

BOND RESOLUTION NO. 173-25

**CITY OF DELRAY BEACH, FLORIDA
WATER AND SEWER REVENUE BONDS**

Adopted _____, 2025

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RESOLUTION NO. 173-25

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF DELRAY BEACH, FLORIDA, AUTHORIZING THE ISSUANCE FROM TIME TO TIME OF CITY OF DELRAY BEACH, FLORIDA, WATER AND SEWER REVENUE BONDS FOR THE PURPOSE OF FINANCING OR REFINANCING ADDITIONS, EXTENSIONS AND IMPROVEMENTS TO THE CITY OF DELRAY BEACH, FLORIDA, COMBINED WATER AND SEWER SYSTEM; PROVIDING FOR THE TERMS AND PAYMENT FOR ALL CITY OF DELRAY BEACH, FLORIDA, WATER AND SEWER REVENUE BONDS ISSUED HEREUNDER; PROVIDING FOR THE RIGHTS, REMEDIES AND SECURITY OF THE HOLDERS OF SAID CITY OF DELRAY BEACH, FLORIDA, WATER AND SEWER REVENUE BONDS; MAKING CERTAIN COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; PROVIDING FOR AN UNDERTAKING REQUIRED UNDER RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION; PROVIDING FOR CERTAIN OTHER MATTERS IN CONNECTION THEREWITH; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the City of Delray Beach, Florida, a municipal corporation of the State of Florida (the "City"), presently owns and operates its own combined potable water and sanitary sewer system (herein, the "Water and Sewer System" or "System") within and without the City, and its ownership of a one-half (1/2) undivided interest in a treatment and disposal system operated by the South Central Regional Wastewater Treatment and Development Board; and

WHEREAS, the City is authorized by law to issue revenue bonds for the purpose of financing or refinancing additions, extensions and improvements to its Water and Sewer System; and

WHEREAS, it is the intent of the City to issue, from time to time, water and sewer Bonds, in one or more series, unless otherwise provided herein, pursuant to the terms and provisions of this Resolution, as supplemented from time to time, to finance or refinance, additions, extensions and improvements to the Water and Sewer System; and

WHEREAS, effective July 3, 1995, Rule 15c2-12 (herein, the "Rule") of the Securities and Exchange Commission provides that it is unlawful for a broker dealer or municipal securities dealer to purchase or sell municipal securities, which includes the Bonds authorized hereunder, unless the Issuer, which includes the City, has undertaken in a written agreement to provide to

specified information repositories annual financial information and operating data relevant to the municipal securities and notice of certain specified material events; and

WHEREAS, the City hereby determines to provide its undertaking with respect to the Bonds in this Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY OF DELRAY BEACH, FLORIDA, AS FOLLOWS:

**ARTICLE I
STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS**

SECTION 1. AUTHORITY OF THIS RESOLUTION. This Resolution is enacted pursuant to the provisions of the Act (as herein defined).

SECTION 2. FINDINGS. It is hereby ascertained, determined and declared:

- A. That the recitals hereinbefore mentioned are hereby adopted.
- B. That the City adopts this Resolution to provide, from time to time, for the financing or refinancing of additions, extensions and improvements to the Water and Sewer System.
- C. That, to provide funding, from time to time, to finance or refinance additions, extensions and improvements to the System, the Commission hereby finds it to be in the best interest of the City to authorize, pursuant to the terms and provisions of this Resolution, the issuance of the Bonds from time to time, in one or more Series.
- D. That the estimated Gross Revenues of the System will be sufficient at all times to pay all the costs of operation and maintenance of the System, the principal of and interest on the Bonds to be issued pursuant to the terms and provisions of this Resolution, as the same become due, and all sinking fund, reserve, if any, and other payments provided for in this Resolution.
- E. That the principal of, redemption premium, if any, and interest on the Bonds issued pursuant to the terms and provisions of this Resolution, and all of the other sinking fund,

reserve, if any, and other payments provided for in this Resolution will be paid solely from the Net Revenues and, to the extent applicable, System Development Charges, all as provided herein. The ad valorem taxing power of the City will never be necessary or authorized to pay the principal of, redemption premium, if any, and interest on the Bonds to be issued pursuant to the terms and provisions of this Resolution, or to make any of the other sinking fund, reserve, if any, or other payments provided for in this Resolution. The Bonds issued pursuant to the terms and provisions of this Resolution shall not constitute a lien upon the Water and Sewer System or upon any other property whatsoever, of or in the City, but shall be payable solely from the Net Revenues and, to the extent applicable, System Development Charges, all in the manner as provided in this Resolution and subsequent proceedings of the City.

F. That in order to assist the purchasers of the Bonds to be in compliance with the Rule, the City intends to set forth its undertaking in this Resolution.

SECTION 3. DEFINITIONS. That, as used in this Resolution, and in addition to the terms herein defined in the recitals above, the following terms shall have the following meanings unless the text otherwise expressly requires. All references to any fund or account shall mean the funds or accounts created and established pursuant to Section 3.A. of Article III of this Resolution.

“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 Payment Date next preceding the date of computation or the date of computation if an Interest Payment 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 Payment Date, a portion of the difference between the Accreted Value as of the immediately

preceding Interest Payment Date and the Accreted Value as of the immediately succeeding Interest Payment 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 the Florida Constitution; Chapter 166, Florida Statutes, as amended and supplemented; the City of Delray Beach Charter, as amended and supplemented; and other applicable provisions of law.

“ALLOWABLE SYSTEM DEVELOPMENT CHARGES” shall mean in any Fiscal Year an amount of System Development Charges not in excess of the System Development Charges Percentage times the Debt Service Requirement for such Fiscal Year.

“BENEFICIAL OWNER” shall mean (except with respect to Section 4.S. of Article III hereof), during any period the Bonds are registered under the Book-Entry System, any purchaser of a Bond and others who acquire a beneficial ownership interest in a Bond held by the Securities Depository. In determining the Beneficial Owner of any Bond, the City, the Paying Agent, the Registrar and the Credit Facility Issuer, if any, may rely exclusively upon written representations made, and information given to the City, the Paying Agent, the Registrar or the Credit Facility Issuer, if any, by the Securities Depository or its Participants with respect to any Bond held by the Securities Depository in which a beneficial ownership interest is claimed. With respect to Replacement Bonds, the City, the Paying Agent, the Registrar and the Credit Facility Issuer, if any, shall consider the owner of any such Replacement Bond as registered on the registration books of the City maintained by the Registrar to be the Beneficial Owner thereof.

“BENEFICIAL OWNER” shall mean, for purposes of Article III, Section 4.S. of this Resolution only, any person which (i) has the power, directly or indirectly to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (ii) is treated as the owner of any Bonds for federal income tax purposes.

“BOND COUNSEL” shall mean such firm or firms of nationally recognized attorneys-at-law selected by the City and experienced in the financing and refinancing of capital projects for governmental units through the issuance of tax-exempt revenue bonds.

“BOND INSURANCE POLICY” shall mean an insurance policy issued for the benefit of the Holders of any Bonds of one or more Series, pursuant to which the Bond Insurer shall be obligated to pay when due the principal of and interest on such Bonds to the extent of any deficiency in the amounts in the funds and accounts created under this Resolution for the purpose of paying debt service on the Bonds, in the manner and in accordance with the terms provided in such Bond Insurance Policy.

“BOND INSURER” shall mean the issuer of a Bond Insurance Policy and its successors.

“BONDHOLDER” or “HOLDER OF BONDS” or “OWNER” or “REGISTERED OWNER” or any similar term shall mean any person who shall be the owner of any Bond or Bonds Outstanding under the terms of this Resolution.

“BONDS” shall mean any bonds, notes or other evidences of indebtedness (other than subordinated debt issued under the terms and provisions of this Resolution, unless the context clearly requires otherwise), as the case may be, issued, authenticated and delivered under and pursuant to this Resolution, including any pari passu additional bonds hereafter issued in the manner hereinafter provided.

“BOOK-ENTRY SYSTEM” shall mean the system under which the City may issue its Bonds or any Series of Bonds without the necessity of physical certificates evidencing ownership of the Bonds, and maintain the registration for such Bonds in book-entry form only.

“BUSINESS DAY” shall mean any day other than a Saturday, Sunday, legal holiday or a day on which banking institutions in the State of Florida are authorized by law to close.

“CAPITAL APPRECIATION BONDS” shall mean those Bonds of a Series so designated by the City, whether by the authority contained herein or pursuant to subsequent proceeding of the City relating so such Series, or otherwise, which may be either Serial Bonds or Term Bonds and which shall bear interest payable at maturity or upon 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.

“CLERK” shall mean the City Clerk of the City of Delray Beach, Florida, or such person who is authorized to act on his or her behalf.

“CITY” shall mean the City of Delray Beach, Florida, a municipal corporation existing under the laws of the State of Florida, and any other successor governmental unit which shall assume the obligations of the City under this Resolution.

“CITY ATTORNEY” shall mean the person appointed by the Commission to act as the City Attorney.

“CODE” shall mean the Internal Revenue Code of 1986, as amended, and all subsequent tax legislation duly enacted by the Congress of the United States to the extent applicable to any Series of Bonds issued pursuant to this Resolution. Each reference to a section of the Code herein shall be deemed to include, if applicable, final, temporary or proposed regulations, revenue rulings and procedures issued or amended with respect thereto.

“CONNECTION CHARGES” shall mean, where applicable, the charges imposed on those connecting to the System for the cost of physically connecting to the System, including but not limited to the cost of excavating, plumbing, installation of meters, and landscaping. The term “Connection Charges” shall not include System Development Charges.

“CONSULTANT” shall mean one or more or combination of engineering firms or qualified engineers or other appropriate entities retained by the City to perform the acts and carry out the duties provided for such Consultant in this Resolution.

“COMMISSION” shall mean the City Commission of the City of Delray Beach, Florida, the governing body of the City, and any successor body thereto.

“CREDIT FACILITY” or “CREDIT FACILITIES” shall mean, either individually or collectively, as appropriate, any Bond Insurance Policy, surety bond, letter of credit, line of credit, guaranty, or such other instrument or instruments that would enhance the credit of the Bonds. The term Credit Facility shall not mean a Reserve Account Credit Facility Substitute.

“CREDIT FACILITY ISSUER” shall mean the provider of a Credit Facility.

“DEBT SERVICE REQUIREMENT” or “ANNUAL DEBT SERVICE REQUIREMENT” for any Fiscal Year, as applied to the Bonds shall mean the sum of:

(a) The amount required to pay the interest becoming due on the Bonds during such Fiscal Year, except to the extent that such interest shall have been provided by payments into the Principal and Interest Account out of Bond proceeds for a specified period of time. The interest due in any ensuing Fiscal Year on Variable Rate Bonds shall be assumed to be one hundred ten percent (110%) of the greater of (i) the daily average interest rate on such Variable Rate Bonds during the twelve months ending with the month preceding the date of calculation, or such shorter period that such Bonds shall have been Outstanding, or (ii) the rate of interest on such Variable Rate Bonds on the date of calculation.

(b) The aggregate amount required to pay the principal becoming due on the Bonds for such Fiscal Year. For purposes of this definition: (i) the stated maturity date of any Term Bonds shall be disregarded and the sinking fund installment applicable to such Bonds in such year shall be deemed to mature in such year; and (ii) the principal amount of any Bonds having (a) a single principal maturity and no sinking fund installments therefor and (b) the final installment for any Bonds if such final sinking fund installment exceeds an amount equal to 200% of the maximum principal amount of such Series of Bonds due in any Fiscal Year, shall be calculated as if the amount of such single maturity or final installment, as the case may be, had

been issued over a term of 25 years and was payable in approximately equal annual payments of principal and interest.

“DEBT SERVICE RESERVE REQUIREMENT” shall mean, if applicable and unless the Debt Service Reserve Requirement for a Series of Bonds is zero or in such lesser amount, shall be determined by subsequent proceedings of the City with respect to any applicable Series of Bonds, with respect to any Series of Bonds an amount equal to the lesser of (i) the maximum amount of principal of and interest on such Bonds becoming due in the current or any succeeding Fiscal Year, or (ii) one hundred twenty-five percent (125%) of the average annual amount of principal of and interest on such Bonds, or (iii) ten percent (10%) of the principal amount of the Bonds or the issue price of the Bonds, if the Bonds has more than a de minimis amount of original issue discount or premium (as such terms are used under the Code for such purpose). All or a portion of such Debt Service Reserve Requirement may be satisfied by obtaining a Reserve Account Credit Facility Substitute with the requisite coverage. The Debt Service Reserve Requirement, if any, for any Series of Bonds shall be determined by subsequent proceedings of the City.

“DEFEASANCE OBLIGATIONS” shall mean, to the extent permitted by law and (other than with respect to the obligations described in clause (a) below) acceptable, at the time of defeasance, to the Credit Facility Issuer if the principal of and interest on the defeased Bonds is secured by a Credit Facility and such Credit Facility Issuer is not in default under such Credit Facility or, if not so secured by a Credit Facility, acceptable, at the time of defeasance, to the Rating Agency or Agencies, if any, then rating the defeased Bonds:

- (a) U. S. Obligations which are not redeemable prior to maturity;
- (b) 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 (i) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of 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, (ii) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) hereof which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (i) of this clause (b), as appropriate, and (iii) as to which the principal of and interest on the bonds and obligations of the character described in clause (a) hereof, which have been deposited in such fund along with any cash on deposit in such fund, are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (b) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (i) of this clause (b), as appropriate; and

(c) Evidences of ownership of proportionate interests in future interest or principal payments on obligations described in (a) held by a bank or trust company as custodian.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access System (<http://www.emma.msrb.org>).

“EMMA COMPLIANT FORMAT” shall mean any document provided to the MSRB which is in electronic format and is accompanied by identifying information as prescribed by the MSRB.

“ESCROW DEPOSIT AGREEMENT” shall mean the agreement by and between the City and any federal or national banking association or state bank with trust powers or a trust company, as escrow trustee, to be hereafter designated by subsequent proceedings of the City for the purpose of accomplishing the payment and defeasance of any Bonds, which agreement shall be in substantially such form as shall be determined by subsequent resolution of the City.

“FACILITIES” shall mean all the components of the Water and Sewer System, and all parts thereof, and any facilities which may hereafter be a part of the System, or any part thereof,

by any additions, betterments, extensions, improvements thereto, or property of any kind or nature, real or personal, tangible or intangible, hereafter constructed or acquired.

“FINANCIAL OBLIGATION” means a (a) debt obligation, (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) guarantee of an obligation or instrument described in either clause (a) or (b). Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“FISCAL YEAR” shall mean that period commencing on October 1 and continuing to and including the next succeeding September 30, or such other annual period as may be lawfully prescribed as the Fiscal Year of the City.

“FITCH” shall mean Fitch Ratings, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City and acceptable to the Trustee.

“GOVERNMENT GRANT,” when used with respect to the System, shall mean any sum of money heretofore or hereafter received by the City 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 City, 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; provided, however, Government Grants shall not include any grants or contributions received by the City for the purpose of, or that may legally be used for, funding Operating Expenses or paying debt service on any Bonds.

“INDEPENDENT INSURANCE CONSULTANT” shall mean a person or firm who is not an employee or officer of the City who is appointed by the City and is qualified to survey

risks and to recommend insurance coverage for organizations engaged in like operations, who has a favorable reputation for skill and experience in such surveys and recommendations, and who may be a broker or agent with whom the City transacts business.

“INTEREST PAYMENT DATE” shall mean such dates of each Fiscal Year on which interest or principal is, or interest and principal are, payable on Bonds that are then Outstanding, which dates shall be determined by subsequent proceeding of the City with respect to any Series of Bonds.

“LIQUIDITY FACILITY” shall mean any surety bond, letter of credit, line of credit, guaranty, or such other instrument that would provide liquidity to purchase Bonds that have been tendered, whether on an optional or mandatory basis, for purchase and not remarketed, and the provider of such Liquidity Facility enjoys the highest short-term rating at the time such Liquidity Facility is delivered to the City by any Rating Agency then rating the Bonds.

“MAXIMUM ANNUAL DEBT SERVICE REQUIREMENT” shall mean, at any time, the maximum amount required to be deposited in the then current or any succeeding Fiscal Year into the Principal and Interest Account as provided in this Resolution.

“MAXIMUM INTEREST RATE” shall mean, with respect to any particular Series of Variable Rate Bonds issued pursuant to the terms and provisions of this Resolution, the maximum rate of interest such Bonds may bear at any particular time, which rate shall not exceed the rate of interest allowed under state law and shall be determined for each Series of Variable Rate Bonds by subsequent proceedings of the City.

“MAYOR” shall mean the Mayor of the City of Delray Beach, Florida, or such person designated by the Commission to act on behalf of the Mayor.

“MOODY’S” shall mean Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities

rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City and acceptable to the Trustee.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"NET REVENUES" shall mean the Gross Revenue remaining after deducting the payment of monthly Operating Expenses.

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

"NEW USER FACILITIES PORTION" shall mean that portion of Bonds issued and Outstanding hereunder, expressed as a dollar amount, used to finance New User Facilities, including that portion of reserves, issuance expenses and capitalized interest.

"OPERATING EXPENSES" shall mean the City's expenses for operation, maintenance and repairs 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 wastewater 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 Credit Facility Substitute (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 wastewater or other wastes, actual 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 and any supplement thereto, but Operating Expenses do 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, PILOTs (not in excess of the PILOT LIMIT, as herein defined), PILOFs (not in excess of the PILOF LIMIT, as herein defined), costs of issuance with respect to the issuance of any Bonds to the extent such costs of issuance were paid from proceeds of such Bonds, or any provision for interest, depreciation, amortization or similar charges, or any accruals required to be recognized with respect to pension, retirement, health and hospitalization funds that do not require or result in the expenditure of cash, or any loss resulting from the valuation of investment securities.

“OUTSTANDING” shall mean, when used with reference to the Bonds authorized under this Resolution, as of any particular date, all Bonds theretofore, or thereupon being, authenticated and delivered by the Registrar under this Resolution, except (i) Bonds theretofore and thereupon canceled by the Registrar or surrendered to the Registrar for cancellation; (ii) Bonds with respect to which all liability of the City shall have been discharged in accordance with the terms and provisions of this Resolution; (iii) Bonds in lieu of or in substitution for which other Bond shall have been authenticated and delivered by the Registrar pursuant to any provision of this Resolution; (iv) Bonds canceled after purchase in the open market or because of payment at redemption prior to maturity; and (v) Bonds held or purchased by the City unless the City intends by written communication to the Registrar that such Bonds shall remain Outstanding.

“PARTICIPANTS” shall mean, if applicable, brokers, dealers, banks and other financial institutions and other persons for whom, from time to time, the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository.

“PAYING AGENT” shall mean, except as provided in the next succeeding sentence, a bank or trust company and any successor bank or trust company appointed by the City to act as Paying Agent for each Series of Bonds issued under the terms and provisions of this Resolution. The term “Paying Agent” may also include, for any one or more Series of Bonds, the Finance Department of the City if so determined by subsequent proceedings of the City.

“PERMITTED INVESTMENTS” shall mean (i) to the extent permitted by law and consistent with the City’s investment policy in effect from time to time, U. S. Obligations, and (ii) all other investments permitted under the laws of Florida and, if required as a condition of obtaining a Credit Facility, acceptable to the Credit Facility Issuer.

“PILOFs” shall mean allocations or transfers made in any Fiscal Year from the Revenue Fund to the general fund of the City which represent payments in lieu of franchise fees that have been adopted and implemented by the Commission in accordance with applicable law; provided, however, such payments may not exceed 6.00% of that portion of Gross Revenues for such Fiscal Year that were derived from the application of the monthly rates for water and sewer and reclaimed water utility services (the “PILOF Limit”).

“PILOTs” shall mean allocations or transfers made in any Fiscal Year from the Revenue Fund to the general fund of the City which represent payments in lieu of taxes that have been adopted and implemented by the Commission in accordance with applicable law; provided, however, such payments may not exceed 4% of that portion of Gross Revenues for such Fiscal Year that were derived from the application of the monthly rates for daily water and wastewater and reclaimed water utility services (the “PILOT Limit”).

“PLEDGED REVENUES” shall mean the Net Revenues, Allowable System Development Charges, if applicable, Special Assessments, if applicable, and any other moneys securing the payment of a Series of Bonds, all as shall be determined by subsequent proceedings of the City.

“PROJECT” shall mean the cost of the construction and acquisition of additions, extensions and improvements to the Water and Sewer System; funding of all or part of the Reserve Account, if any, established for a Series of Bonds issued to finance a Project, or, in lieu thereof, payment of the premiums for a Reserve Account Credit Facility Substitute; interest on the Bonds properly allocable to such Project prior to, during and not exceeding one (1) year after completion of such Project; engineering costs, and legal and financing fees and expenses; the costs of issuance of the Bonds; expenses for estimates of costs and of revenues; expenses for plans, specifications and surveys, administrative expenses relating to such construction and acquisition; the premium or fees for the Credit Facility, if any; and such other costs and expenses necessary or incidental to the financing of any Project authorized by this Resolution or by subsequent proceedings of the City and for the payment of the temporary obligations issued for the purposes provided in this Resolution.

“RATING AGENCY” or “RATING AGENCIES” shall mean either Moody’s, Fitch or S&P, or such other nationally recognized securities rating agency, including, but not limited to, any combination thereof selected by the City in its sole discretion.

“RECORD DATE” shall have the meaning set forth in Section 2 of Article II of this Resolution.

“RENEWAL AND REPLACEMENT REQUIREMENT” shall mean, five per centum (5.00%) of the Gross Revenues as determined by the annual audit required under Section 3.L of Article III hereof, or such greater amount if determined by the Consultant and approved by the Commission to be necessary to be deposited in the Renewal and Replacement Account of the Capital Improvement Fund.

“REGISTRAR” shall mean, except as provided in the next succeeding sentence, a bank or trust company and any successor bank or trust company appointed by the City to act as Registrar for all or any Series of Bonds issued under the terms and provisions of this Resolution.

The term “Registrar” may also include, for any one or more Series of Bonds, the Finance Department of the City if so determined by subsequent proceedings of the City.

“REPLACEMENT BONDS” shall mean certificated Bonds, authenticated and delivered pursuant to the terms and provisions of this Resolution, when the City or the Securities Depository discontinues the Book-Entry System.

“RESERVE ACCOUNT CREDIT FACILITY SUBSTITUTE” shall mean any one of the facilities described in Section 3.D(iv) of Article III of this Resolution.

“REVENUES” or “GROSS REVENUES” shall mean all rates, fees, charges, including Connection Charges, or any other income received by the City from the operation of the System, or from any agency thereof in control of the management and operation of the System, and all parts thereof, and shall also include the earnings (including retained earnings) and investment income derived from the investment of moneys on deposit in the various funds and accounts created and established under this Resolution or any supplemental resolution, other than any Acquisition and Construction fund created by subsequent proceedings of the City, which by the terms and provisions of this Resolution are required to be deposited in the Principal and Interest Account or the Revenue Fund created and established under this Resolution; provided, however, that Revenues shall not include (i) moneys received by the City from federal, State or local governments for capital improvements to the System and (ii) Special Assessments, System Development Charges, development fees, availability or reservation fees and any other fees that would be characterized in whole or in part as impact fees under State law unless the City elects by subsequent proceedings to include the same as Revenues or as Net Revenues.

“RESOLUTION” shall mean this Resolution, as amended or supplemented from time to time.

“S&P” shall mean S&P Global Ratings, a division of S&P Global Inc., and its successors and assigns, and, if such entity shall be dissolved or liquidated or shall no longer

perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

"SEC" shall mean the Securities and Exchange Commission.

"SECURITIES DEPOSITORY" shall mean, with respect to any Series of Bonds to be issued in book entry form, The Depository Trust Company and its successors and assigns, or a successor clearing agency designated pursuant to the terms and provisions of this Resolution and its successors and assigns.

"SERIAL BONDS" shall mean the Bonds of a Series other than Term Bonds which shall be stated to mature either semiannually or annually.

"SERIES" shall mean Bonds authenticated, issued and delivered at one time under and pursuant to the terms of this Resolution or any supplemental resolution authorizing such Bonds as a separate Series of Bonds, or any Bonds thereafter authenticated (including Replacement Bonds, if applicable) and delivered in lieu of or in substitution for such Bonds pursuant to the terms and provisions of this Resolution, regardless of variations in maturity, interest rate or other provisions.

"SEWER NEW USER FACILITIES PORTION" shall mean that portion of Bonds issued and Outstanding hereunder, expressed as a dollar amount, used to finance New User Facilities of the sewer system of the System, including that portion of reserves, issuance expenses and capitalized interest.

"SEWER SYSTEM" shall mean the complete sanitary sewer collection and transmission facility and the City's one-half (1/2) undivided interest in the treatment and disposal system operated by the South Central Regional Wastewater Treatment and Disposal Board as they now exist and as may hereafter be improved and extended consisting of all real and personal property of every nature owned by the City and used or useful in the operation thereof whether within or without the City.

“SPECIAL ASSESSMENTS” shall mean, as determined by subsequent proceedings of the City, all net proceeds derived by the City from the special assessments levied against the real property specially benefited by the acquisition and construction of a Project financed by such Series of Bonds, or levied against real property in relation to each such property’s benefit derived from the services performed by the System, including interest collected on such Special Assessments and any penalties or moneys received upon foreclosure of the liens on such Special Assessments.

“SYSTEM” or “WATER AND SEWER SYSTEM,” which terms are synonymous, shall mean all of the property, real, personal and mixed which constitute a part of the City of Delray Beach’s combined Water and Sewer System which includes Facilities: (a) for the collection, treatment and distribution of water, including reclaimed water, for human consumption by customers and for irrigation purposes; (b) for the collection, treatment, and disposal of sanitary sewage generated by customers; together with extensions, additions, modifications and alterations thereto. Pursuant to the terms and provisions of this Resolution, the System shall also include, if determined by subsequent proceedings of the City to be in the best interest of the City after the Consultant certifies in writing to the City that the combining of such additional utility system or public works enterprise shall not have an adverse effect upon the existing System and is reasonably related to the type, management and operation of the System, any other City utility system or public works enterprise now or in the future owned or operated by the City.

“SYSTEM DEVELOPMENT CHARGES” shall mean the impact fees and charges levied upon and collected from new users of the System to the extent the same are lawfully available for the acquisition and construction of New User Facilities and the Debt Service Requirement related to the financing thereof.

“SYSTEM DEVELOPMENT CHARGES PERCENTAGE” shall mean for any Fiscal Year the total percentage obtained by dividing the Water New User Facilities Portion and the

Sewer New User Facilities Portion by the par amount of Outstanding Bonds issued to finance a Project.

“TAX CERTIFICATE” shall mean the applicable Arbitrage Certificate executed by the City on the date of initial issuance and delivery of any Series of Bonds, as such Arbitrage Certificate may be amended from time to time, and which serves as a source of guidance for achieving compliance with the Code.

“TERM BONDS” shall mean the Bonds of an issue which shall be stated to mature on one date and for the amortization of which mandatory payments are required to be made into the Principal and Interest Account in the Sinking Fund.

“U. S. OBLIGATIONS” shall mean the direct obligations of, or obligations on which, the timely payment of principal and interest are unconditionally guaranteed by the United States of America, and if determined by subsequent proceedings of the City, certificates which evidence ownership of the right to the payment of the principal of, or interest on, such obligations.

“VARIABLE RATE BONDS” shall mean Bonds issued with a variable, adjustable, convertible or other similar rate which is not fixed in percentage for the entire term thereof at the date of issue.

“WATER NEW USER FACILITIES PORTION” shall mean that portion of Bonds issued and Outstanding hereunder, expressed as a dollar amount, used to finance New User Facilities of the water and reclaimed water systems of the System, including that portion of reserves, issuance expenses and capitalized interest.

SECTION 4. PLURAL. Words importing the singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

SECTION 5. RESOLUTION CONSTITUTES A CONTRACT. In consideration of the acceptance of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between

the City and such Bondholders, and the covenants and agreements herein set forth to be performed by the City shall be for the equal benefit, protection and security of the Holders of any and all of such Bonds, all of which shall be of equal rank and without preference, priority, or distinction of any of the Bonds over any other thereof except as expressly provided herein and therein with respect to a Series of Bonds.

ARTICLE II AUTHORIZATION, TERMS, EXECUTION AND REGISTRATION OF BONDS

SECTION 1. AUTHORIZATION OF BONDS. Subject and pursuant to the provisions of this Resolution, obligations of the City are hereby authorized to be issued from time to time for the purpose of financing or refinancing additions, extensions and improvements to the System. The Bonds authorized by this Resolution may be issued all at one time or in part, from time to time, as the Commission may in its discretion hereafter determine by subsequent proceedings and, subject to the requirements of Section 4.I of Article III of this Resolution, shall not be limited in amount, except as herein provided or as may be limited by applicable law. Each Series of Bonds shall be designated and shall be distinguishable from the Bonds of all other Series by such means as the City deems appropriate.

SECTION 2. DESCRIPTION OF BONDS. The Bonds shall initially be issued in registered form, shall be in the denomination of \$5,000 each, or any integral multiple thereof; and such Bonds shall mature on such dates in such years and in such amounts, all as provided by subsequent proceedings of the City. Principal shall be payable at the designated office of the applicable Paying Agent. The Bonds shall be numbered in such manner as may be prescribed by the Registrar. The Bonds shall bear interest at not exceeding the maximum rate or rates permitted by law, payable by check or draft made payable to the Holder of Bonds and mailed on or before the Interest Payment Date to the address of such Holder of Bonds, as such name and address shall appear on the registration books of the City maintained by the Registrar at the close of business on the fifteenth day of the calendar month preceding each Interest Payment Date or

the fifteenth day prior to the date notice of redemption is given, whether or not such 15th day is a Saturday, Sunday or holiday (herein the "Record Date"); provided, however, that payment of interest on the Bonds may, at the option and the expense of any Holder of Bonds of a Series in an aggregate principal amount of at least \$1,000,000 (or all Bonds of a Series, if less than \$1,000,000 principal amount of such Bonds shall be Outstanding and held by one (1) Holder) be transmitted by wire transfer to the Holder, to the bank account number on file with the applicable Paying Agent as of the Record Date, provided such bank or financial institution is within the continental United States. The Bonds authenticated prior to the first Interest Payment Date shall be dated and bear interest from the date determined by subsequent proceedings of the City. The Bonds authenticated subsequent to the first Interest Payment Date shall bear interest from the next preceding Interest Payment Date on which such interest has been paid, unless such Bond is registered on an Interest Payment Date or during the period between a Record Date to the next succeeding Interest Payment Date, then from such Interest Payment Date if interest is then paid, as the case may be; provided, however, that if and to the extent there is a default in the payment of the interest due on such Interest Payment Date, such defaulted interest shall be paid to the persons in whose name Bonds are registered on the registration books of the City maintained by the Registrar at the close of business on the fifteenth day prior to a subsequent Interest Payment Date established by notice mailed by the Registrar to the registered owner not less than the tenth day preceding such subsequent Interest Payment Date, such interest shall be payable semiannually on April 1 and October 1 of each year (unless the City shall by subsequent proceedings establish different Interest Payment Dates for any Series of Bonds).

The Bonds shall be payable, with respect to interest, principal and premium, if any, in any coin or currency of the United State of America which at the time of payment is legal tender for the payment of public and private debts.

The Bonds issued hereunder may be Serial Bonds or Term Bonds and such Bonds may be Variable Rate Bonds and/or Capital Appreciation Bonds, all as determined by subsequent proceedings of the City.

The payment of principal of and interest of the Bonds may, in addition to the Net Revenues, be secured by a Bond Insurance Policy or other Credit Facility, all as shall be determined by subsequent proceedings of the City. In addition, if any Series of Bonds are issued to finance New User Facilities in whole or in part, such Bonds may also be secured by the Allowable System Development Charges.

SECTION 3. REDEMPTION PROVISIONS. The Bonds may be subject to redemption prior to maturity at such times, at such redemption prices and upon such terms as shall be determined by subsequent proceedings of the City.

SECTION 4. EXECUTION OF BONDS. The Bonds shall be executed in the name of the City by the signature of the Mayor, or such other member of the Commission designated by subsequent proceedings of the City, and its official seal shall be affixed thereto or imprinted or reproduced thereon and attested by the Clerk. The signatures of said Mayor or such other member of the Commission designated by subsequent proceedings of the City, and the Clerk on the Bonds may be manual or facsimile signatures. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the City before the Bonds so signed and sealed shall 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.

The Bonds shall bear thereon a certificate of authentication, in the form set forth in this Resolution, executed manually by the Registrar. Only such Bonds as shall bear thereon such certificate of authentication shall be entitled to any right or benefit under this Resolution, and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Registrar. Such certificate of the Registrar upon any Bond executed

on behalf of the City shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under this Resolution and that the Holder thereof is entitled to the benefits of this Resolution.

If any Series of Bonds are validated as directed by the Commission, the validation certificate on the Bonds shall be signed with the manual or facsimile signatures of the present or any future Mayor or Clerk, as aforesaid, and the City may adopt and use for that purpose the facsimile signature of any person who shall have been such Mayor and Clerk at any time on or after the date of the Bonds, notwithstanding that he or she may have ceased to be such Mayor or Clerk at the time when said Bonds shall be actually delivered.

SECTION 5. NEGOTIABILITY, REGISTRATION AND CANCELLATION. At the option of the registered Holder thereof and upon surrender thereof at the designated office of the Registrar with a written instrument of transfer satisfactory to the Registrar duly executed by the registered Holder or his or her duly authorized attorney, and upon payment by such Holder of any charges which the Registrar may make as provided in this Section, the Bonds may be exchanged for Bonds of the same Series, interest rate and maturity of any other authorized denominations.

The Registrar shall keep books for the registration of Bonds and for the registration of transfers of Bonds. The Bonds shall be transferable by the Holder thereof in person or by his or her attorney duly authorized in writing only upon the registration books of the City kept by the Registrar and only upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed by the Holder or his or her duly authorized attorney. Upon the transfer of any such Bond, the City shall issue in the name of the transferee a new Bond or Bonds.

The City, the Paying Agent and the Registrar shall deem and treat the person in whose name any Bond shall be registered upon the books kept by the Registrar as the absolute Holder of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond as the same become due and for

all other purposes. All such payments so made to any such Holder or upon his or her 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 City, the Paying Agent nor the Registrar shall be affected by any notice to the contrary.

In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the City shall execute and the Registrar shall authenticate and deliver Bonds in accordance with the provisions of this Resolution. Unless the Book-Entry System is utilized, all Bonds surrendered in any such exchanges or transfers shall forthwith be delivered to the Registrar and canceled by the Registrar in the manner provided in this Section. There shall be no charge for any such exchange or transfer of Bonds, but the City or the Registrar (unless the City if serving as Registrar) may require the payment of a sum sufficient to pay any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Neither the City nor the Registrar shall be required (a) to transfer or exchange Bonds for a period commencing on a Record Date for any Series of Bonds and ending on the next ensuing Interest Payment Date for such Bonds or 15 days next preceding any selection of Bonds to be redeemed or thereafter until after the mailing of any notice of redemption, or (b) to transfer or exchange any Bonds called for redemption. However, and unless the Book-Entry System is utilized, if less than all of a Term Bond is redeemed or defeased, the City shall execute and the Registrar shall authenticate and deliver, upon the surrender of such Term Bond, without charge to the Bondholder, for the unpaid balance of the principal amount of such Term Bond so surrendered, a registered Term Bond in the appropriate denomination and interest rate.

All Bonds paid or redeemed, either at or before maturity (unless the Book-Entry System is utilized), shall be delivered to the Registrar when such payment or redemption is made, and such Bonds, together with all Bonds purchased by the City, shall thereupon be promptly canceled. Bonds so canceled may at any time be destroyed by the Registrar, who shall execute a certificate of destruction in duplicate by the signature of one of its authorized officers describing the Bonds

so destroyed, and one executed certificate shall be filed with the City and the other executed certificate shall be retained by the Registrar.

The City may, by subsequent proceedings, provide for the registration of the Bonds of any Series by adopting the Book-Entry System for such Series. Bonds held by the Securities Depository while the Bonds are registered under the Book-Entry System shall be registered in the name of the Securities Depository or its nominee, and beneficial ownership of such Bonds shall be transferred in accordance with the procedures of the Securities Depository and its Participants.

SECTION 6. BONDS MUTILATED, DESTROYED, STOLEN OR LOST. In case any Bond shall become mutilated, destroyed, stolen or lost, the City may execute and the Registrar shall authenticate and deliver a new Bond of like date, maturity, denomination and interest rate as the Bond so mutilated, destroyed, stolen or lost; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the City and, in the case of any lost, stolen or destroyed Bond, there shall first be furnished to the City and the Registrar (if not the City) evidence of such loss, theft, or destruction satisfactory to the City and the Registrar (if not the City), together with indemnity satisfactory to them. In the event any such Bond shall be about to mature or have matured or have been called for redemption, instead of issuing a duplicate Bond, the City may pay the same without surrender thereof. The City and the Registrar may charge the Holder of such Bond their reasonable fees and expenses in connection with this transaction. Any Bond surrendered for replacement shall be canceled in the same manner as provided in Section 5 of this Article II.

Any such duplicate Bonds issued pursuant to this Section shall constitute additional contractual obligations on the part of the City, whether or not the lost, stolen or destroyed Bonds be at any time found by anyone, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien on and source and security for payment with all other Bonds issued hereunder.

SECTION 7. PREPARATION OF DEFINITIVE BONDS; TEMPORARY BONDS. The definitive Bonds shall be lithographed or printed on steel engraved borders unless the City is utilizing the Book-Entry System, in which case, such definitive Bonds may be typewritten. Until the definitive Bonds are prepared, the Mayor and the Clerk may execute and the Registrar shall authenticate, in the same manner as is provided in Article II, Section 5 of this Resolution, and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, one or more printed, lithographed or typewritten temporary fully registered Bonds, substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in authorized denominations or any integral multiple thereof, and with such omissions, insertions and variations as may be appropriate to such temporary bonds. The City, at its own expense, shall prepare and execute and, upon the surrender at the designated office of the Registrar of such temporary Bonds for which no payment or only partial payment has been provided, for exchange and the cancellation of such surrendered temporary Bonds, the Registrar shall authenticate and, without charge to the Holder thereof, deliver in exchange therefor, at the designated office of the Registrar, definitive Bonds of the same aggregate principal amount, interest rate and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Resolution.

SECTION 8. PURCHASE IN LIEU OF OPTIONAL REDEMPTION. Notwithstanding anything in this Resolution to the contrary, at any time the Bonds of any Series are subject to optional redemption pursuant to this Resolution or subsequent proceedings of the City, all or a portion of the Bonds to be redeemed as specified in the notice of redemption, may be purchased by the City on the date which would be the redemption date if such Bonds were redeemed rather than purchased in lieu thereof at a purchase price equal to the redemption price which would have been applicable to such Bonds on the redemption date for the account of and at the direction of the City who shall give the Paying Agent notice at least ten days prior to the scheduled redemption

date accompanied by an opinion of Bond Counsel to the effect that such purchase will not adversely affect the exclusion from gross income for federal income tax purposes of interest on such Bonds or any other Outstanding Bonds. In the event the City elects to purchase Bonds in lieu of optional redemption, no notice to the holders of the Bonds to be so purchased (other than the notice of redemption otherwise required under this Resolution) shall be required, and the Paying Agent shall be authorized to apply to such purchase the funds which would have been used to pay the redemption price for such Bonds if such Bonds had been redeemed rather than purchased. Each Bond so purchased shall be cancelled or, at the direction of the City, not be canceled or discharged and shall be registered in the name of the City. Bonds to be purchased under this Resolution in the manner set forth above which are not delivered to the Registrar on the purchase date shall be deemed to have been so purchased and not optionally redeemed on the purchase date and shall cease to accrue interest as to the former holder thereof on the purchase date.

SECTION 9. FORM OF BONDS. The text of the Bonds shall be of substantially the following tenor, with such omissions, insertions and variations as may be necessary and desirable:

(Form of Bond)*

(Face of Bond)

No. R

\$_____

UNITED STATES OF AMERICA
STATE OF FLORIDA
CITY OF DELRAY BEACH
WATER AND SEWER REVENUE BOND
SERIES

Interest
Rate

Maturity
Date

Dated
Date

CUSIP

Registered Owner:

Principal Amount:

KNOW ALL MEN BY THESE PRESENTS, that the City of Delray Beach, Florida (the "City"), a municipal corporation of the State of Florida, for value received, hereby promises to pay, from the Pledged Revenues hereinafter mentioned, to the Registered Owner or registered assigns on the Maturity Date specified above, upon the presentation and surrender hereof at the designated principal office of , as paying agent (said _____ and any bank or trust company becoming successor paying agent being herein called the "Paying Agent"), the Principal Amount stated hereon with interest thereon at the Interest Rate (except if this Bond is a Capital Appreciation Bond or Variable Rate Bond) stated above (calculated on the basis of a 360-day year consisting of twelve 30-day months), payable on the first day of April and October each year commencing _____ until the City's obligation with respect to the payment of such Principal Amount shall be discharged. Interest on this Bond is payable by check or draft of the Paying Agent made payable to the registered owner and mailed on the Interest Payment Date to the address of the registered owner as such name and address shall appear on the registration books of the City maintained by , as registrar (said _____, and any bank or trust company becoming successor registrar, being herein called the "Registrar") on the fifteenth

day of the calendar month preceding each interest payment date or the fifteenth day prior to the date notice of redemption is given, whether or not such fifteenth day is a Saturday, Sunday or holiday (the "Record Date"); provided further, however, that payment of interest on the Bonds may pursuant to the provisions of the Resolution, at the option and expense of any Holder of Bonds in an aggregate principal amount of at least \$1,000,000, be transmitted by wire transfer to the Holder to the bank account number on file with the Paying Agent as of the Record Date. Unless this Bond is a Capital Appreciation Bond or Variable Rate Bond, such interest shall be payable from the most recent interest payment date next preceding the date of registration to which interest has been paid, unless the date hereof is an April 1 or October 1 to which interest has been paid, in which case from such April 1 or October 1, or unless the date hereof is prior to _____, 20____, in which case from _____, 20____, or unless the date hereof is between a Record Date and the next succeeding interest payment date, in which case from such interest payment date; provided, however, that if and to the extent there is a default in the payment of the interest due on such interest payment date, such defaulted interest shall be paid to the persons in whose name Bonds are registered on the registration books of the City maintained by the Registrar at the close of business on the fifteenth day prior to a subsequent interest payment date established by notice mailed by the Registrar to the registered owner not less than the tenth day preceding such subsequent interest payment date. The Principal Amount and accrued interest thereon is payable in any coin or currency of the United States of America, which, on the date of payment thereof, shall be legal tender for the payment of public and private debts.

This Bond is one of an authorized issue of Bonds of the City designated as its City of Delray Beach, Florida, Water and Sewer Revenue Bonds, Series _____ (herein called the "Bonds"), in the initial aggregate principal amount of \$_____ of like date, tenor, and effect, except as to number, date of maturity and interest rate, issued for the purpose of paying the cost of a Project (as defined in the Resolution hereinafter referred to) and/or the refunding of certain obligations of the City known as _____ under the authority of and in full compliance with

the Act, and a resolution duly adopted by the City Commission of the City of Delray Beach, Florida, on August 12, 2025, as such resolution has been amended and/or supplemented (herein collectively referred to as the "Resolution"), and is subject to all the terms and conditions of the Resolution. Any term not otherwise defined in this Bond shall have the meaning ascribed to such term in the Resolution.

It is further agreed between the City and the Holder of this Bond that this Bond and the obligation evidenced thereby shall not constitute a lien upon the City's Water and Sewer System, or any part thereof, or on any other property of or in the City, but shall constitute a lien only on the Pledged Revenues in the manner provided herein and in the Resolution.

Except with respect to a particular Series of Bonds as set forth in the proceedings authorizing the issuance of such Bonds, the lien of the Holders of the Bonds, of the issue of which this Bond is one, on the Pledged Revenues shall rank equally with the lien on such Pledged Revenues and any pari passu additional obligations hereinafter issued by the City within the terms, restrictions and limitations contained in the Resolution. In addition to the sources of funds securing the payment of Bonds, the Holders of the Bonds of the issue of which this Bond is one, and of the Holders of any pari passu additional obligations hereinafter issued by the City within the terms, restrictions, and limitations contained in the Resolution, shall jointly have a lien on the Net Revenues derived from the operation of the System, which lien shall be prior and superior to all other liens or encumbrances on such Net Revenues. For the purpose of this Bond, the term Pledged Revenues shall mean Net Revenues [and . . .]

The City has covenanted in the Resolution that in each Fiscal Year it will fix, establish and maintain such rates and collect such fees, rentals or other charges for the services and facilities of its System and revise the same from time to time whenever necessary, as will always provide in each Fiscal Year, Net Revenues which shall be adequate to pay at least one hundred twenty percent (120%) of the Annual Debt Service Requirement (or if in addition to Net Revenues; Allowable System Development Charges are pledged, such amounts, together with Net

Revenues, shall be adequate to pay at least one hundred twenty-five percent (125%) of the Annual Debt Service Requirement provided that the Net Revenues alone are adequate to pay at least one hundred percent (100%) of the Annual Debt Service Requirement) for the Bonds and any pari passu additional Bonds hereafter issued; and that such Net Revenues shall be sufficient to make all of the payments required by the terms of the Resolution, and that such rates, fees, rentals or other charges shall not be so reduced as to be insufficient for such purposes.

[INSERT REDEMPTION PROVISIONS]

Pari Passu Additional Bonds may be issued by the City, from time to time, upon the conditions and within the limitations and in the manner provided in the Resolution.

The original registered owner, and each successive registered owner of this Bond, shall be conclusively deemed to have agreed and consented to the following terms and conditions:

(1) The Registrar shall maintain the registration books of the City for the registration of Bonds and for the registration of transfers of Bonds as provided in the Resolution. The Bonds shall be transferable by the registered owner thereof, in person or by his or her attorney duly authorized in writing only, upon the registration books of the City maintained by the Registrar and only upon surrender hereof together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or his or her duly authorized attorney. Upon the transfer of any such Bond, the City shall issue in the name of the transferee a new Bond or Bonds.

(2) The City, the Paying Agent and the Registrar shall deem and treat the person in whose name any Bond shall be registered upon the registration books kept by the Registrar 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 of and interest on such Bond as the same becomes due, and for all other purposes. All such payments so made to any such registered owner or upon his or her 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 City, the Paying Agent, nor the Registrar shall be affected by any notice to the contrary.

(3) At the option of the registered owner thereof and upon surrender hereof at the designated principal office of the Registrar with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or his or her duly authorized attorney and upon payment by such registered owner of any charges which the Registrar or the City may make as provided in the Resolution, the Bonds may be exchanged for Bonds of the same interest rate and maturity of any other authorized denominations.

(4) In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the City shall execute and the Registrar shall authenticate and deliver Bonds in accordance with the provisions of the Resolution. There shall be no charge for any such exchange or transfer of Bonds, but the City or the Registrar (unless the City is serving as Registrar) may require payment of a sum sufficient to pay any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Neither the City nor the Registrar shall be required (a) to transfer or exchange Bonds for a period commencing on a Record Date and ending on the next ensuing interest payment date for such Bonds or 15 days next preceding any selection of Bonds to be redeemed or thereafter until after the mailing of any notice of redemption, or (b) to transfer or exchange any Bonds called for redemption. However, and unless the Book-Entry System is utilized, if less than all of a Bond is redeemed or defeased, the City shall execute and the Registrar shall authenticate and deliver, upon the surrender of such Bond, without charge to the Bondholder for the unpaid balance of the principal amount of such Bond so surrendered, a registered Bond in the appropriate denomination and interest rate.

(5) The City is authorized to provide a conditional notice of redemption.

This Bond shall not be valid or obligatory for any purpose until the certificate of authentication set forth hereon shall have been duly executed by the Registrar.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen, and to be performed precedent to and in the issuance of this Bond exist, have happened and have been performed in regular and due form and time as required by the laws and

Constitution of the State of Florida applicable thereto, and that the issuance of this Bond, and of the issue of Bonds of which this Bond is one, is in full compliance with all constitutional or statutory limitations or provisions.

IN WITNESS WHEREOF, the City of Delray Beach, Florida, has issued this Bond and has caused the same to be executed by the manual or facsimile signature of the Mayor and the seal of the City to be affixed hereto or lithographed or imprinted or reproduced hereon, and attested by the manual or facsimile signature of the City Clerk, all as of the Dated Date.

(SEAL)

CITY OF DELRAY BEACH, FLORIDA

By: _____
Thomas F. Carney, Jr., Mayor

Attest:

Alexis Givings, City Clerk

(FORM OF CERTIFICATE OF AUTHENTICATION)

Date of Authentication:

This Bond is one of the Bonds delivered pursuant to the within mentioned Resolution.

_____, as Registrar

By: _____
Authorized Officer

(FORM OF VALIDATION CERTIFICATE)
[INSERT IF BONDS ARE VALIDATED]

This Bond is one of a series of Bonds which were validated by judgment of the Circuit Court in and for Palm Beach County, Florida, rendered on the ____ day of _____, 20XX.

Thomas F. Carney, Jr., Mayor

Alexis Givings, City Clerk

ASSIGNMENT AND TRANSFER

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____ (please print or typewrite name and address of transferee) the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____, Attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

In the presence of: _____

[STATEMENT OF INSURANCE, if any]

SECTION 10. BOOK-ENTRY SYSTEM.

A. As long as any Series of Bonds are registered under the Book-Entry System, the City and the Registrar shall comply with the terms of all agreements entered into with the Securities Depository (collectively, the “Book-Entry Agreement”) with respect to such Series. However, the Book-Entry System through the Securities Depository may be terminated upon the happening of any of the following:

(i) The Securities Depository or the City, based upon advice from the Securities Depository, advises the Registrar and/or the City that the Securities Depository is no longer willing or able to properly discharge its responsibilities under the Book-Entry Agreement and the Registrar and the City are unable to locate a qualified successor clearing agency satisfactory to the Registrar and the City; or

(ii) The City, in its sole discretion, elects to terminate the Book-Entry System by notice to the Securities Depository, the Registrar and the Credit Facility Issuer, if any.

B. Upon the occurrence of any event described above, the City shall, if necessary, adopt a resolution supplemental to this Resolution to add any provisions deemed reasonably necessary or required by the City or the Registrar, and approved in writing by the Credit Facility Issuer, if any, with respect to Replacement Bonds (including but not limited to the provision for the cost and expenses for the printing thereof) and to account for the fact that, thereafter, the Bonds will no longer be registered under the Book-Entry System, and (ii) the Registrar shall notify the Securities Depository and the Credit Facility Issuer, if any, of the occurrence of such event and of the availability of definitive or temporary Replacement Bonds to Beneficial Owners requesting the same, in an aggregate Outstanding amount representing the interest of each such Beneficial Owner, making such adjustments and allowances as it may find necessary or appropriate as to accrued interest and previous payments of principal. Definitive Replacement Bonds shall be issued only upon surrender to the Registrar of the Bond of each maturity by the Securities Depository, accompanied by registration instructions for the definitive

Replacement Bonds for such maturity from the Securities Depository. Neither the City nor the Registrar shall be liable for any delay in delivery of such instructions and conclusively may rely on, and shall be protected in relying on, such instructions.

C. Whenever the Bonds are registered under the Book-Entry System and notice or other communication to the Bondholders is required under this Resolution, unless and until definitive Replacement Bonds shall have been issued with respect to the Bonds, the City or the Registrar, as the case may be, shall give to the Securities Depository one copy of each such notice and communication specified herein or required by this Resolution to be given to the Beneficial Owners of the Bonds.

SECTION 11. APPLICATION OF BOND PROCEEDS. All moneys received by the City from the sale of the Bonds of any Series authorized and issued pursuant to this Resolution shall be disbursed as follows:

A. The accrued interest or capitalized interest derived from the sale of the Bonds shall be deposited in the Interest Account, hereinafter created and established, and used for the purpose of paying interest on the Bonds as the same becomes due and payable.

B. From the proceeds of the Bonds (if issued as refunding Bonds) an amount which together with any other moneys lawfully available therefor, including moneys and investments transferred pursuant to paragraph F. of Section 3 of Article III, shall be deposited in escrow deposit trust funds to be held by a bank or trust company, as trustee, under the terms and provisions of the Escrow Deposit Agreement and such proceeds shall be held irrevocably in trust in the escrow deposit trust funds under the terms and provisions of the Escrow Deposit Agreement; such moneys shall be invested at the time of deposit in U.S. Obligations, the principal and interest of which shall be sufficient to pay the principal of and interest on the Refunded Bonds as the same mature and become due and payable or are redeemed prior to maturity, as provided in the Escrow Deposit Agreement.

C. If applicable to a Series of Bonds, from the proceeds of the Bonds there shall be deposited in a Reserve Account such applicable Debt Service Reserve Requirement as shall be determined by subsequent proceedings of the City, unless such Debt Service Reserve Requirement shall be satisfied in whole or in part by a Reserve Account Credit Facility Substitute.

D. The balance of the proceeds derived from the sale of the Bonds of a Series shall be deposited into the applicable "Acquisition and Construction Fund" herein created and established. No withdrawals shall be made from an Acquisition and Construction Fund (except for the payment of interest on the Bonds prior to, during and for not more than one (1) year after the completion of a Project in such amounts as the Commission shall hereafter determine by subsequent proceedings, legal, financial and engineering expenses and fees, and expenses and fees in connection with the issuance of the Bonds) without the written approval of the Consultant and only upon receipt of a written requisition executed by a duly authorized official of the City, specifying the purpose for which such withdrawal is to be made and certifying that such purpose is one of the purposes provided for in the Resolution. If for any reason the moneys in said Acquisition and Construction Fund, or any part thereof, are not necessary for, or are not applied to the purposes provided in this Resolution, then such unapplied proceeds, upon certification of the Consultant that such surplus proceeds are not needed for the purposes of such Acquisition and Construction Fund, shall be deposited in the following manner and order of priority:

First to the Reserve Account (if applicable) in the Sinking Fund, hereinafter created and established, to the full extent necessary to make the amount then on deposit therein equal to not less than the applicable Debt Service Reserve Requirement, and

Second, the balance, if any, to the Capital Improvement Fund, hereinafter created and established.

The moneys deposited in such Acquisition and Construction Fund may, pending their use for the purposes provided in this Resolution, be temporarily invested in Permitted Investments maturing not later than the dates on which such moneys will be needed for the

purposes of such Acquisition and Construction Fund. All the earnings from such investments shall remain in and become a part of said Acquisition and Construction Fund and be used for the purposes of such Acquisition and Construction Fund.

The proceeds of the sale of the Bonds shall be and constitute trust funds for the purposes hereinabove provided and there is hereby created a lien upon such moneys, until so applied, in favor of the Holders of said Bonds of applicable Series.

In the event the City 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.

ARTICLE III COVENANTS, FUNDS AND APPLICATION THEREOF

SECTION 1. BONDS NOT TO BE INDEBTEDNESS OF THE CITY. The Bonds shall not be and shall not constitute an indebtedness of the City within the meaning of any constitutional, statutory, charter or other limitation of indebtedness, but shall be payable solely from the Pledged Revenues, as provided in this Resolution and with respect to any source of Pledged Revenues other than Net Revenues, as provided in subsequent proceedings of the City. No Holder or Holders of any Bonds issued hereunder shall ever have the right to compel the exercise of the ad valorem taxing power of the City, or taxation in any form of any real property therein to pay the Bonds or the interest thereon.

SECTION 2. BONDS SECURED BY PLEDGE OF PLEDGED REVENUES. Except as provided below, the payment of the principal of and interest on all of the Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on and pledge of the applicable Pledged Revenues derived from the operation of the System. Except as provided below, the Pledged Revenues derived from the operation of the System in an amount sufficient to pay the principal of and interest on the Bonds herein authorized and to make the payments into the Sinking Fund, hereinafter created and established, and all other payments provided for in this Resolution are

hereby irrevocably pledged to the payment of the principal of and interest on the Bonds authorized herein, and other payments provided for herein, as the same become due and payable. Unless otherwise provided by subsequent proceedings of the City, any cash or Permitted Investments on deposit in a Reserve Account created and established under this Resolution or any Reserve Account Credit Facility Substitute on deposit in any Reserve Account created and established under this Resolution solely for any one or more Series of Bonds but not for all Series of Bonds, shall only be available to pay debt service on such Series of Bonds. In addition, the City, by subsequent proceedings, may elect to pledge Special Assessments for the payment of principal of and interest on one or more Series the Bonds authorized under this Resolution. If the City makes such election, the Special Assessments so pledged shall be treated for all purposes under this Resolution as Pledged Revenues. Payment of the principal of and interest on the Bonds may also be secured by a Credit Facility, and liquidity for Variable Rate Bonds that are subject to tender for purchase may be provided by a Liquidity Facility, all as shall be determined by subsequent proceedings of the City.

SECTION 3. COVENANTS OF THE CITY. As long as any of the principal of or interest on any of the Bonds shall be Outstanding and unpaid, or until there shall have been set apart in the Sinking Fund, consisting of the Principal and Interest Account and respective Reserve Accounts, if any, and Available System Development Charges Fund, if applicable, herein created and established, a sum sufficient to pay, when due, the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon, or until the provisions of Section 3.F, of Article III of this Resolution, have been complied with, the City covenants with the Bondholders of any and all of the Bonds issued pursuant to this Resolution as follows:

A. **TAX COVENANT.**

(i) Unless the City elects to issue any one or more Series of Bonds under the terms and provisions of this Resolution, the interest of which shall be includable in the gross income of the Holders thereof for federal income tax purposes, the City covenants as to

any other Series of Bonds issued pursuant to this Resolution to comply with each applicable requirement of the Code, and any successor provisions thereto, in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the Code. In furtherance of the covenant contained in the preceding sentence, the City agrees to comply with the provisions of the applicable Tax Certificate.

(iii) The City shall make any and all payments required to be made to the United States Department of the Treasury in connection with the Bonds pursuant to Section 148(f) of the Code from amounts on deposit in the Revenue Fund created and established under this Resolution and from other moneys lawfully available therefor, if necessary.

(iv) Notwithstanding any other provision of this Resolution to the contrary, as long as necessary in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes, the covenants contained in this Section 3.A shall survive the payment of the Bonds, including any payment or defeasance thereof pursuant to Section 3.F, of Article III of this Resolution.

(v) Notwithstanding any other provision of this Resolution to the contrary, upon the City's failure to observe or refusal to comply with the covenants contained in this Section 3.A, the Bondholders, or any trustee acting on their behalf, shall be entitled to the rights and remedies provided to Bondholders under this Resolution.

B. RATES. The City will fix, establish and maintain such rates and collect such fees, rentals or other charges for the services and Facilities of its System, and revise the same from time to time whenever necessary, as will always provide in each Fiscal Year:

(i) Net Revenues (including earnings and investment income derived from the investment of moneys on deposit in the remaining funds and accounts created and established under this Resolution and any Special Assessments, if the Commission has elected, by subsequent proceeding, to include the same as Revenues or Net Revenues), which shall be adequate to pay at least one hundred twenty percent (120%) of the Annual Debt Service

Requirement for the Bonds; and provided further, that such Net Revenues shall be sufficient to make all of the payments required by the terms of this Resolution; provided however, that such rates, fees, rentals or other charges shall not be so reduced as to be insufficient for the purposes provided for in this section; or

(ii) such Net Revenues together with Allowable System Development Charges (if so pledged) shall be adequate to pay one hundred twenty-five per cent (125%) of the Annual Debt Service Requirement for the Bonds in such Fiscal Year, and all other payments required by the terms of this Resolution, provided further that Net Revenues shall always be at least equal to one hundred percent (100%) of the Annual Debt Service Requirement for the Bonds.

The City further covenants and agrees that the City will annually within thirty (30) days after adoption of the budget described in Section 3.M of this Article III, revise such fees, rates, rentals and other charges for the use of the services and Facilities of the System to the extent necessary to comply with the rate covenant set forth above.

The City will not reduce its schedule of rates, fees, rentals and other charges unless (i) the City would not be in default of any covenant or provision of this Resolution, (ii) all required current payments under this Resolution have been made in full, and (iii) the Consultant certifies that the proposed reduced schedule, together with the Allowable System Development Charges, will provide sufficient Revenues and Allowable System Development Charges, if applicable, in each Fiscal Year to comply with all covenants and required payments under this Resolution, subject to the limitations set forth herein regarding the use of the Allowable System Development Charges.

C. CREATION AND ESTABLISHMENT OF VARIOUS FUNDS AND ACCOUNTS. In connection with the City's Water and Sewer System, there are hereby created and established the following funds and accounts:

All Revenues shall be deposited in a bank or trust company in the State which is eligible under State laws to receive deposits of City funds, which fund is hereby created, established and designated as the "Revenue Fund." Said Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of the City, and used only for the purposes and in the manner provided for in Section 3.D of this Article III.

The "Sinking Fund," which is hereby created and established. There are also hereby created and established a separate account in the Sinking Fund to be known as the "Principal and Interest Account." The City reserves the right, but shall not be obligated, to create and establish a separate Reserve Account in the Sinking Fund for any Series of Bonds issued pursuant to the terms and provisions of this Resolution. Except as provided in the next succeeding sentence, each such Reserve Account shall constitute separate security for the Series of Bonds for which it relates, and the moneys or securities therein or derived from a Reserve Account Credit Facility Substitute therein shall not be available to pay debt service on any other Series of Bonds unless expressly so provided by subsequent proceedings of the City. Notwithstanding the foregoing, if the City established a separate Reserve Account for a particular Series of Bonds, the City may, if determined by subsequent proceedings of the City, upon the issuance of one or more additional Series of Bonds, utilize such Reserve Account for such one or more Series of Bonds, provided that the moneys or Reserve Account Credit Facility Substitute(s) on deposit therein shall equal the Debt Service Reserve Requirement established for each such Series of Bonds. The Debt Service Reserve Account Requirement established for the first such Series of Bonds for which a separate Reserve Account was created shall be the Debt Service Reserve Requirement for any subsequent Series of Bonds whenever the City determines to use the original Reserve Account for such subsequent Series of Bonds. The method to determine the combined Debt Service Reserve Requirement shall be determined by adding the Outstanding principal amount of the original Series of Bonds with the principal amount

of the Bonds of the Series proposed to share in the original Reserve Account and then determine the Debt Service Reserve Requirement on a combined basis.

In the event the City should issue a Series of Bonds, the interest on which is included in the gross income of the Holders thereof for federal income tax purposes, the City shall take such steps, including the creation of separate subaccounts which in the opinion of Bond Counsel is necessary to preserve the exclusion from gross income of interest on all other Series of Bonds.

The “Capital Improvement Fund” (hereinafter referred to as the “Capital Improvement Fund”) and therein the “Renewal and Replacement Account.”

The Allowable System Development Charges Fund, which is hereby created and established, and two (2) separate accounts therein to be known as the Allowable System Development Charges Water Account (herein the “Water Account”) and the Allowable Systems Development Charges Sewer Account (herein, the “Sewer Account”).

The City is authorized to create and establish a separate acquisition and construction fund by subsequent proceedings for each Series of Bonds to be issued pursuant to this Resolution to finance each Project (each, an “Acquisition and Construction Fund”). Each such Acquisition and Construction Fund shall contain a series designation and may, if determined necessary by the City, contain separate line items to be known as “Cost of Issuance Cost Center” and a “Capitalized Interest Cost Center” with appropriate series designation.

If the City proposes to issue Bonds under this Resolution to pay and defease any other Bonds Outstanding, the City is authorized to enter into an Escrow Deposit Agreement. Proceeds of such Bonds and any other available moneys, in the amount determined by the City to be necessary to accomplish the payment and defeasance of the Bonds to be refunded, shall be deposited and invested pursuant to the terms and provisions of the applicable Escrow Deposit Agreement.

D. DISPOSITION OF REVENUES AND SYSTEM DEVELOPMENT

CHARGES. The Revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following manner and order of priority:

(i) Revenues shall be first used, to the full extent necessary, to pay Operating Expenses that are due and payable during each calendar month.

(ii) Revenues shall next be used, to the full extent necessary, for deposit into the Principal and Interest Account in the Sinking Fund, on the fifteenth (15th) day of each month, beginning, with respect to interest on the Bonds, with the fifteenth (15th) day of the first full calendar month following the date on which any or all of the Bonds are delivered to the purchaser thereof and beginning with respect to principal of the Bonds, on the twelfth (12th) month (or sixth (6th) month if semiannual maturity dates are applicable) prior to the first maturity of such Bonds, such sums as shall be sufficient to pay one-sixth (1/6th) of the interest becoming due on the Bonds on the next semiannual Interest Payment Date and one-twelfth (1/12th) (or one-sixth (1/6th), if applicable) of the principal amount of the Bonds which will mature or be subject to mandatory sinking fund redemption and become due on the next annual (or semiannual, if applicable) maturity date or mandatory sinking fund redemption date, as applicable; provided, however, that such monthly deposits for principal or interest shall not be required to be made into the Principal and Interest Account to the extent that money is on deposit therein from prior deposits or amounts deposited therein from the Allowable System Development Charges Fund or moneys are allocated thereto under the Capitalized Interest Cost Centers in the appropriate Acquisition and Construction Fund for such purpose; and provided further, that in the event the City has issued pari passu additional Variable Rate Bonds pursuant to the provisions of this Resolution, Net Revenues shall be deposited at such other or additional times and amounts as necessary to pay the interest and principal becoming due on such Variable Rate Bonds on the next Interest Payment Date, all in the manner provided in the supplemental resolution authorizing such pari passu additional Variable Rate Bonds.

The income and investment earnings derived from the moneys and investments on deposit in the Principal and Interest Account shall be retained therein, and from any Reserve Account shall be deposited in the Principal and Interest Account, and such income and investment earnings shall be credited against the amount of Net Revenues required to be deposited in the Principal and Interest Account.

In the event that the period to elapse between the date of the delivery of the Bonds and the next Interest Payment Date will be less or more than six (6) months, then such monthly payments shall be increased or decreased accordingly in sufficient amounts to provide the required semiannual interest on the next Interest Payment Date.

The City may purchase any of the Term Bonds at prices not greater than par and accrued interest as of the date of purchase. If, by the application of moneys in the Principal and Interest Account or the Capital Improvement Fund, as hereinafter provided, the City shall purchase or call for redemption in any year Term Bonds in excess of the installment requirement for such year, such excess of Term Bonds so purchased or redeemed shall at the option of the City either be credited on a pro rata basis over the remaining installment payment dates or credited against the following year's installment requirement.

(iii) To the extent not funded from Bond proceeds or covered by Reserve Account Credit Facility Substitutes, Revenues shall next be used on a pro rata basis, to the full extent necessary, for deposits into each of the Reserve Accounts in the Sinking Fund so created, on the twenty-fifth (25th) day of each month in each year, beginning with the twenty-fifth (25th) day of the first full calendar month following the date on which any or all of the Bonds issued hereunder are delivered to the purchaser thereof, such sums as shall be sufficient to pay an amount equal to one-twelfth of twenty percent ($1/12^{\text{th}}$ of 20%) of the Debt Service Reserve Requirement applicable for each applicable Series of Bonds; provided, however, that no payments shall be required to be made into the applicable Reserve Accounts whenever and as long as the amount deposited therein shall be equal to the Debt Service Reserve Requirement

for such one or more Series of Bonds to which each such Reserve Account relates; provided further, however, that if Net Revenues are insufficient to make the required deposits into the applicable Reserve Accounts, such Net Revenues, which are available, will be deposited therein on a pro rata basis. Moneys remaining in the Revenue Fund shall next be applied by the City to maintain in the applicable Reserve Accounts in the Sinking Fund, a sum equal to the Debt Service Reserve Requirement for each Series of Bonds for which a Reserve Account was created. Such sum may initially be deposited therein from the proceeds of sale of the Bonds. Thereafter in the event the moneys, or any portion thereof, on deposit in any Reserve Account shall be used to make up any deficiency in the Principal and Interest Account, such moneys shall be replaced and such Reserve Account made whole within eleven (11) months after such use to make up any such deficiency, from the first moneys available in the Allowable System Development Charges Fund and the Revenue Fund after all required payments described in subparagraphs (i) and (ii) above, including all deficiencies for prior payments have been made in full, either by depositing such replacement moneys into said Reserve Accounts in one lump sum or by the deposit monthly into such Reserve Accounts of an amount which, together with the Allowable System Development Charges, if applicable, is equal to 1/11th of the difference between the amount remaining on deposit in such Reserve Accounts and the Debt Service Reserve Requirement for the applicable Series of Bonds. No further application or allocation of funds shall be required to be made into any Reserve Account when there has been deposited therein, and as long as there shall remain on deposit therein, a sum equal to the Debt Service Reserve Requirement for the applicable Series of Bonds. Notwithstanding the foregoing, no amounts in any Reserve Account shall be used for deficiencies in the Principal and Interest Account in an amount greater than that portion of such deficiency relating to the Series of Bonds for which such Reserve Account was created. If such Reserve Account is funded with a Reserve Account Credit Facility Substitute (as further described below), any withdrawal from such facility shall be reinstated in accordance with its terms.

Notwithstanding the foregoing provisions, in lieu of the deposits of Net Revenues and Allowable System Development Charges, if applicable, into any of the Reserve Accounts created and established under this Resolution, the City may cause to be deposited into any of the Reserve Accounts a surety bond, an unconditional direct pay letter of credit issued by a bank, a reserve account line of credit or a municipal bond insurance policy issued by a reputable and recognized municipal bond insurer for the benefit of the Holders of the applicable Series of Bonds for which such Reserve Account has been created (each such facility referred to herein as a "Reserve Account Credit Facility Substitute") in an amount equal to the difference between the Debt Service Reserve Requirement for such Series of Bonds and the sums then on deposit in the applicable Reserve Account, if any, which Reserve Account Credit Facility Substitute shall be payable (upon the giving of notice as required thereunder) on any Interest Payment Date on which a deficiency exists which cannot be cured by funds in any other pledged account held pursuant to this Resolution and available for such purpose under the terms and order of priority as established by this Resolution. In addition, the City, at any time by subsequent proceedings of the City, may substitute a Reserve Account Credit Facility Substitute for all or part of the moneys on deposit in any of the Reserve Accounts created under this Resolution. Under such circumstances, the principal amount of the Reserve Account Credit Facility Substitute and the moneys on deposit in such Reserve Account, if any, shall be in an amount equal to the Debt Service Reserve Requirement for such one or more Series of Bonds for which such Reserve Account was created. Unless otherwise required by the Rating Agency or Rating Agencies then rating the Series of Bonds for which the Reserve Account relates and unless otherwise provided by subsequent proceedings of the City, such municipal bond insurer or bank, in the case of a letter of credit or line of credit, shall be one whose municipal bond insurance policies or unconditional direct pay letters of credit or other type of credit enhancement insuring or guaranteeing the payment, when due, of the principal of and interest on municipal bond issues results in (a) such issues being rated in one of the three highest rating categories by at least two

of the three Rating Agencies (without regard to gradations, such as “plus” or “minus” or “1,” “2” or “3”), or (b) if the provider of the Reserve Account Credit Facility Substitute is a commercial bank, insurance company or other financial institution which has been assigned a rating in one of the two highest rating categories by at least one of the three Rating Agencies (without regard to gradations, such as “plus” or “minus” or “1,” “2” or “3”). In the case the provider of such Reserve Account Credit Facility Substitute is an insurer, such insurer holds the highest or the next highest policyholder rating accorded insurers by the Rating Agency or Rating Agencies then rating such insurer and by A.M. Best & Company, or any comparable service. If a disbursement is made from a Reserve Account Credit Facility Substitute, provided pursuant to this paragraph, the City shall be obligated to first reinstate the maximum limits of such Reserve Account Credit Facility Substitute following such disbursement at the time or times required by the issuer of the Reserve Account Credit Facility Substitute, or, with the consent of the issuer of such Reserve Account Credit Facility Substitute, to replace such Reserve Account Credit Facility Substitute by depositing into the applicable Reserve Account from the Net Revenues and Allowable System Development Charges, if applicable, as herein provided, immediately following the receipt of the consent of the issuer of such Reserve Account Credit Facility Substitute, funds in the maximum amount originally payable under such Reserve Account Credit Facility Substitute, or any combination of such alternatives. If a disbursement is made from more than one Reserve Account Credit Facility Substitute or from moneys on deposit in more than one Reserve Account, the City shall be required to reinstate each Reserve Account Credit Facility Substitute and second, make deposits therein, as described above, on a pro rata basis. In the event a Reserve Account is funded, both with cash (including Permitted Investments of such cash) and a Reserve Account Credit Facility Substitute in the aforementioned manner, and it is necessary to make payments attributable to debt service on any one of the Series of Bonds for which such Reserve Account relates into the Principal and Interest Account in the Sinking Fund when moneys in the Revenue Fund, Capital Improvement Fund and the Allowable System Development Charges Fund, if applicable, are

insufficient therefor, the City covenants to deposit the cash (including Permitted Investments of such cash) on deposit in such Reserve Account into such accounts in the Sinking Fund prior to making any disbursements made from such Reserve Account Credit Facility Substitute.

Whenever there is on deposit in a Reserve Account an amount in excess of the Debt Service Reserve Requirement for any one or more of the Series of Bonds for which such Reserve Account relates, the amount of such excess may or shall, as applicable, be reduced in the following manner: (a) if there is on deposit in the Reserve Account a Reserve Account Credit Facility Substitute, as provided herein, the principal amount thereof may be reduced by the amount of such excess; and (b) if there is on deposit in such Reserve Account, cash (or Permitted Investments of such cash), the City shall reduce the amount of cash or Permitted Investments of such cash in the Reserve Account in an amount equal to such excess. The cash or Permitted Investments of such cash so withdrawn under clause (b) above shall be deposited in the Revenue Fund, or if applicable, into the Allowable System Development Charges Fund, and used for the purposes provided therein. The City shall not be required to reduce the balance in any Reserve Account pursuant to this paragraph more often than after each Interest Payment Date. In the alternative, if clause (b) is applicable, the City, by way of subsequent proceedings, may require that no transfer shall be made from the applicable Reserve Account notwithstanding such amount therein is in excess of the applicable Debt Service Reserve Requirement.

Each Reserve Account shall be used only for the purpose of making payments into the Principal and Interest Account, as such payments relate to debt service on any of the Series of Bonds for which such Reserve Account was created when the moneys in the Revenue Fund, Capital Improvement Fund and, if applicable, the Allowable System Development Charges Fund are insufficient therefor; provided, however, that moneys on deposit in a Reserve Account may, upon final maturity of the Series of Bonds for which such Reserve Account was created, be used to pay principal of and interest on such Series of Bonds.

(iv) Net Revenues shall next be used, first, for the repayment of any obligations owed to the provider(s) of a Reserve Account Credit Facility Substitute (pro rata, if necessary), and second, for the payment of any subordinated indebtedness hereafter issued by the City in connection with the System in accordance with the proceedings authorizing such subordinated indebtedness.

(v) On the twenty-fifth (25th) day of the first month succeeding the month all or a part of the Bonds are delivered to the purchaser thereof and on the twenty-fifth (25th) day of each month thereafter until the amounts on deposit in the Renewal and Replacement Account within the Capital Improvement Funds equal the Renewal and Replacement Requirement, Revenues shall next be used for deposit in the Renewal and Replacement Account in an amount equal to one-twelfth (1/12th) of the Renewal and Replacement Requirement.

(vi) Thereafter, the balance of any Revenues remaining in the Revenue Fund shall be deposited in the Capital Improvement Fund (other than the Renewal and Replacement Account unless the Commission elects to make additional deposits therein) and used by the City to make (a) additions, extensions and improvements to the System, (b) to pay the costs of replacement or renewal of capital assets of the System or extraordinary repairs thereto, (c) to purchase or redeem Bonds prior to maturity, or (d) for any other lawful purpose relating to the System, including the payment of Operating Expenses; provided, however, that none of such Net Revenues shall ever be used for the purposes provided in this subparagraph (vi) unless all payments required in Section 4.D. above, including any deficiencies for prior payments, have been made in full to the date of such use; provided further, however, that the moneys in the Capital Improvement Fund shall be used for payment into the Principal and Interest Account, and the Reserve Account(s) (pro rata, if necessary) in the Sinking Fund whenever the moneys in the Revenue Fund are insufficient therefor. In addition, no moneys on deposit in the Renewal and Replacement Account in the Capital Improvement Fund shall be used for the purposes described in subparagraph (v) above, unless the amount remaining on deposit in the Renewal and

Replacement Account after such contemplated transfer is equal to the Renewal and Replacement Requirement.

E. System Development Charges. System Development Charges deposited into the Allowable System Development Charges Fund shall be allocated by the City into either the Water Account or the Sewer Account, as the case may be. System Development Charges deposited to the Water Account shall be used only to pay that portion of the Debt Service Requirement in any Fiscal Year that is attributable to the Water New User Facilities Portion of the applicable Series of Bonds. System Development Charges deposited to the Sewer Account shall be used only to pay that portion of the Debt Service Requirement in any Fiscal Year that is attributable to the Sewer Account that is attributable to the Sewer New User Facilities Portion of the applicable Series Bonds.

The City shall, on or before the first day of each Fiscal Year, and upon the issuance of each Series of pari passu additional bonds, calculate the System Development Charges Percentage and the Allowable System Development Charges for such Fiscal Year. Upon the making of such calculations and the transfer of the Allowable System Development Charges into the applicable accounts in the Allowable System Development Charges Fund, any System Development Charges remaining may be used by the City for any lawful purpose relating to the System.

Allowable System Development Charges shall only be used to pay that portion of the Debt Service Requirement in any Fiscal Year that is attributable to the New User Facilities Portion of Outstanding Bonds of the applicable Series issued to finance New User Facilities for the System. Such Allowable System Development Charges Fund shall constitute a trust fund for the purposes herein provided and shall be kept separate and distinct from all other funds of the City and used only for the purposes and in the manner herein provided.

All Allowable System Development Charges at any time on deposit in the Allowable System Development Charges Fund shall be disposed of on or before the twenty-fifth

(25th) day of each month, commencing in the month immediately following the delivery of the Bonds of the applicable Series only in the following manner and in the following order of priority:

Allowable System Development Charges shall first be applied and allocated to the Principal and Interest Account in such sums as will be sufficient to pay one-sixth ($1/6$) of the System Development Charges Percentage of all interest becoming due on the Bonds on the next semiannual interest payment date therefor (if Variable Rate Bonds are also Outstanding, the City shall deposit in addition to the interest deposit described above, the System Development Charges Percentage interest actually accruing on such Variable Rate Bonds for such month, assuming the interest rate thereon on the first day of such month will continue through the end of such month, plus any deficiencies in interest deposits for the preceding month); one-sixth ($1/6$) or one-twelfth ($1/12$), as the case may be, of the System Development Charges Percentage of all principal maturing (or subject to mandatory sinking fund redemption) on the Bonds authorized herein on the next maturity date or mandatory sinking fund redemption date, as applicable, whether by reason of maturity or earlier redemption thereof, to be subsequently determined by resolution of the City prior to the delivery of the particular Series of Bonds. In the event the first interest payment date or first principal maturity date shall occur either more or less than six (6) months or twelve (12) months, as the case may be, after the delivery of the applicable Series of Bonds, then the System Development Charges Percentage of the payments required above shall be adjusted accordingly to provide for the payment of such principal and interest.

Credit shall be allowed against the total interest and principal due on the next Interest Payment Dates for any other funds on hand and available for such purposes in the Sinking Fund.

Moneys remaining in the Allowable System Development Charges Fund shall next be applied by the City to maintain in the applicable Reserve Account(s), a sum equal to the Debt Service Reserve Requirement on each Series of Bonds for which a Reserve Account was created. Such sum may initially be deposited therein from the proceeds of sale of the applicable Series of

Bonds. Thereafter in the event the moneys, or any portion thereof, on deposit in any Reserve Account shall be used to make up any deficiency in the Principal and Interest Account relating to the Bonds for which the Reserve Account was created, such moneys shall be replaced and such Reserve Account made whole within eleven (11) months after such use to make up any such deficiency, from the first moneys available in the Allowable Systems Development Charges Fund and the Revenue Fund after all required current applications and allocations described in subparagraphs (i) through (v) above, including all deficiencies for prior payments have been made in full, either by depositing such replacement moneys into such Reserve Accounts in one lump sum or by the deposit monthly into such Reserve Accounts of an amount equal to 1/11th of the System Development Charges Percentage of the difference between the amount remaining on deposit in said Reserve Account and the Debt Service Reserve Requirement on the applicable Series of Bonds. No further application or allocation of funds shall be required to be made into any applicable Reserve Account when there has been deposited therein, and as long as there shall remain on deposit therein, a sum equal to the Debt Service Reserve Requirement on such Series of Bonds. If any Reserve Account is funded with a Reserve Account Credit Facility Substitute, such facility shall be reinstated in the same manner as described above for a cash funded Reserve Account.

Thereafter, the balance of Allowable System Development Charges remaining after the above required payments (including deficiencies for prior payments) have been made may be used by the City for any lawful purpose relating to the System.

The Sinking Fund, including the Principal and Interest Account therein, the Capital Improvement Fund, the Allowable System Development Charges Fund and all other special funds and accounts created and established by this Resolution, other than the Rate Stabilization Fund, shall constitute trust funds for the Holders of the Bonds, except that any Reserve Account shall only constitute a trust fund for the Holders of the one or more Series of Bonds for which such Reserve Account relates. The amounts required to be accounted for in

each of the funds and accounts designated herein may be deposited in a single bank account maintained by the City, provided that adequate accounting procedures are maintained to reflect and control the restricted allocations of the amounts on deposit therein for the various purposes of such funds and accounts as herein provided. The designation and establishment of funds and accounts in and by this Resolution shall not be construed to require the establishment of any completely independent funds and accounts but rather is intended solely to constitute an allocation of certain revenues and assets of the System for certain purposes and to establish such certain priorities for application of certain revenues and assets as herein provided.

Moneys on deposit in the Revenue Fund, the Capital Improvement Fund, the Rate Stabilization Fund, the Allowable System Development Charges Fund, and the Sinking Fund may be invested in the U. S. Obligations or any other Permitted Investments maturing not later than such date or dates as the City shall determine.

Subject to the requirements under the Code and the Tax Certificate (if applicable), all income and earnings received from the investment and reinvestment of money on deposit in the Revenue Fund and the Allowable System Development Charges Fund shall be retained in the Revenue Fund or the Allowable System Development Charges Fund, as the case may be, and all income and earnings received from the investment and reinvestment of moneys on deposit in the Capital Improvement Fund shall be transferred to the Revenue Fund, and used in the same manner as other moneys on deposit in such funds.

All income and earnings received from the investment and reinvestment of moneys on deposit in the Rate Stabilization Fund shall be retained in such fund and used in the same manner as other moneys on deposit therein.

The value of Permitted Investments on deposit in the funds and accounts created and established under this Resolution, shall be the lower of par, or if purchased at other than par, amortized value or market value. Amortized value, when used with respect to securities purchased at a premium above or a discount below par, shall mean the value at any given date

obtained by dividing the total premium or discount at which such securities were purchased by the number of interest payment dates remaining to maturity on such securities after such purchase, and by multiplying the amount so calculated by the number of interest payment dates having passed since the date of purchase; and (i) in the case of securities purchased at a premium, by deducting the product thus obtained from the purchase price, and (ii) in the case of securities purchased at a discount, by adding the product thus obtained to the purchase price.

F. DISCHARGE AND SATISFACTION OF BONDS. The covenants, liens and pledges entered into, created or imposed pursuant to this Resolution may be fully discharged and satisfied with respect to the Bonds in any one or more of the following ways:

(i) by paying the principal of and interest on Bonds when the same shall become due and payable; or

(ii) by depositing in the Principal and Interest Account and Reserve Account (but only with respect to the Series of Bonds proposed to be paid within the meaning of this subparagraph) or in such other accounts which are irrevocably pledged to the payment of the Bonds, as the City may hereafter create and establish by resolution, certain moneys which together with other moneys lawfully available therefor and deposited therein shall be sufficient at the time of such deposit to pay the Bonds, the interest thereon and the redemption premium, if any, as the same become due on said Bonds on or prior to the redemption date or maturity date thereof; or

(iii) by depositing in the Principal and Interest Account and Reserve Account (but only with respect to the Series of Bonds proposed to be paid within the meaning of this subparagraph) or such accounts which are irrevocably pledged to the payment of the Bonds as the City may hereafter create and establish by resolution, moneys which, together with other moneys lawfully available therefor, and deposited therein when invested in Defeasance Obligations will provide moneys which shall be sufficient to pay the Bonds, the interest thereon

and the redemption premium, if any, as the same shall become due on said Bonds on or prior to the redemption date or maturity date thereof.

(iv) Notwithstanding the foregoing, all references to the discharge and satisfaction of Bonds shall include the discharge and satisfaction of any Series of Bonds, any portion of a Series of Bonds, any maturity or maturities of a Series of Bonds, any portion of a maturity of a Series of Bonds or any combination thereof.

Notwithstanding the foregoing, in the event that the payment or deposit in the amount and manner provided in this Resolution has been made by the Credit Facility Issuer under the terms of its Credit Facility, the Credit Facility Issuer shall be subrogated to the rights of the Holders of the Bonds so defeased and the liability of the City, with respect thereto, shall not be discharged or extinguished.

For the purposes of determining the amount of interest on Variable Rate Bonds whether discharged and satisfied under the provisions of subparagraphs (i) and (ii) above, the amount required for the interest thereon shall be calculated at the Maximum Interest Rate permitted by the terms of the provisions which authorized the issuance of such Variable Rate Bonds. Notwithstanding the foregoing, no defeasance of Variable Rate Bonds shall be permitted unless approved by the Rating Agency or Rating Agencies then rating such Variable Rate Bonds and approved by any applicable Credit Facility Issuer.

Upon such payment or deposit in the amount and manner provided in this Section 3.F, the Bonds shall no longer be deemed to be Outstanding for the purposes of this Resolution and all liability of the City with respect to such Bonds shall cease, terminate and be completely discharged and extinguished, and the Holders thereof shall be entitled to payment solely out of the moneys or securities so deposited.

In the case of Bonds which by their terms may be redeemed prior to their stated maturity or are deemed paid within the meaning of this Section 3.F, the City shall give the Registrar, in form satisfactory to the Registrar, irrevocable instructions:

(i) stating the date when the principal of each such Bond is to be paid, whether at maturity or on a redemption date;

(ii) requiring the Registrar to call for redemption pursuant to the terms of such Bonds any Bonds to be redeemed prior to maturity pursuant to (i) hereof; and

(iii) requiring the Registrar to mail, as soon as practicable, a notice to the owners of such Bonds that the deposit required by this Section 3.F has been made and that such Bonds are deemed to have been paid in accordance with this Section 3.F and stating the maturity or redemption dates upon which money is to be available for the payment of the principal or redemption price, if applicable, on such Bonds as specified in (i) hereof. Notwithstanding the foregoing, the discharge and satisfaction of the Bonds shall not be conditioned on the giving of such notices.

Notwithstanding anything contained in this Section 3.F to the contrary, the covenants, liens and pledges contained in this Resolution shall not be fully discharged and satisfied until all obligations owed to the provider(s) of any Reserve Account Credit Facility Substitute have been satisfied.

G. SALE OF THE SYSTEM. Except as otherwise provided herein, the System may be sold, leased or otherwise disposed of, only as a whole or substantially as a whole, and only if the net proceeds to be realized, together with other moneys lawfully available for such purpose, if any, shall be sufficient to retire all of the Bonds issued pursuant to this Resolution and are Outstanding and to pay all interest thereon to their respective dates of maturity or earlier redemption dates in the manner provided in Section 3.F of this Article III. The proceeds from such sale, lease or other disposition of the System and such other available moneys shall be applied in the manner provided in Section 3.F of this Article III, and shall be used solely for the purposes of paying the principal of the Bonds the interest thereon and redemption premiums, if any, as the same shall become due on the Bonds on or prior to the redemption date or the maturity date thereof as shall be hereafter determined by subsequent proceedings of the City.

Except as herein provided, prior to any sale, lease or other disposition of any part of the System or any portion thereof, which is presently being used in connection with the operations of the System or is contemplated to be used within the next Fiscal Year for the operations of the System (herein referred to as "Property In Use"), if the amount to be received from such sale, lease or other disposition of any part of the System is not in excess of \$500,000, the duly authorized person in charge of the System shall make a finding in writing determining that such property comprising a part of such System is no longer necessary or useful or profitable in the operation thereof or that other properties of the System can be substituted for such Property In Use and the Commission approves and concurs in the finding of such duly authorized person, and authorizes such sale, lease or other disposition of said property. Such proceeds shall be deposited in the Sinking Fund to the extent of any deficiencies therein and then in the Renewal and Replacement Account in the Capital Improvement Fund and used in the manner provided therein. Notwithstanding the foregoing, such moneys deposited in the Renewal and Replacement Account pursuant to this Section 3.G shall not be counted as satisfying the Renewal and Replacement Requirement. For the purpose of this paragraph, only a lease with a term greater than one year will be considered a "lease" within the meaning of this paragraph. In determining whether the amount received is "not in excess of \$500,000," when the sale, lease or other disposition results in lease payments or other payments over time, the City shall annualize the largest amount of such payments over a twelve (12) month period and treat such annualized amount as the consideration received from such disposition.

If the amount to be received from such sale, lease or other disposition of said Property In Use shall be in excess of \$500,000, the duly authorized person in charge of such System, shall first make a finding in writing determining that such property comprising a part of such System is no longer necessary or useful or profitable in the operation thereof, which finding shall be approved by the Consultant, or that other properties of the System can be substituted for such Property In Use, as certified in writing by the Consultant and the Commission approves and

concurs, evidenced by a duly adopted resolution, in the findings of such duly authorized person and Consultant, and authorizes such sale, lease or other disposition of said property. Such proceeds shall, to the extent permitted under the Code, be deposited into the Principal and Interest Account, and used in the manner provided therein, and to the extent such deposits would adversely affect the exclusion from gross income of interest on any Series of Bonds, such amounts shall be deposited in the Capital Improvement Fund and used solely to purchase and retire Bonds. For the purpose of this paragraph, only a lease with a term greater than one year will be considered a "lease" within the meaning of this paragraph. In determining whether the amount received is "in excess of \$500,000," when the "sale, lease or other disposition" results in lease payments or other payments over time, the City shall annualize the largest amount of such payments over a twelve (12) month period and treat such annualized amount as the consideration received from such disposition.

Any disposition of Property In Use shall be for fair and reasonable consideration, as determined by the Commission.

In connection with such sale, lease or disposition of any part of the System or any portion thereof, which is not presently being used in connection with the operations of the System or is not contemplated to be used in the future for operations of the System (herein referred to as "Property Not In Use"), as determined by the Commission upon the advice of the Consultant, the City shall then, by subsequent proceedings, authorize the disposition of such Property Not In Use. Except as provided in the next succeeding paragraph, any disposition of Property Not In Use shall be for fair and reasonable consideration, as determined by a finding by the Commission upon the advice of the Consultant. The proceeds from the disposition of any Property Not In Use shall be deposited in the Capital Improvement Fund.

Notwithstanding any provision in this Resolution to the contrary, the City may, by subsequent proceedings of the City, use or permit the use thereof, as the case may be (other than by a fee simple disposition), or lease, for any City or not-for-profit purpose, any part of the

System, provided such use or lease does not interfere with the operations of the System. Such use or lease of any part of the System may be for nominal consideration.

H. ISSUANCE OF OTHER OBLIGATIONS PAYABLE OUT OF NET REVENUES. The City will not issue any other obligations, except upon the conditions and in the manner provided herein, payable from the Pledged Revenues, nor voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or any other charge having priority or being on a parity with the lien of the Bonds issued pursuant to this Resolution and the interest thereon upon any of the Pledged Revenues. Any obligations issued by the City other than the Bonds authorized by this Resolution and any pari passu additional Bonds issued under the terms, restrictions and conditions contained in this Resolution shall contain an express statement that such obligations are junior, inferior and subordinate in all respects to the Bonds issued pursuant to this Resolution as to lien on and source and security for payment from the Pledged Revenues and in all other respects.

I. ISSUANCE OF PARI PASSU ADDITIONAL BONDS. Pari passu additional Bonds, as in this subsection defined, payable pari passu with Bonds issued pursuant to this Resolution out of the Pledged Revenues shall be issued after the issuance of any Bonds pursuant to this Resolution, only upon the conditions and in the manner herein provided.

Such pari passu additional Bonds shall be issued only when and if the following conditions are complied with:

(i) The City must be current in all deposits into the various funds and accounts and all payments required to have been theretofore deposited or made by it under the provisions of this Resolution and any supplemental resolution hereafter adopted for the issuance of pari passu additional Bonds and has complied with the covenants and provisions of this Resolution, and any supplemental resolutions hereafter adopted for the issuance of pari passu additional Bonds.

(ii) The amount of the Net Revenues as received during the last fiscal year for which audited financial statements are available immediately preceding the issuance of said pari passu additional Bonds, as certified by the Chief Financial Officer of the City and as may be adjusted, as hereinafter provided, will be equal to one hundred twenty percent (120%) of the Maximum Annual Debt Service Requirement (herein, the "Coverage Factor"); on (1) the Bonds originally issued pursuant to this Resolution then Outstanding, (2) any pari passu additional Bonds theretofore issued and then Outstanding, and (3) the pari passu additional Bonds then proposed to be issued; provided that for the purpose of determining the Maximum Annual Debt Service Requirement under this Section, the interest rate on Variable Rate Bonds then Outstanding shall be the greater of (i) the average daily interest rate on such Variable Rate Bonds during the preceding Fiscal Year, or (ii) the actual rate of interest applicable to such Variable Rate Bonds on the date of issuance of such Variable Rate Bonds; and provided further, that if pari passu additional Variable Rate Bonds are to be issued, the interest rate thereon shall be calculated in accordance with the 30-year Revenue Bond Index as published by The Bond Buyer as of the last week of the month preceding the date of issuance of such Variable Rate Bonds, or if that index is no longer published, the interest rate as of the last week of such month as published in an index that is deemed to be substantially equivalent to said Revenue Bond Index.

(iii) In the event any pari passu additional Bonds are issued for the purpose of refunding any Bonds then Outstanding, the condition of clause (ii) above shall not apply, provided that the issuance of such pari passu additional Bonds shall result in a reduction or shall not increase the annual debt service payments over the life of the Bonds so refunded.

For the purposes of this Section 4.H, the test period of "twelve (12) consecutive months of the twenty-four (24) months immediately preceding the issuance of said pari passu additional Bonds" shall only be used if the adjustments set forth below are not utilized. If such adjustments are used, the test period shall be the "twelve (12) consecutive months of the eighteen (18) months immediately preceding the issuance of the proposed pari passu additional bonds."

The adjustment of Net Revenues which are permitted by the foregoing clause (ii) hereof, shall be certified to the City by the Consultant and shall be computed as follows:

(iv) If the City, prior to the issuance of the proposed pari passu additional Bonds, shall have increased the rates, fees, rentals or other charges for the services or use of the Facilities of the System, the Net Revenues for the twelve (12) consecutive months of the eighteen (18) months immediately preceding the issuance of the pari passu additional Bonds shall be adjusted to include the Net Revenues which would have been derived from said System in such twelve (12) consecutive months as if such increased rates, fees, rentals or other charges for the services or use of the Facilities of the System had been in effect during all of such twelve (12) consecutive months. Such adjustment shall be permitted even though such rate increases will be implemented over a period of time and do not extend to the full term of the proposed pari passu additional Bonds provided the City remains in compliance with Section 3.B. of this Article III.

(v) If the City shall have acquired or has contracted to acquire any privately or publicly owned existing potable water system, sanitary sewer system, or any other utility that the City will consolidate with the System, the cost of which shall be paid from all or part of the proceeds of the issuance of the proposed pari passu additional Bonds, then the Net Revenues derived from the System during the twelve (12) consecutive months of the eighteen (18) months immediately preceding the issuance of said pari passu additional Bonds, shall be increased by adding to the Net Revenues for such twelve (12) consecutive months seventy-five percent (75%) of the projected Net Revenues which would have been derived from the aforementioned acquired systems as if such system or systems had been operated by the City as a part of the System during such twelve (12) consecutive months.

(vi) If the City shall have entered into a contract, which contract shall be for a duration of not less than the final maturity of the pari passu additional Bonds authorized for the purposes of such financing from the date of the issuance of the proposed pari passu additional

Bonds, with any public body whereby the City shall have agreed to furnish services consistent with the services performed by the System, then the Net Revenues of the System during the twelve (12) consecutive months of the eighteen (18) months immediately preceding the issuance of the pari passu additional Bonds shall be increased by the least amount which the entity receiving such services shall guarantee to pay in any one year for the furnishing of the services by the City, after deducting from such payment the estimated proportion of Operating Expenses and repair, renewal and replacement costs attributable in such year to such services.

(vii) If there is an estimated increase in Revenues to be received by the City, as a result of additions, extensions or improvements to the System during the period of three (3) years from delivery of the pari passu additional Bonds and the Commission has taken official action toward the increase in Revenues, then the Net Revenues derived from the System during the twelve (12) consecutive months of the eighteen (18) months immediately preceding the issuance of said pari passu additional Bonds shall be increased by seventy-five percent (75%) of the average annual additional Net Revenues calculated for such test period.

(viii) Notwithstanding the test set forth in clause (ii) of this Section 3.I of this Article III, if the City elects to include Allowable System Development Charges, the Coverage Factor shall be increased to one hundred twenty-five percent (125%) provided that the Net Revenues are at least equal to one hundred percent (100%) of the Coverage Factor.

The term "pari passu additional Bonds," as used in this subsection, shall be deemed to mean additional obligations evidenced by Bonds or other form of indebtedness permitted under the Act issued under the provisions and within the limitations of this Section 3.I subsection payable from the Net Revenues of the System pari passu with Bonds originally authorized and issued pursuant to this Resolution. Such Bonds shall be deemed to have been issued pursuant to this Resolution, the same as the Bonds originally authorized and issued pursuant to this Resolution, and all of the covenants and other provisions of this Resolution (except as to any Reserve Account established for any one or more Series of Bonds and as to

details of such Bonds evidencing such pari passu additional obligations inconsistent therewith) shall be for the equal benefit, protection and security of the Holders of any Bonds originally authorized and issued pursuant to this Resolution and the holders of any Bonds evidencing pari passu additional obligations subsequently issued within the limitations of and in compliance with this Section 3.I. All of such Bonds, regardless of the time or times of their issuance shall rank equally with respect to their lien on the Net Revenues and their sources and security for payment therefrom without preference of any Bonds over any other.

The term “pari passu additional Bonds,” as used in this subsection, shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the Net Revenues securing such bonds, certificates or other obligations is subject to the prior and superior lien on the Net Revenues for the payment of Bonds issued pursuant to this Resolution, as provided in Section 3.H of this Article III, and the City shall not issue any obligations whatsoever payable from the Net Revenues, which rank equally as to lien on and source and security for their payment from such Net Revenues with Bonds issued pursuant to this Resolution except in the manner and under the conditions provided in this Section 3.I.

If, at any time, the City shall enter into an agreement or contract for an ownership interest in any public or privately owned potable water system, sanitary sewer system, or such other utility system, which the City proposes to consolidate into the System, whereby the City has agreed as part of the cost thereof to pay part of the debt service on the obligations of such public or privately owned system issued in connection therewith, such obligation to make payments shall, at the option of the City, be treated as either pari passu additional Bonds which must meet the requirements of this Section 3.I or be treated as junior, inferior and subordinate in all respects to the Bonds issued hereunder and to any other obligations hereafter issued by the City subject to the provisions of Section 3.H of this Article III.

The term “Net Revenues” as used in this subsection, shall include earnings and investment income derived from the investment of moneys on deposit in the various funds and

accounts created and established under this Resolution and any Special Assessments, if the City has determined, by subsequent proceedings to include the same as Revenues or Net Revenues.

J. REMEDIES. Any Holder of Bonds issued under this Resolution, or any trustee acting for such Bondholders in the manner hereinafter provided, 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 City or by any officer thereof, including the fixing, charging and collecting of rates, fees or other charges for the services and Facilities of the System.

In the event that default shall be made in the payment of the interest on or the principal of any of the Bonds issued pursuant to this Resolution, as the same shall become due, or in the making of the payments into any reserve or sinking fund or any other payments required to be made by this Resolution, or in the event that the City or any officer, agent or employee thereof shall fail or refuse to comply with the provisions of this Resolution, or shall default in any covenant made herein, and in the further event that any such default shall continue for a period of sixty (60) days, any Holder of such Bonds, or any trustee appointed to represent Bondholders as hereinafter provided, shall be entitled as of right to the appointment of a receiver for the Revenues of the System in an appropriate judicial proceeding in a court of competent jurisdiction, whether or not such Holder or trustee is also seeking or shall have sought to enforce any other right or exercise any other remedy in connection with Bonds issued pursuant to this Resolution.

The receiver so appointed shall forthwith, directly or by his or her agents and attorneys, enter into and upon and take possession of the System, and each and every part thereof, and shall hold, operate and maintain, manage and control the System, and each and every part thereof, and in the name of the City shall exercise all the rights and powers of the City with respect to the System as the City itself might do. Such receiver shall collect and receive all

Revenues and maintain and operate the System in the manner provided in this Resolution, and comply under the jurisdiction of the court appointing such receiver, with all of the provisions of this Resolution.

Whenever all that is due upon Bonds issued pursuant to this Resolution, and interest thereon, and under any covenants of this Resolution, for reserve, sinking fund or other funds, and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenues of the System shall have been paid and made good, and all defaults under the provisions of this Resolution shall have been cured and made good, possession of the System shall be surrendered to the City upon the entry of an order of the court to that effect. Upon any subsequent default, any Holder of Bonds issued pursuant to this Resolution, or any trustee appointed for Bondholders as hereinafter provided, shall have the right to secure the further appointment of a receiver upon any such subsequent default. Such receiver shall, in the performance of the powers hereinabove conferred upon him, be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby and a successor receiver appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the City and for the joint protection and benefit of the City and Holders of Bonds issued pursuant to this Resolution. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, except as provided herein, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System for the sole purpose of the protection of both the City and the Bondholders.

The Holder or Holders of Bonds in an aggregate principal amount of not less than fifty-one per centum (51%) of the aggregate of the Bonds issued under this Resolution then Outstanding may, by a duly executed certificate in writing, appoint a trustee for Holder 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. Such certificate shall be executed by such Bondholders or their duly authorized attorneys or representatives, and shall be filed in the office of the City Clerk.

Any exercise of a remedy set forth in this Section 3.J shall be subject to the consent of the Credit Facility Issuer, if any, and the Credit Facility Issuer shall have the right, acting alone, to exercise said remedies as long as it has not defaulted in its obligations under its Credit Facility. If there are more than one Credit Facility Issuer providing Credit Facilities for the Bonds, only the consent of the Credit Facility Issuers providing Credit Facilities for more than fifty percent (50%) of the Bonds Outstanding shall be required.

K. INSURANCE. The City shall carry such insurance, as is ordinarily carried by private or public corporations owning and operating combined utility systems similar to the System, with a reputable insurance carrier or carriers, including public and product liability insurance, in such amounts as the City shall determine to be sufficient, and such other insurance against loss or damage by fire, explosion (including underground explosion), hurricane, tornado or other hazards and risks, and said property loss or damage insurance shall be in an amount or amounts as shall be determined by the City. The City may establish certain minimum levels of insurance for which the City may self-insure. Such minimum levels of insurance shall be in amounts as recommended by the Independent Insurance Consultant.

All moneys received for losses under any of such insurance, except for any liability coverage, and for diminutive items which are not integral for the operation of the System and which are not revenue producing, are hereby pledged by the City as security for the Bonds, until and unless such proceeds are used to remedy the loss or damage for which such proceeds are

received, either by repairing the property damaged or replacing the property destroyed with due diligence after the receipt of such proceeds.

L. BOOKS AND RECORDS. The City will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the System, in accordance with generally accepted accounting principles for governmental units, and any Holder or Holders of Bonds or their agents issued pursuant to this Resolution, shall have the right at reasonable times and under reasonable conditions to inspect all records, accounts and data of the City relating to the operation of the System.

The City shall, within one hundred eighty (180) days after the close of each Fiscal Year (or such other period required by applicable Florida law), be required to obtain an audit by a qualified and independent firm of certified public accountants of the books, records and accounts of the System for the preceding Fiscal Year, and the financial statement prepared by such certified public accountants shall be filed with the City, which such financial statement shall cover in reasonable detail the operation of the System, the funds and fund balances, and the City shall make available upon request and payment of reasonable costs of reproduction and postage, a reasonable summary thereof to any Holder or Holders of the Bonds issued pursuant to this Resolution.

M. OPERATING BUDGET. The City shall annually, prior to the start of each Fiscal Year, prepare and adopt by proper proceedings of the Commission a detailed budget of the estimated expenditures for operation and maintenance of the System and budgeted reserves and the estimated Revenues of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor (including amounts in the Rate Stabilization Fund in such budget without a written finding and recommendation by the City Manager or other duly authorized officer, which finding and recommendation shall state in detail the purpose of and necessity for such

increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Commission shall have approved such finding and recommendation. The City shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Holder or Holders of Bonds who shall file his or her address with the City and request in writing that copies of all such budgets and resolutions be furnished him or them upon payment of the reasonable costs of reproduction and postage, and shall make available for inspection upon reasonable notice and at reasonable times such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder or Holders of Bonds issued pursuant to this Resolution.

N. MAINTENANCE OF THE SYSTEM. The City will maintain the System in good condition and continuously operate the same in an efficient manner and at a reasonable cost as a City revenue producing enterprise.

O. NO FREE SERVICE. Unless otherwise provided by law, the City will not render or cause to be rendered any free services of any nature by its System, or any part thereof, nor will any preferential rates or charges be established for users of the same class, and in the event the City, or any department, agency or instrumentality, officer or employee thereof, shall avail itself of the System or services provided by said System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the City and any such department, agency, instrumentality, officer or employee thereof; provided, however, that this subsection shall not affect any rights of any person, firm or corporation under pre-existing agreements or contracts. Such charges shall be paid as they accrue, and the City shall transfer from legally available sources sufficient moneys to pay such charges. The revenue so received shall be deemed to be Revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other Revenues. Notwithstanding any of the foregoing, the City may from time to time establish different classes

and subclasses of users with respect to rates and charges, provided that the City finds a rational basis for such classes or subclasses, which would further the health, welfare or safety of the residents of the City.

P. ENFORCEMENT OF COLLECTIONS. The City will diligently enforce and collect all fees, rentals or other charges for the services or use of the Facilities of the System, and take all steps, actions and proceedings reasonably necessary for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the laws of the State of Florida.

Q. NO COMPETING UTILITY SYSTEMS. The City shall not construct, acquire, or operate, or permit or consent to the construction, acquisition or operation of, any plants, structures, facilities or properties which may compete or tend to compete with the System.

R. CONSULTANT. The City will retain a Consultant to inspect the System, to make reports concerning the same upon the request of the City, and will further retain a Consultant as may be necessary in order to perform the duties provided in this Resolution for such Consultant.

S. RULE 15C2-12 UNDERTAKING. That in order to assist the initial purchasers of the Bonds issued under this Resolution with respect to compliance with the Rule, the City undertakes and agrees to provide the information described below to the persons so indicated. The City's undertaking and agreement set forth in this Section 3.S shall be for the benefit of the registered owners and Beneficial Owners of the Bonds.

(i) The City undertakes and agrees to provide to EMMA and to the State of Florida information depository (herein, the "SID") if and when such a SID is created (i) the City's general purpose financial statements generally consistent with the financial statements presented as an appendix to the official statement relating to the particular Series of Bonds (herein the "Official Statement") and (ii) certain operating data regarding the Water and Sewer

System found in such Official Statement, as determined by the City. The information referred to in clauses (i) and (ii) is herein collectively referred to as the "Annual Information."

(ii) The Annual Information described in clause (i) above in audited form (for as long as the City provides such financial information in audited form) is expected to be available on or before March 31 of each year for the Fiscal Year ending on the preceding September 30, for the Fiscal Year ending on the preceding September 30. The Annual Information referred to in clause (i) above in unaudited form (if the audited financial statements are not available or if the City no longer provides such financial information in audited form) will be available on or before March 31 for the Fiscal Year ending on the preceding September 30. The City also agrees to provide the Annual Information to each registered owner and Beneficial Owner of the Bonds who request such information and pays to the City its costs of reproduction and transmission of such Annual Information. The City agrees to provide to the MSRB, through EMMA, and the SID, if any, timely notice of its failure to provide the Annual Information. Such notice shall also indicate the reason for such failure and when the City reasonably expects such Annual Information will be available. As long as the City files the unaudited financials by March 31 of any year, if the audited financials are not available, and the audited financial statements by June 1 of that same year, no notice shall be required to be filed. Such notice shall also indicate the reason for such failure and when the City reasonably expects such Annual Information will be available. Timely notice shall be given within ten (10) Business Days of the date of such failure.

(iii) The Annual Information referred to in clause (i) and presented as an appendix to any Official Statement relating to a Series of Bonds shall be prepared in accordance with governmental accounting standards promulgated by the Government Accounting Standards Board, as in effect from time to time, as such principles are modified by generally accepted accounting principles, promulgated by the Financial Accounting Standards

Board, as in effect from time to time, and such other state mandated accounting principles as in effect from time to time.

(iv) If, as authorized by clause (vi) below, the City's undertaking with respect to clause (iii) above requires amending, the City undertakes and agrees that the Annual Information described in clause (i) above for the Fiscal Year in which the amendment is made will, to the extent possible, present a comparison between the Annual Information prepared on the basis of the new accounting principles and the Annual Information prepared on the basis of the accounting principles described in paragraph (iii) above. The City agrees that such a comparison will, to the extent possible, include a qualitative discussion of the differences in the accounting principles and the impact of the change on the presentation of the Annual Information.

(v) The City undertakes and agrees to provide to the MSRB, through EMMA, and to the SID, if any, in EMMA Compliant Format within ten (10) Business Days of the occurrence of the events listed below (except as otherwise provided with respect to the event listed in clause (h)) notice of the occurrence of any of the following events with respect to the Bonds, if material or deemed material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on any Reserve Account reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinion or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form

5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(g) modifications to rights of Bondholders;

(h) Bond calls (other than scheduled mandatory sinking fund redemption);

(i) defeasances of the Bonds;

(j) release, substitution, or sale of property securing repayment of the Bonds, if material;

(k) rating changes;

(l) any failure on the part of the City to comply with its undertaking;

(m) tender offers;

(n) bankruptcy, insolvency, receivership or similar event of the City or any other obligated person (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City or any other obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City or any other obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City or any other obligated person);

(o) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to

undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(p) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(q) incurrence of a Financial Obligation of the City or any other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City or any other obligated person, which affect security holders, if material; and

(r) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the City or any other obligated person, which reflect financial difficulties.

Events described in clauses (a), (c), (d), (e), (f), (g), (h), (i), (k), (l), (m), (n) and (r) shall always be deemed material.

The City agrees to provide or cause to be provided, in a timely manner to the MSRB through EMMA in EMMA Compliant Format, written notice of a failure by the County to provide the Annual Information described in clause (i) of this Section 4.S. on or prior to the date such Annual Information is to be reported.

Notwithstanding the foregoing, notice of the event described in clause (h) need not be given any earlier than the time notice is required to be given to the registered owners of the Bonds.

Notwithstanding any other provision of this Resolution to the contrary regarding amendments or supplements, the City undertakes and agrees to amend and/or supplement this Section 3.S. (including the amendments referred to in subparagraph (iv) above) only if:

(i) The amendment or supplement is made only in connection with a change in circumstances existing at the time the Bonds were originally issued that arises from (i)

a change in law, (ii) SEC pronouncements or interpretations, (iii) a judicial decision affecting the Rule or (iv) a change in the nature of the City's operations or its activities that generate the Net Revenues;

(ii) The City's undertaking, as amended, would have complied with the requirements of the Rule at the time the Bonds were originally issued after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or supplement does not materially impair the interests of the registered owners and Beneficial Owners of the Bonds as determined by Bond Counsel or by a majority of the registered owners of the Bonds.

In the event of an amendment or supplement under this Section 4.S., the City shall describe the same in the next report of Annual Information and shall include, as applicable, a narrative explanation of the reason for the amendment or supplement and its impact, if any, on the financial information and operating data being presented in the Annual Information.

The City acknowledges that its undertaking pursuant to the Rule set forth in this Section 4.S. is intended to be for the benefit of the registered holders and Beneficial Owners of the Bonds and shall be enforceable by such holders and Beneficial Owners; provided that, the holder's and Beneficial Owners' right to enforce the provisions of this Undertaking shall be limited to a right to obtain specific enforcement of the City's obligations hereunder, and any failure by the City to comply with the provisions of this undertaking shall not be or constitute a covenant or monetary default with respect to any Bonds under this Resolution.

The City reserves the right to satisfy its obligations under this Section 4.S. through agents; and the City may appoint such agents without the necessity of amending this Resolution. The City may also appoint one or more employees of the City to monitor and be responsible for the City's undertaking hereunder.

T. Management of System. Notwithstanding anything in this Resolution to the contrary, the City is authorized, subject to applicable law, to enter into management agreements

with a manager acceptable to the City and the Consultant to operate the System on behalf of the City. The City shall not be authorized to enter into any management agreement that, in the opinion of Bond Counsel, adversely affects the exclusion of interest on the Bonds from gross income for federal income tax purposes.

U. Collection Of Special Assessments. To the extent Gross Revenues include any Special Assessments proceeds, the City shall proceed diligently to perform legally and effectively all steps required in the imposition and collection of the Special Assessments. The City shall diligently proceed to collect such Special Assessments and shall exercise all legally available remedies now or hereafter available under State law to enforce such collections.

V. Re-Assessments. To the extent Gross Revenues include any Special Assessments, if any Special Assessment shall be either in whole or in part annulled, vacated or set aside by the judgment of any court, or if the Commission shall be satisfied that any such Special Assessment is so irregular or defective that the same cannot be enforced or collected, or if the Commission shall have omitted to make such Special Assessment when it might have done so, the Commission shall take all necessary steps to cause a new Special Assessment to be made for the whole or any part of said improvement or against any property benefitted by said improvement, and in case such second Special Assessment shall be annulled, said Commission shall obtain and make other Special Assessments until a valid Special Assessment shall be made.

ARTICLE IV MISCELLANEOUS

SECTION 1. MODIFICATION OR AMENDMENT. Except as otherwise provided in the second paragraph hereof, no material modification or amendment of this Resolution, or of any resolution amendatory hereof or supplemental thereto, may be made without the consent in writing of the Holders of fifty-one percent (51%) or more in principal amount of the Bonds then Outstanding; provided, however, that no modification or amendment shall permit a change in the maturity of such Bonds or a reduction in the rate of interest thereon, or affecting the unconditional

promise of the City to fix, maintain and collect fees, rentals and other charges for the System or to pay the interest of and principal on the Bonds, as the same mature or become due, from the Pledged Revenues or reduce the percentage of Holders of Bonds required above for such modification or amendments, without the consent of the Holders of all the Bonds.

This Resolution may be amended, changed, modified and altered without the consent of the Owners of Bonds, (i) to cure any ambiguity, correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions contained herein, (ii) to provide other changes which will not adversely affect the interest of such Owners, (iii) to implement a Credit Facility or a Reserve Account Credit Facility Substitute, (iv) to maintain the exclusion of interest on the Bonds from gross income for Federal income tax purposes, (v) to implement or discontinue a Book-Entry System, (vi) to secure or maintain a rating on the Bonds, or (vii) to issue pari passu additional Bonds as long as such amendment or supplement does not adversely affect the rights of the Holders of the Bonds Outstanding hereunder.

For purposes of this Section 1, to the extent any Series of the Bonds are secured by a Credit Facility and such Bonds are then rated in as high a rating category in which such Bonds were rated at the time of initial issuance and delivery thereof, by any Rating Agency or Agencies rating such Series of Bonds, then the consent of the Credit Facility Issuer shall constitute the consent of the Holders of such Series of Bonds; and provided further, that such Credit Facility Issuer is not in default under its Credit Facility.

SECTION 2. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions of this Resolution should be held contrary to any express provision of law or against public policy, or shall for any reason whatsoever be held invalid by a court of competent jurisdiction, then such covenants, agreements or provisions shall be null and void and shall be deemed separate from the remaining covenants, agreements or provisions, and shall in no way affect the validity of any of the other provisions of this Resolution or of the Bonds.

SECTION 3. SALE OF BONDS. The Bonds shall be issued and sold at one time, or from time to time, in such manner and at such price or prices consistent with the provisions of the Act and the requirements of this Resolution as the City shall hereafter determine by subsequent proceedings.

SECTION 4. BOND ANTICIPATION NOTES. The City may, if it determines it to be in its best financial interest, issue its bond anticipation notes in order to temporarily finance the costs of a Project as provided in this Resolution. The City shall by proper proceedings authorize the issuance and establish the details of such bond anticipation notes pursuant to the provisions of Section 215.431, Florida Statutes, as amended. In connection with such bond anticipation notes, the City is hereby authorized to enter into line of credit agreements, loan agreements or similar arrangements (collectively referred to as "Financing Agreement") with banks or similar financial institutions for the purpose of financing the costs of a Project. The City is authorized to issue one or more bond anticipation notes to such banks or financial institutions to evidence its obligation to repay loans made under such Financing Agreements.

SECTION 5. REPEALER. That all resolutions or parts thereof in conflict herewith are to the extent of such conflict hereby repealed.

SECTION 6. CREDIT FACILITY ISSUER; DEFAULT. Notwithstanding any of the provisions of this Resolution to the contrary, all of the rights of any Credit Facility Issuer granted herein shall be null and void if the Credit Facility Issuer is in default under its Credit Facility.

SECTION 7. AUTHORIZATION TO DEEM THE PRELIMINARY OFFICIAL STATEMENT FOR ANY SERIES OF BONDS FINAL. The Mayor, Vice-Mayor, City Manager or Chief Financial Officer are each authorized to deem the preliminary official statement relating to any Series of the Bonds "final" within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934.

SECTION 8. EFFECTIVE DATE. This Resolution shall take effect immediately upon its enactment in the manner provided by law.

Enacted in regular session on this, the _____ day of _____, 2025.

CITY OF DELRAY BEACH, FLORIDA

By: _____
Thomas F. Carney, Jr., Mayor

ATTEST:

Alexis Givings, City Clerk

Approved as to form and legal sufficiency:

Lynn Gelin, City Attorney