cost of the Series 2006 Bonds shall not exceed five percent; the final maturity of the Series 2006 Bonds shall not be later than October 1, 2035; the cost of issuance shall be comparable to or less than the current average issuance cost for bonds of similar tenor and amount; the Insurer's commitments to provide a Bond Insurance Policy and Reserve Account Insurance Policy with respect to the Series 2006 Bonds shall be in effect; and the redemption provisions shall be established in accordance with Section 2.02(B) hereof. The proposed form of Purchase Contract presented by the Purchaser, with such omissions, insertions and variations as may be necessary and/or desirable and approved by the Chair or the County Administrator prior to the execution and delivery thereof, is hereby approved; such necessity and/or desirability and approval by the Chair or the County Administrator to be evidenced conclusively by the Chair's or the County Administrator's execution thereof; the Chair or the County Administrator is hereby authorized to accept the offer of the Purchaser to purchase the Series 2006 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 Chair 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 Chair or the County Administrator of a report of the Financial Advisor stating that the final terms of the Series 2006 Bonds are within the Parameters shall constitute conclusive proof that all of the terms and conditions set forth in this Section 2.02 have been fully satisfied. The Series 2006 Bonds shall be dated as of their date of delivery shall be issued in the form of fully registered Bonds in the authorized denomination of \$5,000 or any integral multiple thereof, shall be numbered consecutively from one upward in order of maturity preceded by the letter "R," shall bear interest from their date of delivery, payable on Interest Dates.

Interest on the Series 2006 Bonds shall be payable by check or draft of the Paying Agent made payable and mailed 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 the applicable Interest Date, or, at the request of such Holder, by bank wire transfer to the account of such Holder. Principal of the Series 2006 Bonds is payable to the Holder upon presentation, when due, at the designated corporate trust office of the Paying Agent. The principal of, redemption premium, if any, and interest on the Series 2006 Bonds are payable in lawful money of the United States of America.

The Series 2006 Bonds shall bear interest at such rates and yields, shall mature on October 1 of each of the years and in the principal amounts corresponding to such years, and shall have such redemption provisions as determined by the Chair or the County Administrator subject to the conditions set forth in this Section 2.02. All such terms of the Series 2006 Bonds will be included in the Purchase Contract, subject to acceptance by the Chair or the County Administrator, as described herein. The Chair and the County Administrator's authority hereunder to accept the Purchase Contract shall automatically terminate on July 15, 2006 in the event the Purchase Contract is not executed and delivered by the Issuer by such date. To the

extent the aggregate principal amount of the Series 2006 Bonds issued pursuant to the Purchase Contract is less than \$31,000,000, such additional authorized principal amount hereunder shall be deemed cancelled and rescinded upon the issuance of the Series 2006 Bonds.

(B) The Series 2006 Bonds may be redeemed prior to their respective maturities from any moneys legally available therefor, upon notice as provided in Section 3.03 herein, upon the terms and provisions as determined by the Chair or the County Administrator, in his discretion and upon the advice of the Financial Advisor as provided herein; *provided, however*, with respect to optional redemption terms for the Series 2006 Bonds, if any, the first optional redemption date may be no later than October 1, 2016 and no call premium may exceed two percent of the par amount of that portion of the Series 2006 Bonds to be redeemed. Term Bonds may be established with such Sinking Fund Installments as the Chair or the County Administrator deems appropriate upon the advice of the Financial Advisor as provided herein. The Chair or the County Administrator may determine, in his discretion and upon the advice of the Issuer's Financial Advisor, that the Series 2006 Bonds shall not be subject to any optional, special mandatory or mandatory redemption provisions. The redemption provisions for the Series 2006 Bonds, if any, shall be set forth in the Purchase Contract.

SECTION 2.03 APPLICATION OF BOND PROCEEDS. (A) The proceeds derived from the sale of the Series 2006 Bonds, including premium, if any, shall be applied by the Issuer as follows:

(i) Capitalized interest, if any, shall be deposited to the Interest Account and shall be used only for the purpose of paying the interest which shall thereafter become due on the Series 2006 Bonds. Any capitalized interest shall be held in trust solely for the payment of the Series 2006 Bonds.

(ii) A sufficient amount of Series 2006 Bond proceeds shall be used to pay the premium for the Reserve Account Insurance Policy to be issued by the Insurer, the face amount of which shall equal the Reserve Account Requirement for the Series 2006 Bonds; the premium of the Bond Insurance Policy applicable to the Series 2006 Bonds; and the other costs and expenses relating to the issuance of the Series 2006 Bonds. Such amount or any portion thereof may, at the option of the Issuer, be deposited in and disbursed from the Construction Fund.

(iii) An amount determined by the Chair, upon the advice of the Financial Advisor, not in excess of \$500,000 (such determination to be conclusively evidenced by the delivery of the Series 2006 Bonds) shall be deposited in the Operation and Maintenance Fund for working capital.

(iv) The balance of the Series 2006 Bond proceeds shall be deposited to a separate account in the Construction Fund established with respect to the Initial Project and the Series 2006 Bonds and shall be used to pay Costs of the Initial Project, including the amount necessary to pay the acquisition cost of the System under the Acquisition Contract, which amount may be paid by the Purchaser directly to St. Johns Service Company.

(B) The proceeds of any Series of Additional Bonds shall be applied by the Issuer in accordance with the provisions of the Supplemental Resolution authorizing such Series of Bonds.

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 Chair or any other member of the Governing Body whose facsimile 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. 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 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 shall be cancelled by the Registrar. If any of the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same or cause the Bond to be paid, upon being indemnified as aforesaid, and if such Bonds be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this Section 2.06 shall constitute original, additional contractual obligations on the part of the Issuer whether or not the lost, stolen or

destroyed Bond be at any time found by anyone, and such duplicate Bond shall be entitled to equal and proportionate benefits and rights as to lien on the Pledged Funds to the same extent as all other Bonds issued hereunder.

SECTION 2.07 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 law merchant and the Uniform Commercial Code 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, forthwith (A) following the fifteenth day prior to an Interest Date for such Series; (B) following the fifteenth day next preceding the date of first mailing of notice of redemption of any Bonds of such Series; and (C) at any other time as reasonably requested by the Paying Agent of such Series, shall certify and furnish to such Paying Agent the names, addresses and holdings of Bondholders and any other relevant information reflected in the registration books.

In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the Issuer shall execute and deliver Bonds and the Registrar shall authenticate such Bonds in accordance with the provisions of this Resolution. Execution of Bonds by the Chair and Clerk for purposes of exchanging, replacing or transferring Bonds may occur at the time of

the original delivery of the Series of which such Bonds are a part. All Bonds surrendered in any such exchanges or transfers shall be held by the Registrar in safekeeping until directed by the Issuer to be cancelled by the Registrar. For every such exchange or transfer of Bonds, the Issuer or the Registrar may make a charge sufficient to reimburse it for any tax, fee, expense or other governmental charge required to be paid with respect to such exchange or transfer. The Issuer and the Registrar shall not be obligated to make any such exchange or transfer of Bonds of any Series during the 15 days next preceding an Interest Date on the Bonds of such Series (other than Capital Appreciation Bonds and Variable Rate Bonds), or, in the case of any proposed redemption of Bonds of such Series, then, for the Bonds subject to redemption, during the 15 days next preceding the date of the first mailing of notice of such redemption and continuing until such redemption date.

The Issuer may elect to issue any Bonds as uncertificated registered public obligations (not represented by instruments), commonly known as book-entry obligations, provided it shall establish a system of registration therefor hereby or by Supplemental Resolution. In accordance with Section 2.08 hereof, the Issuer elects to initially provide for a book entry only system of registration for the Series 2006 Bonds.

SECTION 2.08 FULL BOOK ENTRY FOR SERIES 2006 BONDS.

Notwithstanding the provisions set forth in Section 2.07 hereof, the Series 2006 Bonds shall be initially issued in the form of a separate single certificated fully registered Bond for each of the maturities of the Series 2006 Bonds. Upon initial issuance, the ownership of each such Series 2006 Bond shall be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). All of the Outstanding Series 2006 Bonds shall be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC. As long as the Series 2006 Bonds shall be registered in the name of Cede & Co., all payments of principal on the Series 2006 Bonds shall be made by the Paying Agent by check or draft or by bank wire transfer to Cede & Co., as Holder of the Series 2006 Bonds, upon presentation of the Series 2006 Bonds to be paid, to the Paying Agent.

With respect to the Series 2006 Bonds registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, the Issuer, the Registrar and the Paying Agent shall have no responsibility or obligation to any direct or indirect participant in the DTC book-entry program (the "Participants"). Without limiting the immediately preceding sentence, the Issuer, the Registrar and the Paying Agent shall have no responsibility or obligation with respect to (A) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest on the Series 2006 Bonds, (B) the delivery to any Participant or any other Person other than a Bondholder, as shown in the registration books kept by the Registrar, of any notice with respect to the Series 2006 Bonds, including any notice of redemption, or (C) the payment to any Participant or any other Person, other than a Bondholder, as shown in the registration books kept by the Registrar, of any amount with respect to principal of, redemption premium, if any, or interest on the Series 2006 Bonds. The Issuer, the Registrar and the Paying Agent shall treat and consider the Person in whose name each Series 2006 Bond is registered in the registration books kept by the Registrar as the Holder and absolute owner of such Bond for the purpose of payment of principal, redemption premium, if any, and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters

with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent shall pay all principal of, redemption premium, if any, and interest on the Series 2006 Bonds only to or upon the order of the respective Holders, as shown in the registration books kept by the Registrar, or their respective attorneys duly authorized in writing, as provided herein and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal, redemption premium, if any, and interest on the Series 2006 Bonds to the extent of the sum or sums so paid. No Person other than a Holder, as shown in the registration books kept by the Registrar, shall receive a certificated Bond evidencing the obligation of the Issuer to make payments of principal, redemption premium, if any, and interest pursuant to the provisions of this Resolution. Upon delivery by DTC to the Issuer of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in Section 2.07 with respect to transfers during the 15 days next preceding an Interest Date or mailing of notice of redemption, the words "Cede & Co." shall refer to such new nominee of DTC; and upon receipt of such notice, the Issuer shall promptly deliver a copy of the same to the Registrar and the Paying Agent.

Upon (A) receipt by the Issuer of written notice from DTC (i) to the effect that a continuation of the requirement that all of the Outstanding Series 2006 Bonds be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, is not in the best interest of the beneficial owners of the Series 2006 Bonds or (ii) to the effect that DTC is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of DTC hereunder can be found which is willing and able to undertake such functions upon reasonable and customary terms, or (B) determination by the Issuer that such book-entry only system is burdensome or undesirable to the Issuer and compliance by the Issuer of all applicable policies and procedures of DTC regarding discontinuance of the book entry registration system, the Series 2006 Bonds shall no longer be restricted to being registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names Holders shall designate, in accordance with the provisions of this Resolution. In such event, the Issuer shall issue, and the Registrar shall authenticate, transfer and exchange the Series 2006 Bonds of like principal amount and maturity, in denominations of \$5,000 or any integral multiple thereof to the Holders thereof. The foregoing notwithstanding, until such time as participation in the book-entry only system is discontinued, the provisions set forth in the Blanket Letter of Representations previously executed by the Issuer and delivered to DTC shall apply to the payment of principal of, redemption premium, if any, and interest on the Series 2006 Bonds.

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

No. R-_____

\$_____

**UNITED STATES OF AMERICA
STATE OF FLORIDA
ST. JOHNS COUNTY
PONTE VEDRA UTILITY SYSTEM REVENUE BOND,
SERIES 20__**

Interest <u>Rate</u>	Maturity <u>Date</u>	Date of <u>Original Issue</u>	<u>CUSIP</u>
-------------------------	-------------------------	----------------------------------	--------------

Registered Holder: _____

Principal Amount: _____

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

Such Principal Amount and interest and the premium, if any, on this Bond are payable in any coin or currency of the United States of America which, on the respective dates of payment thereof, shall be legal tender for the payment of public and private debts. Such Principal Amount and the premium, if any, on this Bond, are payable at the designated corporate trust office of _____, as Paying Agent. Payment of each installment of interest shall be made to the person in whose name this Bond shall be registered on the registration books of the Issuer maintained by _____, as Registrar, at the close of business on the date which shall be the fifteenth day (whether or not a business day) next preceding each interest payment date and shall be paid by a check of such Paying Agent mailed to such Registered Holder at the address appearing on such registration books or, at the request of such Registered Holder, by bank wire transfer for the account of such Holder. Interest shall be calculated on the basis of a 360-day year of twelve 30-day months.

This Bond is one of an authorized issue of Bonds in the aggregate principal amount of \$_____ (the "Bonds") of like date, tenor and effect, except as to maturity date, interest rate, denomination and number, issued to finance _____, in and for the Issuer, under the authority of and in full compliance with the Constitution and laws of the State of Florida, particularly Chapter 125, Florida Statutes, as amended, the Issuer's Ordinance No. 86-89, as amended, and other applicable provisions of law (the "Act"), and a resolution duly adopted by the Board of County Commissioners of the Issuer, on _____, 2006, as the

same may be amended and supplemented (the "Resolution"), and is subject to all the terms and conditions of the Resolution.

This Bond and the interest hereon are payable solely from and secured by a lien upon and a pledge of (1) the Net Revenues (as defined in the Resolution) to be derived from the operation of the Issuer's Ponte Vedra Utility System (the "System") and (2) until applied in accordance with the provisions of the Resolution, all moneys, including investments thereof, in the funds and accounts established by the Resolution, except (A) as for the Rebate Fund and the Operation and Maintenance Fund and (B) any moneys set aside in a particular subaccount of the Reserve Account established by the Resolution if such moneys shall be pledged solely for the payment of the separate Series of Bonds for which it was established in accordance with the provisions of the Resolution (collectively, the "Pledged Funds"), all in the manner and 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, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF, ARE NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THIS BOND AND THAT SUCH HOLDER SHALL NEVER HAVE THE RIGHT TO REQUIRE OR COMPEL THE EXERCISE OF ANY TAXING POWER OF THE ISSUER, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF, 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 OF ANY OTHER PROPERTY OF THE ISSUER, BUT SHALL CONSTITUTE A LIEN ONLY ON, AND SHALL BE PAYABLE SOLELY FROM, THE PLEDGED FUNDS IN ACCORDANCE WITH THE TERMS OF THE RESOLUTION.

The Issuer may issue additional obligations on parity with the Bonds in accordance with the terms of the Resolution.

[The Issuer has established a book-entry system of registration for the Bonds. Except as specifically provided otherwise in the Resolution, an agent will hold this Bond on behalf of the beneficial owner thereof. By acceptance of a confirmation of purchase, delivery or transfer, the beneficial owner of this Bond shall be deemed to have agreed to such arrangement.]

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 designated corporate trust 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 and maturity shall be issued to the transferee in exchange therefor, and upon the payment of the charges, if any, therein prescribed. The Bonds are issuable in the form of fully registered Bonds in the denomination of \$5,000 and any integral multiple thereof, not exceeding the aggregate principal amount of the Bonds. The Issuer, the Registrar and any Paying Agent may treat the Registered Holder of this Bond as the absolute owner hereof for all purposes, whether or

not this Bond shall be overdue, and shall not be affected by any notice to the contrary. The Issuer shall not be obligated to make any exchange or transfer of the Bonds during the 15 days next preceding an interest payment date or, in the case of any proposed redemption of the Bonds, then, for the Bonds subject to such redemption, during the 15 days next preceding the date of the first mailing of notice of such redemption and continuing until such redemption date.

(INSERT REDEMPTION PROVISIONS)

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

[As long as the book-entry only system is used for determining beneficial ownership of the Bonds, notice of redemption will only be sent to Cede & Co. Cede & Co. will be responsible for notifying the DTC Participants (as defined in the Resolution), who will in turn be responsible for notifying the beneficial owners of the Bonds. Any failure of Cede & Co. to notify any DTC Participant, or of any DTC Participant to notify the beneficial owner of any such notice, will not affect the validity of the redemption of the Bonds.]

Reference to the Resolution and any and all resolutions supplemental thereto and modifications and amendments thereof and to the Act is made for a description of the pledge and covenants securing this Bond, the nature, manner and extent of enforcement of such pledge and covenants, and the rights, duties, immunities and obligations of the Issuer.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen and to be performed precedent to and in 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 laws and Constitution of the State of Florida applicable thereto, and that the issuance of the Bonds does not violate any constitutional or statutory limitations or provisions.

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.

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

IN WITNESS WHEREOF, St. Johns County, Florida, has issued this Bond and has caused the same to be executed by the manual or facsimile signature of the Chair of its Board of County Commissioners, and to be attested 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 Date of Original Issue.

ST. JOHNS COUNTY, FLORIDA

(SEAL)

Chair of its Board of County Commissioners

ATTESTED AND COUNTERSIGNED:

Clerk of its 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

Registrar

By: _____
Authorized Signatory

[Unless this certificate is presented by an authorized representative of The Depository Trust Company to the Issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by the authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.]

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 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.

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

TEN COM -- as tenants in common

TEN ENT -- as tenants by the entireties

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

UNIF TRANS MIN ACT --

(Cust.)

Custodian for _____

under Uniform Transfers to Minors Act of _____
(State)

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

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 45 days prior to the redemption date (unless a shorter time period shall be satisfactory to the Registrar) notify the Registrar of such redemption date and of the principal amount of Bonds to be redeemed. For purposes of any redemption of less than all of the Outstanding Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected not more than 45 days and not less than 35 days prior to the redemption date by the Registrar from the Outstanding Bonds of the maturity or maturities designated by the Issuer by such method as the Registrar shall deem fair and appropriate and which may provide for the selection for redemption of Bonds or portions of Bonds in principal amounts of \$5,000 and integral multiples thereof.

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

SECTION 3.03 NOTICE OF REDEMPTION. Notice of such redemption, which shall specify the Bond or Bonds (or portions thereof) to be redeemed and the date and place for redemption, shall be given by the Registrar on behalf of the Issuer, and (A) shall be filed with the Paying Agents of such Bonds, (B) shall be mailed first class, postage prepaid, not less than 30 days nor more than 45 days prior to the redemption date to all Holders of Bonds to be redeemed at their addresses as they appear on the registration books kept by the Registrar as of the date of mailing of such notice, and (C) shall be furnished at least 35 days prior to the redemption date to the registered securities depositories and two or more nationally recognized municipal bond information services as hereinafter provided in this Section 3.03. Failure to mail such notice to the Holders of the Bonds to be redeemed, or any defect therein, shall not affect the proceedings for redemption of Bonds as to which no such failure or defect has occurred. Failure to mail such notice to such depositories or services shall not affect the proceedings for redemption of Bonds. Such notice shall also be mailed to the Credit Bank for, or the Insurer, if any, of such redeemed Bonds. Failure of any Holder to receive any notice mailed as herein provided shall not affect the proceedings for redemption of such Holder's Bonds. Notice of optional redemption of Bonds shall only be sent if the Issuer reasonably determines it shall have sufficient funds available to pay the Redemption Price of and interest on the Bonds called for redemption on the redemption date.

Each notice of redemption shall state: (1) the CUSIP numbers and any other distinguishing number or letter of all Bonds being redeemed, (2) the original issue date of such Bonds, (3) the maturity date and rate of interest borne by each Bond being redeemed, (4) the redemption date, (5) the Redemption Price, (6) the date on which such notice is mailed, (7) if less than all Outstanding Bonds are to be redeemed, the certificate number (and, in the case of a partial redemption of any Bond, the principal amount) of each Bond to be redeemed, (8) that on such redemption date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable, (9) that the Bonds to be redeemed, whether as a whole or in part, are to be surrendered for payment of the Redemption Price at the designated office of the Registrar at an address specified, (10) the name and telephone number of a person designated by the Registrar to be responsible for such redemption, (11) unless sufficient funds have been set aside by the Issuer for such purpose prior to the mailing of the notice of redemption, that such redemption is conditioned upon the deposit of sufficient funds for such purpose on or prior to the date set for redemption, and (12) any other conditions that must be satisfied prior to such redemption.

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

(A) Each further notice of redemption shall be sent by certified mail or overnight delivery service or telecopy to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds (such depositories now being The Depository Trust Company, New York, New York, Midwest Securities Trust Company, Chicago, Illinois and Philadelphia Depository Trust Company, Philadelphia, Pennsylvania) and to two or more national information services which disseminate notices of prepayment or redemption of obligations such as the Bonds (such information services now being called Financial Information, Inc.'s "Daily Called Bond Service," Jersey City, New Jersey, Kenny Information Service's "Called Bond Service," New York, New York, Moody's "Municipal and Government," New York, New York and Standard & Poor's "Called Bond Record," New York, New York).

(B) Each further notice of redemption shall be sent to such other Person, if any, as shall be required by applicable law or regulation.

The Issuer may provide that a redemption may be contingent upon the occurrence of certain condition(s) and that if such condition(s) do not occur the notice of redemption will be rescinded, provided notice of rescission shall be mailed in the manner described above to all affected Bondholders not later than the date of 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 any authorized denomination of the same Series and maturity, as requested by such Holder in an aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bonds so surrendered.

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

ARTICLE IV

SECURITY, SPECIAL FUNDS AND APPLICATION THEREOF

SECTION 4.01 BONDS NOT TO BE INDEBTEDNESS OF ISSUER. The Bonds shall not be or constitute general obligations or indebtedness of the Issuer as "bonds" within the meaning of any constitutional or statutory provision, but shall be special obligations of the Issuer, payable solely from and secured by a lien upon and pledge of the Pledged Funds, in the manner and to the extent provided in this Resolution. No Holder of any Bond nor any Credit Bank nor any Insurer shall ever have the right to compel the exercise of any ad valorem taxing power to pay such Bond, or be entitled to payment of such Bond from any moneys of the Issuer except from the Pledged Funds in the manner and to the extent provided herein.

SECTION 4.02 SECURITY FOR BONDS. The payment of the principal of or Redemption Price, if applicable, and interest on the Bonds shall be secured forthwith equally and ratably by a pledge of and lien upon the Pledged Funds; *provided, however*, a Series of Bonds may be further secured by a Credit Facility or Bond Insurance Policy in addition to the security provided herein; *provided, further*, that a Series of Bonds may be secured independently of any other Series of Bonds by the establishment of a separate subaccount in the Reserve Account for such Series of Bonds. Credit Banks, Insurers and the issuers of a Reserve Account Insurance Policy and Reserve Account Letter of Credit shall be secured in accordance with the provisions hereof. In addition, the Issuer does hereby irrevocably pledge and grant a lien upon the Pledged Funds to the payment of the Policy Costs in accordance with the provisions hereof; *provided, however*, such pledge and lien shall be junior and subordinate in all respects to the pledge of and lien upon such Pledged Funds granted hereby to the Bondholders. The Issuer does hereby irrevocably pledge the Pledged Funds to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds in accordance with the provisions hereof. Except as otherwise provided by Supplemental Resolution, the obligation of the Issuer to make Hedge Payments to a Counterparty pursuant to a Qualified Hedge Agreement shall be on parity with the

Bonds as to lien on and pledge of the Pledged Funds in accordance with the terms hereof (any other payments related to a Qualified Hedge Agreement, including fees, penalties, termination payments and the obligation to collateralize, shall be Subordinated Indebtedness of the Issuer).

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

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

There shall be paid into the Construction Fund the amounts required to be so paid by the provisions of this 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 each 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.

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

The Issuer covenants that the acquisition, construction and installation of each Project will be completed without delay and in accordance with sound engineering practices. The Issuer shall make disbursements or payments from the Construction Fund to pay the Cost of a Project upon the filing with the Clerk of 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 (if any) 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 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.

Notwithstanding any of the other provisions of this Section 4.03, to the extent that other moneys are not available therefor, amounts in an account of the Construction Fund shall be applied to the payment of principal and interest on the Bonds for which such account was established or to reimburse a provider of a Credit Facility or Bond Insurance Policy for the payment of such principal and interest, when due.

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

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

(A) The "St. Johns County, Florida Ponte Vedra Utility System Revenue Fund."

(B) The "St. Johns County, Florida Ponte Vedra Utility System Operation and Maintenance Fund."

(C) The "St. Johns County, Florida Ponte Vedra Utility System Sinking Fund." The Issuer shall maintain four separate accounts in the Sinking Fund: the "Interest Account," the "Principal Account," the "Term Bonds Redemption Account" and the "Reserve Account."

(D) The "St. Johns County, Florida Ponte Vedra Utility System Renewal and Replacement Fund."

(E) The "St. Johns County, Florida Ponte Vedra Utility System Utility Reserve Fund."

(F) The "St. Johns County, Florida Ponte Vedra Utility System Rebate Fund."

Moneys in the aforementioned funds and accounts (except for moneys in the Rebate Fund and the Operation and Maintenance Fund and except for any moneys set aside in a particular subaccount of the Reserve Account as further provided herein), until applied in accordance with the provisions hereof, shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders.

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

Notwithstanding the foregoing, none of the aforementioned funds and accounts are required to be established prior to the time any such fund or account is required to be funded or otherwise utilized hereunder.

SECTION 4.05 DISPOSITION OF GOVERNMENT GRANTS AND GROSS REVENUES. (A) (1) In the event the Issuer receives a Government Grant, the use and withdrawal of moneys from such Government Grant shall be governed by the terms of the Government Grant and applicable law.

(2) Into the Revenue Fund, the Issuer shall deposit promptly, as received, all Gross Revenues; *provided*, that Investment Earnings shall be retained in the fund or account which provided such earnings or otherwise applied as provided in Section 4.07 hereof.

Moneys in Revenue Fund shall first be used each month to deposit in the Operation and Maintenance Fund such sums as are necessary to pay Operating Expenses for the ensuing month; *provided* the Issuer may transfer moneys from the Revenue Fund to the Operation and Maintenance Fund at any time to pay Operating Expenses to the extent there is a deficiency in the Operation and Maintenance Fund for such purpose. Amounts in the Operation and Maintenance Fund shall be paid out from time to time by the Issuer for Operating Expenses, including any expenses relating to the purchase or redemption of Term Bonds as provided in Section 4.05(B)(3) hereof.

The remaining moneys in the Revenue Fund shall be applied in accordance with Section 4.05(B) hereof.

(B) Any deposits remaining in the Revenue Fund after the aforementioned transfers to the Operation and Maintenance Fund shall be disposed of by the Issuer on or before the 25th day of each month, commencing in the month immediately following the delivery of any of the Bonds to the purchasers thereof, or such later date as hereinafter provided, from the Revenue Fund in the following manner and in the following order of priority:

(1) Interest Account. The Issuer shall deposit or credit to the Interest Account the sum which, together with the balance in said Account, shall equal the interest on all Bonds Outstanding (except as to Capital Appreciation Bonds) accrued and unpaid and to accrue to the end of the then current calendar month. All Hedge Receipts shall be deposited directly to the Interest Account upon receipt. With respect to interest on Bonds which have corresponding Hedge Payments, interest on such Bonds during the term of the Qualified Hedge Agreement shall also be deemed to include the corresponding Hedge Payments. Moneys in the Interest Account shall be applied by the Issuer (a) for deposit with the Paying Agents to pay the interest on the Bonds on or prior to the date the same shall become due and (b) for Hedge Payments. The Issuer shall adjust the amount of the deposit to the Interest Account not later than a month immediately preceding any Interest Date so as to provide sufficient moneys in the Interest Account to pay the interest on the Bonds coming due on such Interest Date. No further deposit need be made to the Interest Account when the moneys therein are equal to the interest coming due on the Outstanding Bonds on the next succeeding Interest Date. With respect to debt service on any Bonds which are subject to a Qualified Hedge Agreement, any Hedge Payments due to the Counterparty to the Qualified Hedge Agreement relating to such Bonds shall be paid to such Counterparty on a parity basis with the aforesaid required payments into the Sinking Fund. In computing the interest on Variable Rate Bonds which shall accrue during a calendar month, the interest rate on such Variable Rate Bonds shall be assumed to be (A) if such Variable Rate Bonds have been Outstanding for at least 24 months prior to the commencement of such calendar month, the highest average interest rate borne by such Variable Rate Bonds for any 30-day period, and (B) if such Variable Rate Bonds have not been Outstanding for at least 24 months prior to the date of calculation, the *Bond Buyer* 25-Bond Revenue Index most recently published prior to the commencement of such calendar month.

(2) Principal Account. Commencing no later than the month which is one year prior to the first principal due date, the Issuer shall next deposit into the Principal Account the sum which, together with the balance in said Account, shall equal the principal amounts on all Bonds Outstanding due and unpaid and that portion of the principal next due which would have accrued on such Bonds during the then current calendar month if such principal amounts were deemed to accrue monthly (assuming that a year consists of 12 equivalent calendar months having 30 days each) except for the Sinking Fund Installments to be deposited pursuant to Section 4.05(B)(3) hereof in equal amounts from the next preceding principal payment due date, or, if there be no such preceding payment due date from a date one year preceding the due date of such principal amount. Moneys in the Principal Account shall be applied by the Issuer for deposit with the Paying Agents to pay the principal of the Bonds on or prior to the date the same shall mature, and for no other purpose. Serial Capital Appreciation Bonds shall be payable from the Principal Account in the years in which such Bonds mature, and monthly payments into the Principal Account on account of such Bonds shall commence in the first month of the respective Bond Years in which such Bonds mature. The Issuer shall adjust the amount of the deposit to the

Principal Account not later than the month immediately preceding any principal payment date so as to provide sufficient moneys in the Principal Account to pay the principal on Bonds becoming due on such principal payment date. No further deposit need be made to the Principal Account when the moneys therein are equal to the principal coming due on the Outstanding Bonds on the next succeeding principal payment date.

(3) Term Bonds Redemption Account. Commencing in the month which is one year prior to the first Sinking Fund Installment due date, there shall be deposited to the Term Bonds Redemption Account the sum which, together with the balance in such Account, shall equal the Sinking Fund Installments on all Bonds Outstanding due and unpaid and that portion of the Sinking Fund Installments of all Bonds Outstanding next due which would have accrued on such Bonds during the then current calendar month if such Sinking Fund Installments were deemed to accrue monthly (assuming that a year consists of 12 equivalent calendar months having 30 days each) in equal amounts from the next preceding Sinking Fund Installment due date, or, if there is no such preceding Sinking Fund Installment due date, from a date one year preceding the due date of such Sinking Fund Installment. Moneys in the Term Bonds Redemption Account shall be used to purchase or redeem Term Bonds in the manner herein provided, and for no other purpose. The Issuer shall adjust the amount of the deposit to the Term Bonds Redemption Account not later than the month immediately preceding any Sinking Fund Installment Date so as to provide sufficient moneys in the Term Bonds Redemption Account to pay the Sinking Fund Installments becoming due on such date. Payments to the Term Bonds Redemption Account shall be on parity with payments to the Principal Account.

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

payment). All expenses in connection with the purchase or redemption of Term Bonds shall be paid by the Issuer from the Operation and Maintenance Fund.

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

Upon the issuance of any Series of Bonds under the terms, limitations and conditions as herein provided, the Issuer shall fund the Reserve Account in an amount at least equal to the applicable Reserve Account Requirement. Such required amount, if any, shall be paid in full or in part from the proceeds of such Series of Bonds or may be accumulated in equal monthly payments to the Reserve Account over a period of months from the date of issuance of such Series of Bonds, which shall not exceed 12 months. In the event moneys in the Reserve Account are accumulated as provided above, (a) the amount in said Reserve Account on the date of delivery of the Additional Bonds shall not be less than the Reserve Account Requirement on all Bonds Outstanding (excluding the Additional Bonds) on such date and (b) the incremental difference between the Reserve Account Requirement on all Bonds Outstanding (excluding the Additional Bonds) on the date of delivery of the Additional Bonds and the Reserve Account Requirement on all such Bonds and the Additional Bonds shall be 50 percent funded upon delivery of the Additional Bonds.

Notwithstanding the foregoing provisions, in lieu of or in substitution of the required deposits into the Reserve Account, the Issuer may cause to be deposited into the Reserve Account a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit for the benefit of the Bondholders in an amount equal to the difference between the Reserve Account Requirement applicable thereto and the sums then on deposit in the Reserve Account, if any. The Issuer may also substitute a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit for cash on deposit in the Reserve Account upon compliance with the terms of this Section 4.05(B)(4). Such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall be payable to the Paying Agent (upon the giving of notice as required thereunder)

on any Interest Date or redemption date on which a deficiency exists which cannot be cured by moneys in any other fund or account held pursuant to this Resolution and available for such purpose. The provider providing such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall be either (a) an insurer whose municipal bond insurance policies insuring the payment, when due, or the principal of and interest on municipal bond issues results in such issues being rated "AAA" by S&P or "Aaa" by Moody's, or (b) a commercial bank, insurance company or other financial institution which has been assigned a rating by S&P of "AA" or by Moody's of "Aa." Any Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall equally secure all Bonds except to the extent a Series of Bonds is secured by a subaccount in the Reserve Account which is pledged solely for the payment of such Series of Bonds as provided in the penultimate paragraph of this Section 4.05(B)(4).

Each Reserve Account Insurance Policy and Reserve Account Letter of Credit shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the provider of the Reserve Account Insurance Policy or Reserve Account Letter of Credit to reimbursement will be further subordinated to cash replenishment of the Reserve Account to an amount equal to the difference between the full original amount available under the Reserve Account Insurance Policy or Reserve Account Letter of Credit and the amount then available for further draws or claims. If (a) the provider of a Reserve Account Insurance Policy or Reserve Account Letter of Credit becomes insolvent or (b) the provider of a Reserve Account Insurance Policy or Reserve Account Letter of Credit defaults in its payment obligations thereunder or (c) the claims-paying ability of the provider of a Reserve Account Insurance Policy falls below a S&P rating of "AAA" or a Moody's rating of "Aaa" or (d) the rating of the provider of a Reserve Account Letter of Credit falls below a S&P "AA" or a Moody's rating of "Aa," the obligation to reimburse the provider of the Reserve Account Insurance Policy or Reserve Account Letter of Credit shall be subordinate to the cash replenishment of the Reserve Account but senior to the payments described in Sections 4.05(B)(6), 4.05(B)(7) and 4.05(B)(8) hereof. Where applicable, the amount available for draws or claims under a Reserve Account Insurance Policy or Reserve Account Letter of Credit may be reduced by the amount of cash or investments deposited in the Reserve Account pursuant to the provisions hereof.

If (a) the revolving reinstatement feature described in the preceding paragraph is suspended or terminated or (b) the rating of the claims paying ability of the provider of a Reserve Account Insurance Policy falls below a S&P rating of "AAA" or a Moody's rating of "Aaa" or (c) the rating of the provider of a Reserve Account Letter of Credit falls below a S&P rating of "AA" or Moody's rating of "Aa," the Issuer shall either (i) deposit into the Reserve Account an amount sufficient to cause the cash or investments on deposit in the Reserve Account to equal the Reserve Account Requirement on all outstanding Bonds, such amount to be paid over the ensuing five years in equal installments deposited at least semi-annually or (ii) replace such instrument with a Reserve Account Insurance Policy or a Reserve Account Letter of Credit meeting the requirements described herein within six months of such occurrence. In the event (a) the rating of the claims-paying ability of the provider of a Reserve Account Insurance Policy falls below "A" or (b) the rating of the provider of a Reserve Account Letter of Credit falls below "A" or (c) the provider of the Reserve Account Insurance Policy or Reserve Account

Letter of Credit becomes insolvent, the Issuer shall either (i) deposit into the Reserve Account an amount sufficient to cause the cash or investments on deposit in the Reserve Account to equal the Reserve Account Requirement on all outstanding Bonds, such amount to be paid over the ensuing year in equal installments on at least a monthly basis or (ii) replace such instrument with a Reserve Account Insurance Policy or Reserve Account Letter of Credit meeting the requirements described herein within six months of such occurrence.

If three days prior to an interest or principal payment date, or such other period of time as shall be required by the terms of the Reserve Account Insurance Policy or Reserve Account Letter of Credit, the Issuer shall determine that a deficiency exists in the amount of moneys available to pay in accordance with the terms hereof interest and/or principal due on the Bonds on such date, the Issuer shall immediately notify (a) the issuer of the applicable Reserve Account Insurance Policy and/or the issuer of the Reserve Account Letter of Credit and submit a demand for payment pursuant to the provisions of such Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit, (b) the Paying Agent, and (c) the Insurer, if any, of the amount of such deficiency and the date on which such payment is due.

In the event the Reserve Account or any subaccount therein contains both a Reserve Account Insurance Policy or Reserve Account Letter of Credit and cash, the cash shall be drawn down completely prior to any draw on the Reserve Account Insurance Policy or Reserve Account Letter of Credit. In the event more than one Reserve Account Insurance Policy or Reserve Account Letter of Credit is on deposit in the Reserve Account, amounts required to be drawn thereon shall be done on a pro-rata basis. The Issuer agrees to pay all Policy Costs owing in regard to any Reserve Account Insurance Policy or Reserve Account Letter of Credit from the Pledged Funds. Pledged Funds shall be applied in accordance with this Section 4.05(B)(4), first, to reimburse the issuer of the Reserve Account Insurance Policy or Reserve Account Letter of Credit for amounts advanced under such instruments, second, replenish any cash deficiencies in the Reserve Account, and, third, to pay the issuer of the Reserve Account Insurance Policy or Reserve Account Letter of Credit applicable expenses and interest on amounts advanced under such instruments. This Resolution shall not be discharged or defeased while any obligations are owing in regard to a Reserve Account Insurance Policy or Reserve Account Letter of Credit on deposit in the Reserve Account. The Issuer agrees not to optionally redeem Bonds unless all amounts owing in regard to a Reserve Account Insurance Policy or Reserve Account Letter of Credit on deposit in the Reserve Account have been paid in full.

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

The term "Paying Agent" as used in this Section 4.05(B)(4) may include one or more Paying Agents for the Outstanding Bonds.

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

The Issuer may also establish a separate subaccount in the Reserve Account for any Series of Bonds and provide a pledge of such subaccount to the payment of such Series of Bonds apart from the pledge provided herein. To the extent a Series of Bonds is secured separately by a subaccount of the Reserve Account, the Holders of such Bonds shall not be secured by any other moneys in the Reserve Account. Moneys in a separate subaccount of the Reserve Account shall be maintained at the Reserve Account Requirement applicable to such Series of Bonds secured by the subaccount; *provided* the Supplemental Resolution authorizing such Series of Bonds may establish the Reserve Account Requirement relating to such separate subaccount of the Reserve Account at such level as the Issuer deems appropriate. In the event the Issuer by Supplemental Resolution establishes the Reserve Account Requirement for a particular Series of Bonds to be zero then it shall not be required to establish a separate subaccount; *provided, however*, such Series of Bonds shall have no lien on or pledge of any moneys on deposit in the Reserve Account. Moneys used to replenish the Reserve Account shall be deposited in the separate subaccounts in the Reserve Account and in the Reserve Account on a pro-rata basis. In the event the Issuer shall maintain a Reserve Account Insurance Policy or Reserve Account Letter of Credit and moneys in such subaccount, the moneys shall be used prior to making any disbursements under such Reserve Account Insurance Policy or Reserve Account Letter of Credit.

The provisions of any Debt Service Reserve Fund Policy Agreements, when executed and delivered, shall be incorporated herein by reference. The provisions of such Agreements shall supersede the provisions hereof to the extent of any conflict herewith.

(5) Renewal and Replacement Fund. Commencing October 1, 2006, there shall be deposited to the Renewal and Replacement Fund monthly such sums as shall be sufficient to pay 1/12 of the Renewal and Replacement Fund Requirement until the amount accumulated in such Fund is equal to the Renewal and Replacement Fund Requirement, taking into account the market value of investments in such Fund. If at any time the balance on deposit in the Renewal and Replacement Fund is in excess of the Renewal and Replacement Fund Requirement, or in the event that the Consulting Engineers shall certify that the Renewal and Replacement Fund Requirement is excessive for the purposes of the Renewal and Replacement Fund, such excess amount as may be on deposit therein may be transferred by the Issuer from the Renewal and Replacement Fund for deposit into the Utility Reserve Fund. The moneys in the Renewal and Replacement Fund shall be applied by the Issuer for the purpose of paying the cost of major extensions, improvements or additions to, or the replacement or renewal of capital assets of, the System, or extraordinary repairs of the System; *provided, however*, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Renewal and Replacement Fund shall be applied for the payment into the Interest Account, the Principal Account, and the Term Bonds Redemption Account when the moneys therein are insufficient to pay the principal of and

interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund for such purpose pursuant to Sections 4.05(B)(8) hereof, together with moneys available in the Reserve Account for such purpose pursuant to Section 4.05(B)(4) hereof, shall be inadequate to fully provide for such insufficiency. Moneys in the Renewal and Replacement Fund may also be transferred to the Operation and Maintenance Fund to fund Operating Expenses to the extent Gross Revenues shall be insufficient for such purpose; *provided, however*, such transfer shall be treated as an interfund loan and shall be repaid from Gross Revenues as described in this Section 4.05(B)(5) within one year from the date of such transfer.

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

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

(8) Utility Reserve Fund. The balance of any Gross Revenues remaining in said Revenue Fund shall be deposited in the Utility Reserve Fund and applied to the payment, on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein shall be insufficient to pay the principal of and interest on the Bonds coming due. Moneys not required to meet such a deficiency shall be deposited to the Reserve Account to make up any deficiency therein, and thereafter to the Rebate Fund to the extent moneys are required to be deposited therein. Thereafter, moneys in the Utility Reserve Fund may be applied for any lawful purpose relating to the System, including, but not limited to, purchase or redemption of Bonds, payment of Subordinated Indebtedness, payment of other obligations incurred with respect to the System, and improvements, renewals and replacements to the System; *provided, however*, that none of such revenues shall ever be used for the purposes provided in this Section 4.05(B)(8) unless all payments required in Sections 4.05(B)(1) through 4.05(B)(6) hereof, including any deficiencies for prior payments, have been made in full to the date of such use.

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

The Issuer, in its discretion, may use moneys in the Principal Account and the Interest Account to purchase or redeem Bonds coming due on the next principal payment date; *provided*

such purchase or redemption does not adversely affect the Issuer's ability to pay the principal or interest coming due on such principal payment date on the Bonds not so purchased or redeemed.

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

In the case of Bonds secured by a Credit Facility, amounts on deposit in the Sinking Fund may be applied as provided in the applicable Supplemental Resolution to reimburse the Credit Bank for amounts drawn under such Credit Facility to pay the principal of, premium, if any, and interest on such Bonds or to pay the purchase price of any such Bonds which are tendered by the holders thereof for payment; *provided* such Credit Facility shall have no priority over Bondholders or an Insurer to amounts on deposit in the Sinking Fund. Other payments due to a Credit Bank in relation to obligations arising under its Credit Facility may be on parity with the Bonds as to source of and security for payment to the extent provided in the Supplemental Resolution relating thereto.

SECTION 4.06 REBATE FUND. Amounts on deposit in the Rebate Fund shall be held in trust by the Issuer and used solely to make required rebates to the United States (except to the extent the same may be transferred to the Revenue Fund) and the Bondholders shall have no right to have the same applied for debt service on the Bonds. For any Series of Bonds for which the rebate requirements of Section 148(f) of the Code are applicable, the Issuer agrees to undertake all actions required of it in its arbitrage certificate relating to such Series of Bonds, including, but not limited to:

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

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

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

(D) keeping such records of the determinations made pursuant to this Section 4.06 as shall be required by the Code, as well as evidence of the fair market value of any investments purchased with proceeds of the Bonds.

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

SECTION 4.07 INVESTMENTS. Moneys on deposit in the Revenue Fund, the Construction Fund, the Sinking Fund, the Operation and Maintenance Fund, the Utility Reserve 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 Operation and Maintenance Fund, the Principal Account, the Interest Account, the Term Bonds Redemption Account, the Renewal and Replacement Fund and the Utility Reserve Fund shall be invested and reinvested by the Issuer in Authorized Investments, maturing not later than the dates on which such moneys will be needed for the purposes of such fund or account. Moneys on deposit in the Reserve Account shall be invested in Authorized Investments, maturing no later than ten years from the date of investment. All investments shall be valued at cost; *provided* that the amounts on deposit in the Reserve Account shall be valued at the market price thereof. Investments in the Reserve Account shall be valued by the Issuer on an annual basis on October 1 of each year.

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

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

Nothing 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 4.08 SEPARATE ACCOUNTS. The moneys required to be accounted for in each of the foregoing funds, accounts and subaccounts established herein may be deposited in a single bank account, and funds allocated to the various funds, accounts and subaccounts established herein may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the moneys on deposit therein and such investments for the various purposes of such funds, accounts and subaccounts as herein provided.

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

COVENANTS

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

SECTION 5.02 OPERATION AND MAINTENANCE. The Issuer will maintain or cause to be maintained the System and all portions thereof in good condition and will operate or cause to be operated the same in an efficient and economical manner, making or causing to be made such expenditures for equipment and for renewals, repairs and replacements as may be proper for the economical operation and maintenance thereof. The Issuer may charge the System a fair allocation of costs incurred by the Issuer's water and sewer system described in the Issuer's Resolution No. 89-84, as amended and supplemented, in the operation and maintenance of the System. 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 5.03 ANNUAL BUDGET. The Issuer shall annually prepare and adopt, prior to the beginning of each Fiscal Year, an Annual Budget in accordance with applicable law. No expenditure for Operating Expenses shall be made in any Fiscal Year in excess of the aggregate amount provided for Operating Expenses in the Annual Budget until the Governing Body shall have approved the increased expenditures 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 year, if it be approved by the Consulting Engineers or Rate Consultant, or otherwise the Annual Budget for the preceding Fiscal Year, shall be deemed to be in effect for such Fiscal Year until the Annual Budget for such Fiscal Year is adopted.

The Issuer 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 or Rate Consultant 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 operation and maintenance to any Credit Bank or Insurer of Bonds who shall file its address with the Clerk and request in writing that copies of all such Annual Budgets and resolutions be furnished to it and shall make available all such Annual Budgets and resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder or Holders of Bonds or to anyone acting for and on behalf of such Holder or Holders; *provided* that any such information furnished to any Holders or to anyone acting for and on their behalf shall be subject to the Issuer's normal charge for furnishing such information.

SECTION 5.04 RATES. The Issuer shall fix, establish, maintain and collect such rates, fees and charges for the product, services and facilities of the System, and revise the same from time to time, whenever necessary, so as always to provide in each Fiscal Year Net Revenues equal to at least 110 percent of the Annual Debt Service becoming due in such Fiscal Year; *provided* such Net Revenues shall be adequate at all times to pay in each Fiscal Year at least 100 percent of (1) the Annual Debt Service becoming due in such Fiscal Year, (2) any amounts required by the terms hereof to be deposited in the Reserve Account or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year to pay Policy Costs, and (3) any amounts required by the terms hereof to be deposited in the Renewal and Replacement Fund.

Such rates, fees or other charges shall not be so reduced so as to be insufficient to provide adequate Net Revenues for the purposes provided therefor by this Resolution.

If, in any Fiscal Year, the Issuer shall fail to comply with the requirements contained in this Section 5.04, it shall cause the Rate Consultant to review its rates, fees, charges, income, Gross Revenues, Operating Expenses and methods of operation and to make written recommendations as to the methods by which the Issuer may promptly seek to comply with the requirements set forth in this Section 5.04. The Issuer shall forthwith commence to implement such recommendations to the extent required so as to cause it to thereafter comply with said requirements. So long as the Issuer implements such recommendations within 120 days of the receipt thereof, the Issuer's failure to comply with this Section 5.04 shall not be considered an Event of Default under Section 7.01 hereof.

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

SECTION 5.06 ANNUAL AUDIT. The Issuer shall, immediately after the close of each Fiscal Year, cause the books, records and accounts relating to the System to be properly audited by a recognized independent firm of certified public accountants, and shall require such accountants to complete their report of such Annual Audit in accordance with applicable law. Each Annual Audit shall be in conformity with generally accepted accounting principles as applied to governmental entities. A copy of each Annual Audit shall regularly be furnished to any Credit Bank or Insurer who shall have furnished its address to the Clerk and requested in writing that the same be furnished to it. A copy of each Annual Audit shall also be made available to any Holder or Holders or to anyone acting for or on their behalf; *provided*, that any such information furnished shall be subject to the Issuer's normal charge for furnishing such information.

SECTION 5.07 NO MORTGAGE OR SALE OF THE SYSTEM. The Issuer irrevocably covenants, binds and obligates itself not to sell, lease, encumber or in any manner dispose of the System as a whole or any substantial part thereof (except as provided below and upon receipt of the written approval of Financial Security, unless (i) the Series 2006 Bonds have

been paid within the meaning of Section 9.01 hereof or have been paid in full and (ii) any amounts due to Financial Security under the terms of Bond Insurance Policy and the Reserve Account Insurance Policy (both in respect of the Series 2006 Bonds) have been paid, in which case the written approval of Financial Security shall not be required) until all of the Bonds and all interest thereon shall have been paid in full or provision for payment has been made in accordance with Section 9.01 hereof.

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

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

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

The transfer of the System as a whole from the control of the Governing Body to some other board or authority which may hereafter be created for such purpose and which constitutes a governmental entity, interest on obligations issued by which are excluded from gross income for purposes of Federal income taxation, shall not be deemed prohibited by this Section 5.07 and such successor board or authority shall fall within the definition of "Issuer" in Section 1.01 hereof.

Notwithstanding the foregoing provisions of this Section 5.07, the Issuer shall have the authority to sell for fair and reasonable consideration any land composing a part of the System which is no longer necessary or useful in the operation of the System and the proceeds derived

from the sale of such land shall be disposed of in accordance with the provisions of the fourth paragraph of this Section 5.07.

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

SECTION 5.08 INSURANCE. The Issuer will carry 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 5.09 NO FREE SERVICE. The Issuer will not render or cause to be rendered any free services of any nature by its System, nor will any preferential rates be established for users of the same class; *provided, however*, the foregoing clause shall not be construed to prevent the Issuer from establishing various classes of users based on any factors deemed necessary or desirable by the Issuer. Whenever the Issuer, including its departments, agencies and instrumentalities, shall avail itself of the product, facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged to the Issuer and any such department, agency or instrumentality. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds to the Revenue Fund sufficient sums to pay such charges. The revenues so received shall be deemed to be Gross Revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other Gross Revenues derived from such operation of the System.

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

SECTION 5.11 COMPULSORY CONNECTIONS. In order better to secure the prompt payment of principal and interest on the Bonds, as well as for the purpose of protecting the health and welfare of the inhabitants of the Issuer, and acting under authority of the general laws of Florida, the Issuer, to the extent permitted by law, will require, where service by the System is available, the owner of every lot or parcel of land within the jurisdiction of the Issuer to connect to the facilities of the System. The Issuer shall establish reasonable rules and regulations regarding such connections and may provide for reasonable exemptions from such connection policy.

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

SECTION 5.13 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 and shall not diminish the security for any of the Bonds Outstanding.

SECTION 5.14 FEDERAL INCOME TAXATION COVENANTS; TAXABLE BONDS. The Issuer covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that it shall not use the proceeds of such Series of Bonds in any manner which would cause the interest on such Series of Bonds to be or become included in gross income for purposes of federal income taxation.

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

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

The Issuer may, if it so elects, issue one or more Series of Taxable Bonds the interest on which is (or may be) 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 interest on any other Bonds theretofore issued hereunder to be or become subject to federal income taxation. The covenants set forth in this Section 5.14 shall not apply to any Taxable Bonds.

SECTION 5.15 NO COMPETING SYSTEMS. To the extent permitted by law, the Issuer will not hereafter grant, or cause, consent to, or allow the granting of, any franchise or permit to any Person for the furnishing of services similar to those provided by the System within the service territory of the System if such franchise or permit will have a material adverse effect on the Issuer's ability to meet its obligations hereunder.

ARTICLE VI

SUBORDINATED INDEBTEDNESS AND ADDITIONAL BONDS

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

SECTION 6.02 ISSUANCE OF ADDITIONAL BONDS. No Additional Bonds, payable 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: (i) financing the Cost of a Project, or the completion thereof, or (ii) refunding any or all Outstanding Bonds, any Subordinated Indebtedness of the Issuer, or any other indebtedness of the Issuer that it may lawfully refund with proceeds of Bonds.

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

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

(B) An independent certified public accountant or the Rate Consultant shall certify to the Issuer that the amount of the Net Revenues received by the Issuer during the immediate preceding Fiscal Year or any 12 consecutive months selected by the Issuer of the 24 months immediately preceding the issuance of said Additional Bonds, adjusted as hereinafter provided, were equal to at least 110 percent of the Maximum Annual Debt Service of the Outstanding Bonds and the Additional Bonds then proposed to be issued; *provided* the amount of the Net Revenues, adjusted as hereinafter provided, received by the Issuer during such 12-month period, will be equal to (1) at least 100 percent of the Maximum Annual Debt Service of the Outstanding Bonds and the Additional Bonds then proposed to be issued, and (2) 100 percent of any amounts required by the terms hereof to be deposited in the Reserve Account or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy to pay any Policy Costs.

(C) For the purpose of determining the Debt Service under this Section 6.02, the interest rate on additional parity Variable Rate Bonds then proposed to be issued shall be deemed to be the *Bond Buyer 25-Bond Revenue Index* most recently published prior to the sale of such Additional Bonds.

(D) For the purpose of determining the Debt Service under this Section 6.02, the interest rate on Outstanding Variable Rate Bonds shall be deemed to be (1) if such Variable Rate Bonds have been Outstanding for at least 12 months prior to the date of sale of such Additional Bonds, the highest of (a) the actual rate of interest borne by such Variable Rate Bonds on the date of sale, and (b) the average interest rate borne by such Variable Rate Bonds during the 12-month period preceding the date of sale, or (2) if such Variable Rate Bonds have not been Outstanding for at least 12 months prior to the date of sale of such Additional Bonds, the higher of (a) the actual rate of interest borne by the Variable Rate Bonds on the date of sale, and (b) the *Bond Buyer 25-Bond Revenue Index* most recently published prior to the sale of such Additional Bonds.

(E) For the purpose of this Section 6.02, the phrase "immediately preceding Fiscal Year or the 12 consecutive months of the 24 months immediately preceding the issuance of said Additional Bonds" shall be sometimes referred to as "12 consecutive months."

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

(1) If the Issuer, prior to the issuance of the proposed Additional Bonds, shall have increased the rates, fees or other charges for the product, services or facilities of the System, the Net Revenues for the 12 consecutive months shall be adjusted to show the Net Revenues which would have been derived from the System in such 12 consecutive months as if such increased

rates, fees or other charges for the product, services or facilities of the System had been in effect during all of such 12 consecutive months.

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

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

(4) In the event the Issuer shall be constructing or acquiring additions, extensions or improvements to the System from the proceeds of such Additional Bonds and shall have established fees, rates or charges to be charged and collected from users of such facilities when service is rendered, such Net Revenues for the 12 consecutive months may be adjusted by adding thereto 100 percent of the Net Revenues estimated by the Rate Consultant to be derived during the first 36 months of operation after completion of the construction or acquisition of said additions, extensions and improvements from the customers of the facilities to be financed by Additional Bonds together with other funds on hand or lawfully obtained for such purpose; *provided* such customers must represent existing occupied structures that will be added to the System upon completion of the proposed additions, extensions or improvements.

(5) If the Issuer shall add new customers subsequent to the commencement of the 12 consecutive months, the Rate Consultant may adjust the Net Revenues to reflect the Net Revenues that would have been received by the Issuer if such customers had been in place for the entire 12 consecutive months.

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

(G) 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. Except as provided in Sections 4.02, 4.05 and 6.02(G) 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. Any Supplemental Resolution authorizing the issuance of Variable Rate Bonds pursuant to this Section 6.02 shall include a provision 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.

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

(I) In addition to all of the other requirements specified in this Section 6.02, the Issuer must comply with any applicable provisions of any financing documents relating to outstanding Subordinated Indebtedness to the extent such provisions impact the ability of the Issuer to issue Additional Bonds.

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

SECTION 6.04 ACCESSION OF SUBORDINATED INDEBTEDNESS TO PARITY STATUS WITH BONDS. The Issuer may provide for the accession of Subordinated Indebtedness to the status of complete parity with the Bonds, if (A) the Issuer shall meet all the requirements imposed upon the issuance of Additional Bonds by Sections 6.02(A) and (B) hereof, assuming for purposes of said requirements, that such Subordinated Indebtedness shall be Additional Bonds, (B) the facilities financed or refinanced by such Subordinated Indebtedness shall be, or become part of, the System, and (C) the Reserve Account, upon such accession, shall contain an amount equal to the Reserve Account Requirement in accordance with Section 4.05(B)(4) hereof. If the aforementioned conditions are satisfied, the Subordinated Indebtedness shall be deemed to have been issued pursuant to this Resolution the same as the Outstanding Bonds, and such Subordinated Indebtedness shall be considered Bonds for all purposes provided in this Resolution.

ARTICLE VII

DEFAULTS AND REMEDIES

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

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

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

(C) The Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in this Resolution on the part of the Issuer to be performed, and such default shall continue for a period of 90 days after written notice of such default shall have been received from the Holders of not less than 25 percent of the aggregate principal amount of Bonds Outstanding. Notwithstanding the foregoing, the Issuer shall not be deemed to be in default hereunder if such default can be cured within a reasonable period of time and if the Issuer in good faith institutes appropriate curative action and diligently pursues such action until default has been corrected.

SECTION 7.02 REMEDIES. Any Holder of Bonds issued under the provisions of this 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 of Florida, 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; *provided, however*, that no Holder, trustee or receiver shall have the right to declare the Bonds immediately due and payable without the consent of any affected Insurers except to the extent the acceleration of any Bonds that bear interest at a variable rate is provided for in a Supplemental Resolution the provisions of which are approved by the Insurers; *provided, further*, that the lien of any such Bonds that bear interest at a variable rate on the Pledged Funds shall be subordinate in all respect to the pledge of the Pledged Funds created by this Resolution if the principal on such Variable Rate Bonds is accelerated.

The Holder or Holders of Bonds in an aggregate principal amount of not less than 25 percent 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 25 percent in aggregate principal amount of Bonds Outstanding and the trust instrument under which the trustee shall have agreed to serve shall be filed with the Issuer and the trustee and notice of such appointment shall be given to all Holders of Bonds in the same manner as notices of redemption are given hereunder. After the appointment of the first trustee hereunder, no further trustees may be appointed; *provided, however*, the Holders of a majority in aggregate principal amount of all the Bonds then Outstanding may remove the trustee initially appointed and appoint a successor and subsequent successors at any time.

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

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

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

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

(A) To the payment of the reasonable and proper charges, expenses and liabilities of the trustee or receiver and Registrar and Paying Agent hereunder;

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

(C) To the payment of the interest (including Hedge Payments) 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 (including Hedge Payments) then due, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference;

SECOND: to the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due at maturity or upon mandatory redemption prior to maturity (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of Section 9.01 of this 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 (including Hedge Payments) 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.

(D) To the payment of all amounts owed to the Insurers not covered by A, B or C above and all amounts owed to Counterparties not covered by A, B or C above.

SECTION 7.07 **CONTROL BY INSURER OR CREDIT BANK.** To the extent an Insurer or a Credit Bank makes any payment of principal of or interest on Bonds in

accordance with its Bond Insurance Policy or Credit Facility, such Insurer or Credit Bank shall become subrogated to the rights of the recipients of such payments in accordance with the terms of its Bond Insurance Policy or its agreement relating to its Credit Facility. Upon the occurrence and continuance of an Event of Default, an Insurer or Credit Bank of a Series of Bonds, if such Insurer or Credit Bank shall not be in payment default under its Bond Insurance Policy or its Credit Facility, shall be deemed to be the sole owner of such Bonds for purposes of (A) directing and controlling the enforcement of all rights and remedies with respect to such Series of Bonds, including any waiver of an Event of Default and removal of any trustee, and (B) exercising any voting right or privilege or giving any consent or direction or taking any other action that the Holders of such Bonds are entitled to take pursuant to this Article VII hereof. No provision expressly recognizing or granting rights in or to an Insurer or Credit Bank shall be modified without the consent of such Insurer or Credit Bank. An Insurer's or Credit Bank's rights under this Section 7.07 shall be suspended during any period in which such Insurer or Credit Bank is in default in its payment obligations under its Bond Insurance Policy or Credit Facility (except to the extent of amounts previously paid by such Insurer or Credit Bank and due and owing to such Insurer or Credit Bank) and shall be of no force or effect if its Bond Insurance Policy or Credit Facility is no longer in effect or if the Insurer or Credit Bank asserts that its Bond Insurance Policy or Credit Facility is not in effect or if the Insurer or Credit Bank waives such rights in writing. The rights granted to an Insurer or Credit Bank under this Section 7.07 are granted in consideration of such Insurer or Credit Bank issuing its Bond Insurance Policy or Credit Facility. The Issuer shall provide each Insurer or Credit Bank immediate notice of any Event of Default described in Section 7.01(A) hereof and notice of any other Event of Default occurring hereunder within 30 days of the occurrence thereof. Each Insurer of or Credit Bank with respect to any Bonds hereunder shall be considered a third-party beneficiary to the Resolution with respect to such Bonds.

ARTICLE VIII

SUPPLEMENTAL RESOLUTIONS

SECTION 8.01 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 by the Issuer or to surrender any right or power herein reserved to or conferred upon the Issuer.

(E) To specify and determine the matters and things referred to in Sections 2.01 or 2.02 hereof, including the issuance of Additional Bonds, 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 at any time prior to the first delivery of such Bonds.

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

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

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

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

SECTION 8.02 SUPPLEMENTAL RESOLUTION WITH BONDHOLDERS' AND INSURER'S OR CREDIT BANK'S CONSENT. Subject to the terms and provisions contained in this Section 8.02 and Sections 8.01 and 8.03 hereof, the Holder or Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in this Resolution to the contrary notwithstanding, to consent to and approve the adoption of such Supplemental 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 8.02. Any Supplemental Resolution which is adopted in accordance with the provisions of this Section 8.02 shall also require the written consent of the Insurer or Credit Bank with respect to 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, without the consent of all affected Bondholders, (A) an extension of the maturity of the principal of or the payment of the interest on any Bond issued hereunder, (B) reduction in the principal amount of any Bond or the Redemption Price or the rate of interest thereon, (C) the creation of a lien upon or a pledge of the Pledged Funds other than the lien and pledge created by this Resolution or except as otherwise permitted or provided hereby which materially adversely affects any Bondholders, (D) a preference or priority of any Bond or Bonds over any other Bond or Bonds (except as to the establishment of separate subaccounts in the Reserve Account provided in Section 4.05(B)(4) hereof), or (E) a reduction in the aggregate principal amount of the Bonds

required for consent to such Supplemental Resolution. Nothing herein contained, however, shall be construed as making necessary the approval by Bondholders or the Insurer of the adoption of any Supplemental Resolution as authorized in Section 8.01 hereof.

If at any time the Issuer shall determine that it is necessary or desirable to adopt any Supplemental Resolution pursuant to this Section 8.02, 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. 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 8.02 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 8.02.

Whenever the Issuer shall deliver to the Clerk an instrument or instruments in writing purporting to be executed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental 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 8.02, 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 8.03 AMENDMENT WITH CONSENT OF INSURER OR CREDIT BANK ONLY. For purposes of amending this Resolution pursuant to Section 8.02 hereof, an Insurer of or Credit Bank with respect to Bonds shall be considered the Holder of such Bonds which it has insured, *provided* such Bonds, at the time of the adoption of the amendment, shall be rated by the Rating Agencies which shall have rated such Bonds at the time such Bonds were insured no lower than the ratings assigned thereto by such Rating Agencies on such date of being insured. The consent of the Holders of such Bonds shall not be required if the Insurer of or Credit Bank with respect to such Bonds shall consent to the amendment as provided by this

Section 8.03. Prior to adoption of any amendment made pursuant to this Section 8.03, notice of such amendment shall be delivered to the rating agencies rating the Bonds. Upon filing with the Clerk of evidence of such consent the Insurer or Insurers or Credit Bank(s) 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 notices of an amendment under Section 8.02 hereof.

ARTICLE IX

DEFEASANCE

SECTION 9.01 **DEFEASANCE.** If (A) the Issuer shall pay or cause to be paid or there shall otherwise be paid to the Holders of any Series of Bonds the principal and interest or Redemption Price due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, and (B) the Issuer shall pay all Policy Costs owing to any provider of a Reserve Account Letter of Credit or Reserve Account Insurance Policy and all amounts owing to the Insurers and the Credit Banks, and all covenants, agreements and other obligations of the Issuer to the holders of such Series of Bonds, 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 this Resolution which are not required for payment or redemption of any Series of Bonds not theretofore surrendered for such payment or redemption.

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

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

If Bonds are not to be redeemed or paid within 60 days after any such defeasance described in this Section 9.01, the Issuer shall cause the Registrar to mail a notice to the Holders of such Bonds that the deposit required by this Section 9.01 of moneys or Refunding Securities has been made and said Bonds are deemed to be paid in accordance with the provisions of this Section 9.01 and stating such maturity date upon which moneys are to be available for the payment of the principal of and interest on or redemption price of said Bonds. Failure to provide said notice shall not affect the Bonds being deemed to have been paid in accordance with the provisions of this Section 9.01.

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

Notwithstanding anything herein to the contrary, in the event that the principal of or interest due on the Bonds shall be paid by an Insurer or Insurers or Credit Bank(s) and such Insurer or Credit Bank shall not have been reimbursed by the Issuer, such Bonds shall remain Outstanding, shall not be defeased or otherwise satisfied and shall not be considered paid by the Issuer, and the pledge of the Pledged Funds and all covenants, agreements and other obligations of the Issuer to the Bondholders shall continue to exist and such Insurer or Insurers or Credit Bank(s) shall be subrogated to the rights of such Bondholders.

ARTICLE X

PROVISIONS RELATING TO THE BOND INSURANCE POLICY, INSURER AND RESERVE ACCOUNT INSURANCE POLICY THE SERIES 2006 BONDS

(A) The following provisions relating to the Bond Insurance Policy relating to the Series 2006 Bonds shall apply to the Series 2006 Bonds so long as the payment obligations of Financial Security under the Bond Insurance Policy have been satisfied and any Series 2006 Bonds shall remain Outstanding:

(1) If, on the third business day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Issuer, after making all transfers and deposits required under this Resolution, moneys sufficient to pay the principal of and interest on the Series 2006 Bonds due on such Payment Date, the Issuer shall give notice to Financial Security and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such business day. If, on the second business day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series 2006 Bonds due on such Payment Date, the Issuer shall notify the Paying Agent and cause the Paying Agent to make a claim under the Bond Insurance Policy and give notice to Financial Security and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 2006 Bonds and the amount required to pay principal of the Series 2006 Bonds, confirmed in writing to Financial Security and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second business day by filling in the form of Notice of Claim and Certificate delivered with the Bond Insurance Policy.

(2) In the event the claim to be made is for a mandatory sinking fund redemption installment, upon receipt of the moneys due, the Paying Agent shall authenticate and deliver to affected Series 2006 Bondholders who surrender their Series 2006 Bonds a new Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Series 2006 Bond surrendered. The Paying Agent shall designate any portion of payment of principal on Series 2006 Bonds paid by Financial Security, whether by virtue of mandatory sinking fund redemption or maturity on its books as a reduction in the principal amount of Series 2006 Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Series 2006 Bond to Financial Security, registered in the name of Financial Security Assurance Inc., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); *provided* that the Paying Agent's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Issuer on any Series 2006 Bond or the subrogation rights of Financial Security.

(3) The Paying Agent shall keep a complete and accurate record of all funds deposited by Financial Security into the hereinafter defined Policy Payments Account referenced below and the allocation of such funds to payment of interest on and principal paid in respect of any Series 2006 Bond. Financial Security shall have the right to inspect such records at reasonable times upon reasonable notice to the Paying Agent.

(4) Upon payment of a claim under the Bond Insurance Policy, the Paying Agent shall establish a separate special purpose trust account for the benefit of the Series 2006 Bondholders referred to herein as the "Policy Payments Account" and over which the Paying Agent shall have exclusive control and sole right of withdrawal. The Paying Agent shall receive any amount paid under the Bond Insurance Policy in trust on behalf of the Series 2006 Bondholders and shall deposit any such amount in the Policy

Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Paying Agent to Series 2006 Bondholders in the same manner as principal and interest payments are to be made with respect to the Series 2006 Bonds under the terms hereof regarding payment of Series 2006 Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything to the contrary otherwise set forth herein, and to the extent permitted by law, in the event amounts paid under the Bond Insurance Policy are applied to claims for payment of principal of or interest on the Series 2006 Bonds, interest on such principal of and interest on such Series 2006 Bonds shall accrue and be payable from the date of such payment at the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank or its successor at its principal office in the City of New York, as its prime or base lending rate plus 3 percent, and (ii) the then applicable rate of interest on the Series 2006 Bonds; *provided* that in no event shall such rate exceed the maximum rate permissible under applicable usury or similar laws limiting interest rates.

(5) Funds held in the Policy Payments Account shall not be invested by the Paying Agent and may not be applied to satisfy any costs, expenses or liabilities of the Paying Agent. Any funds remaining in the Policy Payments Account following a Series 2006 Bond Payment Date shall promptly be remitted to Financial Security.

(6) Financial Security shall, to the extent it makes any payment of principal of or interest on the Series 2006 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy. The obligations to Financial Security shall survive discharge or termination of this Resolution.

(7) The Issuer shall pay or reimburse Financial Security, to the extent permitted by law, any and all charges, fees, costs and expenses which Financial Security may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security herein; (ii) the pursuit of any remedies hereunder or any other related document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related hereto, or any other related document whether or not executed or completed, (iv) the violation by the Issuer of any law, rule or regulation, or any judgment, order or decree applicable to it or (v) any litigation or other dispute in connection herewith or any other related document or the transactions contemplated thereby, other than amounts resulting from the failure of Financial Security to honor its obligations under the Bond Insurance Policy. Financial Security reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect hereof or any other related document. Any such amounts shall be payable solely out of the Pledged Funds in accordance with the terms of this Resolution.

(8) Financial Security shall be entitled to pay principal or interest on the Series 2006 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer, whether or not Financial Security has received a Notice of

Nonpayment (as such terms are defined in the Bond Insurance Policy) or a claim upon the Bond Insurance Policy.

(9) The notice address of Financial Security is: Financial Security Assurance Inc., 31 West 52nd Street, New York, New York 10019, Attention: Managing Director B Surveillance; Re: Policy No. [insert Policy No.], Telephone: (212) 826-0100, Telecopier: (212) 339-3556. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(10) Financial Security shall be provided with the following information at no charge:

(i) Annual audited financial statements within 60 days after the completion of the Issuer's annual audit (and in any event within 270 days of the end of the Issuer's Fiscal Year) and the Issuer's Annual Budget and revised budget within 60 days after the approval thereof together with such other information, data or reports as Financial Security shall reasonably request from time to time;

(ii) Notice of any draw upon the Reserve Account within two business days after knowledge thereof other than (a) withdrawals of amounts in excess of the Reserve Account Requirement and (b) withdrawals in connection with a refunding of Bonds;

(iii) Notice of any default known to the Paying Agent or the Issuer within five business days after knowledge thereof;

(iv) Prior notice of the advance refunding or redemption of any of the Series 2006 Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(v) Notice of the resignation or removal of the Paying Agent and the appointment of, and acceptance of duties by, any successor thereto;

(vi) Notice of the commencement of any proceeding by or against the Issuer commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(vii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Series 2006 Bonds;

(viii) A full original transcript of all proceedings relating to the issuance and delivery of the Series 2006 Bonds and any related documents; and

(ix) All reports, notices and correspondence to be delivered under the terms hereof or any related documents.

(11) Financial Security is considered a third party beneficiary under this Resolution.

(12) Copies of any modification or amendment hereto shall be sent to Standard & Poor's and Moody's at least 10 days prior to the effective date thereof.

(13) The rights granted to Financial Security hereunder to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Bond Insurance Policy. Any exercise by Financial Security of such rights is merely an exercise of Financial Security's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Series 2006 Bondholders nor does such action evidence any position of Financial Security, positive or negative, as to whether the Series 2006 Bondholder consent is required in addition to consent of Financial Security.

(14) Amounts paid by Financial Security under the Bond Insurance Policy shall not be deemed paid for purposes hereof and shall remain Outstanding and continue to be due and owing until paid by the Issuer in accordance herewith.

(15) Financial Security shall be deemed to be the sole holder of the Series 2006 Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking of any other action that the holders of the Series 2006 Bonds insured by it are entitled to take pursuant to Article VII hereof and the provisions of this Resolution pertaining to the duties and obligations of the Paying Agent or trustee, if any.

(16) This Resolution shall not be discharged unless all amounts due or to become due to Financial Security have been paid in full or duly provided for.

(17) No contract shall be entered into by the Issuer nor any action taken by the Issuer by which the rights of Financial Security or security for or sources of payment of the Series 2006 Bonds may be materially impaired or materially prejudiced except upon obtaining the prior written consent of Financial Security.

(18) Notwithstanding the provisions of Section 9.01 hereof, to accomplish the defeasance of the Series 2006 Bonds, the Issuer shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to Financial Security ("Accountant") verifying the sufficiency of the escrow established to pay the Series 2006 Bonds in full on the maturity or redemption date ("Verification"), (ii) an escrow deposit agreement (which shall be acceptable in form and substance to Financial Security), and (iii) an opinion of nationally recognized bond counsel to the effect that the Series 2006 Bonds are no longer "Outstanding" hereunder, each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Issuer, the Paying Agent and Financial

Security. Financial Security shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow. Series 2006 Bonds shall be deemed "Outstanding" hereunder unless and until they are in fact paid and retired or the above criteria and the other criteria set forth in Section 9.01 are met.

(19) The Issuer covenants and agrees to take such action as is necessary from time to time to otherwise preserve the priority of the pledge of the Pledged Funds under applicable law.

(20) Notwithstanding satisfaction of other conditions to the issuance of Additional Bonds contained herein, no such issuance may occur (i) should any Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) have occurred and be continuing unless such default shall be cured upon such issuance and (ii) unless the Reserve Account is fully funded at its requirement (including the new issue) upon the issuance of such Additional Bonds, in either case unless otherwise permitted by Financial Security.

(21) In determining whether any amendment, consent or other action to be taken, or any failure to act, under this Resolution would adversely affect the security for the Series 2006 Bonds or the rights of the Series 2006 Bondholders, the Paying Agent and the Issuer shall consider the effect of any such amendment, consent, action or inaction as if there were no Bond Insurance Policy.

(22) No Variable Rate Bonds shall be issued pursuant hereto without the consent of Financial Security.

(B) The following provisions relating to the Reserve Account Insurance Policy shall apply to the Series 2006 Bonds so long as the payment obligations of Financial Security under the Reserve Account Insurance Policy for the Series 2006 Bonds have been satisfied and any Series 2006 Bonds shall remain Outstanding:

(1) The Issuer shall repay any draws under the Reserve Account Insurance Policy and pay all related reasonable expenses incurred by Financial Security. Interest shall accrue and be payable on such draws and expenses from the date of payment by Financial Security at the Late Payment Rate. "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3 percent and (ii) the then applicable highest rate of interest on the Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as Financial Security shall specify.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively in this subsection (B), "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to Financial Security shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to Financial Security on account of principal due, the coverage under the Reserve Account Insurance Policy will be increased by a like amount, subject to the terms of the Reserve Account Insurance Policy.

All cash and investments in the Reserve Account established for the Series 2006 Bonds (the "Reserve Fund") shall be transferred to the Principal Account, Interest Account and Term Bond Redemption Account for payment of debt service on Series 2006 Bonds before any drawing may be made on the Reserve Account Insurance Policy or any other credit facility credited to the Reserve Account in lieu of cash ("Credit Facility"). Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including for purposes of this subsection (B) the Reserve Account Insurance Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Account. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Account.

(2) If the Issuer shall fail to pay any Policy Costs in accordance with the requirements of Paragraph (1) above, Financial Security shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided hereunder, other than (i) acceleration of the maturity of the Series 2006 Bonds or (ii) remedies which would adversely affect owners of the Series 2006 Bonds.

(3) This Resolution shall not be discharged until all Policy Costs owing to Financial Security shall have been paid in full. The Issuer's obligation to pay such amounts shall expressly survive payment in full of the Bonds. Such obligation shall be payable solely out of the Pledged Funds in accordance with the terms of this Resolution.

(4) The Issuer shall ascertain the necessity for a claim upon the Reserve Account Insurance Policy and shall provide notice to Financial Security in accordance with the terms of the Reserve Account Insurance Policy at least five business days prior to each date upon which interest or principal is due on the Series 2006 Bonds. The Issuer shall give notice to Financial Security of any failure to make timely payment in full of monthly deposits required pursuant to Section 4.05(B)(1), (2) or (3) hereof within two business days of the date due.

ARTICLE XI
PROVISIONS RELATING TO SERIES 2006 BONDS

SECTION 11.01 PRELIMINARY OFFICIAL STATEMENT; OFFICIAL STATEMENT. (A) The Issuer hereby authorizes the distribution and use of the preliminary official statement in substantially the form of the Draft Preliminary Official Statement attached hereto as Exhibit C in connection with the offering of the Series 2006 Bonds for sale. If between the date hereof and the mailing of the preliminary official statement, it is necessary to make insertions, modifications or changes in the Draft Preliminary Official Statement, the Chair is hereby authorized to approve such insertions, changes and modifications. The Chair is hereby authorized to deem the preliminary official statement "final" within the meaning of Rule 15c2-12(b)(1) under the Securities Exchange Act of 1934 in the form as mailed. Execution of a certificate by the Chair deeming the preliminary official statement "final" as described above shall be conclusive evidence of the approval of any insertions, changes or modifications.

(B) Subject in all respects with the satisfaction of the conditions set forth in Section 2.02 hereof, the Chair is hereby authorized and directed to execute and deliver a final Official Statement, dated the date of the execution of the Purchase Contract, which shall be in substantially the form of the preliminary official statement relating to the Series 2006 Bonds, in the name and on behalf of the Issuer, and thereupon to cause such Official Statement to be delivered to the Purchaser with such changes, amendments, modifications, omissions and additions as may be approved by the Chair. Said Official Statement, including any such changes, amendments, modifications, omissions and additions as approved by the Chair, and the information contained therein are hereby authorized to be used in connection with the sale of the Series 2006 Bonds to the public. Execution by the Chair of the Official Statement shall be deemed to be conclusive evidence of approval of such changes.

SECTION 11.02 APPOINTMENT OF PAYING AGENT AND REGISTRAR. J.P. Morgan Trust Company, National Association, is hereby designated Registrar and Paying Agent for the Series 2006 Bonds. The Chair is hereby authorized to enter into any agreement which may be necessary to effect the transactions contemplated by this Section 11.02 and by this Resolution. The Issuer is hereby authorized to enter into an agreement with the Paying Agent and Registrar relating to its duties hereunder

SECTION 11.03 SECONDARY MARKET DISCLOSURE. Subject to the satisfaction in all respects with the conditions set forth in Section 2.02 hereof, the Issuer hereby covenants and agrees that, in order to provide for compliance by the Issuer with the secondary market disclosure requirements of the Rule 15c2-12, it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate to be executed by the Issuer and dated the date of issuance of the Series 2006 Bonds, as it may be amended from time to time in accordance with the terms thereof. The Continuing Disclosure Certificate shall be substantially in the form of Exhibit B hereto with such changes, amendments, modifications, omissions and additions as shall be approved by the Chair who is hereby authorized to execute and deliver such Certificate. Notwithstanding any other provision of this Resolution, failure of the Issuer to comply with such Continuing Disclosure Certificate shall not be considered an Event of Default under this Resolution; *provided, however*, to the extent permitted by law, the sole and exclusive remedy of

any Series 2006 Bondholder for the enforcement of the provisions of the Continuing Disclosure Certificate shall be an action for mandamus or specific performance, as applicable, by court order, to cause the Issuer to comply with its obligations under this Section 11.03 and the Continuing Disclosure Certificate. For purposes of this Section 11.03, "Series 2006 Bondholder" shall mean any person who (A) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2006 Bonds (including persons holding such Bonds through nominees, depositories or other intermediaries), or (B) is treated as the owner of any such Bond for federal income tax purposes.

SECTION 11.04 RATIFICATION OF ACCEPTANCE OF INSURANCE COMMITMENTS. The Issuer hereby ratifies the acceptance of the Insurer's commitments to provide a Bond Insurance Policy and Reserve Account Insurance Policy with respect to the Series 2006 Bonds, copies of which commitments are attached hereto as Exhibit E. Financial Security is hereby designated as the Insurer for the Series 2006 Bonds. The Reserve Account Insurance Policy issued by the Insurer shall be in the amount specified in the Reserve Account Insurance Policy. Such amount shall equal not less than the Reserve Account Requirement for the Series 2006 Bonds.

The Chair is hereby authorized to execute and deliver the Debt Service Reserve Fund Policy Agreement with respect to the Series 2006 Bonds, with such omissions, insertions and variations as may be necessary and/or desirable and approved by the Chair prior to the delivery thereof, such necessity and/or desirability and approval by the Chair to be presumed by the Chair's execution and delivery thereof.

ARTICLE XII

MISCELLANEOUS

SECTION 12.01 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 12.02 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 12.03 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 12.04 VALIDATION AUTHORIZED. To the extent deemed necessary by Bond Counsel or desirable by the County Attorney, Bond Counsel is authorized to institute appropriate proceedings for validation of a Series of Bonds herein authorized pursuant to Chapter 75, Florida Statutes, as amended.

SECTION 12.05 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 reasonably required by Bond Counsel or the initial purchasers of the Bonds to effectuate the sale and delivery of the Bonds.

SECTION 12.06 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 or any 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 12.07 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, the Credit Bank and the Holders thereof 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, the Credit Bank and the Persons who shall from time to time be the Holders.

SECTION 12.08 REPEAL OF INCONSISTENT RESOLUTIONS. All resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

SECTION 12.09 EFFECTIVE DATE. This Resolution shall become effective immediately upon its passage and adoption.

PASSED AND ADOPTED this 24th day of January, 2006.

(OFFICIAL SEAL)

BOARD OF COUNTY COMMISSIONERS
OF ST. JOHNS COUNTY, FLORIDA

James E. Bryant
Chair

ATTEST:

Cheryl Strickland
Cheryl Strickland, Clerk of the Circuit Court of
St. Johns County, ex officio Clerk of the Board
of County Commissioners



EXHIBIT A

FORM OF DEBT SERVICE RESERVE FUND POLICY AGREEMENT

See form of _____ Agreement included in the commitment of the Insurer relating to the Reserve Account Insurance Policy, which commitment is attached hereto as Exhibit E.

EXHIBIT B

FORM OF 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 its \$_____ St. Johns County, Florida, Ponte Vedra Utility System Revenue Bonds, Series 2006 (the "Series 2006 Bonds"). The Series 2006 Bonds are being issued pursuant to the Issuer's Resolution No. 2006-____, adopted by the Issuer on January 24, 2006, as the same may be amended and supplemented from time to time (the "Resolution"). The Issuer covenants and agrees as follows:

SECTION 1. PURPOSE OF DISCLOSURE CERTIFICATE. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Series 2006 Bondholders and in order to assist the original underwriters of the Series 2006 Bonds in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934 (the "Rule").

SECTION 2. PROVISION OF ANNUAL INFORMATION. Except as otherwise provided herein, the Issuer shall provide to all of the nationally recognized municipal securities information repositories described in Section 4 hereof (the "NRMSIRs"), to any state information depository that is established within the State of Florida (the "SID") and to _____ (the "Insurer"), on or before June 30 of each year, commencing June 30, 2006, the information set forth below in this Section 2. Notwithstanding the immediately preceding sentence, to the extent any such information does not become available to the Issuer before June 30 of any year, the Issuer shall provide such information when it becomes available, but no later than one year following the end of the Issuer's Fiscal Year.

(A) The Issuer's Comprehensive Annual Financial Report for the immediately preceding Fiscal Year (the "CAFR"), which shall include the audited financial statements of the Issuer for the immediately preceding Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, as modified by applicable State of Florida requirements and the governmental accounting standards promulgated by the Government Accounting Standards Board; provided, however, if the audited financial statements of the Issuer are not completed prior to June 30 of any year, the Issuer shall provide unaudited financial statements on such date and shall provide the audited financial statements as soon as practicable following their completion; and

(B) To the extent not set forth in the CAFR, additional financial information and operating data of the type included with respect to the Issuer in the final official statement prepared in connection with the sale and issuance of the Series 2006 Bonds (as amended, the "Official Statement"), as set forth below:

1. Updates of the following information set forth under the heading "THE PONTE VEDRA UTILITY SYSTEM" in the Official Statement:

- (a) Table entitled "Water Rates" (p. __);
- (b) Table entitled "Wastewater Rates" (p. __);
- (c) Table entitled "Water Operating Results" (p. __)
- (d) Table entitled "Wastewater Operating Results " (p. __); and
- (e) Table entitled "Historical Financials" (p. __).

2. Description of any additional indebtedness secured in whole or in part from the Pledged Funds (as defined in the Official Statement).

For purposes of this Disclosure Certificate, "Fiscal Year" means the period commencing on October 1 and ending on September 30 of the next succeeding year, or such other period of time provided by applicable law.

SECTION 3. REPORTING SIGNIFICANT EVENTS. The Issuer shall provide to the NRMSIRs or the Municipal Securities Rulemaking Board (the "MSRB"), to the SID and to the Insurer, on a timely basis, notice of any of the following events, if such event is material with respect to the Series 2006 Bonds or the Issuer's ability to satisfy its payment obligations with respect to the Series 2006 Bonds:

- (A) Principal and interest payment delinquencies;
- (B) Non-payment related defaults;
- (C) Unscheduled draws on the debt service reserve fund reflecting financial difficulties;
- (D) Unscheduled draws on credit enhancement reflecting financial difficulties;
- (E) Substitution of credit or liquidity providers, or their failure to perform;
- (F) Adverse tax opinions or events affecting the tax-exempt status of the Series 2006 Bonds;
- (G) Modifications to rights of Series 2006 Bondholders;
- (H) Calls on the Series 2006 Bonds;
- (I) Defeasance of the Series 2006 Bonds;

(J) Release, substitution, or sale of property securing repayment of the Series 2006 Bonds;

(K) Rating changes; and

(L) Notice of any failure on the part of the Issuer or any other Obligated Person (as defined herein) to meet the requirements of Section 2 hereof.

The Issuer may from time to time, in its discretion, choose to provide notice of the occurrence of certain other events, in addition to those listed in this Section 3, if, in the judgment of the Issuer, such other events are material with respect to the Series 2006 Bonds, but the Issuer does not specifically undertake to commit to provide any such additional notice of the occurrence of any material event except those events listed above.

Whenever the Issuer obtains knowledge of the occurrence of a significant event described in this Section 3, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities law to holders of Series 2006 Bonds, provided, that any event under clause (L) above will always be deemed to be material.

SECTION 4. NRMSIRs. The NRMSIRs to which the Issuer shall provide the information described in Sections 2 and 3 above, to the extent required, shall be the NRMSIRs then existing on the date such information is provided in accordance with the terms of this Disclosure Certificate. The following organizations are the NRMSIRs in existence on the date hereof:

(A) Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: 609/279-3225
Fax: 609/279-5962
Email: Munis@Bloomberg.com

(B) FT Interactive Data
Attn: NRMSIR
100 Williams Street
New York, New York 10038
Phone: 212/771-6999
Fax: 212/771-7390 (Secondary Market Information)
212/771-7391 (Primary Market Information)
Email: NRMSIR@FTID.com

(C) Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, New York 10041
Phone: 212/438-4595
Fax: 212/438-3975
Email: nrmsir_repository@sandp.com

(D) DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024
Phone: 201/346-0701
Fax: 201/947-0107
Email: nrmsir@dpcdata.com

(E) Any NRMSIRs that are established subsequently and approved by the SEC.

(F) A list of the names and addresses of all designated NRMSIRs as of any date may currently be obtained by calling the SEC's Fax on Demand Service at 202/942-8088 and requesting document number 0206 or by visiting the SEC's website at "www.sec.gov/info/municipal/nrmsir.htm." However, in lieu of filing with the NRMSIRs and SID, if any, the Issuer may provide the required information to:

Disclosure USA
P.O. Box 684667
Austin, Texas 78768-4667
<http://www.disclosureusa.org>
Fax: (512) 476-6403

SECTION 5. NO EVENT OF DEFAULT. Notwithstanding any other provision in the Resolution to the contrary, failure of the Issuer to comply with the provisions of this Disclosure Certificate shall not be considered an event of default under the Resolution. To the extent permitted by law, the sole and exclusive remedy of any Series 2006 Bondholder for the enforcement of the provisions hereof shall be an action for mandamus or specific performance, as applicable, by court order, to cause the Issuer to comply with its obligations hereunder. For purposes of this Disclosure Certificate, "Series 2006 Bondholder" shall mean any person who (A) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2006 Bonds (including persons holding Series 2006 Bonds through nominees, depositories or other intermediaries), or (B) is treated as the owner of any Series 2006 Bond for federal income tax purposes.

SECTION 6. INCORPORATION BY REFERENCE. Any or all of the information required herein to be disclosed may be incorporated by reference from other

documents, including official statements or debt issues of the Issuer or related public entities, which have been submitted to each of the NRMSIRs, the SID, if any, and the Insurer or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each document incorporated by reference.

SECTION 7. DISSEMINATION AGENTS. 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 agent, with or without appointing a successor disseminating agent.

SECTION 8. TERMINATION. The Issuer's obligations under this Disclosure Certificate shall terminate upon (A) the legal defeasance, prior redemption or payment in full of all of the Series 2006 Bonds, or (B) the termination of the continuing disclosure requirements of the Rule by legislative, judicial or administrative action.

SECTION 9. AMENDMENTS. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision may be waived, if such amendment or waiver is supported by an opinion of counsel that is nationally recognized in the area of federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 10. 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 its annual information described in Section 2 hereof or notice of occurrence of a significant event described in Section 3 hereof, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in its annual information or notice of occurrence of a significant 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 its future annual information or notice of occurrence of a significant event.

SECTION 11. OBLIGATED PERSONS. If any person, other than the Issuer, becomes an Obligated Person (as defined in the Rule) relating to the Series 2006 Bonds, the Issuer shall use its best efforts to require such Obligated Person to comply with all provisions of the Rule applicable to such Obligated Person.

SECTION 12. DISSEMINATION COVER SHEET. For the convenience of the Issuer, attached hereto as Exhibit A is a cover sheet that the Issuer may use to

accompany any report that is required to be filed pursuant to the provisions of this Certificate. The Issuer is not required to use such cover sheet.

Dated: _____, 2006

ST. JOHNS COUNTY, FLORIDA

By: _____
Chair, Board of County Commissioners

APPENDIX A

DISSEMINATION COVER SHEET

Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See www.sec.gov/info/municipal/nrmsir.htm for list of current NRMSIRs and SIDs

IF THIS FILING RELATES TO A SINGLE BOND ISSUE:

Provide name of bond issue exactly as it appears on the cover of the Official Statement
(please include name of state where issuer is located):

Provide nine-digit CUSIP* numbers if available, to which the information relates:

IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:

Issuer's Name (please include name of state where Issuer is located):

Other Obligated Person's Name (if any):

(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP number(s), if available, of Issuer:

(Contact CUSIP's Municipal Disclosure Assistance Line at 212-438-6518 for assistance with obtaining the proper CUSIP numbers.)

TYPE OF FILING:

☐ Electronic (number of pages attached)

 ☐ Paper (number of pages attached)

If information is also available on the Internet, give URL:

WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)

A. ☐ Annual Financial Information and Operating Data pursuant to Rule 15c2-12

(Financial information and operating data should not be filed with the MSRB.)

Fiscal Period Covered: _____

B. ☐ Audited Financial Statements or CAFR pursuant to Rule 15c2-12

Fiscal Period Covered: _____

C. ☐ Notice of a Material Event pursuant to Rule 15c2-12 (Check as appropriate)

- | | |
|--|--|
| 1. ☐ Principal and interest payment tax-delinquencies | 6. ☐ Adverse tax opinions or events affecting the exempt status of the security |
| 2. ☐ Non-payment related defaults | 7. ☐ Modifications to the rights of security holders |
| 3. ☐ Unscheduled draws on debt service reserves reflecting financial difficulties | 8. ☐ Bond calls |
| 4. ☐ Unscheduled draws on credit enhancements reflecting financial difficulties | 9. ☐ Defeasances |
| 5. ☐ Substitution of credit or liquidity providers, or their failure to perform | 10. ☐ Release, substitution, or sale of property securing repayment of the securities |
| | 11. ☐ Rating changes |

D. ☐ Notice of Failure to Provide Annual Financial Information as Required

E. ☐ Other Secondary Market Information (Specify): _____

I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:

Issuer Contact:

Name: _____ Title: _____
Employer _____
Address _____ City _____ State _____ Zip Code _____
Telephone _____ Fax _____
Email Address _____ Issuer Web Site Address _____

Dissemination Agent Contact, if any:

Name: _____ Title: _____
Employer _____
Address _____ City _____ State _____ Zip Code _____
Telephone _____ Fax _____
Email Address _____ Issuer Web Site Address _____

Obligor Contact, if any:

Name: _____ Title: _____
Employer _____
Address _____ City _____ State _____ Zip Code _____
Telephone _____ Fax _____
Email Address _____ Issuer Web Site Address _____

Investor Relations Contact, if any:

Name _____ Title _____
Telephone _____ Email Address _____

EXHIBIT C

FORM OF DRAFT PRELIMINARY OFFICIAL STATEMENT

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY ___, 2006

NEW ISSUE - Book-Entry Only

See "RATINGS" herein

In the opinion of Rogers Towers, P.A., Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2006 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Series 2006 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Bond Counsel is also of the opinion that the Series 2006 Bonds and the interest thereon are exempt from taxation under existing laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, banks and savings associations. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2006 Bonds. See "TAX EXEMPTION" herein.

\$31,000,000*

**ST. JOHNS COUNTY, FLORIDA
Ponte Vedra Utility System Revenue Bonds,
Series 2006**

Dated: Date of Delivery

**Due: October 1, in each year
as shown on the inside cover page**

The St. Johns County, Florida, Ponte Vedra Utility System Revenue Bonds, Series 2006 (the "Series 2006 Bonds"), are being issued as fully registered bonds, without coupons, in denominations of \$5,000 or any integral multiple thereof. Interest on the Series 2006 Bonds is payable semiannually on each April 1 and October 1, commencing [April 1, 2006], and will be payable by check or draft of J.P. Morgan Trust Company, National Association, Dallas, Texas, as Paying Agent, made payable and mailed to the holder at his or her address, as shown on the registration books of St. Johns County, Florida (the "County") maintained by J.P. Morgan Trust Company, National Association, as Registrar, as of the close of business on the fifteenth day of the calendar month (whether or not a business day) next preceding the applicable interest payment date; provided, however, at the request of any holder of Series 2006 Bonds, interest payments may be made by bank wire transfer to the account designated by such holder. Principal and premium, if any, of the Series 2006 Bonds is payable to the holder thereof upon presentation and surrender at the designated corporate trust office of said Paying Agent. Upon initial issuance, the Series 2006 Bonds will be registered in the name of and held by Cede & Co. as nominee for The Depository Trust Company ("DTC"), an automated depository for securities and a clearinghouse for securities transactions. So long as DTC or Cede & Co. is the registered owner of the Series 2006 Bonds, payments of the principal of and interest on the Series 2006 Bonds will be mailed directly to DTC or Cede & Co., which is to remit such payments to the Participants (as defined herein), which in turn are to remit such payments to the Beneficial Owners (as defined herein) of the Series 2006 Bonds. See "DESCRIPTION OF THE SERIES 2006 BONDS – Book-Entry Only System" herein.

The Series 2006 Bonds are subject to optional and mandatory redemption prior to their stated maturities as set forth herein.

The Series 2006 Bonds are being issued to provide funds to (1) acquire an existing water and wastewater utility system (the "Ponte Vedra Utility System"), (2) make various capital improvements to the Ponte Vedra Utility System, [(3) pay for certain initial working capital costs related to the operation of the Ponte Vedra Utility System,] and (4) pay certain costs and expenses relating to the issuance of

the Series 2006 Bonds, including the premium for a financial guaranty insurance policy and the premium for a reserve account surety bond.

The Series 2006 Bonds are issued pursuant to and under the authority of Chapter 125, Part I, Florida Statutes, St. Johns County Ordinance No. 86-89, as amended, and other applicable provisions of law (collectively, the "Act"), and under and pursuant to Resolution No. 2006-___ adopted by the Board of County Commissioners of the County on January 24, 2006, as it may be amended and supplemented from time to time (the "Resolution"). The form of the Resolution is attached hereto as APPENDIX B.

The Series 2006 Bonds are payable solely from and secured by a lien upon and pledge of the Net Revenues as such term is defined in the Resolution and described herein, of the Ponte Vedra Utility System, (together with amounts on deposit in certain funds and accounts created in the Resolution, collectively, the "Pledged Funds"), all in the manner and to the extent described in the Resolution and herein. THE SERIES 2006 BONDS ARE NOT SECURED BY OR PAYABLE FROM ANY REVENUES DERIVED FROM THE OPERATION OF THE EXISTING UTILITY SYSTEM OF THE COUNTY OR ANY OTHER FUNDS OR ASSETS OF SUCH EXISTING COUNTY UTILITY SYSTEM.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

THE SERIES 2006 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 THE MANNER AND TO THE EXTENT PROVIDED IN THE RESOLUTION. NO HOLDER OF ANY SERIES 2006 BOND SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY AD VALOREM TAXING POWER TO PAY SUCH SERIES 2006 BOND, OR BE ENTITLED TO PAYMENT OF SUCH SERIES 2006 BOND FROM ANY MONEYS OF THE COUNTY EXCEPT FROM THE PLEDGED FUNDS IN THE MANNER AND TO THE EXTENT PROVIDED IN THE RESOLUTION.

Concurrently with the issuance of the Series 2006 Bonds, a financial guaranty insurance policy which unconditionally guarantees the payment of that portion of the principal of and interest on the Series 2006 Bonds which becomes due for payment, but shall be unpaid by reason of nonpayment by the County, will be issued by _____. See "FINANCIAL GUARANTY INSURANCE" herein.

[INSURER LOGO]

The Series 2006 Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval as to legality by Rogers Towers, P.A., Jacksonville, Florida, Bond Counsel. Certain legal matters will be passed on for the County by Edwards Cohen, Counsel for the County, and by Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Disclosure Counsel to the County. Public Financial Management, Inc., Orlando, Florida is acting as Financial Advisor to the County. It is expected that the Series 2006 Bonds will be delivered to the Underwriters through the facilities of DTC in New York, New York, on or about February ___, 2006.

RBC CAPITAL MARKETS

The Frazer Lanier Company
Incorporated

Dated: February ___, 2006

*Preliminary, subject to change.

**MATURITIES, AMOUNTS, INTEREST RATES,
YIELDS AND INITIAL CUSIP NUMBERS**

<u>Maturity</u> <u>(October 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Initial</u> <u>CUSIP</u> <u>Numbers</u>	<u>Maturity</u> <u>(October 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Initial</u> <u>CUSIP</u> <u>Numbers</u>
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\$ _____ % Term Series 2006 Bonds Due October 1, _____ with a Yield of _____ %; Initial CUSIP No. _____

ST. JOHNS COUNTY, FLORIDA

MEMBERS OF THE BOARD OF COUNTY COMMISSIONERS

James E. Bryant, Chair
Cyndi Stevenson, Vice Chair
Bruce A. Maguire
Ben Rich
Karen R. Stern

CONSTITUTIONAL OFFICERS

David B. Shoar, Sheriff
Dennis Hollingsworth, Tax Collector
Penny Halyburton, Supervisor of Elections
Cheryl Strickland, Clerk of Circuit Court
Sharon P. Outland, Property Appraiser

COUNTY ADMINISTRATOR

Ben W. Adams, Jr.

FINANCE DIRECTOR

Richard A. MacDonald, Jr.

COUNTY ATTORNEY

Daniel J. Bosanko

UTILITY DEPARTMENT

William G. Young, Utilities Director
Gerald Solana, Operations Manager
Ram "Neal" Shinkre, Engineering Manager
Frank Kenton, Administrative Manager

COUNSEL FOR THE COUNTY

Edwards Cohen
Jacksonville, Florida

BOND COUNSEL

Rogers Towers, P.A.
Jacksonville, Florida

DISCLOSURE COUNSEL

Nabors, Giblin & Nickerson, P.A.
Tampa, Florida

FINANCIAL ADVISOR

Public Financial Management, Inc.
Orlando, Florida

CONSULTING ENGINEER

Post, Buckley, Schuh & Jernigan, Inc.
Orlando, Florida

FEASIBILITY CONSULTANT

Brown and Caldwell
Maitland, Florida

No dealer, broker, salesman or other person has been authorized by the County to give any information or to make any representations in connection with the Series 2006 Bonds, other than as contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the County. 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 Series 2006 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information and expressions of opinion stated herein are subject to change, and neither the delivery of this Official Statement nor any sale made hereunder shall create, under any circumstances, any implication that there has been no change in the matters described herein since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Series 2006 Bonds are qualified in their entirety by reference to the form thereof included in the aforesaid documents and agreements.

NO REGISTRATION STATEMENT RELATING TO THE SERIES 2006 BONDS HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION") OR WITH ANY STATE SECURITIES COMMISSION. IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATIONS OF THE COUNTY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2006 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE COMMISSION OR ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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- A - General Information Concerning the County
- B - Form of the Resolution
- C - Excerpted Pages from the General Purpose Financial Statements of the County for
Fiscal Year Ended September 30, 2004
- D - Specimen Financial Guaranty Insurance Policy
- E - Form of Opinion of Bond Counsel
- F - Form of Continuing Disclosure Certificate
- G - Report of the Consulting Engineer
- H - Report of the Feasibility Consultant

OFFICIAL STATEMENT
relating to
\$31,000,000*
ST. JOHNS COUNTY, FLORIDA
Ponte Vedra Utility System Revenue Bonds,
Series 2006

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the inside cover page and the appendices, is to furnish certain information with respect to the sale of \$31,000,000* aggregate principal amount of St. Johns County, Florida, Ponte Vedra Utility System Revenue Bonds, Series 2006 (the "Series 2006 Bonds") being issued by St. Johns County, Florida (the "County").

The Series 2006 Bonds are issued pursuant to and under the authority of Chapter 125, Part I, Florida Statutes, St. Johns County Ordinance No. 86-89, as amended, and other applicable provisions of law (collectively, the "Act"), and under and pursuant to Resolution No. 2006-___ adopted by the Board of County Commissioners of the County (the "Board") on January 24, 2006, as it may be amended and supplemented from time to time (the "Resolution"). Capitalized terms used but not otherwise defined herein have the same meaning ascribed thereto in the Resolution unless the context would clearly indicate otherwise. The form of the Resolution is attached hereto as APPENDIX B.

The Series 2006 Bonds are being issued to provide funds to (1) acquire an existing water and wastewater utility system (the "Ponte Vedra Utility System"), (2) make various capital improvements to the Ponte Vedra Utility System, (3) pay for certain initial working capital costs related to the operation of the Ponte Vedra Utility System, and (4) pay certain costs and expenses relating to the issuance of the Series 2006 Bonds, including the premium for a financial guaranty insurance policy and the premium for a reserve account surety bond. See "THE PROJECT" and "THE PONTE VEDRA UTILITY SYSTEM" herein. As used in this Official Statement, "Ponte Vedra Utility System" will also include any and all improvements, extensions and additions thereto hereafter constructed or acquired, together with all property, real or personal, tangible, now or hereafter owned or used in connection therewith, including all contractual rights, rights to capacity and obligations or undertakings associated therewith.

The Series 2006 Bonds are payable solely from and secured by a lien upon and pledge of the Net Revenues of the Ponte Vedra Utility System, (together with amounts on deposit in certain funds and accounts created in the Resolution, collectively, the "Pledged Funds"), all in the manner and to the extent described in the Resolution and herein. **THE SERIES 2006 BONDS ARE NOT SECURED BY OR PAYABLE FROM ANY REVENUES DERIVED FROM THE OPERATION OF THE EXISTING UTILITY**

*Preliminary, subject to change.

SYSTEM OF THE COUNTY OR ANY OTHER FUNDS OR ASSETS OF SUCH EXISTING COUNTY UTILITY SYSTEM. See "THE PROJECT" and "SECURITY FOR THE BONDS" herein.

The Series 2006 Bonds and any Additional Bonds issued under the Resolution are herein collectively referred to as the "Bonds."

The County has received a commitment from _____ (the "Insurer" or "_____") for the issuance of a financial guaranty insurance policy, (the "Insurance Policy") to guarantee the payment of the principal of and interest on the Series 2006 Bonds, when due. See "FINANCIAL GUARANTY INSURANCE" herein. The County has also received a commitment from the Insurer for the issuance of a debt service reserve surety bond (the "Reserve Account Surety Bond") for deposit to the Reserve Account. See "SECURITY FOR THE BONDS - Reserve Account" and "RESERVE ACCOUNT SURETY BOND" herein.

The County has covenanted in the Resolution to provide certain continuing disclosure information pursuant to Rule 15c2-12 of the Securities and Exchange Commission relating to the Series 2006 Bonds. See "CONTINUING DISCLOSURE" herein.

Complete descriptions of the terms and conditions of the Series 2006 Bonds are set forth in the Resolution, a form of which is attached as APPENDIX B to this Official Statement. The descriptions of the Series 2006 Bonds, the documents authorizing and securing the same, and the information from various reports and statements contained herein are not comprehensive or definitive. All references herein to such documents, reports and statements are qualified by the entire, actual content of such documents, reports and statements. Copies of such documents, reports and statements referred to herein that are not included in their entirety in this Official Statement may be obtained from either the office of the Clerk of the Circuit Court, 4010 Lewis Speedway, St. Augustine, Florida 32084, attention: Finance Department, telephone (904) 819-3669 or the County's Financial Advisor, Public Financial Management, Inc., 300 South Orange Avenue, Suite 1170, Orlando, Florida 32801, telephone (407) 648-2208.

THE COUNTY AND THE EXISTING COUNTY SYSTEM

The County was established in 1821. The City of St. Augustine, the County seat, was founded over 400 years ago by Spanish explorers and is the nation's oldest continuously occupied city. The County encompasses approximately 608 square miles and is located in the northeastern region of the State of Florida (the "State") directly south of the City of Jacksonville 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. The 2005 population of

the County was 157,278. For further information concerning the County, see "APPENDIX A -- General Information Concerning the County " attached hereto.

The County owns and operates a complete water and wastewater utility system that serves extensive areas throughout the County (the "Existing County System"). Certain areas of the County are served by utilities owned and operated by other governmental entities and by investor owned utilities. See "THE PONTE VEDRA UTILITY SYSTEM – Background" herein for more information concerning the Existing County System. **As noted throughout this Official Statement, the Series 2006 Bonds are not secured by or payable from any revenues derived from the operation of the Existing County System or any other funds or assets of the Existing County System.**

The County currently continues to investigate and analyze the feasibility of acquiring other private utility facilities within the County. It is not possible at this time to determine whether the County will actually pursue any such acquisitions or the terms upon which such an acquisition may take place. At the current time, it is unlikely that the County would include any such acquired utility systems as part of the Ponte Vedra Utility System or issue any Additional Bonds under the Resolution to finance an acquisition.

THE PROJECT

The Project consists of the acquisition of the Ponte Vedra Utility System from St. Johns Service Company, a private investor owned utility company (the "Company"), and various capital improvements to the Ponte Vedra Utility System. The Ponte Vedra Utility System's service area encompasses approximately 4,450 acres in the northeast portion of the County. It serves primarily residential and light commercial areas in Ponte Vedra and Palm Valley. The service area for the Ponte Vedra Utility System is largely developed and relatively affluent with only small developmental growth anticipated in the future. For the fiscal year ended September 30, 2005, the Ponte Vedra Utility System had average water and wastewater customer accounts of 5,049 and 4,642, respectively.

The proposed capital improvements to the Ponte Vedra Utility System include a variety of projects intended to bring the System up to standards established by the County for the Existing County System and to remedy certain deficiencies in the Ponte Vedra Utility System. See "THE PONTE VEDRA UTILITY SYSTEM – Capital Improvement Program" herein.

The County retained Post, Buckley, Schuh & Jernigan, Inc. (the "Consulting Engineer") and Brown and Caldwell (the "Feasibility Consultant") in connection with the acquisition of the Ponte Vedra Utility System and the issuance of the Series 2006 Bonds. The Consulting Engineer and the Feasibility Consultant each prepared reports regarding various matters relating to the Project for inclusion in this Official Statement. The Report of the Consulting Engineer is attached as APPENDIX G and the Report of the Feasibility

Consultant is attached as APPENDIX H. **Both Reports are an integral part of this Official Statement and must be read in their entirety by prospective investors of the Series 2006 Bonds.** Much of the information contained under "PONTE VEDRA UTILITY SYSTEM" herein was provided by the Consulting Engineer and Feasibility Consultant and should also be reviewed in its entirety.

The Series 2006 Bonds shall not be issued if the conditions set forth in the herein defined Acquisition Agreement with respect to the County's purchase of the Point Vedra Utility System are not met. Currently, the County believes such conditions will be met and the purchase of the Point Vedra Utility System will occur.

DESCRIPTION OF THE SERIES 2006 BONDS

General

The Series 2006 Bonds shall be issued only in fully registered form without coupons in principal denominations of \$5,000 each or any integral multiple thereof. The Series 2006 Bonds are dated as of their date of delivery and bear interest at the rates per annum and mature on the dates set forth on the inside cover page hereof. Interest on the Series 2006 Bonds is payable semiannually on each April 1 and October 1, commencing [April 1, 2006] (the "Interest Dates"). Interest payable on the Series 2006 Bonds on any Interest Date shall be paid by check or draft of J.P. Morgan Trust Company, National Association, Dallas, Texas, as Paying Agent, made payable and mailed to the holder at such holder's address, as shown on the registration books of the County maintained by J.P. Morgan Trust Company, National Association, as Registrar, as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding the applicable Interest Date; provided, however, at the request of any holder of Series 2006 Bonds, interest payments may be made by bank wire transfer to the account designated by such holder. Principal and premium, if any, of the Series 2006 Bonds are payable to the holder thereof upon presentation, when due, at the designated corporate trust office of the Paying Agent. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Series 2006 Bonds will be issued initially as book-entry obligations and held by The Depository Trust Company ("DTC") as securities depository. The ownership of one fully registered Series 2006 Bond for each maturity as set forth on the inside cover page hereof, in the appropriate aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. For more information regarding DTC and DTC's Book-Entry System, see the subheading "Book-Entry Only System" which immediately follows.

Book-Entry Only System

THE FOLLOWING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE COUNTY BELIEVES TO BE RELIABLE, BUT THE COUNTY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

DTC will act as securities depository for the Series 2006 Bonds. The Series 2006 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2006 Bonds and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of securities transactions, in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation ("DTCC"). DTCC, in turn is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers, dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has Standard and Poor's highest rating: AAA. The DTC rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2006 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such Series 2006 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2006 Bond is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial

Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2006 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial interests in the Series 2006 Bonds, except in the event that use of the book-entry system for the Series 2006 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2006 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2006 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2006 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2006 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping an account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements made among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of the Series 2006 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such bonds, as the case may be, to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2006 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2006 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2006 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the County or the Registrar on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or with securities held for the accounts of customers in bearer form or

registered in "street name," and will be the responsibility of such Direct or Indirect Participants and not of DTC, the Registrar or the County, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the County and/or the Paying Agent for the Series 2006 Bonds. Disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2006 Bonds at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) upon compliance with applicable DTC rules and procedures. In that event, Series 2006 Bond certificates will be printed and delivered.

Interchangeability, Negotiability and Transfer

So long as the Series 2006 Bonds are registered in the name of DTC or its nominee, the following paragraphs relating to transfer and exchange of beneficial ownership interests in the Series 2006 Bonds will not apply to the Series 2006 Bonds and the transfer and registration of beneficial ownership interests in the Series 2006 Bonds will be governed by the rules and procedures of DTC as generally described under "DESCRIPTION OF THE SERIES 2006 BONDS - Book-Entry Only System," above.

Series 2006 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 2006 Bonds of the same maturity of any other authorized denominations.

The Series 2006 Bonds issued under the Resolution shall be and have all the qualities and incidents of negotiable instruments under the law merchant and the Uniform Commercial Code of the State of Florida, subject to the provisions for registration and transfer contained in the Resolution and in the Series 2006 Bonds. So long as any of the Series 2006 Bonds shall remain Outstanding, the County shall maintain and keep, at the office of the Registrar, books for the registration and transfer of the Series 2006 Bonds.

Each Series 2006 Bond shall be transferable only upon the books of the County, at the office of the Registrar, under such reasonable regulations as the County 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 2006 Bond, the County shall issue, and cause to be authenticated, in the name of the transferee a new Series 2006 Bond or Series 2006 Bonds of the same aggregate principal amount and maturity as the surrendered Series 2006 Bond. The County, the Registrar and any Paying Agent or fiduciary of the County may deem and treat the Person in whose name any Outstanding Series 2006 Bond shall be registered upon the books of the County as the absolute owner of such Series 2006 Bond, whether such Series 2006 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 2006 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 2006 Bond to the extent of the sum or sums so paid and neither the County nor the Registrar nor any Paying Agent or other fiduciary of the County shall be affected by any notice to the contrary.

In all cases in which the privilege of exchanging Series 2006 Bonds or transferring Series 2006 Bonds is exercised, the County shall execute and deliver Series 2006 Bonds and the Registrar shall authenticate such Series 2006 Bonds in accordance with the provisions of the Resolution. Execution of Series 2006 Bonds by the Chair and the Clerk for purposes of exchanging, replacing or transferring Series 2006 Bonds may occur at the time of the original delivery of the Series 2006 Bonds. All Series 2006 Bonds surrendered in any such exchanges or transfers shall be held by the Registrar in safekeeping until directed by the County to be cancelled by the Registrar. For every such exchange or transfer of Series 2006 Bonds, the County 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 County and the Registrar shall not be obligated to make any such exchange or transfer of any Series 2006 Bonds during the 15 days next preceding an Interest Date on the Series 2006 Bonds, or, in the case of any proposed redemption of Series 2006 Bonds, then, for the Series 2006 Bonds subject to redemption, during the 15 days next preceding the date of the first mailing of notice of such redemption and continuing until such redemption date.

Redemption Provisions

Optional Redemption. The Series 2006 Bonds maturing on or prior to October 1, _____ will not be subject to optional redemption prior to maturity. The Series 2006 Bonds maturing on or after October 1, _____ shall be subject to redemption at the option of the County in whole or in part, at any time, on or after October 1, _____, in such order of maturities as may be determined by the County (less than all of a single maturity to be selected by lot) at a redemption price equal to 100% of the principal amount of the Series 2006 Bonds to be redeemed, together with accrued interest to the date set for redemption.

Mandatory Redemption. The Series 2006 Bonds maturing on October 1, _____ are subject to mandatory redemption in part prior to maturity by lot, in such manner as shall be determined by the Registrar, through Sinking Fund Installments by operation of the Term Bonds Redemption Account, at the redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, on the dates in the amount of the Sinking Fund Installments as follows:

Sinking Fund
Installment Date

Sinking Fund
Installments

*

*Final Maturity

Notice of Redemption. Notice of any redemption shall specify the Series 2006 Bond or Series 2006 Bonds (or portions thereof) to be redeemed and the date and place for redemption, shall be given by the Registrar on behalf of the County, and (A) shall be filed with the Paying Agent of such Series 2006 Bonds, (B) shall be mailed first class, postage prepaid, not less than 30 days nor more than 45 days prior to the redemption date to all Holders of Series 2006 Bonds to be redeemed at their addresses as they appear on the registration books kept by the Registrar as of the date of mailing of such notice, and (C) shall be furnished at least 35 days prior to the redemption date to the registered securities depositories and two or more nationally recognized municipal bond information services as provided in the Resolution. Failure to mail such notice to the Holders of the Series 2006 Bonds to be redeemed, or any defect therein, shall not affect the proceedings for redemption of Series 2006 Bonds as to which no such failure or defect has occurred. Failure to mail such notice to such depositories or services shall not affect the proceedings for the redemption of the Series 2006 Bonds. Notice of optional redemption of Series 2006 Bonds shall only be sent if the County determines it shall have sufficient funds available to pay the Redemption Price of and interest on the Series 2006 Bonds called for redemption on the redemption date.

Each notice of redemption shall state: (1) the CUSIP numbers and any other distinguishing number or letter of all Series 2006 Bonds being redeemed, (2) the original issue date of such Series 2006 Bonds, (3) the maturity date and rate of interest borne by each Series 2006 Bond being redeemed, (4) the redemption date, (5) the Redemption Price, (6) the date on which such notice is mailed, (7) if less than all Outstanding Series 2006 Bonds are to be redeemed, the certificate number (and, in the case of a partial redemption of any Series 2006 Bond, the principal amount) of each Series 2006 Bond to

be redeemed, (8) that on such redemption date there shall become due and payable upon each Series 2006 Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Series 2006 Bonds to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable, (9) that the Series 2006 Bonds to be redeemed, whether as a whole or in part, are to be surrendered for payment of the Redemption Price at the designated office of the Registrar at an address specified, (10) the name and telephone number of a person designated by the Registrar to be responsible for such redemption, (11) unless sufficient funds have been set aside by the County for such purpose prior to the mailing of the notice of redemption, that such redemption is conditioned upon the deposit of sufficient funds for such purpose on or prior to the date set for redemption and (12) any other conditions that must be satisfied prior to such redemption.

The County may provide that a redemption may be contingent upon the occurrence of certain condition(s) and that if such condition(s) do not occur the notice of redemption will be rescinded, provided notice of rescission shall be mailed in the manner described above to all affected Series 2006 Bondholders not later than the date of redemption.

So long as the Series 2006 Bonds are registered in the name of Cede & Co., as nominee of DTC (or in the name of any successor securities depository), notices of redemption shall only be given on behalf of the County to Cede & Co., or any successor securities depository. See "DESCRIPTION OF THE SERIES 2006 BONDS – Book-Entry Only System" herein.

SECURITY FOR THE BONDS

General

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 and is further secured by the Insurance Policy. See "FINANCIAL GUARANTY INSURANCE" herein. The Pledged Funds shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the County.

THE 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 THE

MANNER AND TO THE EXTENT PROVIDED IN THE RESOLUTION. NO HOLDER OF ANY BOND NOR ANY CREDIT BANK NOR ANY INSURER SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY AD VALOREM TAXING POWER TO PAY SUCH BOND, OR BE ENTITLED TO PAYMENT OF SUCH BOND FROM ANY MONEYS OF THE COUNTY EXCEPT FROM THE PLEDGED FUNDS IN THE MANNER AND TO THE EXTENT PROVIDED HEREIN.

"Pledged Funds" means (1) the Net Revenues, and (2) until applied in accordance with the provisions of the Resolution, all moneys, including investments thereof, in the funds and accounts established thereunder, except (A) as for the Rebate Fund and the Operation Maintenance Fund, and (B) to the extent moneys on deposit in a subaccount of the Reserve Account shall be pledged solely for the payment of the separate Series of Bonds for which it was established in accordance with the provisions of the Resolution.

"Net Revenues" means Gross Revenues less Operating Expenses.

"Gross Revenues" means all income and moneys received by the County from the rates, fees, rentals, charges and other income to be made and collected by the County for the use of the products, services and facilities to be provided by the Ponte Vedra Utility System, or otherwise received by the County or accruing to the County in the management and operation of the Ponte Vedra Utility System, calculated in accordance with generally accepted accounting principles applicable to public utility systems similar to the Ponte Vedra Utility System, including, without limiting the generality of the foregoing, (1) proceeds from use and occupancy insurance on the Ponte Vedra Utility System, and (2) Investment Earnings. Notwithstanding the foregoing, "Gross Revenues" shall not include (A) Government Grants, to the extent prohibited or restricted as to its use by the terms of the Government Grant, (B) proceeds of Bonds or other County debt, (C) Investment Earnings in the Construction Fund, and (D) any gain resulting from the valuation of investment securities or Hedge Agreements at market value and any other gain that does not require or result in the receipt of cash.

"Operating Expenses" means the County's expenses for operation, maintenance, repairs and replacements with respect to the Ponte Vedra Utility System and shall include, without limiting the generality of the foregoing, administration expenses, payments for the purchase of materials essential to or used in the operation of the Ponte Vedra Utility System including bulk purchases of water or sewage services, fees for the management of the Ponte Vedra Utility System or any portion thereof, any insurance and surety bond fees, the fees to the provider of a Reserve Account Insurance Policy or Reserve Account Letter of Credit (but excluding any expenses or reimbursement obligations for draws made thereunder), accounting, legal and engineering expenses, ordinary and current rentals of equipment or other property, refunds of moneys lawfully due to others, payments to others for disposal of sewage or other wastes, payments to pension, retirement, health and hospitalization funds, and any other expenses required to be paid for or with respect to proper operation or maintenance of the Ponte Vedra Utility

System, including appropriate reserves therefor, all to the extent properly attributable to the Ponte Vedra Utility System in accordance with generally accepted accounting principles applicable to public utility systems similar to the Ponte Vedra Utility System, and disbursements for the expenses, liabilities and compensation of any Paying Agent or Registrar under the 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 service or of Gross Revenues or minor capital expenditures necessary for the proper and economical operation or maintenance of the Ponte Vedra Utility System, or any provision for interest, depreciation, amortization or similar charges or any loss resulting from the valuation of investment securities or Hedge Agreement at market value and any other loss that requires or results in the expenditure of cash.

Funds and Accounts

The County has established under the Resolution the following funds and accounts:

- (1) Revenue Fund;
- (2) Construction Fund, and within such Fund, a separate account from that portion of the Series 2006 Bond proceeds to be used to pay for the Project;
- (3) Operation and Maintenance Fund;
- (4) Sinking Fund, and within such Fund, the Interest Account, the Principal Account, the Term Bonds Redemption Account, and the Reserve Account;
- (5) Renewal and Replacement Fund;
- (6) Utility Reserve Fund; and
- (7) Rebate Fund.

Moneys in the aforementioned funds and accounts (except for moneys in the Rebate Fund and the Operation and Maintenance Fund and except for any moneys set aside in a particular subaccount of the Reserve Account for the payment of a particular Series of Bonds), until applied in accordance with the provisions of the Resolution, shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders.

Construction Fund

The Construction Fund shall be used only for payment of the Cost of a Project. Moneys in the Construction Fund, until applied in payment of any item of the Cost of a Project in the manner provided in the Resolution, 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 to be so paid by the provisions of the Resolution, and there may be paid into the Construction Fund, at the option of the County, any moneys received for or in connection with a Project of the County from any other source. The County shall establish within the Construction Fund a separate account for each Project, the Cost of which is to be paid in whole or in part out of the Construction Fund.

The proceeds of insurance maintained pursuant to the 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 County covenants in the Resolution that the acquisition, construction and installation of each Project will be completed without delay and in accordance with sound engineering practices. The County shall make disbursements or payments from the Construction Fund to pay the Cost of the Project upon the filing with the Clerk of documents and/or certificates of an Authorized Issuer Officer with respect to certain matters related to such disbursement or payment, as more particularly described in the Resolution. The Clerk shall retain all such documents and/or certificates of the Authorized Issuer Officer for seven years from the dates of such documents and/or certificates. The Clerk shall make available the records at all reasonable times for inspection by any Holder of any of the Bonds or the agent or representative of any Holder of any of the Bonds.

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

Investments

Moneys on deposit in the Revenue Fund, the Construction Fund, the Sinking Fund, the Operation and Maintenance Fund, the Utility Reserve 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 Revenue Fund, the Construction Fund, the Operation and Maintenance Fund, the Principal Account, the Interest Account, the Term Bonds Redemption Account, the Renewal and Replacement Fund and the Utility Reserve Fund shall be invested and

reinvested by the County in Authorized Investments, maturing not later than the dates on which such moneys will be needed for the purposes of such fund or account. See "APPENDIX B – Form of the Resolution" attached hereto for a definition of "Authorized Investments." Moneys on deposit in the Reserve Account shall be invested in Authorized Investments, maturing no later than ten years from the date of investment. All investments shall be valued at cost; provided, that the amounts on deposit in the Reserve Account shall be valued at the market price thereof. Investments in the Reserve Account shall be valued by the County on an annual basis on October 1 of each year.

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

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

Flow of Funds

(A) (1) Into the Revenue Fund, the County shall deposit promptly, as received, all Gross Revenues; provided that Investment Earnings shall be retained in the fund or account which provided such earnings or otherwise applied as provided in the investment provisions of the Resolution described above under "SECURITY FOR THE BONDS – Investments."

Moneys in the Revenue Fund shall first be used each month to deposit in the Operation and Maintenance Fund such sums as are necessary to pay Operating Expenses for the ensuing month; provided the County may transfer moneys from the Revenue Fund to the Operation and Maintenance Fund at any time to pay Operating Expenses to the extent there is a deficiency in the Operation and Maintenance Fund for such purpose. Amounts in the Operation and Maintenance Fund shall be paid out from time to time by the County for Operating Expenses, including any expenses relating to the purchase or redemption of Term Bonds as provided in the Resolution.

The remaining monies in the Revenue Fund shall be applied as described in paragraph (B) below.

(B) Any deposits remaining in the Revenue Fund after the aforementioned transfers to the Operation and Maintenance Fund shall be disposed of by the County on or before the 25th day of each month, commencing in the month immediately following the delivery of any of the Bonds to the purchasers thereof, or such later date as hereinafter provided, from the Revenue Fund in the following manner and in the following order of priority:

(1) Interest Account. The County shall deposit or credit to the Interest Account the sum which, together with the balance in said Account, shall equal the interest on all Bonds Outstanding (except Capital Appreciation Bonds) accrued and unpaid and to accrue to the end of the then current calendar month. All Hedge Receipts, if any, shall be deposited directly to the Interest Account upon receipt. With respect to interest on Bonds which have corresponding Hedge Payments, interest on such Bonds during the term of the Qualified Hedge Agreement shall also be deemed to include the corresponding Hedge Payments. Moneys in the Interest Account shall be applied by the County (a) for deposit with the Paying Agents to pay the interest on the Bonds on or prior to the date the same shall become due and (b) for Hedge Payments. The County shall adjust the amount of the deposit to the Interest Account not later than a month immediately preceding any Interest Date so as to provide sufficient moneys in the Interest Account to pay the interest on the Bonds coming due on such Interest Date. No further deposit need be made to the Interest Account when the moneys therein are equal to the interest coming due on the Outstanding Bonds on the next succeeding Interest Date. With respect to debt service on any Bonds which are subject to a Qualified Hedge Agreement, any Hedge Payments due to the Counterparty to the Qualified Hedge Agreement relating to such Bonds shall be paid to such Counterparty on a parity basis with the aforesaid required payments into the Sinking Fund.

(2) Principal Account. Commencing no later than the month which is one year prior to the first principal due date, the County shall next deposit into the Principal Account the sum which, together with the balance in said Account, shall equal the principal amounts on all Bonds Outstanding due and unpaid and that portion of the principal next due which would have accrued on such Bonds during the then current calendar month if such principal amounts were deemed to accrue monthly (assuming that a year consists of 12 equivalent calendar months having 30 days each) except for the Sinking Fund Installments to be deposited pursuant to the Resolution in equal amounts from the next preceding principal payment due date, or, if there be no such preceding payment due date from a date one year preceding the due date of such principal amount. Moneys in the Principal Account shall be applied by the County for deposit with the Paying Agents to pay the principal of the Bonds on or prior to the date the same shall mature, and for no other purpose. The County shall adjust the amount of the deposit to the Principal Account not later than the month immediately preceding any principal payment date so as to provide sufficient moneys in the Principal Account to pay the principal on Bonds becoming due on such principal payment date. No further deposit

need be made to the Principal Account when the moneys therein are equal to the principal coming due on the Outstanding Bonds on the next succeeding principal payment date.

(3) Term Bonds Redemption Account. Commencing in the month which is one year prior to the first Sinking Fund Installment due date, there shall be deposited to the Term Bonds Redemption Account the sum which, together with the balance in such Account, shall equal the Sinking Fund Installments on all Bonds Outstanding due and unpaid and that portion of the Sinking Fund Installments of all Bonds Outstanding next due which would have accrued on such Bonds during the then current calendar month if such Sinking Fund Installments were deemed to accrue monthly (assuming that a year consists of 12 equivalent calendar months having 30 days each) in equal amounts from the next preceding Sinking Fund Installment due date, or, if there is no such preceding Sinking Fund Installment due date, from a date one year preceding the due date of such Sinking Fund Installment. Moneys in the Term Bonds Redemption Account shall be used to purchase or redeem Term Bonds in the manner provided in the Resolution, and for no other purpose. The County shall adjust the amount of the deposit to the Term Bonds Redemption Account not later than the month immediately preceding any Sinking Fund Installment Date so as to provide sufficient moneys in the Term Bonds Redemption Account to pay the Sinking Fund Installments becoming due on such date. Payments to the Term Bonds Redemption Account shall be on parity with payments to the Principal Account.

Amounts accumulated in the Term Bonds Redemption Account with respect to any Sinking Fund Installment (together with amounts accumulated in the Interest Account with respect to interest, if any, on the Term Bonds for which such Sinking Fund Installment was established) may be applied by the County, on or prior to the 60th day preceding the due date of such Sinking Fund Installment, (a) to the purchase of Term Bonds of the Series and maturity for which such Sinking Fund Installment was established, or (b) to the redemption at the applicable Redemption Prices of such Term Bonds, if then redeemable by their terms, all in accordance with the provisions of the Resolution.

(4) Reserve Account. There shall be deposited to the Reserve Account an amount which would enable the County to restore the funds on deposit in the Reserve Account to an amount equal to the Reserve Account Requirement applicable thereto. All deficiencies in the Reserve Account must be made up no later than 12 months from the date such deficiency first occurred, whether such shortfall was caused by decreased market value or withdrawal (whether from cash or a Reserve Account Insurance Policy or Reserve Account Letter of Credit).

(5) Renewal and Replacement Fund. Commencing October 1, 2006 there shall be deposited to the Renewal and Replacement Fund monthly such sums as shall be sufficient to pay 1/12 of the Renewal and Replacement Fund Requirement until the amount accumulated in such Fund is equal to the Renewal and Replacement Fund

Requirement, taking into account the market value of investments in such Fund. If at any time the balance on deposit in the Renewal and Replacement Fund is in excess of the Renewal and Replacement Fund Requirement or in the event that the Consulting Engineers shall certify that the Renewal and Replacement Fund Requirement is excessive for the purposes of the Renewal and Replacement Fund such excess amount as may be on deposit therein may be transferred by the County from the Renewal and Replacement Fund for deposit into the Utility Reserve Fund. The moneys in the Renewal and Replacement Fund shall be applied by the County for the purpose of paying the cost of major extensions, improvements or additions to, or the replacement or renewal of capital assets of, the Ponte Vedra Utility System or extraordinary repairs of the Ponte Vedra Utility System provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Renewal and Replacement Fund shall be applied for the payment into the Interest Account, the Principal Account, and the Term Bonds Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund for such purpose pursuant to the Resolution, together with moneys available in the Reserve Account for such purpose pursuant to the Resolution, shall be inadequate to fully provide for such insufficiency. Moneys in the Renewal and Replacement Fund may also be transferred to the Operation and Maintenance Fund to fund Operating Expenses to the extent Gross Revenues shall be insufficient for such purpose; provided, however, such transfer shall be treated as an interfund loan and shall be repaid from Gross Revenues as described in the Resolution within one year from the date of such transfer.

(6) Subordinated Indebtedness. Gross Revenues in the Revenue Fund shall next be applied by the County for the payment of any accrued debt service on Subordinated Indebtedness incurred by the County in connection with the Ponte Vedra Utility System and in accordance with the proceedings authorizing such Subordinated Indebtedness.

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

(8) Utility Reserve Fund. The balance of any Gross Revenues remaining in the Revenue Fund shall be deposited in the Utility Reserve Fund and applied to the payment, on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), into the Interest

Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein shall be insufficient to pay the principal of and interest on the Bonds coming due. Moneys not required to meet such a deficiency shall be deposited to the Reserve Account to make up any deficiency therein, and thereafter to the Rebate Fund to the extent moneys are required to be deposited therein. Thereafter, moneys in the Utility Reserve Fund may be applied for any lawful purpose relating to the Ponte Vedra Utility System, including, but not limited to, purchase or redemption of Bonds, payment of Subordinated Indebtedness, payment of other obligations incurred with respect to the Ponte Vedra Utility System, and improvements, renewals and replacements to the Ponte Vedra Utility System; provided, however, that none of such revenues shall ever be used for the purposes provided in this Section (8) unless all payments required in Sections (1) through (6) hereof, including any deficiencies for prior payments, have been made in full to the date of such use.

Reserve Account

Upon the issuance of the Series 2006 Bonds, the Reserve Account shall be fully funded with the Reserve Account Surety Bond issued by the Insurer in connection with the issuance of the Series 2006 Bonds. The Reserve Account Surety Bond expires October 1, _____, and has a face amount of \$_____ which is equal to the Reserve Account Requirement. "Reserve Account Requirement" shall mean, as of any date of calculation for the Reserve Account, an amount equal to the lesser of (1) Maximum Annual Debt Service for all Outstanding Bonds secured thereby, (2) 125% of the average Annual Debt Service for all Outstanding Bonds secured thereby, or (3) the maximum amount of Bond proceeds which may be deposited to the Reserve Account without subjecting the same to yield restriction under the Code, or causing interest on any of the Bonds (other than Taxable Bonds) to be included in gross income for purposes of federal income taxation. See "RESERVE ACCOUNT SURETY BOND" herein.

On or prior to each principal payment date and Interest Date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Reserve Account shall be applied by the County to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds to the extent moneys in the Interest Account, the Principal Account and the Term Bonds Redemption Account shall be insufficient for such purpose, but only to the extent the moneys transferred from the Utility Reserve Fund for such purposes pursuant to the Resolution shall be inadequate to fully provide for such insufficiency. Whenever there shall be surplus moneys in the Reserve Account by reason of a decrease in the Reserve Account Requirement or as a result of a deposit in the Reserve Account of a Reserve Account Insurance Policy, such surplus moneys, to the extent practicable, shall be deposited by the County into the Utility Reserve Fund. The County shall promptly inform each Insurer of any draw upon the Reserve Account for purposes of paying the principal of and interest on the Bonds.

Upon the issuance of any Series of Bonds under the terms, limitations and conditions as provided in the Resolution, the County shall fund the Reserve Account in an amount at least equal to the applicable Reserve Account Requirement. Such required amount, if any, shall be paid in full or in part from the proceeds of such Series of Bonds or may be accumulated in equal monthly payments to the Reserve Account over a period of months from the date of issuance of such Series of Bonds, which shall not exceed 36 months.

Notwithstanding the foregoing provisions, in lieu of or in substitution of the required deposits into the Reserve Account, the County may cause to be deposited into the Reserve Account a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit for the benefit of the Bondholders in an amount equal to the difference between the Reserve Account Requirement applicable thereto and the sums then on deposit in the Reserve Account, if any. The County may also substitute a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit for cash on deposit in the Reserve Account upon compliance with the terms of the Resolution. See "APPENDIX B - Form of the Resolution" for more information regarding any such Reserve Account Insurance Policy on Reserve Account Letter of Credit.

In the event the Reserve Account or any subaccount therein contains both a Reserve Account Insurance Policy or Reserve Account Letter of Credit and cash, the cash shall be drawn down completely prior to any draw on the Reserve Account Insurance Policy or Reserve Account Letter of Credit. In the event more than one Reserve Account Insurance Policy or Reserve Account Letter of Credit is on deposit in the Reserve Account, amounts required to be drawn thereon shall be done on a pro-rata basis. The County agrees in the Resolution to pay all Policy Costs owing in regard to any Reserve Account Insurance Policy or Reserve Account Letter of Credit from the Pledged Funds pursuant to the terms of the Resolution.

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

The County may also establish a separate subaccount in the Reserve Account for any Series of Additional Bonds and provide a pledge of such subaccount to the payment of such Series of Bonds apart from the pledge provided in the Resolution. To the extent a Series of Bonds is secured separately by a subaccount of the Reserve Account, the Holders of such Bonds shall not be secured by any other moneys in the Reserve Account. Moneys in a separate subaccount of the Reserve Account shall be maintained at the Reserve Account Requirement applicable to such Series of Bonds secured by the subaccount; provided the Supplemental Resolution authorizing such Series of Bonds may establish the Reserve Account Requirement relating to such separate subaccount of the

Reserve Account at such level as the County deems appropriate. Moneys used to replenish the Reserve Account shall be deposited in the separate subaccounts in the Reserve Account and in the Reserve Account on a pro-rata basis. In the event the County shall maintain a Reserve Account Insurance Policy or Reserve Account Letter of Credit and moneys in such subaccount, the moneys shall be used prior to making any disbursements under such Reserve Account Insurance Policy.

Rate Covenant

In the Resolution, the County has covenanted to fix, establish, maintain and collect such rates, fees and charges for the products, services and facilities of the Ponte Vedra Utility System, and revise the same from time to time, whenever necessary, so as always to provide in each Fiscal Year Net Revenues equal to at least 110% of the Annual Debt Service becoming due in such Fiscal Year; *provided* such Net Revenues shall be adequate at all times to pay in each Fiscal Year at least 100% of (1) the Annual Debt Service becoming due in such Fiscal Year, (2) any amounts required by the terms of the Resolution to be deposited in the Reserve Account or with any issuer of Reserve Account Insurance Policies or Reserve Account Letter of Credit in such Fiscal Year to pay Policy Costs, and (3) any amounts required by the Resolution to be deposited in the Renewal and Replacement Fund.

Such rates, fees or other charges shall not be so reduced so as to be insufficient to provide adequate Net Revenues for the purposes provided therefor by the Resolution.

If, in any Fiscal Year, the County shall fail to comply with the rate covenant set forth in the Resolution and described above, it shall cause the Rate Consultant to review its rates, fees, charges, income, Gross Revenues, Operating Expenses and methods of operation and to make written recommendations as to the methods by which the County may promptly seek to comply with these requirements. The County shall forthwith commence to implement such recommendations to the extent required so as to cause it to thereafter comply with said requirements. So long as the County implements such recommendations within 120 days of the receipt thereof, the County's failure to comply with the rate covenant shall not be considered an Event of Default under the Resolution.

Additional Bonds

No Additional Bonds, payable on parity with the Bonds then Outstanding pursuant to the Resolution, shall be issued except upon the conditions and in the manner therein provided. The County may issue one or more Series of Additional Bonds for any one or more of the following purposes: (i) financing the Cost of a Project, or the completion thereof, or (ii) refunding any or all Outstanding Bonds, any Subordinated Indebtedness of the County or any other indebtedness of the County that it may lawfully refund with proceeds of Bonds.

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

(A) Except in the case of Additional Bonds issued for the purpose of refunding Outstanding Bonds, the County shall certify that it is current in all deposits into the various funds and accounts established by the Resolution and all payments theretofore required to have been deposited or made by it under the provisions of the Resolution, including all due and payable Policy Costs, have been deposited or made, and the County is in compliance with the covenants and agreements of the Resolution.

(B) An independent certified public accountant or the Rate Consultant shall certify to the County that the amount of the Net Revenues received by the County during the immediate preceding Fiscal Year or any 12 consecutive months selected by the County of the 24 months immediately preceding the issuance of said Additional Bonds, adjusted as hereinafter provided, were equal to at least 110% of the Maximum Annual Debt Service of the Outstanding Bonds and the Additional Bonds then proposed to be issued, provided the amount of the Net Revenues, adjusted as hereinafter provided, received by the County during such 12-month period, will be equal to (1) at least 100% of the Maximum Annual Debt Service of the Outstanding Bonds and the Additional Bonds then proposed to be issued, and (2) 100% of any amounts required by the terms of the Resolution to be deposited in the Reserve Account or with any issuer of a Reserve Account Insurance Policy or Reserve Account Letter of Credit to pay any Policy Costs.

(C) For the purpose of determining the Debt Service under the Resolution, the interest rate on additional parity Variable Rate Bonds then proposed to be issued shall be deemed to be the Bond Buyer 25-Bond Revenue Index most recently published prior to the sale of such Additional Bonds.

(D) For the purpose of determining the Debt Service under the Resolution, the interest rate on Outstanding Variable Rate Bonds shall be deemed to be (1) if such Variable Rate Bonds have been Outstanding for at least 12 months prior to the date of sale of such Additional Bonds, the highest of (a) the actual rate of interest borne by such Variable Rate Bonds on the date of sale, and (b) the average interest rate borne by such Variable Rate Bonds during the 12-month period preceding the date of sale, or (2) if such Variable Rate Bonds have not been Outstanding for at least 12 months prior to the date of sale of such Additional Bonds, the higher of (a) the actual rate of interest borne by the Variable Rate Bonds on the date of sale, and (b) the Bond Buyer 25-Bond Revenue Index most recently published prior to the sale of such Additional Bonds.

(E) For the purpose of this Section, the phrase "immediately preceding Fiscal Year or the 12 consecutive months of the 24 months immediately preceding the issuance of said Additional Bonds" shall be sometimes referred to as "12 consecutive months."

(F) The Net Revenues calculated pursuant to the foregoing Section (B) may be adjusted upon the written advice of the Rate Consultant, at the option of the County, as follows:

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

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

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

(4) In the event the County shall be constructing or acquiring additions, extensions or improvements to the Ponte Vedra Utility System from the proceeds of such Additional Bonds and shall have established fees, rates or charges to be charged and collected from users of such facilities when service is rendered, such Net Revenues for the 12 consecutive months may be adjusted by adding thereto

100% of the Net Revenues estimated by the Rate Consultant to be derived during the first 36 months of operation after completion of the construction or acquisition of said additions, extensions and improvements from the customers of the facilities to be financed by Additional Bonds together with other funds on hand or lawfully obtained for such purpose; provided such customers must represent existing occupied structures that will be added to the Ponte Vedra Utility System upon completion of the proposed additions, extensions or improvements.

(5) If the County shall add new customers subsequent to the commencement of the 12 consecutive months, the Rate Consultant may adjust the Net Revenues to reflect the Net Revenues that would have been received by the County if such customers had been in place for the entire 12 consecutive months.

(6) The Net Revenues shall be adjusted for any period the Ponte Vedra Utility System or any portion thereof was not owned by the County to reflect government ownership of the Ponte Vedra Utility System or such portion.

(G) Additional Bonds shall be deemed to have been issued pursuant to the Resolution the same as the Outstanding Bonds, and all of the other covenants and other provisions of the 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 the Resolution. Except as provided in the Resolution, 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. Any Supplemental Resolution authorizing the issuance of Variable Rate Bonds pursuant to the Resolution shall include a provision 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 the Resolution.

(H) In the event any Additional Bonds are issued for the purpose of refunding any Bonds then Outstanding, the conditions of Section (B) above shall not apply, provided that the issuance of such Additional Bonds shall result in a reduction of the aggregate debt service. The conditions of Section (B) above 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.

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

Subordinated Indebtedness

The County will not issue any other obligations, except under the conditions and in the manner provided in the Resolution, payable from the Pledged Funds or the Gross Revenues or voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien thereon in favor of the Bonds and the interest thereon. The County 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 Pledged Funds and which may be secured by a pledge of Pledged Funds; provided, however, that such pledge shall be, and shall be expressed to be, subordinated in all respects to the pledge of the Pledged Funds created by the Resolution and provided further that the issuance of such Subordinated Indebtedness shall be subject to any provisions contained in financing documents securing outstanding Subordinated Indebtedness to the extent such provisions impact on the ability of the County to issue Subordinated Indebtedness.

Control by Insurer or Credit Bank

To the extent an Insurer or a Credit Bank makes any payment of principal or of interest on Bonds in accordance with its Bond Insurance Policy or Credit Facility, such Insurer or Credit Bank shall become subrogated to the rights of the recipients of such payments in accordance with the terms of its Bond Insurance Policy or its agreement relating to its Credit Facility. Upon the occurrence and continuance of an Event of Default, an Insurer of a Series of Bonds or Credit Bank, if such Insurer or Credit Bank shall not be in payment default under its Bond Insurance Policy or Credit Facility, shall be deemed to be the sole owner of such Bonds for purposes of (A) directing and controlling the enforcement of all rights and remedies with respect to such Series of Bonds, including any waiver of an Event of Default and removal of any trustee, and (B) exercising any voting right or privilege or giving any consent or direction or taking any other action that the Holders of such Bonds are entitled to take pursuant to the Resolution. No provision expressly recognizing or granting rights in or to an Insurer or a Credit Bank shall be modified without the consent of such Insurer or Credit Bank. An Insurer's or Credit Bank's rights under the Resolution shall be suspended during any period in which such Insurer or Credit Bank is in default in its payment obligations under its Bond Insurance Policy or Credit Facility (except to the extent of amounts previously paid by such Insurer or Credit Bank and due and owing to such Insurer or Credit Bank) and shall be of no force or effect if its Bond Insurance Policy or Credit Facility is no longer in effect or if the Insurer or Credit Bank asserts that its Bond Insurance Policy or Credit Facility is not in effect or if the Insurer or Credit Bank waives such rights in writing. The rights granted to an Insurer or Credit Bank under the Resolution are granted in consideration of such Insurer or Credit Bank issuing its Bond Insurance Policy or Credit Facility. Subject to the terms and provisions contained in the Resolution, under

certain circumstances described in the Resolution, the County may make amendments to the Resolution with Insurer or Credit Bank consent in lieu of Bondholder consent.

Other Covenants

The County has made several other covenants and agreements in the Resolution for the benefit of the Bondholders relating to several matters, including but not limited to, maintaining and operating the Ponte Vedra Utility System, preparing and causing to be prepared annual budgets and audits, keeping books and records relating to the Ponte Vedra Utility System, effecting sales or transfers of the Ponte Vedra Utility System, in whole or in part, maintaining insurance with respect to the Ponte Vedra Utility System, enforcing compulsory connections to the Ponte Vedra Utility System, not providing free service and enforcing charges. Please see Article V of the Resolution, the form of which Resolution is attached hereto as APPENDIX B.

FINANCIAL GUARANTY INSURANCE

THE FOLLOWING INFORMATION UNDER THIS HEADING HAS BEEN FURNISHED BY _____ (THE "INSURER" OR "_____") FOR USE IN THIS OFFICIAL STATEMENT. REFERENCE IS MADE TO APPENDIX D ATTACHED HERETO FOR A SPECIMEN OF THE INSURANCE POLICY. NO REPRESENTATION IS MADE BY THE COUNTY AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION OR THAT THERE HAS NOT BEEN ANY MATERIAL ADVERSE CHANGE IN SUCH INFORMATION SUBSEQUENT TO THE DATE OF SUCH INFORMATION. THE COUNTY HAS NOT MADE ANY INVESTIGATION INTO THE FINANCIAL CONDITION OF THE INSURER AND NO REPRESENTATION IS MADE AS TO THE ABILITY OF THE INSURER TO MEET ITS OBLIGATIONS UNDER ITS INSURANCE POLICY.

[To come]

RESERVE ACCOUNT SURETY BOND

THE FOLLOWING INFORMATION RELATING TO THE INSURER AND ITS RESERVE ACCOUNT SURETY BOND SET FORTH BELOW HAS BEEN FURNISHED BY THE INSURER. NO REPRESENTATION IS MADE BY THE COUNTY AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION OR THAT THERE HAS NOT BEEN ANY MATERIAL ADVERSE CHANGE IN SUCH INFORMATION SUBSEQUENT TO THE DATE OF SUCH INFORMATION. THE COUNTY HAS NOT MADE ANY INVESTIGATION INTO THE FINANCIAL CONDITION OF THE INSURER, AND NO REPRESENTATION IS MADE AS TO

THE ABILITY OF THE INSURER TO MEET ITS OBLIGATIONS UNDER THE
RESERVE ACCOUNT SURETY BOND.

The Resolution requires the Reserve Account to be funded in an amount equal to \$_____. The Resolution authorizes the County to obtain a surety bond or insurance policy in place of fully funding the Reserve Account. Accordingly, application has been made to _____ for the issuance of a surety bond for the purpose of funding the Reserve Account (see "SECURITY FOR THE BONDS - Reserve Account" herein). The Series 2006 Bonds will only be delivered upon the issuance of the Reserve Account Surety Bond. The premium on the Reserve Account Surety Bond is to be fully paid at or prior to the issuance and delivery of the Series 2006 Bonds. The Reserve Account Surety Bond provides that **[to come]**

[Remainder of page intentionally left blank]

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the Series 2006 Bonds are expected to be applied as follows:

SOURCES OF FUNDS:

Par Amount of Series 2006 Bonds\$ _____
Less/Plus Net Original Issue Discount/Premium(_____)

TOTAL SOURCES\$ _____

USES OF FUNDS:

Deposit to Construction Fund⁽¹⁾\$ _____
Deposit to Operation and Maintenance Fund⁽²⁾ _____
Costs of Issuance⁽³⁾ _____

TOTAL USES\$ _____

⁽¹⁾ Moneys on deposit in the Construction Fund shall be used to purchase the Ponte Vedra Utility System and to pay costs of capital improvements thereto.

⁽²⁾ Moneys on deposit in the Operation and Maintenance Fund shall be used to pay certain initial working capital costs related to the operation of the Ponte Vedra Utility System.

⁽³⁾ Includes Insurance Policy premium, Reserve Account Surety Bond premium, underwriters' discount, legal, administrative and other related fees and expenses.

[Remainder of this page intentionally left blank]

DEBT SERVICE SCHEDULE

The following table sets forth the annual debt service schedule for the Series 2006 Bonds.

<u>Year Ending October 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2006	\$	\$	\$
2007			
2008			
2009			
2010			
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
Total			

THE PONTE VEDRA UTILITY SYSTEM

The following information concerning the Ponte Vedra Utility System has been furnished to a large extent by Post, Buckley, Schuh & Jernigan, Inc. (the "Consulting Engineer") and Brown and Caldwell (the "Feasibility Consultant" and, together with the Consulting Engineer, the "Utility Consultants") for use in this Official Statement.

PROSPECTIVE INVESTORS MUST CLOSELY REVIEW, IN THEIR ENTIRETY, THE REPORT OF THE CONSULTING ENGINEER ATTACHED AS APPENDIX G HERETO AND THE REPORT OF THE FEASIBILITY CONSULTANT ATTACHED HERETO AS APPENDIX H PRIOR TO MAKING AN INVESTMENT DECISION WITH RESPECT TO THE SERIES 2006 BONDS.

Background

The Ponte Vedra Utility System's service area encompasses approximately 4,450 acres in the northeast portion of the County. The Ponte Vedra Utility System serves primarily residential and light commercial areas in Ponte Vedra and Palm Valley. The service area for the Ponte Vedra Utility System is largely developed and relatively affluent with only small developmental growth anticipated in the future. For the 12-month period ended September 30, 2005, the Ponte Vedra Utility System had an average of 5,049 water customer accounts and an average of 4,642 wastewater customer accounts.

The Company has owned and operated the Ponte Vedra Utility System as a private, investor-owned utility since 1982. The Company and the County began formal negotiations for the sale of the Ponte Vedra Utility System in June 2002. An Agreement to Purchase Water and Wastewater Assets was executed on August 29, 2005 (the "Acquisition Agreement"), and closing for the sale is scheduled to occur on February 23, 2006. The Series 2006 Bonds will not be issued if the conditions to the sale described in the Acquisition Agreement are not met to the County's satisfaction. Currently, the County believes such conditions will be met and the purchase of the Point Vedra Utility System will occur. [The purchase price for the Ponte Vedra Utility System is \$26,800,000.]

The County owns and operates the Existing County System which provides utility service to extensive areas throughout the County. The City of St. Augustine, JEA (formerly known as the Jacksonville Electric Authority), and other private utility companies provide utility service in certain other areas of the County. The water facilities of the Existing County System include three treatment plants with a combined permitted capacity of approximately 8.5 million gallons per day ("MGD"), 14 raw water supply wells, four remote storage and pumping stations and two elevated steel water storage tanks. The water facilities also include approximately 18,460 feet of raw water

supply mains and 355 miles of water transmission and distribution pipelines. The wastewater facilities of the Existing County System include five treatment plants with a combined permitted capacity of approximately 5.78 MGD, approximately 229 miles of gravity sewers and force mains and 170 lift stations, of which 11 are master lift stations. For the fiscal year ended September 30, 2005, the Existing County System had average water and wastewater customer accounts of 20,843 and 13,575, respectively.

The Existing County System is in good condition. The Existing County System currently is in compliance with all applicable federal and state regulatory requirements and has not experienced any significant regulatory issues in the last several years. The current capital improvement program for the Existing County System calls for \$85,000,000 of improvements over the next five years. As of September 30, 2005, the County had \$74,678,867 aggregate principal amount (including accreted amounts with respect to certain capital appreciation bonds) of indebtedness outstanding which is secured by and payable from net revenues derived from the operation of the Existing County System. The County is in compliance with, and no event or default has occurred under, its existing bond documents. **THE SERIES 2006 BONDS ARE NOT SECURED BY OR PAYABLE FROM ANY REVENUES DERIVED FROM THE OPERATION OF THE EXISTING COUNTY SYSTEM OR ANY OTHER FUNDS OR ASSETS OF THE EXISTING COUNTY SYSTEM.** The Series 2006 Bonds are secured by and payable only from the Pledged Funds which consist primarily of Net Revenues derived from the operation of the Ponte Vedra Utility System. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006 BONDS" herein. Any information contained herein with respect to the Existing County System is for general information purposes only.

Organization and Management

The County currently maintains a separate water, wastewater and reuse utilities department (the "Utility Department"). The Utility Department manages and administers the Existing County System. The County currently intends to operate the Ponte Vedra Utility System as a separate utility and enterprise of the County; provided, however, the Ponte Vedra Utility System will also be administered and managed by the Utility Department. The Utility Department is operated under the direction of the Utility Director, who is directly responsible to the County Administrator. The County Administrator reports directly to the Board of County Commissioners. The Utility Department consists of the Utilities Administration Division, Water and Wastewater Treatment Plant Operations Divisions, Water and Wastewater Maintenance Divisions and an Environmental Laboratory. The County intends to hire many of the Company's employees that currently work at the Ponte Vedra Utility System in order to maintain continuity and expertise with respect to the System.

The Utility Department has an existing administrative staff consisting of a Utility Director and managers who have experience in utility management, engineering,

financing and operations. The personnel strategically involved in the management of the utility include the following:

Mr. William G. Young was first hired in 1985 as a Water Treatment Plant Operator. In 1995 he was promoted to Assistant Utility Director and in 1999 he was named Utility Director. He has a Masters Degree in Public Administration and is a member of the Florida Water Environment Association, Florida Water Pollution Control Operators Association and a Board member of the American Water Works Association – Florida Section, St. Augustine Rotary, Association of Retarded Citizens and the St. Augustine YMCA. Mr. Young is a native of St. Johns County.

Mr. Ram "Neal" Shinkre joined the Utility Department in 2000 as Engineering Manager. He has a Masters Degree in Civil Engineering and Business Administration and is a Professional Engineer in the States of Florida and Georgia. He has several years of experience with private engineering consulting firms where he primarily performed treatment plant, lift station and system design. Mr. Shinkre is a member of the American Water Works Association and the Florida Engineering Society.

Mr. Gerald Solana has worked for the Utility Department for 20 years. Most of the time he has served as Superintendent of Utilities and was promoted to Operations Manager in 2001. He has an Associate of Science Degree in Industrial Technology in Reverse Osmosis Treatment. Mr. Solana holds a State of Florida "A" certification in Wastewater Treatment Operations and a "C" certification in Water Treatment Operations as well as a "C" certification in Reuse, Collection, Distribution and Stormwater Management. Mr. Solana has 10 years of experience with other municipally owned utilities and is a native of St. Johns County. He is a retired Florida National Guard member with 20 years as an Environmental Non-Commissioned Officer. He is also a member of the American Water Works Association and the Florida Water Pollution Control Operators Association.

Mr. Frank Kenton has been with the Utility Department since 1999 when he was hired as the Administrative Manager. He has a Bachelors Degree in Finance and a Masters Degree in Public Administration. He has several years of experience with other municipal and privately owned utility companies. Mr. Kenton is a native of St. Johns County and a member of the American Water Works Association and the Florida Water Pollution Control Operators Association.

Water Facilities

Supply. The source of water for the Ponte Vedra Utility System is the Floridan Aquifer. This aquifer is one of the principal sources of water in the region and produces good water quality. The water facilities include six raw water supply wells with depths ranging from 450 to 850 feet. Two of the wells are located at the Marsh Landing WTP (as described below under "Water Supply – Treatment") and the remaining four wells are

located at the Innlet Beach WTP (as described below under "Water Supply – Treatment"). One of the wells at the Innlet Beach WTP is not utilized regularly as it draws an unacceptable amount of sand.

The water supply system is operating under a consumptive use permit ("CUP") from the St. Johns River Water Management District (the "SJRWMD") which is the responsible regulatory agency for water withdrawal in the region. The CUP currently allows maximum annual ground water withdrawal for residential use of 1,084.05 million gallons per year. Under the terms of the CUP maximum annual ground water withdrawal for residential use increases to 1,179.68 million gallons in calendar year 2007. The CUP currently allows maximum annual ground water withdrawal of 186.15 million gallons for commercial/industrial use, such figure rising to 204.4 million gallons in calendar year 2007. The maximum daily ground water withdrawal for fire protection and essential services is limited to 11.38 MGD. See also "PONTE VEDRA UTILITY SYSTEM -- Regulation" herein for more information concerning the CUP.

Treatment. The Ponte Vedra Utility System currently includes two water treatment facilities, the Marsh Landing WTP and the Innlet Beach WTP. Each WTP has one ground storage tank, one hydropneumatic tank, associated chlorination systems and high service pumps. Because of the good water quality in the area, the treatment facilities include only disinfection facilities, chemical addition, storage and high service pumps. The treatment facilities are interconnected, allowing for flexibility and efficiency in operations.

The permitted maximum day operating capacities of the Marsh Landing WTP and the Innlet WTP are 2.4 MGD and 3.6 MGD, respectively. The permitted maximum day operating capacity of the treatment grid is 6.0 MGD.

Storage. The water facilities of the Ponte Vedra Utility System have over 1,400,000 gallons in total storage capacity. The Marsh Landing WTP houses a 400,000 gallon concrete ground storage tank and a 12,000 gallon steel hydropneumatic storage tank. The Innlet Beach WTP has a 1,000,000 gallon concrete ground storage tank and a 10,000 gallon steel hydropneumatic storage tank. The storage facilities include high service pumps and chlorine boosting equipment.

Transmission and Distribution. The water transmission and distribution facilities of the Ponte Vedra Utility System consist of approximately 76 miles of pipelines ranging in size from two to 12 inches. Approximately 98.0% of the pipes are made from polyvinyl chloride (PVC) with the remainder being made from ductile iron pipe and asbestos cement.

For the 12-month period ended December 31, 2004, the Ponte Vedra Utility System had an annual average day water demand of 1.545 MGD, which represents approximately 26% of available capacity. Over the same time period the water system

had a maximum daily water demand of 3.49 MGD, which represents 58% of available capacity. The water system had 5,049 average customer accounts, representing 8,172 equivalent meter connections (EMCs) for the 12-month period ending July 31, 2005. One EMC represents the number of equivalent connections based on the smallest size connection (5/8" by 3/4").

The Consulting Engineer has concluded in the Report of the Consulting Engineer that the water facilities of the Ponte Vedra Utility System are generally in good condition, properly operated and maintained, and typical of other systems of comparable age. See "APPENDIX G -- Report of the Consulting Engineer" attached hereto and "PONTE VEDRA UTILITY SYSTEM – Reports of Utility Consultants" herein.

Wastewater Facilities

Treatment. The Ponte Vedra Utility System includes three wastewater treatment facilities, the Marsh Landing WWTF, the Innlet Beach WWTF and the Players Club South WWTF. The three treatment facilities have a combined permitted capacity of 2.00 MGD.

The Marsh Landing WWTF has a permitted capacity of 0.80 MGD. It is an advanced secondary extended aeration activated sludge wastewater treatment facility consisting of the following components:

- a 0.145 million gallon equalization basin
- influent static screens
- two aeration basins
- two secondary clarifiers
- cloth membrane effluent filters
- chlorine contact chambers with chlorination for effluent disinfection
- a 0.90 million gallon unlined reject holding pond
- a 4.1 million gallon unlined effluent holding pond
- a 4.3 million gallon lined effluent holding pond
- an electronic surveillance system and backup power

Treated effluent from the Marsh Landing WWTF is permitted to discharge to a 1.1 MGD slow-rate public access reclaimed water irrigation system consisting of two golf courses at the Marsh Landing Country Club and the Ponte Vedra Golf Course and the Ponte Vedra Inn and Club. As a backup to such reuse system, treated effluent can be discharged to a 0.80 MGD AADF limited wet weather discharge at the Intracoastal Waterway.

The Innlet Beach WWTF has a permitted capacity of 0.50 MGD. It is an advanced secondary conventional aeration activated sludge wastewater treatment facility with high level disinfection consisting of the following components:

- One static bar screening unit that has an individual 10-inch gate valve on the influent side and equipped with a trash trough
- One 0.195 million gallon 70-foot diameter aeration tank aerated by Davis D2 coarse bubble diffusers and two blowers
- One 0.0892 million gallon 35-foot diameter secondary clarifier located in the center of the aeration tank with a 17-foot sidewall height and a 12:1 sloped floor
- One disc cloth membrane filtration unit consisting of a steel tank and two filter discs
- One 15,240 gallon baffled chlorine contact chamber consisting of three runs 4 feet wide by 30 feet in length with a 3-foot by 2-foot baffle
- One 0.1023 million gallon aerobic digester
- One 3.4 million gallon unlined reclaimed water storage pond
- One 0.4 million gallon concrete lined reject holding pond
- An electronic surveillance system and backup power

Treated effluent from the Innlet Beach WWTF is permitted to discharge to a 1.0 MGD slow-rate public access reclaimed water irrigation system consisting of two golf courses at the Oakbridge Golf Course and the Stadium Golf Course. As a backup to such reuse system, treated effluent can be discharged to a 0.50 MGD AADF limited wet weather discharge at the Intracoastal Waterway.

The Players Club South WWTF has a permitted capacity of 0.50 MGD. It is an advanced secondary conventional aeration activated sludge wastewater treatment facility with high level disinfection consisting of the following components:

- One static bar screening unit that has an individual 12-inch gate valve on the influent side and equipped with a trash trough
- One 0.1224 million gallon surge tank
- One 0.438 million gallon 96-foot diameter aeration tank aerated by Davis D2 coarse bubble diffusers and three blowers
- One 41-foot diameter secondary clarifier located in the center of the aeration tank with a 16.5-foot sidewall height and a 12:1 sloped floor

- One disc cloth membrane filtration unit consisting of a steel tank and four filter discs
- One 25,000 gallon baffled chlorine contact chamber consisting of twin trains each of which has three runs 4 feet wide by 26 feet in length with a 3-foot by 2-foot baffle
- One 76,667 million gallon aerobic digester
- One 5.0 million gallon unlined reclaimed water storage pond
- One 1.47 million gallon lined reject holding pond
- An electronic surveillance system and backup power

Treated effluent from the Players Club South WWTF is permitted to discharge to a 0.70 MGD slow-rate public access reclaimed water irrigation system at the Valley Golf Course. As a backup to such reuse system, treated effluent can be discharged to a 0.70 MGD AADF limited wet weather discharge at the Intracoastal Waterway.

Collection and Transmission. The Ponte Vedra Utility System includes approximately 57 miles of gravity sewer pipelines, 37 lift stations, 1,387 manholes and 24 miles of force mains. Approximately 99.6% of the force mains are made from PVC, with the remainder being made from ductile iron pipe. Approximately 72.7% of the gravity sewer pipelines are made from PVC, approximately 25.0% are made from vinyl chloride and the remainder are made from ductile iron pipe.

For the 12-month period ended December 31, 2004, the Ponte Vedra Utility System had an annual average daily flow of 1.30 MGD, which represents approximately 65% of available capacity. The wastewater system had 4,642 average customer accounts, representing 7,393 EMCs for the 12-month period ending July 31, 2005.

The Consulting Engineer has concluded in the Report of the Consulting Engineer that the wastewater treatment facilities of the Ponte Vedra Utility System are generally in good condition, properly operated, and typical of other systems of comparable age. The Consulting Engineer identified areas of concern and remedial recommendations, including those relating to three of the 37 lift stations. All of the remedial recommendations are part of the proposed capital improvement plan for the Ponte Vedra Utility System and none are expected to interfere with the System's operation. Notwithstanding these issues, the Consulting Engineer has concluded in the Report of the Consulting Engineer that the wastewater collection and transmission facilities are generally in good condition, properly operated and maintained, and typical of other systems of comparable age. See "APPENDIX G -- Report of the Consulting Engineer" attached hereto, "PONTE VEDRA UTILITY SYSTEM -- Capital Improvement Program" and "PONTE VEDRA UTILITY SYSTEM -- Reports of Utility Consultants" herein.

Regulation

The United States Environmental Protection Agency ("EPA") and the Florida Department of Environmental Protection ("FDEP") promulgate various regulations governing operation of the wastewater facilities of the Ponte Vedra Utility System. Regulations deal primarily with the quality of effluent discharged from the Ponte Vedra Utility System wastewater treatment facilities, the disposal of sludge generated by the treatment facilities, the discharge of pollutants into the groundwater and the nature of waste material discharged into the collection facilities. Associated with the regulations are various monitoring and reporting requirements. The Ponte Vedra Utility System currently is in compliance with all applicable regulations relating to its wastewater treatment and disposal facilities.

The Company was cited by FDEP in May 2005 for failure to report two sewer overflows as required by the applicable operating permit. The Company signed a consent order with FDEP, paid a fine of \$2,250, and modified the wastewater facilities, force mains and lift stations as a means of preventing additional problems. There have also been consistent odor complaints which have been traced to the water treatment facilities. No remedial actions have been taken with respect to such complaints as the odor is a normal byproduct of the water treatment process and results from the stripping of hydrogen sulfide in the treatment plant aerators.

The three wastewater treatment plants operate under the following permits issued by FDEP:

<u>Facility</u>	<u>Permitted Capacity, (mgd)</u>	<u>Permit Number</u>	<u>Expiration Date</u>
Marsh Landing	0.80	FL0044253	March 31, 2007
Innlet Beach	0.50	FL0044237	February 26, 2009
Players Club South	0.70	FL0044245	February 26, 2009

Source: Report of Consulting Engineer. See APPENDIX G hereto.

In addition to regulation of the wastewater treatment facilities, EPA and FDEP regulate the quality of the Ponte Vedra Utility System's water. The Ponte Vedra Utility System presently is in compliance with all applicable regulations relating to water quality.

As noted under "PONTE VEDRA UTILITY SYSTEM – Water Facilities – Supply", the consumptive use of water is administered by SJRWMD through a permitting system, pursuant to which water resources are divided among the permitted consumers. The current CUP for the Ponte Vedra Utility System was issued on March 12, 2002 and expires on April 11, 2010. See "PONTE VEDRA UTILITY SYSTEM – Water Facilities

– *Supply*" for information regarding the allowable ground water withdrawals pursuant to the CUP.

Capital Improvement Program

The County has identified a variety of capital improvements to be made to the Ponte Vedra Utility System through the year ended September 30, 2010. The proposed improvements include refurbishing the Marsh Landing WWTF and the Players Club WWTF, various lift station improvements, improvements at the treatment facilities relating to conversion to liquid chlorine, acquisition and installation of a generator at the Innlet Beach WTP, acquisition of various vehicles and telemetry improvements. [The total estimated cost for all of such improvements is \$4,104,000. Approximately \$3,200,000 of such costs will be financed with proceeds of the Series 2006 Bonds.] The remainder will be paid with any excess Net Revenues of the Ponte Vedra Utility System or additional debt. To the extent that such funds are insufficient the capital improvement program will be adjusted or deferred. See the Report of the Consulting Engineer attached hereto as APPENDIX G for more information concerning the proposed capital improvement program.

Rates, Fees and Charges

Water and Wastewater Rates. The Company has utilized a rate structure for the Ponte Vedra Utility System which provides for two user classes, residential and general service. The Company's rate structure provides uniform monthly base facility charges and consumption rates for both water and wastewater service. The County has determined that the rate structure, fiscal requirements and policies and procedures for the Ponte Vedra Utility System should be the same as those established for the Existing County System. Accordingly, on January 24, 2006, the County enacted Ordinance No. 2006-___ (the "Ponte Vedra Rate Ordinance") establishing a rate structure, fiscal requirements, policies and procedures for the Ponte Vedra Utility System that are the same as those for the Existing County System. The provisions of the Ponte Vedra Rate Ordinance will become effective upon the County's acquisition of the Ponte Vedra Utility System.

[Remainder of page left intentionally blank]

The rate structure established by the Ponte Vedra Rate Ordinance includes a base charge per equivalent residential unit for both water and wastewater service ("ERU") and volume rates consisting of inclining (conservation) block rates per thousand gallons of usage. Although the rate structure established in the Ponte Vedra Rate Ordinance is the same as the structure for the Existing County System, the specific rates for the Ponte Vedra Utility System are generally lower than those of the Existing County System. The specific rates created by the Ponte Vedra Rate Ordinance for the Ponte Vedra Utility System are as follows:

WATER RATES

<u>Base Charge per ERU</u>	<u>Amount</u>
Single Family	\$10.75
Multi-Family	8.60
Commercial	10.75
Irrigation	10.75
Government	10.75

<u>Volume Charge per 1,000 gallons</u>	
Single Family	
Block 1 (0-5,000 gallons per Account)	\$1.20
Block 2 (5,001 - 10,000 gallons per Account)	1.45
Block 3 (10,001 - 20,000 gallons per Account)	3.55
Block 4 (Above 20,000 gallons per Account)	4.30
Multi-Family	
Block 1 (0-4,000 gallons per ERU)	\$1.20
Block 2 (4,001 - 8,000 gallons per ERU)	1.45
Block 3 (8,001 - 16,000 gallons per ERU)	3.55
Block 4 (Above 16,000 gallons per ERU)	4.30
All other Classes	
Block 1 (0-5,000 gallons per ERU)	\$1.20
Block 2 (5,001 - 10,000 gallons per ERU)	1.45
Block 3 (10,001 - 20,000 gallons per ERU)	3.55
Block 4 (Above 20,000 gallons per ERU)	4.30

Source: Report of Feasibility Consultant. See APPENDIX H hereto.

WASTEWATER RATES

<u>Base Charge per ERU</u>	<u>Amount</u>
Single Family	\$13.16
Multi-Family	10.53
Commercial	13.16
Government	13.16

<u>Volume Charge per 1,000 gallons</u>	
Single Family ⁽¹⁾ (capped at 10,000 gallons per Account)	\$2.05
Multi-Family (capped at 8,000 gallons per ERU)	2.05
Commercial	3.05
Government	2.05

⁽¹⁾per account

Source: Report of Feasibility Consultant. See APPENDIX H hereto.

Please see the Report of the Feasibility Consultant attached hereto for more information concerning the rates for the Ponte Vedra Utility System, including the rates currently imposed by the Company.

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Water and Wastewater Rate Comparison. The water and wastewater rates to be in effect for the Ponte Vedra Utility System upon the County's acquisition thereof compare favorably with those of other municipal utility systems in the northeast Florida area. The following chart presents comparative information for an average residential bill (5,000 gallons of usage) for the Ponte Vedra Utility System and surrounding communities:

**Monthly Rate Comparisons with Neighboring Communities
Single-Family Residential Customer 5,000 Gallons⁽¹⁾**

	<u>Water</u>	<u>Wastewater</u>	<u>Combined</u>
Ponte Vedra Utility System	\$16.75	\$23.41	\$40.16
Neighboring Communities			
Atlantic Beach	10.69	22.67	33.36
Clay County Utility Authority (Clay)	10.84	24.24	35.08
Clay County Utility Authority (Kingsley)	9.91	21.09	31.00
Clay County Utility Authority (Mid-Clay)	11.36	23.64	35.00
Flagler Beach (Inside City)	27.53	34.40	61.93
Flagler Beach (Outside City)	41.30	51.60	92.90
Green Cove Springs (Inside City)	14.04	21.00	35.04
Green Cove Springs (Outside City)	17.55	26.25	43.80
Hastings (Inside City)	42.50	42.50	85.00
Hastings (Outside City)	53.13	53.13	106.25
Jacksonville Beach	17.09	25.46	42.55
JEA	12.35	24.39	36.74
Palatka (Inside City)	10.29	15.74	26.03
Palatka (Outside City)	12.86	19.68	32.54
Palm Coast	28.25	24.02	52.27
St. Augustine (Inside City)	21.97	29.44	51.41
St. Augustine (Outside City)	27.45	36.81	64.26
St. Johns County	25.51	26.30	51.81
Average of Neighboring Communities	21.92	29.02	50.94

⁽¹⁾Rates as of October 1, 2005; exclusive of taxes, surcharges, etc.

Source: Report of the Feasibility Consultant. See APPENDIX H hereto.

Connection Fees and Other Charges. In addition to the monthly rates for water and wastewater service, the Ponte Vedra Ordinance establishes connection fees (the "Connection Fees") based upon an equitable and proportionate share of the cost for additional capacity in water production and transmission facilities and wastewater transmission, treatment and effluent disposal facilities. The purpose of the Connection Fees is to fund or reimburse the equitable share of the capital costs relating to the construction, expansion or equipping of excess or unused capacity of the Ponte Vedra

Utility System in order to serve new users. Connection Fees are generally due and payable at the time a building permit is issued. The Connection Fees are charged on an equivalent residential connection ("ERC") basis with an ERC established as 350 gallons per day. The water Connection Fee is currently \$1,615.50 per ERC and the wastewater ERC is \$2,045.33 per ERC.

Generally, under Florida law, impact fees such as the Connection Fees may be validly imposed against new construction or development in order to fund capital improvements or capacity which is necessitated by such new construction or development. Impact fees such as the Connection Fees may be lawfully applied to satisfy debt service for bonds or other obligations issued to finance or refinance such improvements on capacity. Proceeds of such Connection Fees may be used only for the capital improvements or capacity attributable to the new construction or development or to pay associated debt service. The County currently anticipates that Connection Fee receipts with respect to the Ponte Vedra Utility System will not be significant as the service area is predominantly built out. [The Feasibility Consultant has not included any Connection Fee receipts in its income projections for the Ponte Vedra Utility System.]

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The following chart presents comparative information with respect to the level of Connection Fees for the Ponte Vedra Utility System and surrounding communities:

Unit Connection Fee Comparison with Neighboring Communities
Single Family Residential Customer⁽¹⁾

	<u>Water</u>	<u>Wastewater</u>	<u>Combined</u>
Ponte Vedra Utility System	\$1,615.50	\$2,045.33	\$3,660.83
Neighboring Communities			
Atlantic Beach	850.00	1,250.00	2,100.00
Clay County Utility Authority (Clay)	235.00	1,010.00	1,245.00
Clay County Utility Authority (Kingsley)	235.00	1,010.00	1,245.00
Clay County Utility Authority (Mid-Clay)	235.00	1,010.00	1,245.00
Flagler Beach (Inside City)	1,170.00	1,240.00	2,410.00
Flagler Beach (Outside City)	1,755.00	1,860.00	3,615.00
Green Cove Springs (Inside City)	235.00	1,151.50	1,386.50
Green Cove Springs (Outside City)	235.00	1,151.50	1,386.50
Hastings (Inside City)	N/A	N/A	N/A
Hastings (Outside City)	N/A	N/A	N/A
Jacksonville Beach ⁽²⁾	325.00	1,300.00	1,625.00
JEA ⁽³⁾	339.50	1,274.00	1,613.50
Palatka (Inside City)	550.00	550.00	1,100.00
Palatka (Outside City)	660.00	660.00	1,320.00
Palm Coast	1,500.00	1,390.00	2,890.00
St. Augustine (Mainland - Inside)	1,144.50	1,585.50	2,730.00
St. Augustine (Mainland - Outside)	1,431.50	1,981.00	3,412.50
St. Johns County	1,488.56	1,884.61	3,373.17
Average of Neighboring Communities	774.32	1,269.26	2,043.57

⁽¹⁾Per the community's ERC unless otherwise noted

⁽²⁾High Density Area

⁽³⁾Beginning January 1, 2006, a Growth Capacity Fee of \$1,695.00 will be charged to new connections

Source: Report of the Feasibility Consultant. See APPENDIX H hereto.

In addition to the rates and Connection Fees described above, a variety of additional charges are imposed for certain services, including but not limited to deposits, installation and tap-in charges, fees for disconnecting from the Ponte Vedra Utility System or suspending service, testing meters, lien preparation and recording and for returned checks. See the Report of the Feasibility Consultant attached hereto as APPENDIX H for more information regarding such miscellaneous fees and charges.

Collection Practices; Delinquencies. The 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 the entire meter inventory. This has helped keep the annual write-off for unpaid billings below 1% of total revenues by allowing a quicker turnaround in the billing and collection process. The delinquency collection procedure begins on the first day after the due date and allows ten extra days for payment. 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.

Operating and Financial Results and Projections

Historical Operating Results. The information in the following tables is derived from information provided by the Company.

Water Operating Results⁽¹⁾

Calendar Year Ended December 31	Water Sold to Customers (gallons)	Average Daily Demand (gallons)	Maximum Monthly Demand (gallons)	Average Number of Accounts	Average Daily Water Use per Account (gallons)
2000	1,057,841,000	2,898,195	139,890,000	4,880	594
2001	958,596,000	2,626,290	107,502,000	4,932	533
2002	943,891,000	2,586,003	112,562,000	4,966	521
2003	899,777,000	1,499,391	110,099,000	5,004	300
2004	911,720,000	1,545,776	104,829,000	5,022	308

Source: Report of the Consulting Engineer. See APPENDIX G hereto.

⁽¹⁾Note that the number of accounts has increased while the demand has decreased indicating that the fluctuation in water sold is related to weather, consumption patterns, and conservation rates rather than the number of customer accounts

Wastewater Operating Results⁽¹⁾

Calendar Year Ended December 31	Estimated Flow (gallons)	Estimated Average Daily Flow (gallons)	Estimated Maximum Monthly Demand (gallons)	Average Number of Accounts	Average Daily Wastewater Use per Account (gallons)
2000	550,077,320	1,507,061	72,742,800	4,484	336
2001	498,469,920	1,365,671	55,901,040	4,541	301
2002	490,823,320	1,344,721	58,532,240	4,571	294
2003	467,884,040	1,281,874	57,251,480	4,604	278
2004	474,094,400	1,298,889	54,511,080	4,629	281

Source: Report of the Consulting Engineer. See APPENDIX G hereto.

⁽¹⁾Note that the number of accounts has increased while the demand has decreased indicating that the fluctuation in wastewater treated is related to weather, consumption patterns, and conservation rates rather than the number of customer accounts

The water and wastewater customers of the Ponte Vedra Utility System are principally single family residences. As of December 31, 2004, residential water customers accounted for approximately 81% of the total water accounts and 55% of the total water ERCs. As of December 31, 2004, residential wastewater customers accounted for approximately ____% of the total wastewater accounts and ____% of the total wastewater ERCs.

The Report of the Consulting Engineer also contains historical monthly flow information for 2004 and part of 2005. See APPENDIX G hereto.

Ten Largest Customers. For the 12-month period ended July 31, 2005, based upon the rates and charges to be imposed pursuant to the Ponte Vedra Rate Ordinance, the ten largest water and wastewater customers of the Ponte Vedra Utility System represented 19.21% of total charges, with the largest customer representing nearly 4.60%.

Ten Largest Water and Wastewater Customers

<u>Ranking</u>	<u>Customer</u>	<u>Industry</u>	<u>Revenue Generated</u>	<u>Percent of Total⁽¹⁾</u>
1	Marriott		\$240,068	4.60%
2	Palmetto Cove		186,143	3.57
3	Remington		145,100	2.78
4	Ocean Grove of PVB Co.		81,946	1.57
5	Life Care Pastoral		81,760	1.57
6	Fairways Apartments		76,981	1.48
7	Seahawks I & II		58,728	1.13
8	Ocean Links Condo Assoc.		38,732	0.74
9	Island Green Condos		36,762	0.70
10	Hilton Garden Inn		29,412	0.56
Total			<u>\$975,633</u>	<u>18.70%</u>

⁽¹⁾Based on approximate estimated total revenues of \$5,216,006 (based upon the rates and charges to be imposed pursuant to the Ponte Vedra Rate Ordinance) for the 12-month period ending July 31, 2005.

Source: Report of the Feasibility Consultant. See APPENDIX H hereto.

Historical Financial Results. The following table shows historical operating revenues and operating expenses of the Ponte Vedra Utility System for the calendar years 2001 through 2005. THESE FIGURES ARE PROVIDED FOR GENERAL INFORMATIONAL PURPOSES ONLY. The accounting rules and principles applicable to the Company with respect to its ownership and operation of the Ponte Vedra Utility System are different from those that will apply with respect to the County's ownership and operation of the Ponte Vedra Utility System. As an example, the Company recognizes depreciation and amortization expenses and is subject to various taxes. The

County does not recognize such expenses and it is not subject to any taxes. In addition, through its enactment of the Ponte Vedra Rate Ordinance the County has established a different rate structure and different rates and charges than those that historically have been imposed by the Company. The results of the Ponte Vedra Utility System under the ownership and operation of the Company are not indicative of the results that the System will experience under the County's ownership and operation. See the Report of the Feasibility Consultant attached hereto as APPENDIX H for more information regarding historical results of the operation of the Ponte Vedra Utility System.

Historical Financials

<u>Calendar Year</u>	<u>2001⁽¹⁾</u>	<u>2002⁽¹⁾</u>	<u>2003⁽¹⁾</u>	<u>2004⁽¹⁾</u>	<u>2005⁽³⁾</u>
Operating Revenues	\$3,919,096	\$3,922,548	\$3,926,367	\$3,981,506	
Operating Expenses⁽²⁾	3,635,689	3,526,406	3,649,808	3,580,544	
Total Utility Operating Income	283,407	396,142	276,559	400,962	

⁽¹⁾Based on Annual Reports of the Company submitted to St. Johns County Water and Sewer Authority

⁽²⁾Includes depreciation and amortization expenses and taxes other than income

⁽³⁾Provided directly by the Company

Source: Report of the Feasibility Consultant. See APPENDIX H hereto.

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Projected Financial Results. The following table shows a summary of the proforma operating results for the Ponte Vedra Utility System for the County Fiscal Years ending September 30, 2006 through and including 2010 prepared by the Feasibility Consultant. The table was taken from the Report of the Feasibility Consultant attached hereto as APPENDIX H which was derived from more detailed information contained in the Report of the Feasibility Consultant. Any potential investor in the Series 2006 Bonds must read the Report of the Feasibility Consultant in its entirety prior to making an investment decision with respect to the Series 2006 Bonds.

Proforma Operating Results

<u>Fiscal Year</u>	<u>2005/06⁽¹⁾</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>
Revenues					
User Fees					
Base Facility Charge	\$1,320,300	\$2,320,700	\$2,378,500	\$2,438,100	\$2,499,000
Gallorage	1,713,100	3,017,700	3,098,600	3,182,100	3,267,700
Total User Fees	\$3,033,400	\$5,338,400	\$5,477,100	\$5,620,200	\$5,766,700
Other Revenue Sources	38,500	67,800	69,600	71,400	73,300
Total Revenue	\$3,071,900	\$5,406,200	\$5,546,700	\$5,691,600	\$5,840,000
O&M Expenses	1,818,400	3,255,600	3,360,900	3,469,600	3,582,800
Net Operating Income	\$1,253,500	\$2,150,600	\$2,185,800	\$2,222,000	\$2,257,200
Debt Service					
(Series 2006 Bonds) ⁽²⁾	957,000	1,805,800	1,836,600	1,876,100	1,878,400
Operating Balance	\$296,500	\$345,100	\$349,200	\$345,900	\$378,800
Renewal & Replacement	162,000	263,300	270,300	277,400	284,600
Net Balance	\$134,500	\$81,800	\$78,900	\$68,500	\$94,200
Coverage					
Required ⁽³⁾	1.10	1.10	1.10	1.10	1.10
Achieved	1.34	1.19	1.18	1.20	1.22

⁽¹⁾Reflects operations beginning March 1, 2006

⁽²⁾Add assumptions]

⁽³⁾Required by the provisions of the Resolution

Source: Report of the Feasibility Consultant. See APPENDIX H hereto.

Reports of Utility Consultants

Consulting Engineer. The Report of the Consulting Engineer with respect to the Ponte Vedra Utility System is attached as APPENDIX G hereto. Such Report was prepared by the Consulting Engineer, Post, Buckley, Schuh & Jernigan, Inc. Among other things, the Report describes the water and wastewater facilities of the Ponte Vedra Utility System, sets forth certain historical and projected usage and operating statistics, provides various projected fiscal requirements and describes the proposed capital improvement program. THE REPORT OF THE CONSULTING ENGINEER MUST BE READ IN ITS ENTIRETY, INCLUDING THE CONSIDERATIONS AND ASSUMPTIONS UPON WHICH IT IS BASED, PRIOR TO A PROSPECTIVE

PURCHASER OF THE SERIES 2006 BONDS MAKING AN INVESTMENT DECISION WITH RESPECT THERETO.

Based upon the principal considerations and assumptions and the results of the studies and analyses as summarized or discussed in the Report of the Consulting Engineer, the Consulting Engineer is of the opinion that:

1. The overall water and wastewater facilities of the Ponte Vedra Utility System are in generally good condition and well maintained.
2. All facilities are currently operating satisfactorily and in compliance with the regulatory agencies.
3. Nothing was identified or observed that would adversely affect the continued operating condition of the Ponte Vedra Utility System, including but not limited to compliance with regulatory agencies.
4. The staff of the Existing County Utility are well qualified.
5. The utility organizational structure of the County is of sufficient size and quality to adequately serve the Ponte Vedra Utility System.
6. The capital improvement program planned by the County for the Ponte Vedra Utility System is adequate to correct the deficiencies noted and maintain the Ponte Vedra Utility System's present level of operation and service and meets the needs of future development.
7. The cost estimates associated with the capital improvement program are reasonable and required to meet the operating, regulatory, growth and capital needs of the Ponte Vedra Utility System.

The Feasibility Consultant. The Feasibility Consultant, Brown and Caldwell has prepared the Report of the Feasibility Consultant, a copy of which is attached hereto as APPENDIX H. In addition to other information, the Report of the Feasibility Consultant includes historical customer and usage statistics, projected fiscal requirements and revenues and historical and projected financial operating results of the Ponte Vedra Utility System. THE REPORT OF THE FEASIBILITY CONSULTANT MUST BE READ IN ITS ENTIRETY, INCLUDING THE CONSIDERATIONS AND ASSUMPTIONS UPON WHICH IT IS BASED, PRIOR TO A PROSPECTIVE PURCHASER OF THE SERIES 2006 BONDS MAKING AN INVESTMENT DECISION WITH RESPECT THERETO.

Based upon the principal considerations and assumptions and the results of the studies and analyses as summarized or discussed in the Report of the Feasibility Consultant, the Feasibility Consultant is of the opinion that:

1. The existing customer base is well established and is not anticipated to change materially within the study period.
2. Historical financials reflect a relatively stable operation with a history of meeting all operating requirements.
3. Consideration of the adjustments to the irrigation usage of certain connections should adequately address decreases resulting from anticipated price elasticity of demand in certain water blocks.
4. The projected combined water and wastewater revenues for County Fiscal Years ending September 30, 2006 through and including 2010 provided from the user rates and charges as established in the Report of the Feasibility Consultant will be sufficient to provide for: (a) 100% of the projected operating expenses; (b) transfers to the renewal and replacement account; and (c) rate covenant requirements provided in the Resolution.
5. The projected revenues and expenses are reasonable based on the proposed rate structure, the Series 2006 Bonds requirements, other nearby utilities and input from County staff members.
6. The projected achieved annual debt service coverage of the Ponte Vedra Utility System exceeds the requirements contained in the Resolution.
7. The user rates and charges for water and wastewater service set forth in the Ponte Vedra Rate Ordinance are reasonable and comparable to those of neighboring utilities.
8. Nothing came to our attention, which would adversely affect the continued operating and financial condition of the Ponte Vedra Utility System including, but not limited to, compliance with regulatory agencies.

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RISK FACTORS

The future financial condition of the Ponte Vedra Utility System could be affected adversely by, among other things, legislation, environmental and other regulatory actions, changes in demand for services, economic conditions, demographic changes and litigation. The Ponte Vedra Utility System is subject to regulation and control by numerous federal, state and local governmental agencies. The County cannot predict future policies such agencies may adopt. Future changes could result in the County having to discontinue operations at certain facilities or to make unanticipated and significant capital expenditures and could involve litigation.

INVESTMENT POLICY

The moneys held in the funds and accounts under the Resolution may only be invested in Authorized Investments. See "APPENDIX B – Form of the Resolution" attached hereto for the definition of Authorized Investments.

Pursuant to the requirements of Section 218.415, Florida Statutes, the County adopted Resolution No. 2001-58 on March 27, 2001, as amended and supplemented, establishing the County's current written investment policy which applies to all financial assets of the County, excluding pension funds, funds related to debt that are governed by other policies or indentures, funds held by state agencies and financial assets under the direct control of constitutional officers.

The objectives of the investment policy, listed in order in order of importance, are:

1. Safety of principal;
2. Maintenance of liquidity; and
3. Return on investment.

The investment policy limits the types of investments eligible for inclusion in the County's portfolio. The investment policy also establishes criteria for suitable financial institutions with which the County will conduct business. Internal controls and investment procedures are provided for in the policy as are competitive bidding requirements.

To enhance safety, the investment policy requires the diversification of the portfolio to reduce the risk of loss resulting from over-concentration of assets in a specific class of security. The investment policy provides guidelines for diversification, setting forth maximum percentages for the various allowable investments. The policy also provides maturity and liquidity requirements for investments. The responsibility for the administration of the investment program is granted to the County's Finance Director.

The investment policy may be modified by the Board of County Commissioners from time to time.

A copy of the investment policy of the County can be obtained directly from the County. See the last paragraph under "INTRODUCTION" herein.

LEGAL MATTERS

Certain legal matters in connection with the issuance of the Series 2006 Bonds are subject to an approving legal opinion of Rogers Towers, P.A., Jacksonville, Florida, Bond Counsel, whose approving opinion (a form of which is attached hereto as "APPENDIX E -FORM OF BOND COUNSEL OPINION") will be available at the time of delivery of the Series 2006 Bonds. Certain legal matters will be passed on for the County by Edwards Cohen, Counsel for the County, and Nabors, Giblin & Nickerson P.A., Tampa, Florida, Disclosure Counsel.

LITIGATION

There is no pending or, to the knowledge of the County, any threatened litigation against the County of any nature whatsoever which in any way questions or affects the validity of the Series 2006 Bonds, or any proceedings or transactions relating to their issuance, sale, execution, or delivery, or the adoption of the Resolution, or the pledge of the Pledged Funds. Neither the creation, organization or existence, nor the title of the present members of the Board, or other officers of the County is being contested.

The County experiences routine litigation and claims incidental to the conduct of its affairs. In the opinion of Edwards Cohen, Counsel for the County, there are no actions presently pending or threatened which would materially adversely impact the County's ability to receive the Pledged Funds.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Pursuant to Section 517.051, Florida Statutes, as amended, no person may directly or indirectly offer or sell securities of the County except by an offering circular containing full and fair disclosure of all defaults as to principal or interest on its obligations since December 31, 1975, as provided by rule of the Florida Department of Banking and Finance (the "Department"). Pursuant to Rule 69W-400.003, Florida Administrative Code, the Department has required the disclosure of the amounts and types of defaults, any legal proceedings resulting from such defaults, whether a trustee or receiver has been appointed over the assets of the County, and certain additional financial information, unless the County believes in good faith that such information would not be considered material by a reasonable investor. The County is not and has not been in

default on any bond issued since December 31, 1975 which would be considered material by a reasonable investor.

TAX EXEMPTION

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2006 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Series 2006 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Bond Counsel is also of the opinion that the Series 2006 Bonds and the interest thereon are exempt from taxation under existing laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, banks and savings associations. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX E attached hereto.

The amount by which the respective issue prices of the Series 2006 Bonds maturing on October 1 in the years _____, _____ and _____, (collectively, the "Discount Bonds") is less than the amount to be paid at maturity of such Discount Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Discount Bonds) constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Discount Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of each maturity of the Discount Bonds is the first price at which a substantial amount of the Bonds of such maturity is sold to the public (excluding bond houses, brokers, similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to the Discount Bonds accrues daily over the term to maturity of such Discount Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounded dates). The accruing original issue discount is added to the adjusted basis of such Discount Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Discount Bonds. Beneficial Owners of the Discount Bonds should consult their own tax advisors with respect to the tax consequences of ownership of the Discount Bonds, including the treatment of purchasers who do not purchase such Discount Bonds in the original offering to the public at the first price at which a substantial amount of such Discount Bonds of the same maturity is sold to the public.

Series 2006 Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a purchaser's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2006 Bonds. The County has made representations related to certain of these requirements and has covenanted to comply with certain restrictions designed to insure that interest on the Series 2006 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2006 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2006 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2006 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2006 Bonds.

Certain agreements, requirements and procedures contained or referred to in the Resolution, the Tax Certificate to be executed by the Issuer simultaneously with the issuance of the Series 2006 Bonds and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Series 2006 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in the Resolution. Bond Counsel expresses no opinion as to any Series 2006 Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Bond Counsel.

Although Bond Counsel is of the opinion that interest on the Series 2006 Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2006 Bonds may otherwise affect a beneficial owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

In addition, no assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code,

will not cause interest on the Series 2006 Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Series 2006 Bonds from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Series 2006 Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the Internal Revenue Service (the "IRS"), including but not limited to regulation, ruling, or selection of the Series 2006 Bonds for audit examination, or the course or result of any IRS examination of the Series 2006 Bonds, or obligations which present similar tax issues, will not affect the market price for the Series 2006 Bonds. The IRS has initiated a program of expanded audits of tax-exempt bonds.

RATINGS

Standard & Poor's a division of the McGraw-Hill Companies, Inc. ("S&P") and Moody's Investors Service ("Moody's") are expected to assign ratings of "AAA" and "Aaa," respectively, with the understanding that upon delivery of the Series 2006 Bonds, the Insurance Policy will be issued by the Insurer. [In addition, S&P and Moody's have assigned underlying ratings of "___" and "_____" respectively, without giving any regard to such Insurance Policy.] The ratings reflect only the views of said rating agencies and an explanation of the ratings may be obtained only from said rating agencies. There is no assurance that such ratings will continue for any given period of time or that they will not be lowered or withdrawn entirely by the rating agencies, or any of them, if in their judgment, circumstances so warrant. A downward change in or withdrawal of any of such ratings may have an adverse effect on the market price of the Series 2006 Bonds. An explanation of the significance of the ratings can be received from the rating agencies, at the following addresses: Standard & Poor's, 55 Water Street, New York, New York 10041 and Moody's Investors Service, 99 Church Street, New York, New York 10007.

FINANCIAL ADVISOR

The County has retained Public Financial Management, Inc., Orlando, Florida, as Financial Advisor in connection with the County's financing plans and with respect to the authorization and issuance of the Series 2006 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. The Financial Advisor did not participate in the underwriting of the Series 2006 Bonds. The Financial Advisor may receive a fee for bidding investments for certain proceeds of the Series 2006 Bonds.

AUDITED FINANCIAL STATEMENTS

Excerpted pages from the General Purpose Financial Statements of the County for the Fiscal Year Ended September 30, 2004, and report thereon dated as of January 13, 2005 of Davis Monk & Company (the "Independent Certified Public Accountant") are attached hereto as "APPENDIX B – Excerpted Pages from the General Purpose Financial Statements of the County for Fiscal Year Ended September 30, 2004." Such statements speak only as of September 30, 2004. Such portion of the General Purpose Financial Statements from the Comprehensive Annual Financial Report of the County have been included in this Official Statement as a public document and consent of the Independent Certified Public Accountant was not requested.

The Series 2006 Bonds are payable solely from the Pledged Funds as described in the Resolution and herein and the Series 2006 Bonds are not otherwise secured by, or payable from, the general revenues of the County or the revenues of the Existing County System. See "SECURITY FOR THE BONDS" and "THE PONTE VEDRA UTILITY SYSTEM" herein. The General Purpose Financial Statements are presented for general information purposes only.

CONTINUING DISCLOSURE

The County has covenanted for the benefit of the Series 2006 Bondholders to provide certain financial information and operating data relating to the County, the Ponte Vedra Utility System and the Series 2006 Bonds in each year, and to provide notices of the occurrence of certain enumerated material events. The County has agreed to file annual financial information and operating data and its audited financial statements (collectively, the "Annual Report") with each nationally recognized municipal securities information repository then approved by the Securities and Exchange Commission (the "NRMSIRs"), as well as any state information depository that is established in the State (the "SID"). Currently, there are no such SIDs. The County has agreed to file notices of certain enumerated material events, when and if they occur, with the NRMSIRs or the Municipal Securities Rulemaking Board, and with the SIDs, if any. In lieu of filing such information with the NRMSIRs and SIDs, if any, the County may provide the required information to Disclosure USA.

The specific nature of the financial information, operating data, and of the type of events which trigger a disclosure obligation, and other details of the undertaking are described in "APPENDIX F – Form of Continuing Disclosure Certificate" attached hereto. The Continuing Disclosure Certificate shall be executed by the County prior to the issuance of the Series 2006 Bonds. These covenants have been made in order to assist the Underwriters in complying with the continuing disclosure requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule").

With respect to the Series 2006 Bonds, no party other than the County is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the Rule. The County has made twelve prior agreements to provide continuing disclosure information pursuant to the Rule. The deadlines by which the County is obligated to provide the Annual Reports differ among many of the prior agreements. In two of the agreements, the deadline is June 30 of each year, in five of the agreements the deadline is June 27 of each year, and in two of the agreements the deadline is June 1 of each year. In three of the agreements, all of which were executed in 2002, the deadline was inadvertently designated as March 29. The County missed the March 29 deadlines set forth in those three agreements each year but has met the deadline in the other nine agreements. The County has always provided all of the required information annually.

UNDERWRITING OF SERIES 2006 BONDS

The Series 2006 Bonds are being purchased by RBC Dain Rauscher Inc., doing business under the trade name RBC Capital Markets, and The Frazer Lanier Company Incorporated (collectively, the "Underwriters") at an aggregate purchase price of \$_____ (which equals the principal amount of the Series 2006 Bonds, less/plus a net original issue discount/premium of \$_____ and less Underwriters' discount of \$_____). The Underwriters' obligations are subject to certain conditions precedent contained in a contract of purchase entered into with the County, and they will be obligated to purchase all of the Series 2006 Bonds if any Series 2006 Bonds are purchased. Pursuant to the terms of the contract of purchase, the Series 2006 Bonds will not be issued by the County if the conditions set forth in the Acquisition Agreement relating to the sale of the Point Vedra Utility System are not satisfied. The Series 2006 Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2006 Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the Series 2006 Bonds upon an event of default under the Resolution, the Insurance Policy and the Reserve Account Surety Bond are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically the federal bankruptcy code, the remedies specified by the Resolution, the Series 2006 Bonds, the Insurance Policy and the Reserve Account Surety Bond may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2006 Bonds, including Bond Counsel's approving opinion, will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted

before or after such delivery. See "APPENDIX B –Form of the Resolution" attached hereto for a description of events of default and remedies.

EXPERTS AND CONSULTANTS

Any references herein to Post, Buckley, Schuh & Jernigan, Inc., as Consulting Engineer, and Brown and Caldwell, as Rate Consultant, have been approved by said firms. The Report of the Consulting Engineer and the Report of the Feasibility Consultant have been included as APPENDICES G and H, respectively, attached to this Official Statement. References to and excerpts herein from such Reports do not purport to be an adequate summary of such Reports or complete in all respects. **Such Reports are an integral part of this Official Statement and should be read in their entirety for complete information with respect to the subjects discussed therein.**

ACCURACY AND COMPLETENESS OF OFFICIAL STATEMENT

The references, excerpts, and summaries of all documents, statutes, and information concerning the County and certain reports and statistical data referred to herein do not purport to be complete, comprehensive and definitive and each such summary and reference is qualified in its entirety by reference to each such document for full and complete statements of all matters of fact relating to the Series 2006 Bonds, the security for the payment of the Series 2006 Bonds and the rights and obligations of the owners thereof and to each such statute, report or instrument. Copies of such documents may be obtained from either the office of the Clerk of the Circuit Court, 4010 Lewis Speedway, St. Augustine, Florida 32084, attention: Finance Department, telephone (904) 819-3669 or the County's Financial Advisor, Public Financial Management, Inc., 300 South Orange Avenue, Suite 1170, Orlando, Florida 32801, telephone (407) 648-2208.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Series 2006 Bonds.

The appendices attached hereto are integral parts of this Official Statement and must be read in their entirety together with all foregoing statements.

AUTHORIZATION OF OFFICIAL STATEMENT

The execution and delivery of this Official Statement has been duly authorized and approved by the County. At the time of delivery of the Series 2006 Bonds, the County will furnish a certificate to the effect that nothing has come to its attention which would lead it to believe that the Official Statement (other than information herein related to the Insurer, the Insurance Policy, the Reserve Account Surety Bond, DTC, the book-entry only system of registration and the information contained under the caption "TAX EXEMPTION" as to which no opinion shall be expressed), as of its date and as of the date of delivery of the Series 2006 Bonds, contains an untrue statement of a material fact or omits to state a material fact which should be included therein for the purposes for which the Official Statement is intended to be used, or which is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

ST. JOHNS COUNTY, FLORIDA

By: _____
Chair

APPENDIX A

GENERAL INFORMATION CONCERNING THE COUNTY

APPENDIX A

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 608 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. Unincorporated communities include Ponte Vedra, Switzerland, Crescent Beach, Toco, Bakersville, Picolata, Orangedale, Fruit Cove, Summer Haven and Vilano Beach.

Government

The Board of County Commissioners of St. Johns County (the "Board") 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 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. The School Board of St. Johns County is a separately organized taxing entity not under the jurisdiction of the Board and has specific legislative authority granted by the Constitution. The Board is a five-member body with its members 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. Certain dependent county taxing districts also come under the purview of the Board's taxing limitations. The current general taxing limitation for the Board 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.

Population

St. Johns County ranked 28th out of Florida's 67 counties in total gross population for 2004 and ranked 6th statewide in the percentage change in population growth from 2000 to 2004.

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

<u>Year</u>	<u>Population</u>
1980	51,303
1990	83,829
2000	123,135
2004	149,336
2005	157,278

Source: University of Florida Bureau of Economic and Business Research.

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 educational, 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. The World Golf Village, located in the northwestern part of the County, is the home of the World Golf Hall of Fame, World Golf Village Resort Hotel, and the St. Johns County Convention Center.

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. The estimated value of agricultural production in the County is \$54 million.

The following table sets forth information concerning agricultural land use in the County:

<u>Year</u>	<u>Number of Farms</u>	<u>Land in Farms (acres)</u>	<u>Total Cropland (acres)</u>	<u>Woodland (acres)</u>	<u>Pastureland (acres)</u>	<u>Other (acres)</u>	<u>Average Market Value (Dollars)</u>
1997	149	49,631	N/A	N/A	N/A	N/A	748,864
2002	204	37,653	24,960	2,511	7,749	2,433	808,080

N/A = Information not listed for 1997.

Source: Florida Statistical Abstract 2004.

Employment

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

<u>Fiscal Year</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>	<u>State Unemployment Rate</u>
1994/95	45,552	2,140	4.7%	5.8%
1995/96	51,750	1,552	3.0%	5.1%
1996/97	54,094	1,567	2.9%	4.2%
1997/98	56,374	1,549	2.7%	4.5%
1998/99	60,124	1,563	2.6%	4.0%
1999/00	61,865	1,624	2.6%	3.7%
2000/01	66,325	2,143	3.2%	4.6%
2001/02	63,496	2,277	3.6%	5.3%
2002/03	68,587	2,749	4.0%	5.3%
2003/04	69,523	2,275	3.2%	4.3%

Source: St. Johns County, Florida Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2004.

Major Employers

The following table shows some of the major employers in the County and their approximate level of employment in 2004.

<u>Establishment</u>	<u>Product</u>	<u>Approximate Employment</u>
St. Johns County School Board	Education	2,771
St. Johns County	County Government	1,843
Flagler Hospital	Health Care	1,400
Northrup Grumman	Aircraft Overhaul and Modification	1,200
Florida East Coast Railroad	Freight Carrier	873
Florida School for the Deaf and Blind	Educational Institution	738
Ponte Vedra Inn & Club	Hotel/Resort	700
PGA Tour	Professional Golf Events Management	650
Community Hospice of N.E. FL	Health Care	625
Hydro Aluminum	Aluminum Fabrication	565
Ring Power	Heavy Equipment Sales	500

Source: St. Johns County, Florida Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2004.

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 38 miles north of the County in Jacksonville.

Waterways: The Mantanzas 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 over 220 beds. There are over 100 physicians in the area, including specialists in most fields. There are five nursing homes within the County. There is also the University of St. Augustine for Health Sciences. Programs offered are physical therapy and occupational therapy.

Education

The public school system is operated by the St. Johns County School Board. There are fifteen elementary schools, six middle schools, five high schools, one alternative center, three charter schools (including a Vocational and Technical Center), and four juvenile justice centers. Colleges and Universities in the area include Jacksonville University, University of North Florida, Bethune-Cookman College (Hastings Campus), Flagler College, Embry Riddle Aeronautical University, Florida Community College - Jacksonville, St. Johns River Community College and Daytona Beach Community College. The State operates the Florida School for the Deaf and Blind in St. Augustine, with primary school through senior high school levels.

St. Johns County, Florida				
Assessed and Estimated Taxable Value for Operating Millages				
<u>Fiscal Year</u>	<u>Taxable Value Real Property</u>	<u>Taxable Value Personal Property</u>	<u>Taxable Value Centrally Assessed</u>	<u>Total Taxable Valuations</u>
1994/95	\$4,000,055,855	\$317,459,944	\$12,768,651	\$4,330,284,450
1995/96	4,336,130,636	338,279,655	12,176,831	4,686,586,849
1996/97	4,597,639,793	353,147,333	11,966,300	4,962,753,426
1997/98	5,151,257,542	380,758,444	15,038,418	5,547,054,404
1998/99	5,755,043,340	459,394,987	14,988,390	6,229,426,717
1999/00	6,614,044,633	539,554,576	15,702,372	7,169,301,581
2000/01	7,563,588,131	588,493,446	17,115,611	8,169,197,188
2001/02	8,934,559,954	629,849,926	17,326,818	9,581,736,698
2002/03	10,220,118,339	631,954,462	18,404,181	10,870,476,982
2003/04	11,798,595,741	666,830,119	20,372,764	12,485,798,624
2004/05	13,523,942,842	700,016,681	21,461,857	14,245,421,380
2005/06 ⁽¹⁾	16,654,854,545	752,696,406	22,352,364	17,429,903,315

(1) Preliminary

Source: St. Johns County Florida Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2004; Information for the 2004/05 and 2005/06 Fiscal Years provided by the St. Johns County Property Appraiser.

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St. Johns County, Florida
Property Tax Levies and Collections

<u>Fiscal Year</u>	<u>Property Taxes Levied</u>	<u>Current Tax Collections⁽¹⁾</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collection</u>	<u>% of Levy Collected</u>
1994/95	\$30,857,851	\$29,763,755	\$103,244	\$29,866,999	96.79%
1995/96	32,514,425	32,340,780	99,229	32,440,009	99.77
1996/97	34,897,004	33,522,098	240,926	33,763,024	96.75
1997/98	39,162,186	37,767,161	195,502	37,962,663	96.94
1998/99	43,705,566	42,021,349	78,550	42,099,899	96.33
1999/00	49,538,943	47,928,518	34,256	47,962,774	96.82
2000/01	55,872,261	53,891,302	138,271	54,029,573	96.70
2001/02	65,415,916	63,123,231	197,727	63,320,958	96.80
2002/03	73,805,999	71,182,650	258,646	71,441,296	96.80
2003/04	88,228,658	84,998,530	351,008	85,349,538	96.74
2004/05	99,211,316	95,752,785	245,223	95,998,008	96.76

⁽¹⁾ Aggregate current taxes collected as of close of fiscal year which includes statutory discounts actually taken of 4% in the first month declining one percent each month thereafter.

Source: St. Johns County Florida Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2004; Information for the 2004/05 Fiscal Year provided by the St. Johns County Tax Collector.

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**St. Johns County, Florida
Principal Taxpayers 2004**

Taxpayer	Real Estate <u>Assessed Valuation</u>	Percentage <u>of Tax Roll</u>	Percentage of Total Assessed <u>Valuation</u>
Florida Power & Light Co.	\$ 93,847,576	0.54%	0.80%
Ponte Vedra Corp.	82,349,612	0.47%	0.70%
Interconn Ponte Vedra Company	73,398,372	0.42%	0.62%
Bellsouth Telecommunications	63,258,496	0.36%	0.54%
St. Augustine Outlet World LTD	36,789,440	0.21%	0.31%
Tournament Players Club at Sawgrass	35,067,860	0.20%	0.30%
CPG Partners LP	31,162,020	0.18%	0.26%
Bella Vista on the Intracoastal	24,762,100	0.14%	0.21%
Harbour Isle at St. Augustine	24,176,320	0.14%	0.20%
Crosswinds Palencia LLC	1,994,280	0.01%	0.02%
Other taxpayers	<u>11,331,789,665</u>	<u>97.33%</u>	<u>96.04%</u>
Total real estate taxable value	<u>\$11,798,595,741</u>	<u>100.00%</u>	<u>100.00%</u>

Source: St. Johns County, Florida Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2004.

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**St. Johns County, Florida
Debt Statement
as of September 30, 2005**

<u>General Description</u>	<u>Outstanding Principal Balance</u>
2004 Gulf Breeze Loan	\$17,780,000
Water and Sewer Revenue Bonds, Series 1991A	17,089,592
Water and Sewer Revenue Refunding Bonds, Series 1996	12,935,000
Water and Sewer Revenue Bonds, Series 1998	1,780,000
Water and Sewer Revenue Refunding Bonds, Series 1999A (non-taxable) and 1999B (taxable)	9,780,000
Water and Sewer Revenue Refunding Bonds, Series 2002A	3,225,000
Water and Sewer Revenue Bonds, Series 2004	28,651,561
State Revolving Loan	4,664,087
Sales Tax Revenue Refunding Bonds, Series 1998	10,570,000
Sales Tax Revenue and Refunding Bonds, Series 2002	5,210,000
Sales Tax Revenue Bonds, Series 2004	40,720,000
Capital Improvement Revenue and Refunding Bonds, Series 2005	21,685,000
Transportation Improvement Revenue Refunding Bonds, Series 2002	2,130,000
Transportation Improvement Revenue Bonds, Series 2003	30,000,000
Commercial Paper Loan	1,874,000
Other	2,278,956
Total Debt	<u>\$210,373,196</u>

Source: St. Johns County, Florida .

Police and Fire Protection

St. Johns County is served by the Sheriffs Office, which has approximately 480 full- and part-time employees including deputies, the detective division, communications, jail and administrative personnel. There are eighteen fire stations operating within the County, served by a force of 110 professional firefighters/paramedics and a significant volunteer auxiliary. The County operates a special rescue unit manned by trained emergency medical technicians.

APPENDIX B

FORM OF THE RESOLUTION

APPENDIX C

**EXCERPTED PAGES FROM THE GENERAL PURPOSE
FINANCIAL STATEMENTS OF THE COUNTY
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2004**

APPENDIX D

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

APPENDIX E

FORM OF BOND COUNSEL OPINION

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX G

REPORT OF CONSULTING ENGINEER

APPENDIX H

REPORT OF FEASIBILITY CONSULTANT

EXHIBIT D

FORM OF PURCHASE CONTRACT

BOND PURCHASE AGREEMENT

\$ _____
ST. JOHNS COUNTY, FLORIDA
Ponte Vedra Utility System Revenue Bonds,
Series 2006

February __, 2006

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

Ladies and Gentlemen:

RBC Dain Rauscher Inc., doing business under the trade name RBC Capital Markets, and its successors and assigns (the "Managing Underwriter"), on behalf of itself and The Frazer Lanier Company Incorporated (the "Co-Underwriter" and together with the Managing Underwriter, the "Underwriters") offers to enter into this agreement (the "Purchase Contract") with St. Johns County, Florida (the "County"), which, upon your acceptance of this offer, will be binding upon the County and, jointly and severally, upon the Underwriters. This offer is made subject to your acceptance on or before 11:59 p.m., Eastern time, on the date hereof and if not so accepted, will be subject to withdrawal by the Managing Underwriter upon notice to the County at any time prior to your acceptance hereof. Capitalized terms not defined herein shall have the meanings ascribed to them in the Resolution (as defined herein).

SECTION 1. PURCHASE AND SALE. Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth herein, the Underwriters hereby agree to purchase from the County for offering to the public, and the County hereby agrees to sell to the Underwriters for such purpose, all (but not less than all) of the County's \$ _____ aggregate principal amount of St. Johns County, Florida, Ponte Vedra Utility System Revenue Bonds, Series 2006 (the "Series 2006 Bonds"). The Series 2006 Bonds shall be dated the date of their delivery and shall be issued in such principal amounts, bear such rates of interest, and be redeemable upon such terms as set forth in Exhibit A attached hereto. Interest on the Series 2006 Bonds shall be payable April 1 and October 1 of each year, commencing [April 1, 2006.] The aggregate purchase price of the Series 2006 Bonds is \$ _____ (representing the

principal amount of \$ _____, plus/less net original issue premium/discount of \$ _____, less Underwriters' discount of \$ _____). The Series 2006 Bonds shall initially be offered to the public as set forth in Section 3 hereof at such prices or yields as indicated on Exhibit A attached hereto. The Series 2006 Bonds shall be issued pursuant to and under the authority of Chapter 125, Part I, Florida Statutes, as amended, St. Johns County Ordinance No. 86-89, as amended, and other applicable provisions of law (collectively, the "Act"), and under and pursuant to Resolution No. 2006-__, adopted by the Board of County Commissioners of the County (the "Board") on January 24, 2006, as the same may be amended and supplemented from time to time (the "Resolution"). The Series 2006 Bonds are special and limited obligations of the County, payable solely from and secured by the Pledged Funds in accordance with the Resolution.

The County is proposing to issue the Series 2006 Bonds to: (i) finance the acquisition of an existing water and wastewater utility system from St. Johns Service Company (the "Ponte Veda Utility System"), (ii) make various capital improvements to the Ponte Veda Utility System (the acquisition of the Ponte Veda Utility System and the improvements thereto are collectively referred to herein as the "2006 Project"), as more particularly described in the Resolution, [(iii) pay for certain initial working capital costs related to the operation of the Ponte Veda Utility System,] (iv) pay the premium for a debt service reserve account surety bond in order to fund the Reserve Account (the "Surety Bond") and (v) to pay certain costs of issuance of the Series 2006 Bonds, including the premium for a financial guaranty insurance policy (the "Bond Insurance Policy") to be issued by _____ (the "Insurer"). The Series 2006 Bonds and the interest thereon will be payable from and secured equally and ratably by a pledge of and lien upon the Pledged Funds in the manner and to the extent set forth in the Resolution. The Ponte Veda Utility System is being purchased by the County pursuant to an Agreement to Purchase Water and Wastewater Assets dated August 29, 2005, between the County and St. Johns Service Company, as amended (the "Acquisition Agreement").

Concurrently with the execution and delivery of the Series 2006 Bonds, there are to be executed and delivered, among other things, (a) the Continuing Disclosure Certificate of the County dated as of the Closing Date (as hereinafter defined) (the "Continuing Disclosure Certificate"), (b) the Registrar, Paying Agent and Authenticating Agent Agreement dated as of the Closing Date (the "Registrar and Paying Agent Agreement"), between the County and J.P. Morgan Trust Company, National Association, its successors and assigns, as registrar and paying agent for the Series 2006 Bonds (the "Registrar and Paying Agent"), (c) the Tax Certificate of the County dated as of the Closing Date (the "Tax Certificate"), (d) the [Financial Guaranty Agreement,] dated as of the Closing Date, between the County and the Insurer relating to the Surety Bond (the "Insurance Agreement") and (e) any other documents related to the transactions contemplated in the Official Statement in connection with the public

offering, sale and distribution of the Series 2006 Bonds and the acquisition of the Ponte Vedra Utility System.

SECTION 2. UNDERWRITERS' LIABILITY. Delivered to you herewith, as a good faith deposit, is a [federal funds wire transfer] from the Managing Underwriter deposited to the account of the County previously designated by the County, in the amount of \$ _____ as security for the performance by the Underwriters of their obligation to accept and pay for the Series 2006 Bonds at Closing in accordance with the provisions of this Purchase Contract. In the event that you accept this offer, such wired funds shall be held by the County and applied to the purchase price of the Series 2006 Bonds at the closing. In the event you do not accept this offer, such wired funds shall be immediately returned to the Managing Underwriter. If the Underwriters fail (other than for a reason permitted hereunder) to accept and pay for the Series 2006 Bonds at the Closing as provided herein, the wired funds may be retained by the County as full liquidated damages for the failure of the Underwriters to accept and pay for the Series 2006 Bonds at closing and for any and all defaults hereunder on the part of the Underwriters, and the retention of such amounts shall constitute a full release and discharge of all claims and damages for such failure and for any and all such defaults hereunder on the part of the Underwriters, it being understood by both the County and the Underwriters that actual damages in such circumstances may be difficult or impossible to compute.

In the event that the County fails to deliver the Series 2006 Bonds at the Closing, or if the County is unable at or prior to the Closing Date to satisfy or cause to be satisfied the conditions to the obligations of the Underwriters contained in this Purchase Contract, or if the obligations of the Underwriters contained herein shall be cancelled or terminated for any reason permitted by this Purchase Contract, the County shall be obligated to immediately return the wired funds to the Managing Underwriter and such return shall constitute a full release and discharge of all claims by the County and the Underwriters arising out of the transaction contemplated herein except for the respective obligations of the County and the Underwriters set forth in Section 8 below.

SECTION 3. OFFERING. The Underwriters agree to make a public offering of the Bonds at the initial offering prices or yields set forth in Exhibit A attached hereto; provided, however, the Underwriters reserve the right to make concessions to dealers and to change such initial offering prices or yields as the Underwriters shall deem necessary in connection with the marketing of the Series 2006 Bonds.

It shall be a condition of your obligation to sell the Series 2006 Bonds to the Underwriters and to deliver the Series 2006 Bonds to the Managing Underwriter as provided in Section 6 hereof, and the obligation of the Underwriters to purchase and accept delivery of the Series 2006 Bonds, that the entire initial aggregate principal amount of the Series 2006 Bonds shall be sold and delivered by you and accepted and paid for by the Underwriters at the Closing.

SECTION 4. PRELIMINARY OFFICIAL STATEMENT AND OFFICIAL STATEMENT. The County hereby confirms that it has made available to the Underwriters a Preliminary Official Statement of the County relating to the Series 2006 Bonds dated February __, 2006 (which, together with the cover page, inside cover page and appendices contained therein, is herein called the "Preliminary Official Statement"). Within seven business days of the acceptance hereof by the County, the County shall deliver to the Underwriters, at the County's expense such reasonable number of conformed copies of the Official Statement (which, together with the cover page, inside cover and appendices contained therein, is herein called the "Official Statement"), as the Managing Underwriter shall reasonably request which shall be sufficient in number to permit the Underwriters to comply with paragraph (b)(4) of Rule 15c2-12 of the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "Exchange Act of 1934") and with Rule G-32 and all other applicable rules of the Municipal Securities Rulemaking Board. The County, by its acceptance hereof, ratifies and approves the Preliminary Official Statement as of its date and approves and authorizes the Underwriters to use the Official Statement and all documents described therein in connection with the public offering and the sale of the Series 2006 Bonds. The County agrees to make no amendments to the Official Statement without the prior written consent of the Managing Underwriter, which consent shall not be unreasonably withheld. In addition, the County will undertake, pursuant to the Resolution and the Continuing Disclosure Certificate to provide certain annual financial and operating information and notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Offering Statement and will also be set forth in the Official Statement.

In accordance with Section 218.385(6), Florida Statutes, the Underwriters hereby disclose the required information as provided in Exhibit B attached hereto. In accordance with 218.385(2) and (3), Florida Statutes, the Underwriters have delivered to the County the Truth-in-Bonding statement, which statement is attached hereto as Exhibit C.

SECTION 5. REPRESENTATIONS, WARRANTIES AND AGREEMENTS. The County hereby represents, warrants and agrees as follows:

(a) As of the date of the Preliminary Official Statement and the date of this Purchase Contract, and as of the date of Official Statement and at the time of Closing, the statements and information contained in the Preliminary Official Statement and Official Statement will be true, correct and complete in all material respects and the Preliminary Official Statement and Official Statement will not omit any statement or information which should be included therein for the purposes for which the Preliminary Official Statement and Official Statement are to be used or which is necessary to make the statements or information contained therein, in light of the circumstances under which they were made, not misleading (provided, however, that no representation or warranty is

being provided with respect to the Insurer, the Bond Insurance Policy and the Surety Bond, or DTC and its book-entry system of registration).

(b) Between the date of this Purchase Contract and the time of Closing, the County will not execute any bonds, notes or obligations for borrowed money, other than the Series 2006 Bonds, which pledge either the full faith and credit of the County or the Pledged Funds, without giving prior written notice thereof to the Managing Underwriter.

(c) The County is, and will be at the Closing Date, duly organized and validly existing as a political subdivision of the State of Florida, with the powers and authority set forth in the Act.

(d) The County has full legal right, power and authority to: (i) enter into this Purchase Contract, the Registrar and Paying Agent Agreement, the Continuing Disclosure Certificate, the Tax Certificate, the Insurance Agreement and the Acquisition Agreement, (ii) adopt the Resolution and enact the Ponte Vedra Rate Ordinance (as defined in the Official Statement), (iii) sell, issue and deliver the Series 2006 Bonds to the Underwriters under the Act as provided herein, (iv) acquire, construct and install the 2006 Project, (v) execute the Official Statement, (vi) operate the Ponte Vedra Utility System upon its acquisition, and (vii) carry out and consummate the transactions contemplated by this Purchase Contract, the Resolution, the Ponte Vedra Rate Ordinance, the Registrar and Paying Agent Agreement, the Continuing Disclosure Certificate, the Insurance Agreement, the Acquisition Agreement and the Official Statement, and the County has complied, and at the Closing will be in compliance, in all respects, with the terms of the Act and with the obligations on its part in connection with the issuance of the Series 2006 Bonds contained in the Resolution, the Ponte Vedra Rate Ordinance, the Series 2006 Bonds, the Registrar and Paying Agent Agreement, the Continuing Disclosure Certificate, the Tax Certificate, the Insurance Agreement, the Acquisition Agreement and this Purchase Contract.

(e) By all necessary official action, the County has (i) duly adopted the Resolution and duly enacted the Ponte Vedra Rate Ordinance, (ii) duly authorized and approved the Preliminary Official Statement and the Official Statement, and (iii) duly authorized and approved the execution and delivery of, and the performance by the County of, the Series 2006 Bonds, this Purchase Contract, the Resolution, the Registrar and Paying Agent Agreement, the Continuing Disclosure Certificate, the Tax Certificate, the Insurance Agreement, the Acquisition Agreement and all other obligations on its part in connection with the issuance of the Series 2006 Bonds and the consummation by it of all other transactions contemplated by this Purchase Contract, the Registrar and Paying Agent Agreement, the Continuing Disclosure Certificate, the Official Statement, the Insurance Agreement, the Acquisition Agreement and the Tax Certificate in connection with the issuance of the Series 2006 Bonds; and upon delivery of the Series 2006 Bonds at the Closing, the Resolution, the Ponte Vedra Rate Ordinance, this Purchase Contract, the Registrar and Paying Agent Agreement, the Continuing Disclosure Certificate, the

Insurance Agreement, the Tax Certificate and the Acquisition Agreement will constitute legal, valid and binding obligations of the County, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity.

(f) When delivered to the Managing Underwriter and paid for by the Underwriters at the Closing in accordance with the provisions of this Purchase Contract, the Series 2006 Bonds shall be entitled to the benefits of the Resolution, including a pledge of and lien upon the Pledged Funds in accordance with the provisions of the Resolution, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity.

(g) The acquisition, construction and installation of the 2006 Project, the adoption of the Resolution, the enactment of the Ponte Vedra Rate Ordinance and the authorization, execution and delivery of this Purchase Contract, the Registrar and Paying Agent Agreement, the Continuing Disclosure Certificate, the Tax Certificate, the Insurance Agreement, the Acquisition Agreement and the Series 2006 Bonds, and compliance with the provisions hereof and thereof, will not conflict with, or constitute a material breach of or default under any law, administrative regulation, consent decree, ordinance, resolution or any agreement or other instrument to which the County was or is subject, as the case may be, nor will such adoption, execution, delivery, authorization or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the County, or under the terms of any law, administrative regulation, ordinance, resolution or instrument, except as expressly provided by the Resolution.

(h) At the time of Closing, the County will be in compliance in all respects with the covenants and agreements contained in the Resolution and no event of default and no event which, with the lapse of time or giving of notice, or both, would constitute an event of default under the Resolution will have occurred or be continuing.

(i) Except as provided in the Official Statement, all approvals, consents, authorizations and orders of any governmental authority or agency having jurisdiction in any matter which would constitute a condition precedent to the performance by the County of its obligations hereunder and its obligations under the Resolution have been obtained and are in full force and effect.

(j) The County is lawfully empowered to pledge and grant a lien on the Pledged Funds for payment of the principal of, redemption premium, if any, and interest on the Series 2006 Bonds.

(k) Except as expressly disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court,

government agency or public board or body pending or, to the best knowledge of the County, threatened against the County, affecting or seeking to prohibit, restrain or enjoin the acquisition, construction and installation of the 2006 Project or the sale, issuance or delivery of the Series 2006 Bonds or the collection, pledge of and lien on the Pledged Funds or contesting or affecting as to the County the validity or enforceability in any respect of the Series 2006 Bonds, the Resolution, the Ponte Vedra Rate Ordinance, the Registrar and Paying Agent Agreement, the Insurance Agreement, the Continuing Disclosure Certificate, the Tax Certificate, the Acquisition Agreement or this Purchase Contract, or contesting the tax-exempt status of interest on the Series 2006 Bonds, or contesting the completeness or accuracy of the Official Statement or any supplement or amendment thereto, or contesting the powers of the County or the Board or any authority for the issuance of the Series 2006 Bonds, the adoption of the Resolution, the enactment of the Ponte Vedra Rate Ordinance or the execution and delivery by the County of the Series 2006 Bonds, this Purchase Contract, the Registrar and Paying Agent Agreement, the Continuing Disclosure Certificate, the Insurance Agreement, the Acquisition Agreement or the Tax Certificate.

(l) The County will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Managing Underwriter may reasonably request in order to (i) qualify the Series 2006 Bonds for offer and sale under the "blue sky" or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate, and (ii) determine the eligibility of the Series 2006 Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Series 2006 Bonds; provided, however, that the County shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(m) The County will not take or omit to take any action which action or omission will in any way cause the proceeds from the sale of the Series 2006 Bonds to be applied in a manner contrary to that provided for in the Resolution, and as described in the Official Statement.

(n) The County neither is nor has been in default at any time after December 31, 1975, as to principal or interest with respect to an obligation issued or guaranteed by the County as to which County revenues are pledged or payable with respect thereto.

(o) As of its date, the Preliminary Official Statement was deemed "final" by the County for the purposes of SEC Rule 15c2-12(b)(1) except for the omission of certain matters permitted thereby.

(p) If, after the date of this Purchase Contract and until the earlier of (i) 90 days from the end of the "underwriting period" (as defined in SEC Rule 15c2-12) or (ii) the time when the Official Statement is available to any person from a nationally recognized repository, but in no case less than 25 days following the end of the underwriting period, any event shall occur which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the County shall notify the Managing Underwriter thereof and, if in the reasonable opinion of the Managing Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the County will at its own expense forthwith prepare and furnish to the Managing Underwriter a sufficient number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Managing Underwriter) which will supplement or amend the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances existing at such time, not misleading.

(q) Any certificate signed by any official of the County and delivered to the Managing Underwriter shall be deemed a representation and warranty by the County to the Underwriters as to the truth of the statements therein contained.

(r) Except as expressly disclosed in the Official Statement, the County has never failed to comply with any prior continuing disclosure obligation arising out of SEC Rule 15c2-12.

(s) Subsequent to the respective dates as of which information is given in the Official Statement, and prior to the Closing Date, except as set forth in or contemplated by the Official Statement, unless consented to by the Underwriters, (i) the County has not incurred and shall not have incurred any material liabilities or obligations relating to the Ponte Vedra Utility System, direct or contingent, except in the ordinary course of business, and has not entered into and will not have entered into any material transaction relating to the Ponte Vedra Utility System not in the ordinary course of business, (ii) there has not been and will not have been any material adverse change in the business or financial position or results of operations of the Ponte Vedra Utility System, (iii) no loss or damage (whether or not insured) to the property of the Ponte Vedra Utility System has been or will have been sustained which materially and adversely affects the operations of the Ponte Vedra Utility System, and (iv) no legal or governmental proceeding affecting the Ponte Vedra Utility System or the transactions contemplated by this Purchase Contract has been or will have been instituted or threatened which is material.

SECTION 6. CLOSING. At noon, local time, February __, 2006 (the "Closing Date"), or at such time on such earlier or later date as shall be agreed upon, the County will, subject to the terms and conditions hereof, deliver to the Managing

Underwriter in care of DTC or its agent, the Series 2006 Bonds in permanent form, duly executed, and will deliver the other documents herein mentioned at a location mutually agreed upon by the County and the Managing Underwriter; and the Underwriters will pay the purchase price of the Series 2006 Bonds as set forth in Section 1 hereof by immediately available funds, payable to the order of the County. This delivery and payment is herein called the "Closing."

SECTION 7. CLOSING CONDITIONS. The Underwriters have entered into this Purchase Contract in reliance upon the representations and warranties of the County herein contained and the performance by the County of its obligations hereunder, both as of the date hereof and as of the time of Closing. The obligations of the Underwriters under this Purchase Contract are and shall be subject to each of the following conditions and the obligations of the County shall be subject to the County being paid the aggregate purchase price of the Series 2006 Bonds, all of the conditions precedent to the County purchasing the Ponte Vedra Utility System in accordance with the Acquisition Agreement being met to the County's satisfaction, and the County receiving the items described in conditions (f)(ii), (f)(iv), (f)(vi) through (f)(xv) and (f)(xx):

(a) The representations and warranties of the County contained herein shall be true and correct as of the date hereof and as of the Closing Date, as if made on the Closing Date.

(b) The County shall have performed all agreements of the County required to be performed under the Resolution and this Purchase Agreement prior to or on the Closing Date.

(c) At the time of the Closing, the Resolution and the Ponte Vedra Rate Ordinance shall be in full force and effect in accordance with its terms and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Managing Underwriter.

(d) At the time of the Closing, all official action of the County relating to this Purchase Contract, the Resolution, the Ponte Vedra Rate Ordinance, the Registrar and Paying Agent Agreement, the Continuing Disclosure Certificate, the Tax Certificate, the Insurance Agreement, the Official Statement, the Acquisition Agreement and the Series 2006 Bonds shall be in full force and effect in accordance with their respective terms and shall not have been amended, modified or supplemented in any material respect, except in each case as may have been agreed to by the Managing Underwriter.

(e) The Managing Underwriter may terminate the Underwriters' obligations hereunder by written notice to the County if, at any time subsequent to the date hereof and on or prior to the Closing Date:

(i) legislation shall have been introduced in or enacted by the Congress of the United States or enacted by the State of Florida, or legislation pending in the Congress of the United States shall have been amended, or legislation shall have been recommended to the Congress of the United States or otherwise endorsed for passage (by notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives or legislation shall have been proposed for consideration by either such Committee, by the Staff of such Committee or by the staff of the Joint Committee on Taxation of the Congress of the United States, or legislation shall have been favorably reported for passage to either House of Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or a decision shall have been rendered by a court of the United States or the State of Florida, including the Tax Court of the United States, or a ruling shall have been made or a regulation shall have been proposed or a form of notice shall have been issued by the Treasury Department of the United States, or the Internal Revenue Service or other federal or State of Florida authority, with respect to Federal or State of Florida taxation upon interest on obligations of the general character of the Series 2006 Bonds, which (A) may have the purpose or effect, directly or indirectly, of affecting the tax status of the County, its property or income, its securities (including the Series 2006 Bonds) or the interest thereon, or any applicable tax exemption granted or authorized by the State of Florida and, (B) which in the reasonable opinion of the Managing Underwriter, affects adversely the market for the Series 2006 Bonds, or the market price generally of obligations of the general character of the Series 2006 Bonds; or

(ii) (A) in the Managing Underwriter's reasonable judgment, the market price of the Series 2006 Bonds is materially adversely affected because: (I) additional material restrictions not in force as of the effective date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange; (II) the New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose, as to the Series 2006 Bonds or similar obligations, any material restrictions not now in force, or increase materially those now in force; or (III) a general banking moratorium shall have been established by federal, New York or Florida authorities; or (B) there shall have occurred any material change, or any other event which in the Managing Underwriter's reasonable opinion and concurrence by appropriate representatives of the County, materially adversely affects the marketability of the Series 2006 Bonds at the purchase price set forth in Section 1 herein; or (C) any litigation shall be instituted, pending or threatened to restrain or enjoin the issuance, sale or delivery of the Series 2006 Bonds or in any way contesting or affecting any authority for or the validity of the Series 2006

Bonds, any of the proceedings of the County taken with respect to the issuance or sale thereof, the pledge or application of any moneys or securities provided for the payment of the Series 2006 Bonds or the existence or powers of the County; or

(iii) (A) in the Managing Underwriter's reasonable judgment, and concurrence by the appropriate representatives of the County, the purchase price of the Series 2006 Bonds set forth in Section 1 herein is adversely affected because a war involving the United States of America shall have been declared, or (B) any other national or international calamity shall have occurred (economic or otherwise), or any conflict involving the armed forces of the United States of America shall have escalated to such magnitude as to materially affect the Underwriters' physical or technical ability to market the Series 2006 Bonds;

(iv) a stop order, release, regulation, or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made to the effect that the issuance, offering, or sale of the Series 2006 Bonds, including all the underlying obligations as contemplated hereby or by the Official Statement, or any document relating to the issuance, offering or sale of the Series 2006 Bonds is or would be in violation of any provision of the federal securities laws at the Closing Date, including the Securities Act of 1933, as amended (the "Securities Act"), the Exchange Act of 1934 and the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"); or

(v) legislation shall be enacted or be proposed or actively considered for enactment, or a decision by a court of the United States shall be rendered, or a ruling, or regulation, by or on behalf of the SEC or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that the Series 2006 Bonds or any securities of the County, any obligations of the general character of the Series 2006 Bonds, and the Resolution, are not exempt from the registration, qualification or other requirements of the Securities Act, as then in effect or of the Trust Indenture Act, as then in effect, or otherwise, or would be in violation of any provision of the federal securities laws.

In the event that any amendment or supplement to the Official Statement is proposed or deemed necessary by the Managing Underwriter and the County notifies the Managing Underwriter that it has determined not to undertake such amendment or supplement, accompanied by a letter from its Bond Counsel and Disclosure Counsel that such firms are prepared to deliver at the Closing of the Series 2006 Bonds their respective opinions in the forms described herein, then the proposed amendment or supplement to the Official Statement shall be immediately disclosed by the County and the Managing Underwriter to the Rating Agencies (as defined herein) and the Insurer. In the event that as a result of such disclosure (A) any of such Ratings Agencies notify the County and the Managing Underwriter that they will provide a lower underlying rating on the Series

2006 Bonds than that specified in Section 7(f)(ix) hereof or place the Series 2006 Bonds on a "credit watch" or the equivalent, and/or (B) the Insurer notifies the County and the Managing Underwriter that it will not deliver the Bond Insurance Policy or the Surety Bond or that it will increase the premium for such policies as a result of such disclosure, this Purchase Contract may be terminated by the Managing Underwriter without liability on the part of the Underwriters.

(f) At or prior to the Closing Date, the Managing Underwriter shall receive the following documents:

(i) The Resolution certified by the Clerk under seal as having been duly adopted by the County and as being in effect, with such supplements, modifications or amendments as may have been agreed to by the Managing Underwriter.

(ii) A final approving opinion of Rogers Towers, P.A., Bond Counsel, addressed to the County, dated the date of the Closing, in substantially the form included in the Official Statement as Appendix E.

(iii) A letter of Bond Counsel addressed to the Underwriters and the Insurer, and dated the Closing Date, to the effect that their final approving opinion referred to in Section 7(f)(ii) hereof may be relied upon by the Underwriters and the Insurer to the same extent as if such opinion were addressed to the Underwriters and the Insurer.

(iv) An opinion of Edwards Cohen, Counsel for the County, addressed to the County, the Underwriters and the Insurer, and dated the date of the Closing, substantially to the effect that:

(A) the Resolution and the Rate Ordinance have been duly adopted or enacted, as the case may be, by the County and the Series 2006 Bonds, this Purchase Contract, the Registrar and Paying Agent Agreement, the Continuing Disclosure Certificate and the Insurance Agreement have been duly authorized, executed and delivered by the County, and the Resolution, the Ponte Vedra Rate Ordinance, the Continuing Disclosure Certificate, the Series 2006 Bonds, when duly authenticated, and the Purchase Contract, the Registrar and Paying Agent Agreement and the Insurance Agreement when duly executed by the other parties thereto constitute valid, legal and binding agreements of the County enforceable against the County; provided, however, the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally;

(B) the County is a political subdivision duly existing under the Constitution and laws of the State of Florida and has good right and lawful authority to issue the Series 2006 Bonds, to secure the Series 2006 Bonds in the manner and to the extent provided in the Resolution, to carry out its powers under the Act and to perform all of its obligations under the Resolution, the Ponte Vedra Rate Ordinance, the Series 2006 Bonds, the Purchase Contract, the Continuing Disclosure Certificate, the Insurance Agreement and the Registrar and Paying Agent Agreement;

(C) no consent, waiver or any other action by any person, board or body, public or private, other than the approval of the County which has been duly and validly obtained, is required as of the date hereof for the County to issue the Series 2006 Bonds, adopt the Resolution or enact the Ponte Vedra Rate Ordinance, or to execute and deliver the Purchase Contract, the Registrar and Paying Agent Agreement, the Continuing Disclosure Certificate or the Insurance Agreement, or to perform its obligations under any of the foregoing;

(D) to the best of their knowledge, the adoption of the Resolution, enactment of the Ponte Vedra Rate Ordinance and the execution and delivery of this Purchase Contract, the Registrar and Paying Agent Agreement, the Continuing Disclosure Certificate, the Insurance Agreement and the Series 2006 Bonds and compliance with the provisions of each do not and will not conflict with or constitute a breach of or default under any applicable law or administrative regulation of the State of Florida, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the County is a part or is otherwise subject;

(E) except as otherwise disclosed in the Official Statement, there is no litigation or proceeding, pending or, to the best of their knowledge, threatened, challenging the creation, organization or existence of the County, the acquisition of the Ponte Vedra Utility System, the collection of the Pledged Funds by the County or the validity of the Series 2006 Bonds, the Purchase Contract, the Registrar and Paying Agent Agreement, the Ponte Vedra Rate Ordinance, the Continuing Disclosure Certificate or the Insurance Agreement or seeking to restrain or enjoin any of the transactions referred to therein or contemplated thereby, or which, in any manner, questions the right of the County to issue the Series 2006 Bonds or to pledge the Pledged Funds for repayment of the Series 2006 Bonds;

(F) nothing has come to their attention that would lead them to believe that the Official Statement as of its date or as of the date hereof contains any untrue statement of a material fact or omits to state a material

fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except for financial, engineering and statistical information contained in the Official Statement and the information relating to the Insurer, the Bond Insurance Policy, the Surety Bond, or DTC and its book-entry only system, as to which no view need be expressed);

(G) the use of the Preliminary Official Statement by the Underwriters for the purpose of offering the Series 2006 Bonds for sale has been duly authorized by the County;

(H) the Official Statement has been duly authorized, executed and delivered by the County, and the County has consented to the use thereof by the Underwriters;

(I) the County is lawfully empowered to pledge and grant a lien on the Pledged Funds, for the payment of the principal of, redemption premium, if any, and interest on the Series 2006 Bonds;

(J) the County has lawful authority to acquire and operate the Ponte Vedra Utility System in the manner described in the Official Statement and to determine, fix, impose and collect rates and fees for use of the Ponte Vedra Utility System, as contemplated by the Ponte Vedra Rate Ordinance; and

(K) all rights, title or interest in the Ponte Vedra Utility System have been transferred to the County free and clear of all claims, liens and encumbrances thereon, including, without limitation, any liens on revenues which derive from the Ponte Vedra Utility System, other than those excepted pursuant to the Acquisition Agreement and the related title insurance policy.

For purposes of the opinion, they have assumed that the County has obtained or will be able to obtain all permits and consents that are necessary for the 2006 Project (other than those permits and consents which are required for the acquisition of the Ponte Vedra Utility System), that the interest on the Series 2006 Bonds is excluded from gross income for federal income tax purposes and that neither the Series 2006 Bonds, the Resolution, nor any other matter or documents need to be registered or qualified under the Securities Act, the Florida Securities Act, Chapter 517, Florida Statutes, as amended, the Trust Indenture Act, or the securities or blue sky laws of any jurisdiction.

(v) A certificate, which shall be true and correct at the time of Closing, signed by the Chair and the Clerk or such other officials satisfactory to the

Managing Underwriter, and in form and substance satisfactory to the Managing Underwriter, to the effect that, to the best of their knowledge and belief:

(A) the representations, warranties and covenants of the County contained herein are true and correct in all material respects as of the Closing Date and that the County has satisfied all conditions to be performed or satisfied hereunder at or prior to Closing;

(B) the Official Statement did not as of its date, and does not as of the Closing Date, 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 the Official Statement is to be used, or which is necessary in order to make the statements contained therein, in light of the circumstances in which they were made, not misleading (provided, that no opinion need be expressed regarding the information contained therein relating to the Insurer, the Bond Insurance Policy, the Surety Bond, DTC and its book-entry only system);

(C) that, except as disclosed in the Official Statement, no litigation or other proceedings are pending or, to his or her knowledge, threatened against the County in any court or other tribunal of competent jurisdiction, State or federal, in any way (I) restraining or enjoining the issuance, sale or delivery of any of the Series 2006 Bonds, or (II) questioning or affecting the validity of this Purchase Contract, the Series 2006 Bonds, the Resolution, the Ponte Vedra Rate Ordinance, the Registrar and Paying Agent Agreement, the Continuing Disclosure Certificate, the Tax Certificate, the Insurance Agreement, the Acquisition Agreement or the pledge by the County of the Pledged Funds, or (III) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution, issuance or delivery of the Series 2006 Bonds or (IV) questioning or affecting (1) the organization or existence of the County or the title to office of the officers thereof, (2) the acquisition, construction and equipping of the 2006 Project or (3) the power or authority of the County to collect the Pledged Funds or (V) asserting that the Preliminary Official Statement or the Official Statement contains any untrue statement of a material fact or omits any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(D) that except as disclosed in the Official Statement, the County is not in default nor has been in default at anytime after December 31, 1975 as to the payment of principal or interest with respect to any obligation issued or guaranteed by the County as to which County revenues are pledged or payable with respect thereto;

(E) that no event affecting the County has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purposes for which it is to be used or that is necessary to be disclosed therein in order to make the statements and information therein not misleading in any material respect; and

(F) that since the date of the financial statements included in the Official Statement, (I) no material adverse change has occurred in the financial condition of the County and (II) the County has not incurred any material liabilities other than in the ordinary course of business, except as set forth in or contemplated by the Official Statement.

(vi) An opinion of Rogers Towers, P.A., as Bond Counsel, addressed to the County and the Underwriters, and dated the Closing Date, to the effect that:

(A) with respect to the information in the Official Statement and based upon said firm's review of the Official Statement, as Bond Counsel, and without having undertaken to determine independently the accuracy or completeness of the contents of the Official Statement, it is of the opinion that the information in the Official Statement under the headings "INTRODUCTION," "DESCRIPTION OF THE SERIES 2006 BONDS," (other than the information under the subheading "Book-Entry Only System," as to which no opinion need be expressed), "SECURITY FOR THE BONDS" and "TAX EXEMPTION" (except for the financial and statistical data contained under any such headings, as to which no view need be expressed), "APPENDIX B - FORM OF THE RESOLUTION" insofar as such information purports to be descriptions or summaries of the Resolution, the Series 2006 Bonds or state and federal laws to the extent indicated therein, are accurate and fair statements or summaries of the matters set forth or the documents referred to therein and "APPENDIX B - FORM OF THE RESOLUTION" is an accurate copy of material provisions of the Resolution; and

(B) the Series 2006 Bonds are exempt from registration under the Securities Act and the Resolution is exempt from qualification as an indenture under the Trust Indenture Act.

(vii) An opinion of Nabors, Giblin & Nickerson, P.A., as Disclosure Counsel, addressed to the County and the Underwriters, and dated the Closing Date, substantially to the effect that (1) the Series 2006 Bonds are not subject to the registration requirements of the Securities Act of 1933, (2) based upon their participation and their review of the Official Statement as Disclosure Counsel for the County and without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official

Statement, nothing has come to their attention causing them to believe that the Official Statement contains any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except for the financial and statistical information contained in the Official Statement and the information related to the Insurer, the Bond Insurance Policy, the Surety Bond, DTC or its book-entry only system, as to all of which no view need be expressed), and (3) the Continuing Disclosure Certificate, together with the Official Statement and the Purchase Contract, satisfy the requirements contained in Rule 15c2-12(b)(5) promulgated by the United States Securities and Exchange Commission for an undertaking for the benefit of the owners of the Series 2006 Bonds to provide the information at the times and in the manner required by said Rule.

(viii) A certificate of an authorized representative of the Registrar and Paying Agent in form and substance acceptable to the Managing Underwriter, the County and Bond Counsel.

(ix) Letters of Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P," and together with Moody's, the "Rating Agencies") to the effect that the Series 2006 Bonds have been assigned a rating no less favorable than "Aaa" and "AAA," respectively, [and underlying ratings of "___" and "___," respectively,] which ratings shall be in effect as of the Closing Date.

(x) Duly executed copies of the Bond Insurance Policy, the Surety Bond, the Insurance Agreement, the Registrar and Paying Agent Agreement, the Tax Certificate and the Continuing Disclosure Certificate in form acceptable to the Managing Underwriter and Bond Counsel.

(xi) An opinion of general counsel to the Insurer and a certificate of an officer of the Insurer dated the date of the Closing and addressed to the Underwriters and the County, concerning the Insurer, the Bond Insurance Policy, the Surety Bond, the Insurance Agreement and the information relating to the Insurer, the Bond Insurance Policy, the Insurance Agreement and the Surety Bond, contained in the Official Statement, in form and substance satisfactory to the County and the Managing Underwriter.

(xii) An executed copy of the Consulting Engineer's Report of Post, Buckley, Schuh & Jernigan, Inc. (the "Consulting Engineer"), in the form included as Appendix G to the Official Statement.

(xiii) A certificate of the Consulting Engineer, dated the date of Closing, to the effect that (a) the Consulting Engineer has been retained by the County to

prepare the Consulting Engineer's Report, dated February 2006 included in the Official Statement as Appendix G and concurrence is given to the inclusion of such Report as an Appendix to the Official Statement; (b) such Report was prepared in accordance with generally accepted consulting engineers' practices; (c) in connection with the preparation of such Report, personnel of the Consulting Engineer have participated in meetings with representatives of the County, its counsel, the Underwriters, the County's Financial Advisor, Bond Counsel and the County's Disclosure Counsel in regard to the Ponte Vedra Utility System, and nothing has come to the attention of the Consulting Engineer in connection with the preparation of such Report which would cause it to believe that such Report, as of its date, or any of the statements in the Official Statement specifically attributed to the Consulting Engineer or relating to the information set forth in the Report, as of the date of the Official Statement, were inaccurate in any material respect, and (d) they have reviewed the Official Statement and, in their opinion, the information presented therein which was furnished by them or attributed to them or which relates to the information set forth in the Report is accurately presented.

(xiv) An executed copy of the Feasibility Report of Brown & Caldwell (the "Feasibility Consultant"), in the form included as Appendix H to the Official Statement.

(xv) A certificate of the Feasibility Consultant, dated the date of Closing, to the effect that (a) the Feasibility Consultant has been retained by the County to prepare the Feasibility Report, dated February 2006 included in the Official Statement as Appendix H and concurrence is given to the inclusion of such Report as an Appendix to the Official Statement; (b) such Report was prepared in accordance with generally accepted feasibility consultant practices; (c) in connection with the preparation of such Report, personnel of the Feasibility Consultant have participated in meetings with representatives of the County, its counsel, the Underwriters, the County's Financial Advisor, Bond Counsel and the County's Disclosure Counsel in regard to the Ponte Vedra Utility System, and nothing has come to the attention of the Feasibility Consultant in connection with the preparation of such Report which would cause it to believe that such Report, as of its date, or any of the statements in the Official Statement specifically attributed to the Feasibility Consultant or relating to the information set forth in the Report, as of the date of the Official Statement, were inaccurate in any material respect, and (d) they have reviewed the Official Statement and, in their opinion, the information presented therein which was furnished by them or attributed to them or which relates to the information set forth in the Report is accurately presented.

(xvi) A certificate, dated the date of the Closing, signed by the Utilities Director of the County to the effect that he has reviewed the information in the Official Statement under the headings "THE COUNTY AND THE EXISTING

COUNTY SYSTEM," "THE PROJECT" and "THE PONTE VEDRA UTILITY SYSTEM" and such information is accurate and complete, and that the information under such headings does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(xvii) A blanket letter of representations of the County to DTC.

(xviii) Internal Revenue Service Form 8038-G.

(xvii) State of Florida Division of Bond Finance Form BF2003/2004-B.

(xx) A certificate from the County's financial advisor to the effect that all of the Parameters (as defined in the Resolution) set forth in Section 2.02 of the Resolution have been satisfied.

(xxi) Such additional legal opinions, certificates, instruments and other documents as the Managing Underwriter may reasonably request, to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the County's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the County on or prior to the Closing Date of all the agreements then to be performed and conditions then to be satisfied by it.

If the County shall be unable to satisfy the conditions to the obligations of the Managing Underwriter to accept delivery of the Series 2006 Bonds and the Underwriters to purchase and to pay for the Series 2006 Bonds contained in this Purchase Contract and the Managing Underwriter does not waive such inability in writing (except that the delivery of the Continuing Disclosure Certificate cannot be waived), or if the obligations of the Managing Underwriter to accept delivery of the Series 2006 Bonds and the Underwriters to purchase and to pay for the Series 2006 Bonds shall be terminated for any reason permitted by this Purchase Contract, or if the Series 2006 Bonds are not issued and delivered by the County in the year 2006, this Purchase Contract shall terminate, the good faith deposit described in Section 2 hereof shall be returned to the Managing Underwriter and neither the Underwriters nor the County shall be under any further obligation hereunder, except that the respective obligations of the County and the Underwriters set forth in Section 8 hereof shall continue in full force and effect.

SECTION 8. EXPENSES. The Underwriters shall be under no obligation to pay, and the County shall pay, any expense incident to the performance of the County's obligations hereunder including, but not limited to: (a) the cost of preparation, printing and delivery of the Resolution; (b) the cost of preparation and printing of the Series 2006 Bonds, (c) the fees and expenses of Bond Counsel, Disclosure Counsel and Edwards

Cohen, Counsel for the County, (d) the fees and disbursements of the County's certified public accountants; (e) the fees and expenses of Public Financial Management, Inc., the County's financial advisor for the Series 2006 Bonds; (f) the fees and expenses of the Consulting Engineer and Feasibility Consultant and any other experts, consultants or advisors retained by the County; (g) fees for bond ratings; (h) the fees and expenses of the Registrar and Paying Agent; and (i) the costs of preparing, printing and delivering the Preliminary Official Statement and the Official Statement and any supplements or amendments thereto. The Underwriters shall pay: (a) the cost of printing and delivery of this Purchase Contract; (b) the cost of all "Blue Sky" and legal investment memoranda and related filing fees; (c) all advertising expenses, (d) fees and expenses of its counsel and (e) all other expenses incurred by it in connection with the public offering of the Series 2006 Bonds. In the event that either party shall have paid obligations of the other as set forth in this Section 8, adjustment shall be made at the time of the Closing.

SECTION 9. NOTICES. Any notice or other communication to be given to you under this Purchase Contract may be given by mailing the same to the attention of the County Administrator, at the address set forth on the first page hereof, and any such notice or other communication to be given to the Underwriters may be mailed to RBC Capital Markets, One Independent Drive, Suite 3204, Jacksonville, Florida 32202, Attention: Mitchell N. Owens.

SECTION 10. PARTIES IN INTEREST. This Purchase Contract is made solely for the benefit of the County and the Underwriters and no other party or person shall acquire or have any right hereunder or by virtue hereof. All of the County's representations, warranties and agreements in this Purchase Contract shall remain operative and in full force and effect and shall survive the delivery of the Series 2006 Bonds.

SECTION 11. WAIVER. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the County hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriters may be waived by the Managing Underwriter, and the approval of the Underwriters when required hereunder or the determination of their satisfaction as to any document referred to herein shall be evidenced by the purchase of the Series 2006 Bonds; provided, however, the Managing Underwriter may not waive the delivery of the Continuing Disclosure Certificate.

SECTION 12. NO LIABILITY. Neither the Board of County Commissioners of the County, nor any of the members thereof, nor any officer, agent or employee thereof shall be charged personally by the Underwriters with any liability, or held liable to the Underwriters under any term or provision of this Purchase Contract because of its execution or attempted execution, or because of any breach or attempted or alleged breach thereof.

SECTION 13. GOVERNING LAW. This Purchase Contract, and the terms and conditions herein, shall constitute the full and complete agreement between the County and the Underwriters with respect to the purchase and sale of the Series 2006 Bonds. This Purchase Contract shall be governed by and construed in accordance with the laws of the State of Florida.

SECTION 14. OPERATION OF WARRANTIES, ETC. All the representations, warranties, covenants and agreements of the County in this Purchase Contract shall remain operative and in full force and effect as if made on the date hereof and the Closing Date, regardless of (i) any investigation made by or on behalf of the Underwriters or by Disclosure Counsel, or (ii) delivery of and any payment for the Series 2006 Bonds hereunder.

SECTION 15. SECTION HEADINGS. Section headings have been inserted in this Purchase Contract as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Purchase Contract and will not be used in the interpretation of any provisions of this Purchase Contract.

SECTION 16. SEVERABILITY. If any provision of this Purchase Contract shall be held or deemed to be, or shall in fact be, invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, or rule of public policy, or for any other reasons, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstances, or of rendering any other provision or provisions of this Purchase Contract invalid, inoperative or unenforceable to any extent whatever.

SECTION 17. EXECUTION OF COUNTERPARTS. This Purchase Contract may be executed in any number of counterparts, all of which taken together shall be one and the same instrument, and any parties hereto may execute this Purchase Contract by signing any such counterpart. The execution of this Purchase Contract has been duly authorized by the Board of County Commissioners of the County.

SECTION 18. EFFECTIVENESS. This Purchase Contract shall become effective upon the execution by the appropriate County officials of the acceptance hereof by the County and shall be valid and enforceable at the time of such acceptance.

Very truly yours,

RBC CAPITAL MARKETS, as
Managing Underwriter

By: _____
Mitchell N. Owens, Managing Director

Accepted this _____ day of February, 2006
by the Board of County Commissioners of
St. Johns County, Florida

By: _____
James E. Bryant, Chair

EXHIBIT A

MATURITY SCHEDULE

\$ _____
ST. JOHNS COUNTY, FLORIDA
Ponte Vedra Utility System Revenue Bonds,
Series 2006

\$ _____ Serial Bonds

<u>Maturity</u> <u>(October 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Maturity</u> <u>(October 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
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\$ _____ % Term Bonds due October 1, 20__ – Yield ____%

Optional Redemption of the Series 2006 Bonds

The Series 2006 Bonds maturing on or prior to October 1, _____ will not be subject to optional redemption prior to maturity. The Series 2006 Bonds maturing on or after October 1, _____ shall be subject to redemption at the option of the County in whole or in part, at any time, on or after October 1, _____, in such order of maturities as may be determined by the County (less than all of a single maturity to be selected by lot) at a redemption price equal to 100% of the principal amount of the Series 2006 Bonds to be redeemed, together with accrued interest to the date set for redemption.

Mandatory Redemption of the Series 2006 Bonds

The Series 2006 Bonds maturing on October 1, _____ are subject to mandatory redemption in part prior to maturity by lot, in such manner as shall be determined by the Registrar, through Sinking Fund Installments by operation of the Term Bonds Redemption Account, at the redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, on the dates in the amount of the Sinking Fund Installments as follows:

Sinking Fund
Installment Date

Sinking Fund
Installments

*

*Final Maturity

EXHIBIT B

DISCLOSURE STATEMENT

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

Re: \$_____ St. Johns County, Florida, Ponte Vedra Utility System
Revenue Bonds, Series 2006

Ladies and Gentlemen:

In connection with the proposed issuance by St. Johns County, Florida of the above-referenced Bonds (the "Series 2006 Bonds"), RBC Dain Rauscher Inc., doing business under the trade name RBC Capital Markets (the "Managing Underwriter"), and The Frazer Lanier Company Incorporated (collectively, the "Underwriters") are underwriting a public offering of the Series 2006 Bonds. The purpose of this letter is to furnish on behalf of the Underwriters, pursuant to the provisions of Section 218.385(6), Florida Statutes, certain information in respect of the arrangements contemplated for the underwriting of the Series 2006 Bonds as follows:

(a) The nature and estimated amount of expenses to be incurred by the Underwriters in connection with the purchase and reoffering of the Series 2006 Bonds are set forth in Schedule I attached hereto.

(b) No person has entered into an understanding with the Underwriters, or to the knowledge of the Underwriters, with the County, for any paid or promised compensation or valuable consideration, directly or indirectly, expressly or implied, to act solely as an intermediary between the County and the Underwriters or to exercise or attempt to exercise any influence to effect any transaction in the purchase of the Series 2006 Bonds.

(c) The underwriting spread, the difference between the price at which the Series 2006 Bonds will be initially offered to the public by the Underwriters and the price to be paid to the County for the Series 2006 Bonds will be \$_____ per \$1,000 of Series 2006 Bonds issued.

(d) As part of the estimated underwriting spread set forth in Paragraph (c) above, the Underwriters will charge a management fee of \$___ per \$1,000 of Series 2006 Bonds issued.

No other fee, bonus or other compensation is estimated to be paid by the Underwriters in connection with the issuance of the Series 2006 Bonds to any person not regularly employed or retained by the Underwriters (including any "finder" as defined in Section 218.386(1)(a), Florida Statutes), except as specifically enumerated as expenses to be incurred by the Underwriters, as set forth in Paragraph (a) above.

(e) The names and addresses of the Underwriters are set forth below:

RBC Capital Markets
One Independent Drive, Suite 3204
Jacksonville, Florida 32202

The Frazier Lanier Company Incorporated
300 Water Street
Montgomery, Alabama 36104

We understand that you do not require any further disclosure from the Underwriters, pursuant to Section 218.385(6), Florida Statutes.

RBC CAPITAL MARKETS, as
Managing Underwriter

By: _____
Mitchell N. Owens, Managing Director

SCHEDULE I

UNDERWRITERS' ESTIMATED EXPENSES

	<u>(per \$1,000)</u>	<u>Amount</u>
DTC, CUSIP, PSA		
Travel/Communications		
Dalcomp		
Day Loan		
BMA		
Total Expenses*		

*Totals may not add due to rounding

EXHIBIT C

TRUTH-IN BONDING STATEMENT

The following truth-in-bonding statement is prepared pursuant to Section 218.385(2) and (3), Florida Statutes, and is for informational purposes only. It shall not affect or control the actual terms and conditions of the debt or obligations.

St. Johns, Florida (the "County") is proposing to issue \$_____ of St. Johns County, Florida, Ponte Vedra Utility System Revenue Bonds, Series 2006 (the "Series 2006 Bonds") for the principal purposes of (1) financing the acquisition of an existing water and wastewater utility system from St. Johns Service Company (the "Ponte Vedra Utility System"), (2) making various capital improvements to the Ponte Vedra Utility System, as more particularly described in the Resolution, [(3) paying for certain initial working capital costs related to the operation of the Ponte Vedra Utility System,] (4) paying the premium for a debt service reserve account surety bond in order to fund the Reserve Account and (5) paying certain costs of issuance of the Series 2006 Bonds, including the premium for a financial guaranty insurance policy to be issued by _____. The Series 2006 Bonds are expected to be repaid over a period of approximately _____ years. At the interest rates set forth in Exhibit A of the Purchase Contract, total interest paid over the life of the Series 2006 Bonds will be \$_____.

The Series 2006 Bonds and the interest thereon will be payable solely from and secured by a pledge of and prior lien upon the Pledged Funds, which Pledged Funds include Net Revenues of the Ponte Vedra Utility System, as such terms are defined in Resolution No. 2006-__ of the County adopted on January 24, 2006. Authorizing the Series 2006 Bonds will result in an average of \$_____ of such Pledged Funds not being available to finance other projects of the County each year for approximately _____ years.

RBC CAPITAL MARKETS, as
Managing Underwriter

By: _____
Mitchell N. Owens, Managing Director

EXHIBIT E

COMMITMENTS FROM INSURER



A Dexia Company
VIA E-MAIL

Mr Doug Timms, Budget Officer
St. Johns County, Florida
4020 Lewis Speedway
St. Augustine, Florida 32095

January 19, 2006

Re: Not to Exceed \$30,545,000 aggregate principal amount of St. Johns County, Florida
Ponte Vedra Utility System Revenue Bonds, Series 2006

Dear Mr Timms:

Please find attached one original of each of our municipal bond insurance commitment letter and municipal bond debt service reserve insurance commitment letter, both in respect of the above-referenced issue. Please return one fully executed copy of each to Ms. Lillie Santana, of our office, prior to any reference to Financial Security as insurer of the issue being made in marketing efforts in respect of the issue.

Please note that a blacklined copy of each draft of each financing document and opinion, each draft of the preliminary and final official statements and the bond proof should be delivered to us for review and comment.

Attached as a link to this e-mail is Financial Security's website, where the logo, statement of insurance, disclosure language, specimen policy, procedures for premium payment, form of opinion and form of disclosure, no default and tax certificate may be accessed and downloaded as needed. Financial Security will require, prior to closing, six hard copies of the final official statement.

We will deliver to Bond Counsel, at the preliminary closing, assuming the requirements of the commitment letter have been met, an opinion of counsel as to the enforceability of the policy, a disclosure, no default and tax certificate and the executed policy. Prior to the closing, Financial Security will obtain rating letters from the rating agencies indicated in the official statement. Note that any questions with regard to rating agency fees should be directed to the respective rating agency.

Please ensure the following people are added to the Distribution List for this Financing:

Michael Cooper, Assistant General Counsel	Telephone: (212) 893-7389
	Telecopier: (212) 339-3490
	E-Mail: MCooper@FSA.com
Josephine Zeppieri, Vice President	Telephone: 212-339-3474
	Telecopier: 212-339-3450
	E-Mail: jzeppieri@fsa.com
Lillie Santana, Assistant Vice President	Telephone: (212) 339-3537
Documentation and Closing Supervisor	Telecopier: (212) 857-0514
	E-Mail: LSantana@FSA.com

Financial Security requires one original and two copies of the final closing transcript of proceedings and it may be in the form of either hard copies or three CD-ROMs.

I look forward to working with you.

Yours truly,


Michael Cooper
Assistant General Counsel

ec: Irvin M. Weinstein, Esq.; Rogers Towers, P.A.
Mr Mitchell Owens; RBC Dain Rauscher
Mr. David C. Miller, Managing Director; Public Financial Management, Inc.
Jean Mangu, Esq.; Edwards Cohen
Steve Miller, Esq.; Nabors, Giblin & Nickerson, P.A.
Mr. Jay Glover; Public Financial Management, Inc.

Financial Security Assurance

31 West 52nd Street • New York, New York 10019 • Tel: 212.826.0100 • Fax: 212.688.3101
New York • Dallas • San Francisco • London • Madrid • Paris • Singapore • Sydney • Tokyo



MUNICIPAL BOND INSURANCE COMMITMENT

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security" or "FSA") hereby commits to issue its Municipal Bond Insurance Policy (the "Policy") relating to whole maturities of the debt obligations described in Exhibit A attached hereto (the "Bonds"), subject to the terms and conditions set forth in this Commitment, of which Commitment Exhibit A is an integrated part, or added hereto (the "Commitment"). To keep this Commitment in effect after the Expiration Date set forth in Exhibit A attached hereto, a request for renewal must be submitted to Financial Security prior to such Expiration Date. Financial Security reserves the right to refuse wholly or in part to grant a renewal.

THE MUNICIPAL BOND INSURANCE POLICY SHALL BE ISSUED IF THE FOLLOWING CONDITIONS ARE SATISFIED:

1. The documents to be executed and delivered in connection with the issuance and sale of the Bonds shall not contain any untrue or misleading statement of a material fact and shall not fail to state a material fact necessary in order to make the information contained therein not misleading.
2. No event shall occur which would permit any underwriter or purchaser of the Bonds, otherwise required, not to be required to underwrite or purchase the Bonds on the date scheduled for the issuance and delivery thereof ("Closing Date").
3. There shall be no material change in or affecting the Bonds (including, without limitation, the security for the Bonds) or the financing documents or the Official Statement (or any similar disclosure documents) to be executed and delivered in connection with the issuance and sale of the Bonds from the descriptions or forms thereof approved by Financial Security.
4. The Bonds shall contain no reference to Financial Security, the Policy or the insurance evidenced thereby except as may be approved by Financial Security. **BOND PROOFS SHALL HAVE BEEN APPROVED BY FINANCIAL SECURITY PRIOR TO PRINTING.** The Bonds shall bear a Statement of Insurance in the form provided by Financial Security.
5. Financial Security shall be provided with:
 - (a) Executed copies of all financing documents, any disclosure document (the "Official Statement") and the various legal opinions delivered in connection with the issuance and sale of the Bonds (which shall be dated the Closing Date and which, except for the opinions of counsel relating to the adequacy of disclosure, shall be addressed to Financial Security or accompanied by a letter of such counsel permitting Financial Security to rely on such opinion as if such opinion were addressed to Financial Security), including, without limitation, the approving opinion of bond counsel. Each of the foregoing shall be in form and substance acceptable to Financial Security. Copies of all drafts of such documents prepared subsequent to the date of the Commitment (blacklined to reflect all revisions from previously reviewed drafts) shall be furnished to Financial Security for review and approval. Final drafts of such documents shall be provided to Financial Security at least three (3) business days prior to the issuance of the Policy, unless Financial Security shall agree to some shorter period.
 - (b) Evidence of wire transfer in federal funds of an amount equal to the insurance premium, unless alternative arrangements for the payment of such amount acceptable to Financial Security have been made prior to the delivery date of the Bonds.
 - (c) Standard & Poor's Credit Market Services, Moody's Investors Service Inc. and Fitch IBCA, Inc. will separately present bills for their respective fees relating to the Bonds. Payment of such bills should be made directly to such rating agency. Payment of the rating fee is not a condition to release of the Policy by Financial Security.
6. Promptly after the closing of the Bonds, Financial Security shall receive three completed sets of executed documents (one original and either (i) two photocopies (each unbound) or (ii) three compact discs).
7. The Official Statement shall contain the language provided by Financial Security and only such other references to Financial Security or otherwise as Financial Security shall supply or approve. **FINANCIAL SECURITY SHALL BE PROVIDED WITH SIX PRINTED COPIES OF THE OFFICIAL STATEMENT.**

**MUNICIPAL BOND INSURANCE COMMITMENT
TERM SHEET**

Issuer: St. Johns County, Florida

Name of Insured Bonds: Ponte Veda Utility System Revenue Bonds, Series 2006

Principal Amount of Bonds Insured: Not to Exceed \$30,545,000

Date of Commitment: January 19, 2006

Expiration Date: Friday, March 24, 2006*

Premium: .55% of total debt service on the Bonds Insured.

Additional Conditions:

1. The amortization schedule for, and final maturity date of, the Bonds shall be acceptable to Financial Security. The Insured Bonds shall be issued with fixed interest rates to maturity.
2. Financial Security shall have received and reviewed to its satisfaction the Acquisition Contract.
3. Financial Security shall have received satisfactory evidence that the System has been acquired from St. Johns Service Company by the Issuer and the Issuer has clear title to the System, subject only to those liens and encumbrances as are approved by Financial Security.
4. Any sale of the System pursuant to Section 5.07 of the Resolution (as defined below) shall require the prior written consent of Financial Security unless upon the consummation of such sale, the "Issuer" shall be St. Johns County and the Insured Bonds shall be secured on parity with "Parity Obligations" issued under (and as defined in) County Ordinance No. 86-89, as amended and supplemented, and Resolution No. 89-84 of the County, as amended and supplemented.
5. See attached Exhibits E-D.

Terms used in this Commitment and not otherwise defined shall have the meanings ascribed to them in the Ponte Veda Utility System Revenue Bond Resolution adopted January 24, 2006, authorizing the issuance of and setting forth the terms for the Bonds described above (the "Resolution").

FINANCIAL SECURITY ASSURANCE INC.



Authorized Officer

*To keep the Commitment in effect to the Expiration Date set forth above, Financial Security must receive a duplicate of this Exhibit A executed by an authorized officer by the earlier of the date on which the Official Statement containing disclosure language about Financial Security is circulated and ten days from the date of this Commitment.

The undersigned agrees that if the Bonds are insured by a policy of municipal bond insurance, such insurance shall be provided by Financial Security in accordance with the terms of the Commitment.

ST. JOHNS COUNTY, FLORIDA



Authorized Officer

OPINION REQUIREMENTS

1. Each of the Resolution, Bonds and other transaction documents (the "Transaction Documents") is a legal, valid and binding obligation of the parties thereto, has been duly authorized, executed and delivered and is enforceable in accordance with its terms.
2. There does not exist any action, suit, proceeding or investigation pending, or to the best of such counsel's knowledge, threatened which if adversely determined, could (i) materially adversely affect (a) the financial condition of the Issuer, (b) the ability of the Issuer to perform its obligations under the Transaction Documents, (c) the security for the Bonds, or (d) the transactions contemplated by the Transaction Documents or (ii) impair the ability of the Issuer to maintain and operate the System.
3. Nothing has come to the attention of disclosure counsel which would cause them to believe that the final Official Statement (excluding information provided by Financial Security), as of its date and the date of issuance of the Policy, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.
4. The Issuer has met the requirements of Section 125.3401 of Title XI of the Florida Statutes with respect to the purchase of the System.
5. The Bonds are secured by a valid first lien and security interest in the Pledged Funds on a parity with all additional parity bonds issued pursuant to the Resolution.

RESOLUTION REQUIREMENTS

The Resolution shall incorporate the following requirements either in one section or article entitled "Provisions Relating to Bond Insurance" (or the like), the provisions of which section or article shall be stated in the Resolution to govern, notwithstanding anything to the contrary set forth in the Resolution, or individually in the appropriate sections:

- (a) "Insurance Policy" shall be defined as follows: "the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds when due". "Insurer" shall be defined as follows: "Financial Security Assurance Inc., a New York stock insurance company, or any successor thereto or assignee thereof".
- (b) The prior written consent of the Insurer shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Reserve Account. Notwithstanding anything to the contrary set forth in the Resolution, amounts on deposit in the Reserve Account shall be applied solely to the payment of debt service due on Bonds.
- (c) The Insurer shall be deemed to be the sole holder of the Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Insured Bonds are entitled to take pursuant Article VII of the Resolution. Mandamus shall be available as a remedy.
- (d) If acceleration is permitted under the Resolution, the maturity of Insured Bonds shall not be accelerated without the consent of the Insurer. In the event the maturity of the Bonds is accelerated, the Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the Issuer) and the Paying Agent shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Insurer's obligations under the Insurance Policy with respect to such Bonds shall be fully discharged.
- (e) No grace period for a covenant default shall exceed 30 days or be extended for more than 60 days, without the prior written consent of the Insurer. No grace period shall be permitted for payment defaults.
- (f) The Insurer shall be included as a third party beneficiary to the Resolution.
- (g) Upon the occurrence of an extraordinary optional, special or extraordinary mandatory redemption in part, the selection of Insured Bonds to be redeemed shall be subject to the approval of the Insurer. The exercise of any provision of the Resolution which permits the purchase of Insured Bonds in lieu of redemption shall require the prior written approval of the Insurer if any Insured Bond so purchased is not cancelled upon purchase.
- (h) Any amendment, supplement, modification to, or waiver of, the Resolution or any other transaction document, including any underlying security agreement (each a "Transaction Document"), that requires the consent of the Holders of Bonds or adversely affects the rights and interests of the Insurer shall be subject to the prior written consent of the Insurer.
- (i) Unless the Insurer otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, proceeds of Insured Bonds and any investment earnings thereon on deposit in the Construction Fund shall not be disbursed, but shall instead be applied to the payment of debt service or redemption price of Insured Bonds.
- (j) The rights granted to the Insurer under the Resolution or any other Transaction Document to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Bondholders and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Bondowners or any other person is required in addition to the consent of the Insurer.

- (k) Only (1) cash, (2) non-callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Insurer, pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (5) subject to the prior written consent of the Insurer, securities eligible for "AAA" defeasance under then existing criteria of S & P or any combination thereof, shall be used to effect defeasance of the Bonds unless the Insurer otherwise approves.

To accomplish defeasance, the Issuer shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer "Outstanding" under the Resolution and (iv) a certificate of discharge of the Paying Agent with respect to the Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Issuer, Paying Agent and Insurer. The Insurer shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow.

Bonds shall be deemed "Outstanding" under the Resolution unless and until they are in fact paid and retired or the above criteria are met.

- (l) Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of the Resolution and the Insured Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Issuer in accordance with the Resolution. The Resolution shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.
- (m) Each of the Issuer and Paying Agent covenant and agree to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Trust Estate under applicable law.
- (n) Claims Upon the Insurance Policy and Payments by and to the Insurer.

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Paying Agent, after making all transfers and deposits required under the Resolution, moneys sufficient to pay the principal of and interest on the Bonds due on such Payment Date, the Paying Agent shall give notice to the Bond Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Bonds due on such Payment Date, the Paying Agent shall make a claim under the Insurance Policy and give notice to the Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Bonds and the amount required to pay principal of the Bonds, confirmed in writing to the Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

The Paying Agent shall designate any portion of payment of principal on Bonds paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Insurer, registered in the name of Financial Security Assurance Inc., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Paying Agent's failure to so designate any payment or issue any

replacement Bond shall have no effect on the amount of principal or interest payable by the Issuer on any Bond or the subrogation rights of the Insurer.

The Paying Agent shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Bond. The Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Paying Agent.

Upon payment of a claim under the Insurance Policy, the Paying Agent shall establish a separate special purpose trust account for the benefit of Bondholders referred to herein as the "Policy Payments Account" and over which the Paying Agent shall have exclusive control and sole right of withdrawal. The Paying Agent shall receive any amount paid under the Insurance Policy in trust on behalf of Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Paying Agent to Bondholders in the same manner as principal and interest payments are to be made with respect to the Bonds under the sections hereof regarding payment of Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, the Issuer agrees to pay to the Insurer (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Issuer hereby covenants and agrees that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Pledged Revenues and payable from such Pledged Revenues on a parity with debt service due on the Bonds.

Funds held in the Policy Payments Account shall not be invested by the Paying Agent and may not be applied to satisfy any costs, expenses or liabilities of the Paying Agent. Any funds remaining in the Policy Payments Account following a Bond payment date shall promptly be remitted to the Insurer.

- (o) The Insurer shall, to the extent it makes any payment of principal of or interest on the Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy. Each obligation of the Issuer to the Insurer under the Transaction Documents shall survive discharge or termination of such Transaction Documents.
- (p) The Issuer shall pay or reimburse the Insurer any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Transaction Document; (ii) the pursuit of any remedies under the Resolution or any other Transaction Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Resolution or any other Transaction Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Resolution or any other Transaction Document or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Resolution or any other Transaction Document.
- (q) After payment of reasonable expenses of the Paying Agent, the application of funds realized upon default shall be applied to the payment of expenses of the Issuer or rebate only after the payment of past due and current debt service on the Bonds and amounts required to restore the Reserve Account to the Reserve Account Requirement.

- (r) The Insurer shall be entitled to pay principal or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Insurance Policy) and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with the Resolution, whether or not the Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.
- (s) The notice address of the Insurer is: Financial Security Assurance Inc., 31 West 52nd Street, New York, New York 10019, Attention: Managing Director – Surveillance, Re: Policy No. _____, Telephone: (212) 826-0100; Telecopier: (212) 339-3556. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."
- (t) The Insurer shall be provided with the following information by the Issuer or Paying Agent, as the case may be:
 - (i) Annual audited financial statements within 150 days after the end of the Issuer's fiscal year (together with a certification of the Issuer that it is not aware of any default or Event of Default under the Resolution), and the Issuer's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Insurer shall reasonably request from time to time;
 - (ii) Notice of any draw upon the Reserve Account within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Reserve Account Requirement and (ii) withdrawals in connection with a refunding of Bonds;
 - (iii) Notice of any default known to the Paying Agent or Issuer within five Business Days after knowledge thereof;
 - (iv) Prior notice of the advance refunding or redemption of any of the Bonds, including the principal amount, maturities and CUSIP numbers thereof;
 - (v) Notice of the resignation or removal of the Paying Agent and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;
 - (vi) Notice of the commencement of any proceeding by or against the Issuer or Obligor commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");
 - (vii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Bonds;
 - (viii) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Transaction Documents; and
 - (ix) All reports, notices and correspondence to be delivered to Bondholders under the terms of the Transaction Documents.
- (u) Notwithstanding satisfaction of the other conditions to the issuance of Additional Bonds set forth in the Resolution, no such issuance may occur (1) if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance and (2) unless the Reserve Account is fully funded at the Reserve Account Requirement (including the proposed issue) upon the issuance of such Additional Bonds, in either case unless otherwise permitted by the Insurer.

- (v) In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Resolution would adversely affect the security for the Bonds or the rights of the Bondholders, the Issuer shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy.
- (w) No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

PERMITTED INVESTMENTS

1. Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.
2. Federal Housing Administration debentures.
3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
 - a) Federal Home Loan Mortgage Corporation (FHLMC)
 - b) Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) - Senior Debt obligations
 - c) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) Consolidated system-wide bonds and notes
 - d) Federal Home Loan Banks (FHL Banks) Consolidated debt obligations
 - e) Federal National Mortgage Association (FNMA) Senior debt obligations Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
 - f) Student Loan Marketing Association (SLMA) Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)
 - g) Financing Corporation (FICO) Debt obligations
 - h) Resolution Funding Corporation (REFCORP) Debt obligations
4. Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated 'A-1' or better by S&P.
5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million.
6. Commercial paper (having original maturities of not more than 270 days) rated 'A-1+' by S&P and 'Prime-1' by Moody's.
7. Money market funds rated 'AAm' or 'AAm-G' by S&P, or better.
8. "State Obligations", which means:
 - a) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated 'A3' by Moody's and 'A' by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

- b) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated 'A-1+' by S&P and 'MIG-1' by Moody's.
 - c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated 'AA' or better by S&P and 'Aa' or better by Moody's.
9. Pre-refunded municipal obligations rated "AAA" by S & P and "Aaa" by Moody's meeting the following requirements:
- a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;
 - b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;
 - c) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");
 - d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;
 - e) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and
 - f) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.
10. Repurchase agreements:
- With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by S&P and Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated (or the guarantor of which is rated) "A" or better by S&P and Moody's, provided that:
- a) The market value of the securities is maintained at levels and upon such conditions as would be acceptable to S & P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach);
 - b) The Trustee or a third party acting solely as agent therefor or for the Issuer (the "Holder of the Securities") has possession of the securities or the securities have been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);
 - c) The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such securities are delivered to the effect that, if the transactions for which provision is made in the repurchase agreement were to be recharacterized as secured loan transactions with the Securities constituting collateral therefor, the Holder of the Securities would have a perfected first priority security interest in the Securities, any substituted Securities and all proceeds thereof (in the case of bearer securities, this means the Holder of the Securities is in possession);
 - d) All other requirements of S&P in respect of repurchase agreements shall be met.

- e) The repurchase agreement shall provide that if during its term the provider's (or its guarantor's) rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the Issuer or the Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Issuer or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively.

11. Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa" by Moody's; provided that, by the terms of the investment agreement:
 - a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;
 - b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Issuer and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;
 - c) the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;
 - d) the Issuer or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Issuer and the Insurer) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Insurer;
 - e) the investment agreement shall provide that if during its term
 - i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Issuer, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment, and
 - ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Issuer or the Trustee (who shall give such direction if so directed by the Insurer), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Issuer or Trustee, and

- f) The investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);
 - g) the investment agreement must provide that if during its term
 - i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Issuer or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Trustee, as appropriate, and
 - ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Trustee, as appropriate.
12. Permitted Investments shall specifically exclude the use of an investment product whereby a trust department of a bank or other financial institution invests trust assets as a depositor of such bank or financial institution unless such bank or financial institution is rated not less than "AA" by S&P and "Aa" by Moody's throughout the term during which such investment product is used.

**PROCEDURES FOR PREMIUM PAYMENT TO
FINANCIAL SECURITY ASSURANCE INC.**

Financial Security's issuance of its municipal bond insurance policy at bond closing is contingent upon payment and receipt of the premium. NO POLICY MAY BE RELEASED UNTIL PAYMENT OF SUCH AMOUNT HAS BEEN CONFIRMED. Set forth below are the procedures to be followed for confirming the amount of the premium to be paid and for paying such amount:

Confirmation of	Upon determination of the final debt service
Amount to be Paid:	schedule, fax such schedule to Financial Security
	Attention: Josephine Zeppieri, Vice President
	Phone No.: 212-339-3474
	Fax No.: 212-339-3450

Confirm with the individual in our underwriting department that you are in agreement with respect to par and premium on the transaction prior to the closing date.

Payment Date: Date of Delivery of the insured bonds.

Method of Payment: Wire transfer of Federal Funds.

Wire Transfer Instructions:

Bank:	The Bank of New York
ABA#:	021 000 018
Acct. Name:	Financial Security Assurance Inc.
Account No.:	8900297263
Transaction Nos.	89740 and 89866

CONFIRMATION OF PREMIUM WIRE NUMBER AT CLOSING

Financial Security will accept as confirmation of the premium payment a wire transfer number and the name of the sending bank, to be communicated on the closing date to Lillie Santana, Assistant Vice President Documentation and Closing Supervisor, (212) 339-3537.



A Dexia Company

January 19, 2006

VIA E-MAIL

Mr Doug Timms, Budget Officer
St. Johns County, Florida
4020 Lewis Speedway
St. Augustine, Florida 32095

Re: St. Johns County, Florida Ponte Vedra Utility System Revenue Bonds, Series 2006

Dear Mr Timms:

Please find attached one original of our municipal bond debt service reserve commitment letter in respect of the above-referenced issue. Please return one fully executed copy to Ms. Lillie Santana, of our office, prior to any reference to Financial Security as insurer of the issue being made in marketing efforts in respect of the issue.

Please note that a blacklined copy of each draft of each financing document and opinion, each draft of the preliminary and final official statements and the bond proof should be delivered to us for review and comment.

Attached as a link to this e-mail is Financial Security's website, where the logo, statement of insurance, disclosure language, specimen policy, procedures for premium payment, form of opinion and form of disclosure, no default and tax certificate may be accessed and downloaded as needed. Financial Security will require, prior to closing, four hard copies of the final official statement.

We will deliver to Bond Counsel, at the pre-closing, assuming the requirements of the commitment letter have been met, an opinion of counsel as to the validity of the policy, a disclosure, no default and tax certificate and the executed original policy. Prior to the closing, Financial Security will obtain rating letters from the rating agencies indicated in the official statement. Note that any questions with regard to rating agency fees should be directed to the respective rating agency.

Please ensure the following people are added to the Distribution List for this Financing:

Michael Cooper, Assistant General Counsel

Telephone: (212) 893-7389

Telecopier: (212) 339-3490

E-Mail: MCooper@FSA.com

Josephine Zeppieri, Vice President

Telephone: 212-339-3474

Telecopier: 212-339-3450

E-Mail: jzeppieri@fsa.com

Lillie Santana, Assistant Vice President

Telephone: (212) 339-3537

Documentation and Closing Supervisor

Telecopier: (212) 857-0514

E-Mail: LSantana@FSA.com

Financial Security requires one original and two copies of the final closing transcript of proceedings and it may be in the form of either hard copies or three CD-ROMs.

I look forward to working with you.

Yours truly,

Michael Cooper
Assistant General Counsel

cc: Irvin M. Weinstein, Esq.; Rogers Towers, P.A.
Mr. Mitchell Owens; RBC Dain Rauscher
Mr. David Miller, Managing Director; Public Financial Management, Inc.
Jean Mangu, Esq.; Edwards Cohen
Steve Miller, Esq.; Nabors, Giblin & Nickerson, P.A.
Mr. Jay Glover; Public Financial Management, Inc.

Financial Security Assurance

31 West 52nd Street · New York, New York 10019 · Tel: 212.826.0100 · Fax: 212.688.3101
New York · Dallas · San Francisco · London · Madrid · Paris · Singapore · Sydney · Tokyo



MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE COMMITMENT

Issuer: St. Johns County, Florida Date of Commitment: January 19, 2006

Insured Bonds: Ponte Vedra Utility System Revenue Bonds, Series 2006

Premium: 2.75% of Policy Limit Expiration Date: Friday, March 24, 2006

Policy Limit: A dollar amount equal to the Reserve Account Requirement, as specified under the Resolution, up to a maximum \$2,100,000

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), a stock insurance company, hereby commits to issue its Municipal Bond Debt Service Reserve Insurance Policy (the "Reserve Policy"), in the form attached hereto as Exhibit A, relating to the above-described debt obligations (the "Bonds"), subject to the terms and conditions contained herein or added hereto. All terms used herein and not otherwise defined shall have the meanings ascribed to them in the Ponte Vedra Utility System Revenue Bond Resolution setting forth the security for and authorizing the issuance of the Insured Bonds (the "Resolution").

To keep this Commitment in effect after the Expiration Date set forth above, a request for renewal must be submitted to Financial Security prior to such expiration date. Financial Security reserves the right to refuse wholly or in part to grant a renewal. To keep the Commitment in effect to the Expiration Date set forth above, Financial Security must receive a duplicate of this Commitment executed by an authorized officer of the Issuer by the date which is ten days from the date of this Commitment.

THE RESERVE POLICY SHALL BE ISSUED UPON SATISFACTION OF THE FOLLOWING CONDITIONS:

1. The conditions to issuance of the Municipal Bond Insurance Policy pursuant to Financial Security's Commitment Letter dated January 19, 2006, relating to the Ponte Vedra Utility System Revenue Bonds, Series 2006, shall have been satisfied or waived by Financial Security.
2. Financial Security shall have received evidence of wire transfer in federal funds in an amount equal to the Premium.
3. Any official statement or similar disclosure document relating to the Bonds shall contain only such references to the Reserve Policy and Financial Security as we shall supply or approve.
4. The Resolution shall include the following terms and conditions and shall be in form and substance acceptable to Financial Security:

(a) The Issuer shall repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by Financial Security. Interest shall accrue and be payable on such draws and expenses from the date of payment by Financial Security at the Late Payment Rate. "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as Financial Security shall specify.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to Financial Security shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to Financial Security on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

All cash and investments in the Reserve Account established for the Insured Bonds (the "Reserve Fund") shall be transferred to the Principal Account, Interest Account and Term Bond Redemption Account for payment of debt service on Bonds before any drawing may be made on the Reserve Policy or any other credit facility credited to the Reserve Fund in lieu of cash ("Credit Facility"). Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund.

(b) If the Issuer shall fail to pay any Policy Costs in accordance with the requirements of Paragraph 5(a) hereof, Financial Security shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Resolution other than (i) acceleration of the maturity of the Bonds or (ii) remedies which would adversely affect owners of the Bonds.

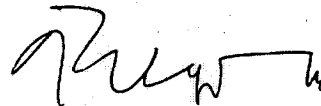
(c) The Resolution shall not be discharged until all Policy Costs owing to Financial Security shall have been paid in full. The Issuer's obligation to pay such amounts shall expressly survive payment in full of the Bonds.

(d) The additional bonds test and the rate covenant in the Resolution shall expressly provide for at least one times coverage of the Policy Costs then due and owing.

(e) The Issuer shall ascertain the necessity for a claim upon the Reserve Policy and to provide notice to Financial Security in accordance with the terms of the Reserve Policy at least five business days prior to each date upon which interest or principal is due on the Bonds. The Issuer shall give notice to Financial Security of any failure to make timely payment in full of monthly deposits required pursuant to Section 4.05(B)(1), (2) or (3) within two business days of the date due.

5. The Reserve Policy shall expire on the earlier of the date the Bonds are no longer outstanding and the final maturity date of the Bonds.
6. Financial Security shall insure the Insured Bonds pursuant to its Commitment Letter dated January 19, 2006.
7. Promptly after the issuance of the Reserve Policy, Financial Security shall receive a complete set of executed documents implementing the requirements of this Commitment.

FINANCIAL SECURITY ASSURANCE INC.

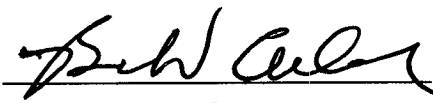


Authorized Officer

To keep this commitment in effect to the Expiration Date set forth on the first page, Financial Security must receive by the date which is ten days from the date of this Commitment a duplicate of this Commitment executed by an appropriate officer of the Issuer.

The undersigned agrees that if the debt service reserve fund requirement for the Bonds is met in whole or in part by credit instrument, such credit instrument shall be a Reserve Policy provided by Financial Security in accordance with the terms of this Commitment.

ST. JOHNS COUNTY, FLORIDA

By: 
Title: County Administrator
Date: January 24, 2006



**FINANCIAL
SECURITY
ASSURANCE®**

**MUNICIPAL BOND DEBT SERVICE
RESERVE INSURANCE POLICY**

ISSUER:

BONDS:

Policy No.: R

Effective Date:

Premium:

Termination Date:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") as set forth in the documentation (the "Bond Document") providing for the issuance of and securing the Bonds, for the benefit of the Owners, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Security will make payment as provided in this Policy to the Trustee or Paying Agent on the later of the Business Day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment in a form reasonably satisfactory to it. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Issuer, as appropriate, who may submit an amended Notice of Nonpayment. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy. Upon such payment, Financial Security shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the [Bond Document] [Insurance Agreement].

The amount available under this Policy for payment shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or Paying Agent under the terms of this Policy shall automatically be reduced by any payment under this Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (exclusive of interest and expenses) to Financial Security by or on behalf of the Issuer. Within three Business Days of such reimbursement, Financial Security shall provide the Trustee, the Paying Agent and the Issuer with notice of the reimbursement and reinstatement.

Payment under this Policy shall not be available with respect to (a) any Nonpayment that occurs prior to the Effective Date or after the Termination Date of this Policy or (b) Bonds that are not outstanding under the Bond Document. If the amount payable under this Policy is also payable under another insurance policy or surety bond insuring the Bonds, payment first shall be made under this Policy to the extent of the amount available under this Policy up to the Policy Limit. In no event shall Financial Security incur duplicate liability for the same amounts owing with respect to the Bonds that are covered under this Policy and any other insurance policy or surety bond that Financial Security has issued.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York are, or the Insurer's Fiscal Agent is, authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to

interest on a Bond, payable on the stated date for payment of interest. "Insurance Agreement" means the Insurance Agreement dated as of the effective date hereof in respect of this Policy, as the same may be amended or supplemented from time to time. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer that has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from the Issuer, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment of principal or interest thereunder, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds. "Policy Limit" shall be the dollar amount of the debt service reserve fund required to be maintained for the Bonds by the Bond Document from time to time (the "Debt Service Reserve Requirement"), but in no event shall the Policy Limit exceed \$. The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of each reduction in the Debt Service Reserve Requirement, as provided in the Bond Document.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be cancelled or revoked. 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, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

Countersignature

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 501 NY (6/90)

**PROCEDURES FOR PREMIUM PAYMENT TO
FINANCIAL SECURITY ASSURANCE INC.**

Financial Security's issuance of its municipal bond insurance policy at bond closing is contingent upon payment and receipt of the premium. NO POLICY MAY BE RELEASED UNTIL PAYMENT OF SUCH AMOUNT HAS BEEN CONFIRMED. Set forth below are the procedures to be followed for confirming the amount of the premium to be paid and for paying such amount:

Confirmation of
Amount to be Paid:

**Upon determination of the final debt service
schedule, fax such schedule to Financial Security**
Attention: Josephine Zeppieri, Vice President
Phone No.: 212-339-3474
Fax No.: 212-339-3450

**Confirm with the individual in our underwriting department that you are in agreement
with respect to par and premium on the transaction prior to the closing date.**

Payment Date: Date of Delivery of the insured bonds.

Method of Payment: Wire transfer of Federal Funds.

Wire Transfer Instructions:

Bank:	The Bank of New York
ABA#:	021 000 018
Acct. Name:	Financial Security Assurance Inc.
Account No.:	8900297263
Transaction No.:	89866

CONFIRMATION OF PREMIUM WIRE NUMBER AT CLOSING

Financial Security will accept as confirmation of the premium payment a wire transfer number and the name of the sending bank, to be communicated on the closing date to Lillie Santana, Assistant Vice President Documentation and Closing Supervisor, (212) 339-3537.