MEMORANDUM

TO: CITY COUNCIL

VIA: CITY MANAGER JUDIE ZIMOMRA

FROM: SYLVIA EDWARDS, FINANCE DIRECTOR

DATE: FEBRUARY 4, 2014

RE: SEWER DEBT REFUNDING OPPORTUNITY

RECOMMENDATION: Approve Resolution Number 14-012 authorizing the issuance of not to exceed $9,493,599 Sewer System Refunding Revenue Bonds, Series 2014 and authorizing sell to Hancock Bank.

BACKGROUND

In support of the City Council's goal to early retire the City's long term debts, reduce the City's annual fixed debt costs and to produce substantial finance cost savings for the City of Sanibel's taxpayers, the City of Sanibel evaluated the refunding opportunity for the Sewer Utility Revenue Refunding Bonds Series 2003 and the Sewer Utility State Revolving Fund Loan # 835080. At the January 7, 2014 City Council meeting, Council directed staff to proceed with the refunding opportunity.

A Request for Proposal was advertised on January 8, 2014. Six proposals were received timely: Hancock Bank, Branch Banking and Trust Company (BB&T), PNC Bank, N.A., Fifth Third Bank, SunTrust Bank and BBVA Compass. Two proposals were received late and returned: JP Morgan Chase, N.A. and TD Bank, N.A. A summary of the proposals is attached.

Hancock Bank was chosen for proposing the lowest fixed rate of 1.43%. The City's Bond Counsel, Bryant Miller Olive, was able to obtain an appropriate agreement that was conducive to the City's requirements.

The refunding provides the following savings:

1) Net present value savings of $958,244.45 (Provided by Dunlap & Associates, Inc.)
2) Percentage savings of refunded bonds 8.851364% (Provided by Dunlap & Associates, Inc.)
3) Nominal dollars $1,136,001.25
4) Shorten maturity from the year 2022 to the year 2021
5) Decrease annual debt service by $116,471 FY2015 through FY2021 and $1,040,097 FY2022.
6) The FY2022 decrease is attributable to applying $754,096 in restricted reserves to the refunding.

Issuance costs approximately $55,000

ATTACHMENT:

Bank Reponses Summary

City of Sanibel, Florida -Water and Sewer Refunding Bank Loan
Bank Loan Request for Proposal Response Summary

	Hancock	BB&T	PNC	Fifth Third	SunTrust	BBVA
Loan Amount	$9,575,000	$9,575,000	$9,575,000	$9,575,000	$9,575,000	$9,575,000
Option 1	1.43% Locked for 60 days -no formula provided	1.86% Locked for 45 days -no formula provided	1.896% As of 1/21/14 - Rate set three days prior to Closing - no formula provided	1.90% Locked until 3/7/14 - Formula provided if closed after 3/7/14	1.97% No formula provided - additional 4 bps for 30 rate lock or 7 bps for 45 day rate lock	2.44% Locked until 2/4/14
Option 2	N/A	N/A	N/A	N/A	1.72% 5 year Put Option No formula provided - additional 4 bps for 30 rate lock or 7 bps for 45 day rate lock	N/A
Bank Counsel	$4,500 Akerman LLP	$4,000 Edward Cohen	$6,000 Holland & Knight	$5,000 Mark Raymond	$6,000 Holland & Knight	$7,500 Not Stated
Prepayment Options	May prepay in whole without penalty with 10 days notice or prepay in part on principal payment dates with 10 days notice	May prepay in whole on any principal payment date with no prepayment penalty	May prepay with Make Whole Provisions - Bank has right to mandate order of maturities repaid	May prepay without penalty with 10 days notice	May prepay with Make Whole Provisions or may prepay without penalty after 12 months for additional 17 bps and Bank has right to determine maturities repaid	May prepay with Make Whole Provisions
Coverage Requirements/Additional Bonds	Any additional debt would be subordinate to this financing unless change to Section 20 Q 6 - Would require contract or financing commitment in place to increase ABT projections	Not specifically stated - assumed conforms with RFP	Specifically addressed Rate Covenant at 120%	Not specifically stated - assumed conforms with RFP	Specifically addressed Rate Covenant at 120%	Not specifically stated - assumed conforms with RFP
Covenants/Notes	Semi-annual Principal and Interest Proposal expires 2/10/14 30/360 day count Requires provisions if transaction becomes taxable Commitment to Lend $1,000 Denomination Requires Bank consent to sell or transfer ownership or adding additional utility systems Requires R&R Fund (Waiver received from bank after further clarifications)	Annual principal payments Proposal expires 3/7/14 30/360 day count Requires provisions if transaction becomes taxable or non-bank-qualified Does not state if a Commitment to Lend	Semi-annual Principal and Interest Proposal expires 2/6/14 30/360 day count Requires provisions if transaction becomes taxable Not a Commitment to Lend Requires 2 weeks to complete formal underwriting process	Semi-annual Principal and Interest Proposal expires 3/7/14 30/360 day count Not stated regarding taxability Not a Commitment to Lend	Semi-annual Principal and Interest Proposal expires 1/22/14 and close by 2/28/14 30/360 day count Requires provisions if transaction becomes taxable or non-bank-qualified Not a Commitment to Lend Must establish Debt Service Fund with SunTrust Bank and payments collected via ACH Direct Debit Requires Corporate Tax Rate language - will waiver for 15 bps	Semi-annual Principal and Interest Proposal expires 2/4/14 30/360 day count Requires provisions if transaction becomes taxable Not a Commitment to Lend

* Definition - Locked Rate - Rate is locked for a specific period of time.

** Summary sheet is intended as an outline and should not be assumed that all conditions of the proposals are detailed.

Hancock Bank
PUBLIC FINANCE DEPARTMENT

(Revised Proposal Letter)

January 23, 2014

Honorable Mayor and City Council
City of Sanibel, Florida

C/o: Ms. Sylvia Edwards
Finance Director
City of Sanibel, Florida
800 Dunlop Road
Sanibel, Florida 33957

Re: $9,575,000 Sewer System Refunding Revenue Bond, Series 2014
Your Request for Proposal dated January 7, 2014

Please accept this letter as a commitment of the undersigned to purchase the above captioned Bond issue upon the terms and conditions outlined below:

Issuer: City of Sanibel, Florida.

Amount: $9,575,000 approximate aggregate principal amount Sewer System Refunding Revenue Bond, Series 2014 (the "Bond" or "Series 2014 Bond") of the Issuer.

Purpose of Issue: As outlined in the City's RFP, proceeds of the Bond will be used to current refund two (2) existing loans in full (the "Refunded Bonds") and to pay the cost of issuance related to the financing (the "Project").

Authority for Issue: Provisions of the Florida Constitution, Chapter 166, Part II Florida Statutes, the Municipal Charter of the City of Sanibel, Florida, as amended and any other valid Constitutional and statutory authority.

Dated Date of Bond - Date of Delivery

Form of Certificates: The Bond will be issued as a single typewritten or printed certificate, in fully registered form.

113 Designer Circle / Dothan, AL 36303
334-792-8422 / Fax 334-792-8424 / Toll Free (888) 516-7373

Interest Rate & Term: Pursuant to the City's RFP we are offering the City the following fixed rate option:

Fixed Rate Option:

Fixed Rate option ** – Bank Qualified tax exempt:

Term	Annual Interest Rate #
7 ½ years approximately – fully amortized ##	**1.43%**

** The Issuer would fully fund the loan on the day we close the loan.

 # The quoted fixed interest rate is contingent upon the Mayor and City Council accepting our proposal by no later than 20 days from the date of this letter. If the Mayor and Council accept our proposal by the stipulated time, we will **hold** the above referenced fixed interest rate **firm**, provided that the Bond issue is closed no later than 60 days from the date of this proposal. Based on your RFP, the 60 day time frame should provide more than adequate time to "lock-in" the interest rate. Should the Bond not be funded within the 60 day time frame a different rate could apply.

Our pricing is based on the estimated amortization of principal that the City has presented in its RFP. We realize that the final amortization schedule could change slightly in order to better meet the City's needs. We are open to some changes in this proposed amortization structure; however our pricing is based on the final amortization of principal not having an average life that exceeds 4.25 years. Should the final amortization have an average life that exceeds 4.25 years, our rate would be higher than that offered above.

Interest and Principal Payments: **Interest** would be calculated on a 30 over 360 day basis and would be payable semi-annually on February 1 and August 1 of each year, commencing on August 1, 2014. **Principal** would be payable semi-annually on February 1 and August 1 of each year, commencing on August 1, 2014. The final maturity date would be on August 1, 2021.

Principal would be reduced in similar fashion to the schedule of principal reductions given in the City's RFP. As stated above, the final amortization schedule would have an average life that would not exceed 4.25 years in order for us to hold our pricing at the offered rate.

Prepayment Provisions: The principal may be prepaid in whole on any date with 10 days advance written notice to the Bank *without prepayment penalty*. Principal may be prepaid in part on any principal payment date (each February 1 or August 1) with 10 days advance written notice to the Bank *without prepayment penalty*, provided that the City pays all accrued interest which shall have accrued to the date of prepayment and provided further that any partial principal prepayments shall be in amounts that would leave the remaining principal balance outstanding in an amount that would be in multiples of one-thousand ($1,000.00). Prepayments shall be applied to those principal installments with the latest maturities on the Bond, in inverse order.

Credit Approval: Already approved.

Security: The Series 2014 Bond would be issued as a "prior and superior lien" obligation secured primarily by the net revenues of the City's Sewer System as defined in the "draft" of the Master Sewer System Bond Resolution (**the "Bond Resolution"**) that was submitted to us with the City's RFP. More specifically, the 2014 Bond would be secured by the "Pledged Revenues" as defined in the Bond Resolution.

We understand that after the Refunded Bonds are refunded that, other than the Series 2014 Bond, there will be no other first lien debt outstanding against the Sewer System. We further understand that the City will have, immediately after the refunding, four (4) additional State Revolving Loans outstanding (the "Subordinated Debt"). Prior to closing the loan, we would need written certification from the State of Florida that its four (4) loans to the City are subordinate in all respects to the Series 2014 Bond as to the lien on the Pledged Revenues. We don't think this will be hard to obtain, as we have obtained similar acknowledgements from the State in the past on other loans we have done for other governmental customers.

Additional Debt: Except for the provisions for "Additional Parity Obligations" provided for in the Bond Resolution, the City would covenant not to issue additional obligations secured by the System revenues unless such obligations contain an express statement that such obligations are junior and subordinate in all respects to the Series 2014 Bond as to lien and source of security for payment from the System revenues.

Additional debt could be issued on a parity with the Series 2014 Bond provided that the City meets the "additional bonds test" (ABT) as outlined in Section 20 Q of the draft Bond Resolution, which was provided with the City's RFP. Regarding Section 20 Q (6) of the Bond Resolution dealing with adjustments to projected revenues for a 3 year "look forward" period – we would require that the City first adopt a resolution approving the additions, extensions, and improvements to the Sewer System, as recommended by Qualified Independent Consultants, in order for the projected increased revenues from expansion to be used in the ABT as outlined in the draft Resolution.

Rate Covenant: The City would covenant to fix, establish, and revise rates from time to time such that Net Revenues from the Sewer System are sufficient to meet the requirements as outlined in Section 20 (E) of the draft Bond Resolution presented to us with the City's RFP.

The City would also covenant to set rates such that it can cover its SRF debt service by 1.15 times (the current required minimum coverage for the City's SRF loans) for all of its SRF loans and 100% of any reserve fund requirement, any debt service on any other type of debt, and any other obligations payable from the Sewer System.

Required Accounts and flow of funds: With the exception of a Reserve Fund (we would not require a reserve fund for this transaction), the City would set up standard funds and accounts, including but not limited to a "Bond Service Fund" (debt service sinking fund), as are outlined in the "draft" Bond Resolution submitted with the City's RFP. The City would make monthly deposits into the Bond Service Fund by depositing the monthly proportional amounts needed to meet each next (upcoming) principal and interest payment as outlined in the draft Bond Resolution.

The City would not be required to have a Renewal and Replacement Fund (R & R fund).

Documentation: All documentation would need to be acceptable to the Bank and "Bank Counsel". The Bank and Bank Counsel would need to review and approve all documentation prior to adoption and/or acceptance by the City Council.

All opinion letters from the City's legal counsel would also have to be acceptable to the Bank and Bank Counsel. We understand that the City desires to use the law firm of Bryant Miller Olive to perform the duties of "Bond Counsel". Bond Counsel would draft the Bond documents and issue the customary legal and tax opinions. Based on this, the role of "Bank Counsel" would be limited to that of a "review function" only.

Additional Terms and Conditions:

* All legal and tax opinions would be addressed to the Bank and be in a form and substance acceptable to the Bank.

* We would require that Bond Counsel issue a defeasance opinion related to the refunding of the Refunded Bonds.

* Sufficient arrangements would need to be made (with documentation and written certifications being satisfactory to us) regarding the paying off in full of the Sewer Utility Bonds Series 2003 and the SRL Loan # 835080 (collectively the "Refunded Bonds").

* We would require that the interest rate on the loan be "grossed up" and applied retroactively to the date of any event of taxability should it be determined by the Internal Revenue Service that the tax status of the Bond has changed. Such "gross up" would not exceed any statutory limit imposed by the State of Florida and would be equal to the tax equivalent yield as originally contemplated by the Bank.

* Provision would be made for a "default interest rate" equal to our loan rate plus 5% or any statutory interest rate limitation imposed by the State of Florida, whichever is less.

* The City would reimburse the Bank (or its agent e.g., receiver, trustee, etc.) for all reasonable legal and collection costs to exercise its remedies or collect its payments for the loan in the event of default.

* Prior to funding the Series 2014 Bond the City's Financial Advisor would furnish to us a final "Sources & Uses" of funds" statement, based on the final numbers.

* Regarding Section 26 (adding additional utility systems) - language would be inserted in this section reaffirming the rate covenant for the Series 2014 Bond in the event of adding an additional utility function. The City would also provide to the Bank notice of the expansion of the utility system and provide copies of certificates and opinions from the professions listed in this section (e.g., Consulting Engineers, Qualified Independent Consultants, Bond Counsel, etc.) upon which the City is relying in order to make the expansion into additional utility services.

* The Bond Resolution would provide other covenants that are standard for this type of Sewer revenue transaction including, but not necessarily limited to, covenants related to maintaining and operating the system, keeping accounting records, limitations on mortgage or sale of the system, Insurance, no free service, cut off and disconnection policy, enforcement of collections, hiring necessary consultants, and no competing facilities, etc..

* The City would agree to provide to the Bank (at no cost) the following information: a copy of its audited financial statement annually, annual operating budget (if requested by the Bank), and such other financial information as the Bank may reasonably request.

Closing costs, fees and expenses: The Bank would charge **no fees** and assess **no closing costs for its own benefit.** However, we would require that the City reimburse the Bank for Bank Counsel expense. Bank Counsel expense would not exceed $4,500. Hancock Bank would use the law firm of Akerman LLP (Peter Dame, Jacksonville office) as Bank Counsel. Any cost incurred for Bond Counsel, the City's Local Counsel, and the Financial Advisor would be paid directly by the City.

Tax Status of the Bond: The quoted interest rate is predicated upon the Bond issue being designated as a "qualified" tax-exempt obligation under Section 265(b) (3) of the Internal Revenue Service Code of 1986, as amended.

Delivery: As soon as possible after all approvals, but in any event the loan would be closed no later than 60 days from the date of this proposal in order for us to hold firm the quoted fixed rate of interest.

Hancock Bank information and the Lending Team information:
Hancock Bank has been in business for over 114 years (founded in October 1899). Our long term issuer credit ratings are: A- (S & P), A3 Moody's, and BBB+ Fitch. Hancock Bank has made numerous loans to many different types of local governments (cities, counties/parishes, school districts, special districts, etc.) during its years in business. Attached you will find a listing of some of the local governments that we have made loans to in the state of Florida, as well as Hancock Bank's most recent annual audited financial report available. You can obtain additional information about the Bank from its web site at: www.hancockbank.com As requested, we are also including a list of references with this proposal for recent and similar loans that we have made to other local Florida governments.

For a number of years the Bank has elected to specialize in lending to local units of government within the states in which we are located. Because of this specialization, the Bank has formed a separate Public Finance Department (part of our Institutional Line of Business group) in order to better meet the needs of our local governmental clients. The Bank would utilize the people in its Public Finance Department to work with the City on this particular loan.

Steve Cole (lending officer) would be the City's primary contact for this loan. Steve is located in Dothan, AL (see business card enclosed) and handles lending to public bodies for the Bank in the states of Florida and Alabama. Steve has 20+ years of experience in Public Finance lending and has made numerous loans (in several states including Florida) to various types of public entities, including but not limited to, cities, counties/parishes, universities, school districts, and various other special municipal districts. Steve has been with Hancock Bank for 15+ years and he would be the primary "day to day contact person" for this loan.

Roxanne Reynolds would serve in a support role and is located at the Bank's "home office" in Gulfport, MS - her contact information is shown below. Roxanne serves as the *Public Finance Administrator* and would be available for day to day contact and support as well. Roxanne has been with Hancock Bank for 10 years.

Both Steve and Roxanne report to Jason Thomas, who is the Institutional Line of Business (and Public Finance Department) Manager. Jason is located at the Bank's home office in Gulfport, MS and would be available to the City as needed. Mr. Thomas has been with Hancock Bank for 15 years and has 15 years of Public Finance and Public Deposit Experience.

Collectively, Steve, Roxanne, and Mr. Thomas have 45+ years of experience in making loans to public entities.

** Steve Cole's contact information: (see attached business card)

** Roxanne Reynolds' contact information:
Roxanne Reynolds
Public Finance Administrator
Hancock Bank
One Hancock Plaza (street address)
2510 14th Street
Gulfport, Mississippi 39501
Phone (direct): 1-228-563-5708
Phone (toll free): 1-800-522-6542
Fax: 1-228-563-5721
E-mail: roxanne.reynolds@hancockbank.com

Roxanne's Mailing Address:
P. O. Box 4019
Gulfport, Mississippi 39502-4019

** Jason Thomas contact information:
Jason L. Thomas
Manager, Institutional Line of Business (ILOB)
P. O. Box 4019
Gulfport, Mississippi 39502-4019
Phone (direct): 1-228-563-5710

This proposal shall remain valid for a period of 90 days beyond January 23, 2014 provided the City's Governing Body accepts this proposal within 20 days from the date of this letter.

Yours very truly,

HANCOCK BANK

By: _____
Steven E. Cole
Senior Vice President
Public Finance Department

Accepted and Approved:

The Governing Body of the City of Sanibel has accepted this Financing Proposal from Hancock Bank and hereby selects Hancock Bank to finance the above referenced Project.

Approved and accepted: As of this the _____ day of _____ 2014.

_____
Mayor

Attest:

_____
Clerk

MASTER SEWER SYSTEM BOND RESOLUTION

RESOLUTION NO. 14-012

TABLE OF CONTENTS

Page

SECTION 1. Authority for this Resolution 1
SECTION 2. Definitions 1
SECTION 3. Findings 14
SECTION 4. Authorization of the Refunding of the Refunded Bonds 15
SECTION 5. This Resolution to Constitute Contract 15
SECTION 6. Authorization of Bonds 15
SECTION 7. Description of the Series 2014 Bonds 16
SECTION 8. Execution of Bonds 18
SECTION 9. Authentication of Bonds 18
SECTION 10. Exchange of Bonds 18
SECTION 11. Negotiability, Registration and Transfer of Bonds 18
SECTION 12. Ownership of Bonds 19
SECTION 13. Bonds Mutilated, Destroyed, Stolen or Lost 19
SECTION 14. Provisions for Redemption 20
SECTION 15. Form of Bonds 21
SECTION 16. Creation of Funds 26
SECTION 17. Application of Bond Proceeds 27
SECTION 18. Disbursements from Project Fund 27
SECTION 19. Special Obligations of Issuer 28
SECTION 20. Covenants of the Issuer 29
SECTION 21. Defaults; Events of Default and Remedies 40
SECTION 22. Amending and Supplementing of Resolution without Consent of Holders of Bonds 42
SECTION 23. Amendment of Resolution with Consent of Holders of Bonds 43
SECTION 24. Defeasance 44
SECTION 25. Governmental Reorganization 46
SECTION 26. Additional Utility Functions 46
SECTION 27. [RESERVED] 46
SECTION 28. Payments to Credit Facility 46

SECTION 29. Capital Appreciation Bonds 46
SECTION 30. Tax Covenants 47
SECTION 31. Bond Anticipation Notes Authorized for Interim Financing 48
SECTION 32. Additional Rights to Insurers 48
SECTION 33. Severability 48
SECTION 34. Sale of Bonds 48
SECTION 35. General Authority 48
SECTION 36. No Third Party Beneficiaries 49
SECTION 37. No Personal Liability 49
SECTION 38. Repeal of Inconsistent Instruments 50
SECTION 39. Effective Date 50

Exhibit A Term Sheet
Exhibit B Form of Purchaser's Certificate
Exhibit C Form of Disclosure Letter

RESOLUTION NO. 14-012

A RESOLUTION AMENDING AND RESTATING RESOLUTION NO. 93-115, AS AMENDED, IN ITS ENTIRETY; AUTHORIZING THE ISSUANCE OF NOT TO EXCEED $9,493,599 SEWER SYSTEM REFUNDING REVENUE BONDS, SERIES 2014 FOR THE PURPOSE OF REFUNDING CERTAIN OUTSTANDING DEBT OF THE CITY ATTRIBUTABLE TO THE SEWER SYSTEM AND PAYING COSTS RELATED THERETO; PLEDGING CERTAIN NET REVENUES OF THE SEWER SYSTEM FOR THE PAYMENT OF SUCH BONDS; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SUCH BONDS; MAKING OTHER COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; REPEALING OTHER INSTRUMENTS; AND PROVIDING FOR AN EFFECTIVE DATE.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SANIBEL, FLORIDA:

SECTION 1. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of Article VIII, Section 2 of the Constitution of the State of Florida, Chapter 159, Florida Statutes, Part I, Chapter 166, Part II, Florida Statutes, the municipal charter of the City of Sanibel, Florida (the "Issuer"), and other applicable provisions of law (collectively, the "Act").

SECTION 2. Definitions. Unless the context otherwise requires, the terms used in this Resolution shall have the meanings specified in this Section 2. Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

"Accreted Value" shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (the principal amount at its initial offering) plus the interest accrued on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Interest Date next preceding the date of computation or the date of computation if an Interest Date, such interest to accrue at a rate not exceeding the legal rate, compounded semiannually, plus, with respect to matters related to the payment upon redemption of the Capital Appreciation Bonds, if such date of computation shall not be an Interest Date, a portion of the difference between the Accreted Value as of the immediately preceding Interest Date and the Accreted Value as of the immediately succeeding Interest Date, calculated based on the assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a 360-day year.

"Acquired Obligations" shall mean cash, direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or

guarantee the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS, defeased municipal bonds rated AA by S&P or Aa by Moody's (or any combination thereof) or direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank, certificates of beneficial ownership of the Farmers Home Administration, obligations of the Federal Financing Bank, participation certificates of the General Services Administration, Guaranteed Title XI financings of the U.S. Maritime Administration and project notes of the U.S. Department of Housing and Urban Development.

With respect to any Series of Bonds, the definition of Acquired Obligations set forth above may be further limited as set forth in a Supplemental Resolution of the Issuer adopted prior to the issuance of such Bonds.

"Additional Parity Obligations" shall mean additional obligations issued or incurred in compliance with the terms, conditions and limitations contained herein and which (i) shall have a lien on the Pledged Revenues equal to that of the Outstanding Bonds, (ii) shall be payable from the Pledged Revenues on a parity with the Outstanding Bonds, and (iii) shall rank equally in all other respects with the Outstanding Bonds.

"Amortization Installment" shall mean an amount designated as such by Supplemental Resolution of the Issuer and established with respect to any Term Bonds.

"Average Annual Bond Service Requirement" shall mean, as of each date on which a Series of Bonds is issued, the total amount of Bond Service Requirement which is to become due on all Bonds deemed to be Outstanding immediately after the issuance of such Series of Bonds divided by the total number of years for which Bonds are deemed to be Outstanding, except that with respect to any Bonds for which Amortization Installments have been established, the amount of principal coming due on the final maturity date with respect to such Bonds shall be reduced by the aggregate principal amount of such Bonds that are to be redeemed from Amortization Installments to be made in prior Bond Years.

"Balloon Indebtedness" shall mean debt twenty-five percent (25%) or more of the original principal amount of which matures during any one Fiscal Year.

"Bond Anticipation Notes" shall mean notes described in Section 31 hereof of the Issuer issued in anticipation of any Series of Bonds and shall be secured by, amongst other things, a first lien on the proceeds of the Bonds for which such Bond Anticipation Notes were issued.

"Bond Counsel" shall mean Bryant Miller Olive P.A., or any other attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

"Bond Insurance Policy" shall mean the municipal bond new issue insurance policy or policies issued by an Insurer guaranteeing the scheduled payment of principal of and interest on any portion of such Series of Bonds when due as determined by Supplemental Resolution, if any.

"Bond Service Fund" shall mean the Bond Service Fund created and established pursuant to Section 16 of this Resolution.

"Bond Service Requirement" shall mean, for any Bond Year, at any time, the amount required to be deposited in such Bond Year into the Bond Service Fund, as provided herein including any Reimbursement Obligations (any interest shall not include interest to the extent it is to be paid from a direct subsidy payment expected to be received from the United States Treasury relating to Direct Subsidy Bonds issued pursuant to Section 54AA of the Code, or any other interest subsidy or similar payments made by the Federal government). In calculating such amount, the Issuer shall subtract therefrom any amounts to be transferred from the Project Fund for the purpose of paying interest on the Bonds. With respect to Variable Rate Bonds, the interest rate used to calculate the Bond Service Requirement shall be the higher of (i) the actual rate on the date of calculation, or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (ii) if the indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) if the indebtedness has been outstanding for twelve months or less, (1) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (2) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus fifty (50) basis points; provided, however, that for purposes of any rate covenant measuring actual debt service coverage during a test period, Variable Rate Bonds shall be deemed to bear interest at the actual rate per annum applicable during the test period. The Bond Service Requirement on debt that constitutes Balloon Indebtedness, whether bearing interest at a fixed interest rate or, Balloon Indebtedness that constitutes Variable Rate Bonds, shall be determined assuming it is amortized over 20 years on an approximately level annual debt service basis. If Bonds are Option Bonds, the date or dates of tender shall be disregarded, unless actually tendered and not remarketed, and the stated maturity dates thereof shall be used for purposes of this calculation.

"Bond Year" shall mean the period commencing on August 2 of the preceding year and ending twelve months later on August 1.

"Bonds" shall mean (i) the Series 2014 Bonds herein authorized to be issued, and (ii) any Additional Parity Obligations issued hereafter in accordance with the provisions hereof.

"Capital Appreciation Bonds" shall mean the aggregate principal amount of the Bonds that bear interest payable solely at maturity or upon redemption prior to maturity in the amounts determined by reference to the Accreted Value, all as shall be determined by

Supplemental Resolution of the Issuer. 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.

"Capital Appreciation Income Bonds" shall mean those Bonds initially issued as Capital Appreciation Bonds and which become Serial Bonds when the original issue amount and the Accreted Value equals $5,000 principal amount or an integral multiple thereof as determined by Supplemental Resolution of the Issuer.

"City Attorney" shall mean the City Attorney of the Issuer, or any assistant or deputy City Attorney of the Issuer.

"City Clerk" shall mean the City Clerk of the Issuer, or any assistant or deputy City Clerk of the Issuer.

"City Manager" shall mean the City Manager of the Issuer, or any assistant or deputy City Manager of the Issuer.

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

"Connection Fees" shall mean the charges imposed on those connecting to the Sewer System for the actual cost of physically connecting into the Sewer System.

"Consulting Engineers" shall mean one or more independent, qualified and recognized consulting engineers or firm of consulting engineers having favorable repute, skill and experience with respect to the planning and operation of the Sewer System who shall be retained from time to time by the Issuer.

"Contributions in Aid of Construction" shall mean any amount or item of money, services, or property received by the Issuer, any portion of which is provided at no cost to the Sewer System, which represents an addition or transfer to the capital of the Sewer System, and which is utilized to offset the acquisition, improvement or construction costs of the Sewer System.

"Cost of Operation and Maintenance" of the Sewer System shall mean the Issuer's then current expenses, paid or accrued, in the operation, maintenance and repair of the Sewer System, as calculated in accordance with generally accepted accounting principles, including, but not limited to, general administrative and indirect labor costs, personal services, contractual services, repairs and maintenance, and materials and supplies, but shall not include capital expenditures, any reserve for renewals and replacements, any allowance for depreciation, any Bond Service Requirement, any costs of issuance associated with a Series of Bonds, any payments in lieu of taxes, franchise fees or other transfers.

"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 other instrument or instruments that would enhance the credit of the Bonds.

"Credit Facility Issuer" or "Credit Facility Issuers" shall mean the provider or providers of a Credit Facility or Credit Facilities.

"Direct Subsidy Bonds" shall mean any taxable bonds issued by the Issuer pursuant to Section 54AA of the Code for which either (1) the Issuer receives direct subsidy payments in an amount equal to a percentage of the interest paid on such bond, or (2) the holder of such bond receives a tax credit in an amount equal to a percentage of the interest paid on such bond.

"Federal Securities" shall mean direct obligations of the United States of America and obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, none of which permit redemption prior to maturity at the option of the obligor. Federal Securities shall also include direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities and the interest component of Resolution Funding Corp. (REFCORP) strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form.

With respect to any Series of Bonds, the definition of Federal Securities set forth above may be further limited as set forth in a Supplemental Resolution of the Issuer adopted prior to the issuance of such Bonds.

"Finance Director" shall mean the Finance Director of the Issuer, or any assistant or deputy Finance Director of the Issuer.

"Financial Advisor" shall mean Dunlap & Associates, Inc., or any other financial advisor appointed from time to time by the Issuer.

"Fiscal Year" shall mean the period commencing on October 1 of each year and ending on the next succeeding September 30 or such other annual period as may be prescribed by law from time to time for the Issuer.

"Fitch" shall mean Fitch Ratings, and any assigns or successors thereto.

"Gross Revenues" or "Revenues" shall mean all income and earnings, including Connection Fees, received by the Issuer or accrued to the Issuer from the ownership, use or operation of the Sewer System and all parts thereof, including, without limitation, unencumbered, non-ad valorem special assessments not pledged for the repayment of, or as security for, any indebtedness of the Issuer, whether currently outstanding or hereafter issued, other than the Bonds and which are legally available to be used as contemplated hereunder, grant monies received by the Issuer as a result of ownership, use or operation of the Sewer System, proceeds from the sale or other disposition of the Sewer System or any part thereof

pursuant to the terms of Section 20(G) hereof, and shall also include investment income, if any, earned on any fund or account created pursuant to this Resolution, except the Rebate Fund, all as calculated in accordance with generally accepted accounting principles, and any payment received by the Issuer as contemplated in Section 27 hereof, but "Gross Revenues" or "Revenues" shall not include internal services charges from the centralized engineering group, any direct subsidy payments received from the United States Treasury relating to Direct Subsidy Bonds issued pursuant to Section 54AA of the Code or any other interest subsidy or similar payments made by the Federal government, non-ad valorem special assessments which are pledged for the repayment of, or as security for, any indebtedness of the Issuer, whether currently outstanding or hereafter issued, other than the Bonds, condemnation awards or proceeds of insurance received with respect to the Sewer System, Contributions in Aid of Construction, or unrealized gains or losses from investments.

"Holder" or "Bondholders" or any similar term shall mean any persons who shall be the registered owner of any outstanding Bonds.

"Insurer" shall mean, with respect to any Series of Bonds, such Person, as specifically designated by Supplemental Resolution, as shall be insuring or guaranteeing the scheduled payment of principal of and interest on such Series of Bonds, when due.

"Interest Account" shall mean the special account of the same name created within the Bond Service Fund.

"Interest Date" or "interest payment date" shall be such date or dates for the payment of interest on a Series of Bonds as shall be provided in Section 6 hereof.

"Issuer" shall mean the City of Sanibel, Florida.

"Maximum Bond Service Requirement" shall mean, as of any particular date of calculation, the greatest amount of aggregate Bond Service Requirement for the then current or any future Bond Year, except that with respect to any Bonds for which Amortization Installments have been established, the amount of principal coming due on the final maturity date with respect to such Bonds shall be reduced by the aggregate principal amount of such Bonds that are to be redeemed from Amortization Installments which were to be made in prior Bond Years.

"Mayor" shall mean the Mayor or the Vice Mayor of the Issuer.

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

"Net Revenues" of the Sewer System shall mean the Gross Revenues or Revenues, after deduction of the Cost of Operation and Maintenance.

"Option Bonds" shall mean Bonds subject to tender for payment prior to their maturity at the option of the Holder thereof.

"Original Purchaser" shall mean Hancock Bank.

"Outstanding" or "Bonds Outstanding" shall mean all Bonds which have been issued pursuant to this Resolution, except:

(i) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(ii) Bonds for the payment or redemption of which cash funds or Acquired Obligations or any combination thereof shall have been theretofore irrevocably set aside in a special account with an escrow agent (whether upon or prior to the maturity or redemption date of any such Bonds) in an amount which, together with earnings on such Acquired Obligations, will be sufficient to pay the principal of, interest on and any redemption premium with respect to such Bonds at maturity or upon their earlier redemption; provided that, if such Bonds are to be redeemed before the maturity thereof, notice of such redemption shall have been given according to the requirements of this Resolution or irrevocable instructions directing the timely publication of such notice and directing the payment of the principal of and interest on all such Bonds at such redemption dates shall have been given; and

(iii) Bonds which are deemed paid pursuant to this Resolution or in lieu of which other Bonds have been issued under Sections 11 and 13 hereof.

"Paying Agent" shall mean any paying agent for Bonds appointed by or pursuant to a Supplemental Resolution and its successors or assigns, and any other Person which may at any time be substituted in its place pursuant to a Supplemental Resolution. Once appointed, no resignation or removal of the Paying Agent shall become effective until a successor has been appointed and has accepted the duties of Paying Agent. Each of the Insurers of Bonds, if any, shall be furnished with written notice of the resignation or removal of the Paying Agent and the appointment of any successor thereto.

"Permitted Investments" shall mean any of the following if and to the extent the same are legal for investment under the laws of the State and those investments authorized by the Issuer's investment policy adopted by the City Council of the Issuer on October 16, 2010 pursuant to Ordinance No. 10-002, as amended:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation);

(2) Obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America, including:

U.S. Treasury obligations (including State and Local Government Series)

- All direct or fully guaranteed obligations
- Farmers Home Administration obligations
- General Services Administration obligations
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA) obligations;

(3) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHAs)
- Federal Housing Administration
- Federal Financing Bank;

(4) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of this Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other government sponsored agencies approved by the Insurer, or, if a Series of Bonds is uninsured, the holders of at least 51% of the uninsured Bonds;

(5) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P

and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating on the bank);

(6) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(7) Investments in a money market fund rated in the highest credit quality ratings from a nationally recognized rating agency;

(8) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow 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 specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(9) Municipal Obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P;

(10) the Local Government Surplus Funds Trust Fund created and established pursuant to Chapter 218, Part IV, Florida Statutes, as amended;

(11) Investment agreements approved in writing by the Insurer or, if a Series of Bonds is uninsured, the holders of at least 51% of the uninsured Bonds (supported by appropriate opinions of counsel); and

(12) Other forms of investments (including repurchase agreements) approved in writing by the Insurer or, if a Series of Bonds is uninsured, the holders of at least 51% of the uninsured Bonds.

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

"Pledged Revenues" shall mean (i) the Net Revenues of the Sewer System, and (ii) until applied in accordance with this Resolution, the moneys on deposit in the various funds and accounts created pursuant to this Resolution, except (A) as for the Rebate Fund, and (B) to the extent moneys on deposit in a subaccount of the Reserve Fund or the Project Fund shall be pledged solely for the payment of the Series of Bonds for which it was established in accordance with the provisions hereof.

"Principal Account" shall mean the special account of the same name created within the Bond Service Fund.

"Project" or "Projects" shall mean any actual, proposed or potential acquisition, addition, extension, supplement, or replacement of the Sewer System or joint ownership of similar properties or any interest therein or any right to use the capacity from any facilities or services thereof, or any other lawful purpose related to the Sewer System, all as determined by the Issuer and in accordance with plans and specifications on file or to be filed with the Issuer.

"Project Costs" shall mean all costs authorized to be paid from the Project Fund pursuant to Section 18 hereof to the extent permitted under the laws of the State. It is intended that this definition be broadly construed to encompass all costs, expenses and liabilities of the Issuer related to the Sewer System which on the date of this Resolution or in the future shall be permitted to be funded with the proceeds of any Series of Bonds pursuant to the laws of the State.

"Project Fund" shall mean the Project Fund created and established pursuant to Section 16 of this Resolution.

"Prudent Utility Practice" shall mean, in respect of any particular municipal utility industry, any of the practices, methods and acts which, in the exercise of reasonable judgment, in light of the facts, including but not limited to the practices, methods and acts engaged in or approved by a significant portion of such utility industry prior thereto, known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather is a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition.

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

time to time be retained by the Issuer to perform the acts and carry out the duties herein provided for such consultants.

"Rebate Amount" means the excess of the future value, as of a computation date, of all receipts on nonpurpose investments (as defined in Section 1.148-1(b) of the Income Tax Regulations) over the future value, as of that date, of all payments on nonpurpose investments, all as provided by regulations under the Code implementing Section 148 thereof.

"Rebate Fund" shall mean the City of Sanibel Sewer System Revenue Bonds Rebate Fund established pursuant to Section 30 hereof.

"Rebate Year" shall mean, with respect to a particular Series of Bonds issued hereunder, a one-year period (or shorter period from the date of issue) that ends at the close of business on the day in the calendar year selected by the Issuer as the last day of a Rebate Year. The final Rebate Year with respect to a particular Series of Bonds issued hereunder, however, shall end on the date of final maturity of that Series of Bonds.

"Record Date" shall mean each date that is on the 15th day of the calendar month immediately preceding an interest payment date on the Bonds.

"Redemption Account" shall mean the special account of the same name created within the Bond Service Fund.

"Refunded Bonds" shall mean, collectively, all or a portion of the Issuer's Sewer Utility Revenue Refunding Bonds, Series 2003, and the State Revolving Fund Loan Agreement #8358080 between the Issuer and the Florida Department of Environmental Protection.

"Refunding Bonds" shall mean that amount of any Series of Bonds, the proceeds of which will be applied to the refunding of any previously issued Bonds.

"Registrar" shall mean any registrar for the Bonds appointed by or pursuant to Supplemental Resolution and its successors and assigns, and any other Person which may at any time be substituted in its place pursuant to Supplemental Resolution. Once appointed, no resignation or removal of the Registrar shall become effective until a successor has been appointed and has accepted the duties of Registrar. The Insurers of Bonds shall be furnished with written notice of the resignation or removal of the Registrar and the appointment of any successor thereto. Initially, the City Clerk is appointed as Registrar and Paying Agent for the Bonds.

"Reimbursement Obligation" shall have the meaning set forth in Section 28 hereof.

"Reserve Fund" shall mean the Reserve Fund created and established pursuant to Section 16 of this Resolution.

"Reserve Fund Insurance Policy" shall mean an insurance policy or surety bond deposited in the Reserve Fund in lieu of or in substitution for cash on deposit therein pursuant to Section 20(B)(3) hereof.

"Reserve Fund Letter of Credit" shall mean an unconditional irrevocable letter of credit or line of credit (other than a Reserve Fund Insurance Policy) deposited in the Reserve Fund in lieu of or in substitution for cash on deposit therein pursuant to Section 20(B)(3) hereof.

"Reserve Requirement" shall be the lesser of (i) the Maximum Bond Service Requirement with respect to Bonds secured by the Reserve Fund and/or any subaccount created therein, (ii) one hundred twenty-five percent (125%) of the Average Annual Bond Service Requirement with respect to Bonds secured by the Reserve Fund and/or any subaccount created therein, or (iii) the largest amount as shall not adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes with respect to Bonds secured by the Reserve Fund and/or any subaccount created therein; provided, however, the Issuer may establish by Supplemental Resolution a different Reserve Requirement or no Reserve Requirement at all for a Series of Bonds. For the Series 2014 Bonds authorized herein, the Reserve Requirement shall equal $0.00 and the Series 2014 Bonds shall not be secured by the Reserve Fund or any account therein.

"Resolution" shall mean this Resolution, as from time to time may be amended or supplemented by Supplemental Resolution, in accordance with the terms hereof.

"Revenue Fund" shall mean the Revenue Fund created and established pursuant to Section 16 of this Resolution.

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

"Series" or "Series of Bonds" or "Bonds of a Series" shall mean all Bonds designated as being of the same Series issued and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter delivered in lieu thereof or in substitution therefor pursuant to this Resolution.

"Series 2014 Bonds" shall mean the Issuer's Sewer System Refunding Revenue Bonds, Series 2014. References to "2014" may be changed if the Series 2014 Bonds are not issued in calendar year 2014 to reflect the calendar year of issuance.

"Sewer System" shall mean the complete sewer and wastewater system now owned, operated and maintained by the Issuer and which the Issuer is, or shall be responsible for maintaining, together with any and all acquisitions, improvements, extensions and additions thereto, hereafter constructed or acquired, 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 (including agreements for the providing of such services), now or hereafter constructed and/or owned or used in connection therewith. Upon compliance

with the provisions of Section 26 hereof, the term "Sewer System" may be deemed to include other utility functions added to the Sewer System, including, but not limited to a stormwater system, the acquisition, distribution and sale of natural gas, the providing of electricity, the providing of cable television services, the providing of telecommunication services or other utility functions that are authorized from time to time pursuant to the Act. Notwithstanding the foregoing definition of the term Sewer System, subject to satisfaction of the requirements in Section 20(G) hereof, such term shall not include any properties or interest in properties of the Issuer which the Issuer determines shall not constitute a part of the Sewer System for the purpose of this Resolution.

"State" shall mean the State of Florida.

"Standard & Poor's" or "Standard & Poor's Corporation" or "S&P" shall mean Standard and Poor's Ratings Group and any assigns and successors thereto.

"Subordinated Debt" shall mean any obligations payable on a junior, inferior and subordinate basis under Section 20(P) hereof. "Subordinated Debt" shall include, but shall not be limited to, (i) Subordinated Contract Obligations, (ii) Reimbursement Obligations, and (iii) any other obligations payable from any of the Pledged Revenues on a junior, inferior and subordinate basis to the Bonds, including the Subordinated SRF Loans.

"Subordinated Debt Service Fund" shall mean the Subordinated Debt Service Fund created and established pursuant to Section 16 of this Resolution.

"Subordinated SRF Loans" shall mean, collectively, the (i) State of Florida Loan Agreement #835090 in the outstanding amount of approximately $2,796,598.86; (ii) State of Florida Loan Agreement #WWWG83510 in the outstanding amount of approximately $4,662,476.22; (iii) State of Florida Loan Agreement # WWW83511 in the outstanding amount of approximately $3,397,944.64; and (iv) State of Florida Loan Agreement # WWW83512S in the outstanding amount of approximately $5,193,890.71 (all amounts outstanding as of September 30, 2013).

"Supplemental Resolution" shall mean any resolution of the Issuer amending or supplementing this Resolution enacted and becoming effective in accordance with the terms of Sections 22 and 23 hereof.

"Taxable Bond" shall mean any Bond which states, in the body thereof, that the interest income thereon is includable in the gross income of the Holder thereof for federal income tax purposes or that such interest is subject to federal income taxation.

"Term Bonds" shall mean the Bonds other than Serial Bonds which shall be stated to mature on one date, and shall have such Amortization Installments, as shall be determined by Supplemental Resolution of the Issuer.

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

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

Words importing the masculine gender include every other gender. Words importing the singular number include the plural number, and vice versa.

SECTION 3. Findings. It is hereby ascertained, determined and declared that:

(A) The Issuer currently owns, operates and maintains the Sewer System and derives certain revenue from rates, fees, rentals and other charges made and collected for the services of such Sewer System, which revenues are not now pledged or encumbered in any manner, except, pursuant to Resolution No. 93-115, in favor of the Refunded Bonds which are to be defeased or refunded with proceeds of the Series 2014 Bonds and the Subordinated SRF Loans. This Resolution amends and restates Resolution No. 93-115, as amended, in its entirety.

(B) In order to achieve debt service savings with respect to the Refunded Bonds and to revise certain bond covenants, promote rate relief through debt restructuring and reduction of gross debt service in the near term, the Issuer finds, determines and declares that it is necessary for the continued preservation of the health, welfare, convenience and safety of the Issuer, its citizens and other users of the Sewer System for the Issuer to provide for the issuance of the Series 2014 Bonds in an aggregate principal amount not to exceed $9,493,599 the proceeds of which will be used to defease and/or refund the Refunded Bonds.

(C) The costs associated with issuance of the Series 2014 Bond shall be deemed to include, but not limited to, legal and financial advisory fees and expenses, fiscal expenses, underwriting fees and expenses, expenses for estimates of costs and of revenues, accounting expenses, escrow and verification fees and expenses and such other fees and expenses as may be necessary or incidental for the financing herein authorized.

(D) Any Series of Bonds, after the issuance of the Series 2014 Bonds, shall be issued upon approval by Supplemental Resolution of the Issuer and compliance with the terms hereof. The proceeds of any Series of Bonds shall be applied as provided in a Supplemental Resolution.

(E) The principal of and interest and redemption premium on the Series 2014 Bonds and all reserve and other payments contemplated hereunder, if any, shall be payable solely from the Pledged Revenues. The Issuer shall never be required to levy ad valorem taxes on any real or personal property therein to pay the principal of and interest on the Bonds herein authorized or to make any other payments provided for herein. The Bonds shall not constitute

a lien upon any properties owned by or located within the boundaries of the Issuer or upon any property other than the Pledged Revenues.

(F) The Pledged Revenues will be sufficient to pay all principal of and interest and redemption premium on the Series 2014 Bonds to be issued hereunder, as the same become due, and to make all required deposits or payments required by this Resolution.

SECTION 4. Authorization of the Refunding of the Refunded Bonds. The refunding of the Refunded Bonds is hereby authorized.

SECTION 5. This Resolution to Constitute 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 Issuer and such Holders. The covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the legal Holders of any and all of the 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 therein and herein.

SECTION 6. Authorization of Bonds. Subject and pursuant to the provisions hereof, obligations of the Issuer to be known as "Sewer System [Refunding] Revenue Bonds" which may be issued from time to time are hereby authorized to be issued. The aggregate principal amount of the Bonds which may be executed and delivered under this Resolution is not limited except as is or may hereafter be provided in this Resolution or as limited by the Act or by law.

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

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

The Bonds shall be issued in such denominations and such form, whether coupon or registered; shall be dated such date; shall bear such numbers; shall be payable at such place or places; shall contain such redemption provisions; shall have such Paying Agents and Registrars; shall mature in such years and amounts; and the proceeds shall be used in such manner; all as determined by Supplemental Resolution of the Issuer, and, in the case of the Series 2014 Bonds, by Section 7 hereof. The Issuer may issue Bonds which may be secured by a Credit Facility or by a Bond Insurance Policy all as shall be determined by Supplemental Resolution of the Issuer.

SECTION 7. Description of the Series 2014 Bonds.

(A) The Series 2014 Bonds are hereby authorized to be issued in the aggregate principal amount of not to exceed $9,493,599 for the purpose of providing funds to refund the Refunded Bonds and paying the costs of issuing the Series 2014 Bonds. Because of the characteristics of the Series 2014 Bonds and the Refunded Bonds, prevailing market conditions, and additional savings to be realized from an expeditious sale of the Series 2014 Bonds, it is in the best interest of the Issuer to accept the offer of the Original Purchaser to purchase the Series 2014 Bonds at a private negotiated sale in accordance with the term sheet of the Original Purchaser attached hereto as Exhibit A (the "Term Sheet").

Prior to the issuance of the Series 2014 Bonds, the Issuer shall receive from the Original Purchaser a Purchaser's Certificate, in substantially the form attached hereto as Exhibit B and the Disclosure Letter containing the information required by Section 218.385, Florida Statutes, in substantially the form attached hereto as Exhibit C.

(B) Application of Series 2014 Bond Proceeds. The proceeds, including any accrued interest received from the sale of the Series 2014 Bonds, shall be applied by the Issuer as follows:

(1) Accrued interest, if any, shall be deposited in the Interest Account in the Bond Service Fund, and shall be used only for the purpose of paying interest becoming due on the Series 2014 Bonds.

(2) The Issuer shall pay all costs and expenses in connection with the preparation, issuance and sale of the Series 2014 Bonds.

(3) A sum which, together with other legally available funds of the Issuer, if any, is equal to the principal of and interest and redemption premiums, if any, on the Refunded Bonds to be redeemed and prepaid simultaneously with the issuance of the Series 2014 Bonds, shall be transferred to the Paying Agent or Holders of the Refunded Bonds and be used to redeem the Refunded Bonds.

Simultaneous with the delivery of the Series 2014 Bonds, the City is authorized to transfer or cause to be transferred to the Paying Agent or Holders of the Refunded Bonds, moneys, if any, accumulated in any sinking and/or reserve funds which were intended to be used to pay debt service on the Refunded Bonds.

The Issuer hereby ratifies issuance of the redemption notice for the Refunded Bonds for early redemption at a redemption price of 100% of the principal amount of such Refunded Bonds to be redeemed, plus accrued interest thereof to the redemption date.

(C) Reserve Fund. The Issuer hereby determines that the Reserve Requirement for the Series 2014 Bonds shall be $0.00.

(D) Redemption. The Series 2014 Bonds may be redeemed in whole on any date with 10 days advance written notice to the Holder thereof without prepayment penalty. The Series 2014 Bonds may be redeemed on any principal payment date with 10 days advance written notice to the Holder thereof without prepayment penalty, provided that the City pays all accrued interest accrued to the date of prepayment and provided further that the principal amount of Series 2014 Bonds that remains outstanding following any redemption is a multiple of $1,000. Principal payments shall be applied to the latest principal installments, in inverse order of maturity.

(E) Adjustments To Series 2014 Bonds Interest Rate In Certain Events.

For the Series 2014 Bonds, in the event of a Determination of Taxability, the interest rate payable hereunder shall be subject to a full gross-up modification, as determined by the Holder and its counsel (the "Taxable Rate"), effective retroactively to the date on which such Determination of Taxability was made. In addition, upon a Determination of Taxability, the Issuer agrees to pay to the Holder subject to such Determination of Taxability the Additional Amount upon demand. "Additional Amount" means (i) the difference between (a) interest on the Series 2014 Bond for the period commencing on the date on which the interest on the Series 2014 Bond ceased to be excludable from gross income for federal income tax purposes and ending on the earlier of the date the Series 2014 Bond ceased to be outstanding or such adjustment is no longer applicable to the Series 2014 Bond (the "Taxable Period") at a rate per annum equal to the Taxable Rate, and (b) the aggregate amount of interest paid on this Bond for the Taxable Period under the provisions of this Bond without considering the Determination of Taxability, plus (ii) any penalties and interest paid or payable by such Holder to the Internal Revenue Service by reason of such Determination of Taxability. As used herein, "Determination of Taxability" means a final decree or judgment of any federal court or a final action of the Internal Revenue Service or of the United States Treasury Department determining that any interest payable on this Bond is includable in the gross income of the Holder. No such decree or action shall be considered final for the purposes of this paragraph unless the Issuer has been given written notice thereof and, if it is so desired by the Issuer and is legally permissible, the Issuer has been afforded the opportunity to contest the same, at its own expense, either directly or in the name of the Holder and until the conclusion of any appellate review, if sought.

(F) Interest Rate and Calculation. The Series 2014 Bonds shall bear interest at the annual rate of 1.43% computed on a 30-day month/360 day year basis.

(G) Principal Payment. For the Series 2014 Bonds, Payments of Principal shall occur semi-annually on February 1 and August 1 each year commencing August 1, 2014. The final maturity date is August 1, 2021.

(H) Default Rate. For the Series 2014 Bonds, during the period in which an Event of Default shall have occurred or be continuing hereunder, the Series 2014 Bond shall bear interest at a rate of five percent (5.0%) in excess of the rate otherwise borne by the Series 2014 Bond

immediately prior to the occurrence of such Event of Default; however, in no event shall the interest rate of the Series 2014 Bond exceed the maximum rate permitted under Florida law. In addition, upon an Event of Default, the City would reimburse the Holder (or its agent, e.g., receiver, trustee, etc.) for all reasonable legal and collection costs to exercise its remedies or collect its payments hereunder.

SECTION 8. Execution of Bonds. The Bonds in the form included in Section 15 of this Resolution shall be signed by, or bear the facsimile signature of the Mayor, shall be attested by or bear the facsimile signature of the City Clerk and shall be approved as to form and correctness by the City Attorney, and a facsimile of the official seal of the Issuer shall be imprinted on the Bonds.

In case any officer whose signature or a facsimile of whose signature shall appear on any Bonds shall cease to be such officer before the delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if such Person remained in office until such delivery. Any Bond may bear the facsimile signature of or may be signed by such persons who, at the actual time of the execution of such Bond, shall be the proper officers to sign such Bonds although, at the date of such Bond, such persons may not have been such officers.

SECTION 9. Authentication of Bonds. Only such of the Bonds as shall have endorsed thereon a certificate of authentication substantially in the form hereinbelow set forth, duly executed by the Registrar, as authenticating agent, shall be entitled to any benefit or security under this Resolution. No Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Registrar, and such certificate of the Registrar upon any such Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Resolution. The Registrar's certificate of authentication on any Bond shall be deemed to have been duly executed if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the certificate of authentication of all of the Bonds that may be issued hereunder at any one time.

SECTION 10. Exchange of Bonds. Any Bonds, upon surrender thereof at the designated office of the Registrar, together with an assignment duly executed by the Bondholder or his attorney or legal representative in such form as shall be satisfactory to the Registrar, may, at the option of the Bondholder, be exchanged for an aggregate principal amount of Bonds of the same Series equal to the principal amount of the Bond or Bonds so surrendered.

The Registrar shall make provision for the exchange of Bonds at the designated office of the Registrar.

SECTION 11. Negotiability, Registration and Transfer of Bonds. The Registrar shall keep books for the registration of and for the registration of transfers of Bonds as provided in this Resolution. The transfer of any Bonds may be registered only upon such books and only

upon surrender thereof to the Registrar together with an assignment duly executed by the Bondholder or his attorney or legal representative in such form as shall be satisfactory to the Registrar. Upon any such registration of transfer, the Issuer shall execute and the Registrar shall authenticate and deliver in exchange for such Bond, a new Bond or Bonds registered in the name of the transferee, and in an aggregate principal amount equal to the principal amount of such Bond or Bonds so surrendered and of the same Series.

In all cases in which Bonds shall be exchanged, the Issuer shall execute and the Registrar shall authenticate and deliver, at the earliest practicable time, a new Bond or Bonds of the same type (e.g., Serial Bonds will be exchanged for Serial Bonds and Capital Appreciation Bonds will be exchanged for Capital Appreciation Bonds) and of the same Series in accordance with the provisions of this Resolution. All Bonds surrendered in any such exchange or registration of transfer shall forthwith be canceled by the Registrar. The Issuer or the Registrar may make a charge for every such exchange or registration of transfer of Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge shall be made to any Bondholder for the privilege of exchanging or registering the transfer of Bonds under the provisions of this Resolution. Neither the Issuer nor the Registrar shall be required to make any such exchange, registration or transfer of Bonds after the Record Date.

SECTION 12. Ownership of Bonds. The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or redemption price of any such Bond, and the interest on any such Bonds shall be made only to or upon the order of the registered owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond including the premium, if any, and interest thereon to the extent of the sum or sums so paid.

SECTION 13. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated, or be destroyed, stolen or lost, the Issuer may, in its discretion, cause to be executed, and the Registrar shall authenticate and deliver, a new Bond of like date and tenor as the Bond so mutilated, destroyed, stolen or lost (e.g., Serial Bonds shall be issued in exchange for Serial Bonds and Capital Appreciation Bonds shall be issued in exchange for Capital Appreciation Bonds) in exchange and substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder furnishing the Issuer and the Registrar proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer and the Registrar may prescribe and paying such expenses as the Issuer and the Registrar may incur. All Bonds so surrendered shall be canceled by the Issuer. If any of the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this Section 13 shall constitute original, additional contractual obligations on the part of the Issuer 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 from the funds, as hereinafter pledged, to the same extent as all other Bonds issued hereunder.

SECTION 14. Provisions for Redemption. The Bonds shall be subject to redemption prior to their maturity, at the option of the Issuer, at such times and in such manner as shall be fixed by Supplemental Resolution of the Issuer prior to or at the time of sale of such Bonds. The provisions of this Section may be modified as to any Series of Bonds by Supplemental Resolution adopted prior to the issuance thereof.

Unless otherwise provided herein or by Supplemental Resolution, notice of such redemption shall, at least thirty (30) days prior to the redemption date, be filed with the Registrar, and mailed by the Registrar on behalf of the Issuer, first class mail, postage prepaid, to all Holders of Bonds to be redeemed at their addresses as they appear on the registration books hereinbefore provided for on the Record Date, but failure to mail such notice to one or more Holders of such Bonds, or any defect therein, shall not affect the validity of the proceedings for such redemption with respect to Holders of Bonds to which notice was duly mailed hereunder and no defect occurred. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of such Bonds, of one maturity are to be called, the distinctive numbers of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed.

Any notice of optional redemption given pursuant to this Section 14 may state that it is conditional upon receipt by the Paying Agent of moneys sufficient to pay the redemption price, plus interest accrued to the redemption date, or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price and accrued interest if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Paying Agent to affected Holders of such Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event.

Official notice of redemption having been given as aforesaid, such Bonds or portions of Bonds to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the redemption price. Each check or other transfer of funds issued by the Registrar for the purpose of the payment of the redemption price of Bonds being redeemed shall bear the CUSIP number identifying, by issue and maturity, such Bonds being redeemed with the proceeds of such check or other transfer. Installments of interest due

on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any such Bond, there shall be prepared for the Holder a new Bond or Bonds of the same maturity in the amount of the unpaid principal of such partially redeemed Bond. All such Bonds which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued.

SECTION 15. Form of Bonds. The text of the Bonds, together with the certificate of authentication to be endorsed therein, shall be in substantially the following form, with such omissions, insertions and variations as may be necessary, desirable, authorized or permitted by this Resolution or by any Supplemental Resolution adopted prior to the issuance of a Series of Bonds, or as may be necessary if such Bonds or a portion thereof are issued as Capital Appreciation Bonds, Capital Appreciation Income Bonds, Option Bonds, Variable Rate Bonds, or as may be necessary to comply with applicable laws, rules and regulations of the United States and of the State in effect upon the issuance thereof.

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[FORM OF BOND]

No. R-____ $_____

UNITED STATES OF AMERICA
STATE OF FLORIDA
COUNTY OF LEE
CITY OF SANIBEL
SEWER SYSTEM REFUNDING REVENUE BONDS, SERIES 2014

MATURITY DATE: INTEREST RATE: DATED DATE: CUSIP:

Registered Owner:

Principal Amount:

The City of Sanibel, Florida (hereinafter called the "Issuer") for value received, hereby promises to pay to the order of the Registered Owner identified above or registered assigns, as herein provided, on the Maturity Date identified above subject to the earlier redemption provisions herein, upon the presentation and surrender hereof [or, if a single holder, upon the due date without presentation or surrender] at the designated office of _____, _____, Florida, as Paying Agent hereof, from the sources hereinafter mentioned, the Principal Amount identified above in any coin or currency of the United States of America which on the date of payment thereof is legal tender for the payment of public and private debts, and to pay, solely from said sources, to the Registered Owner hereof by wire transfer or check transmitted to the Registered Owner at his address as it appears on the Bond registration books of the Issuer as it appears on the 15th day of the calendar month preceding the applicable interest payment date, interest on said Principal Amount at the Interest Rate per annum identified above on each _____ 1 and _____ 1 commencing _____ 1, _____ from the interest payment date next preceding the date of registration and authentication of this Bond, unless this Bond is registered and authenticated as of an interest payment date, in which case it shall bear interest from said interest payment date, or unless this Bond is registered and authenticated prior to _____, _____, in which event this Bond shall bear interest from _____, ____.

[Insert Optional and/or Mandatory Redemption Provisions]

Notice of such redemption shall be given in the manner required by the Resolution (as defined below).

This Bond is one of an authorized issue of Bonds in the aggregate principal amount of $_____ of like date, tenor and effect, except as to number, principal amount, maturity, redemption provisions and interest rate, issued to _____, all in full compliance

with Article VIII, Section 2 of the Constitution of the State of Florida, Chapter 159, Part I, Florida Statutes, Chapter 166, Part II, Florida Statutes, the municipal charter of the City of Sanibel, Florida, and other applicable provisions of law and Resolution No. 14-012 duly adopted by the Issuer on _____, 2014, as amended and supplemented (the "Resolution") and is subject to all the terms and conditions of such Resolution. All capitalized undefined terms used herein shall have the meaning set forth in the Resolution.

[On parity and equal status with the _____, this] This Bond is payable solely from and secured by a pledge of the Net Revenues of the Sewer System levied and collected by the Issuer, and the moneys in certain funds and accounts created pursuant to the Resolution (collectively, the "Pledged Revenues") in the manner and to the extent provided in the Resolution. Reference is made to the Resolution for more complete definition and description of the Sewer System and the Pledged Revenues.

This Bond does not constitute a general indebtedness of the Issuer within the meaning of any constitutional, statutory or charter provision or limitation, and it is expressly agreed by the Holder of this Bond that such Bondholder shall never have the right to require or compel the exercise of the ad valorem taxing power of the Issuer or taxation of any real or personal property therein for the payment of the principal of and interest on this Bond or the making of any debt service fund, reserve or other payments provided for in the Resolution.

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

Net Revenues will not be reduced so as to render them insufficient to provide revenues for the purposes provided therefor by the Resolution.

The Issuer has entered into certain covenants with the Holders of the Bonds of this issue for the terms of which reference is made to the Resolution.

It is certified that this Bond is authorized by and is issued in conformity with the requirements of the Constitution and Statutes of the State of Florida.

This Bond is and has all the qualities and incidents of a negotiable instrument under Article 8 of the Uniform Commercial Code, the State of Florida, Chapter 678, Florida Statutes, as amended.

The transfer of this Bond is registrable by the Bondholder hereof in person or by his attorney or legal representative at the designated office of the Registrar but only in the manner and subject to the conditions provided in the Resolution and upon surrender and cancellation of this Bond.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Resolution until it shall have been authenticated by the execution by the Registrar of the certificate of authentication endorsed hereon.

IN WITNESS WHEREOF, said City of Sanibel, Florida, by resolution duly adopted by its City Council, has caused this Bond to bear the signatures of its Mayor, to be attested by the signature of its City Clerk, to be approved by the City Attorney, and a facsimile of the official seal of the Issuer to be affixed, impressed, imprinted, lithographed or reproduced hereon, all as of the _____ day of _____, 20__.

(SEAL)

CITY OF SANIBEL, FLORIDA

_____

Kevin Ruane, Mayor

ATTEST:

APPROVED AS TO FORM AND CORRECTNESS:

_____

Pamela Smith, City Clerk

_____

Kenneth Cuyler, City Attorney

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds issued under the provisions of the within mentioned Resolution.

Date of Authentication:

_____

_____

Registrar, as Authenticating Agent

By:_____

Authorized Officer

{25091/006/00839919.DOCv6}

ASSIGNMENT AND TRANSFER

For value received the undersigned hereby sells, assigns and transfers unto _____ _____(Please insert Social Security or other identifying number of transferee) _____ _____ the attached bond of the City of Sanibel, Florida, and does hereby constitute and appoint, _____, attorney, to transfer the said Bond on the books kept for Registration thereof, with full power of substitution in the premises.

Date: _____ _____

Signature Guaranteed by _____
[member firm of the New York Stock Exchange or a commercial bank or a trust company]

By: ___(manual or facsimile)_____
Authorized Officer

_____

NOTICE: No transfer will be registered and no new Bonds will be issued in the name of the transferee, unless the signature to this assignment corresponds with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever and the Social Security or Federal Employer Identification Number of the transferee is supplied.

[END OF FORM OF BOND]

SECTION 16. Creation of Funds. There are hereby created and established the following funds and accounts, which funds and accounts shall be trust funds held by the Finance Director for the purposes herein provided and used only in the manner herein provided:

(A) The "City of Sanibel Sewer System Revenue Fund" (hereinafter sometimes called the "Revenue Fund") to be held by the Issuer and to the credit of which deposits of Gross Revenues shall be made as required by Section 20(A) hereof.

(B) The "City of Sanibel Sewer System Bond Service Fund" (hereinafter sometimes called the "Bond Service Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 20(B)(2) hereof. In such fund there shall be maintained the following accounts: the Principal Account, the Interest Account and the Redemption Account.

(C) The "City of Sanibel Sewer System Reserve Fund" (hereinafter sometimes called the "Reserve Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 20(B)(3) hereof. In such Fund, there may hereafter be established subaccounts pursuant to Supplemental Resolution.

(D) The "City of Sanibel Sewer System Subordinated Debt Service Fund" (hereinafter sometimes called the "Subordinated Debt Service Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 20(B)(4) hereof.

(E) The "City of Sanibel Sewer System Project Fund" (hereinafter sometimes called the "Project Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 17 hereof. Within such fund there shall be created, established and maintained separate accounts for each Series of Bonds.

(F) The "City of Sanibel Sewer System Surplus Fund" (hereinafter sometimes called the "Surplus Fund") to be held by the Issuer and to the credit of which deposits may be made as required by Section 20(B)(5) hereof.

The Revenue Fund, the Bond Service Fund (including the accounts therein), the Reserve Fund (including any subaccounts therein), the Project Fund, the Surplus Fund and any other special funds herein established and created shall be deemed to be held in trust for the purposes provided herein for such funds. The money in all such funds shall be continuously secured in the same manner as state and municipal deposits are authorized to be secured by the laws of the State of Florida.

Notwithstanding anything herein to the contrary, the cash required to be accounted for in each of the funds and accounts described in this Section 16 may be deposited in a single bank account, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the cash on deposit therein for the various purposes of such funds and accounts as herein and therein provided. The designation and establishment of the various

funds in and by this Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues and assets of the Sewer System for certain purposes and to establish certain priorities for application of such revenues and assets as herein provided.

The Issuer may at any time and from time to time appoint one or more depositaries to hold, for the benefit of the Bondholders, any one or more of the funds, accounts and subaccounts established hereby. Such depository or depositaries shall perform at the direction of the Issuer the duties of the Issuer in depositing, transferring and disbursing moneys to and from each of such funds and accounts as herein set forth, and all records of such depositary in performing such duties shall be open at all reasonable times to inspection by the Issuer and its agent and employees. Any such depositary shall be a bank or trust company duly authorized to exercise corporate trust powers and subject to examination by federal or state authority, of good standing, and having a combined capital, surplus and undivided profits aggregating not less than ten million dollars ($10,000,000).

SECTION 17. Application of Bond Proceeds. The proceeds, including accrued interest and premium, if any, received from the sale of a Series of Bonds shall be applied by the Issuer simultaneously with the delivery of such Series of the Bonds to the purchaser thereof, as provided herein with respect to the Series 2014 Bonds or in a Supplemental Resolution adopted at or prior to sale of such Series of the Bonds.

SECTION 18. Disbursements from Project Fund. Moneys on deposit from time to time in the Project Fund shall be used to pay or reimburse the following Project Costs:

(A) Costs incurred directly or indirectly for or in connection with a Project or a proposed or future Project or acquisition including, but not limited to, those for preliminary planning and studies, architectural, construction management services, legal, financial, engineering and supervisory services, labor, services, materials, equipment, accounts receivable, acquisitions, land, rights-of-way, improvements and installation;

(B) Premiums attributable to all insurance required to be taken out and maintained during the period of construction with respect to a Project to be acquired or constructed, the premium on each surety bond, if any, required with respect to work on such facilities, and taxes, assessments and other charges hereof that may become payable during the period of construction with respect to such a Project;

(C) Costs incurred directly or indirectly in seeking to enforce any remedy against a contractor or subcontractor in respect of any default under a contract relating to a Project or costs incurred directly or indirectly in defending any claim by a contractor or subcontractor with respect to a Project;

(D) Financial, legal, accounting, appraisals, title evidence and printing and engraving fees, charges and expenses, and all other such fees, charges and expenses incurred in connection with the authorization, sale, issuance and delivery of such Series of Bonds;

(E) Capitalized interest funded from Bond proceeds, if any, for a reasonable period of time;

(F) Any other incidental and necessary costs including without limitation any expenses, fees and charges relating to the acquisition, construction or installation of a Project, and the making of extraordinary repairs, renewals and replacements, decommissioning or retirement of any portion of the Sewer System, including the cost of temporary employees of the Issuer retained to carry out duties in connection with the acquisition, construction or erection of a Project and costs related to transition of such Project into ownership by the Issuer;

(G) Costs incurred directly or indirectly in placing any Project in operation in order that completion of such Project may occur;

(H) Costs of acquiring an existing Sewer System from a Person, including but not limited to the costs relating to any real estate transaction related thereto;

(I) Any other costs relating to the Sewer System authorized pursuant to a Supplemental Resolution of the Issuer and permitted under the laws of the State subject to the prior written approval of Bond Counsel; and

(J) Reimbursements to the Issuer for any of the above items hereinbefore paid by or on behalf of the Issuer, to the extent deemed permissible by Bond Counsel and advisable by the Financial Advisor.

Notwithstanding anything else in this Resolution to the contrary, in the Event of Default, the trustee acting for the Holders of Bonds shall, to the extent there are no other available funds held hereunder, use the remaining funds in each subaccount in the Project Fund to pay principal and interest on the Series of Bonds to which it was established.

SECTION 19. Special Obligations of Issuer. The Bonds shall not be or constitute general obligations or indebtedness of the Issuer as "bonds" within the meaning of the Constitution of the State, but shall be payable solely from and secured by a senior lien upon and a pledge of the Pledged Revenues as herein provided. 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 Issuer or taxation in any form of any real or personal property therein, or to compel the Issuer to pay such principal and interest from any other funds of the Issuer.

The payment of principal of and interest on the Bonds shall be secured forthwith equally and ratably by, and the Issuer hereby grants to the Bondholders an irrevocable lien on the Pledged Revenues, prior and superior to all other liens or encumbrances on such Pledged

Revenues and the Issuer does hereby irrevocably pledge such Pledged Revenues to the payment of the principal of, redemption premium, if any, and interest on the Bonds, for the reserves therefor and for all other payments required hereunder. Such amounts hereby pledged and assigned shall immediately be subject to the lien of this pledge without any further physical delivery thereof or any further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer, irrespective of whether such parties have notice thereof.

SECTION 20. Covenants of the Issuer. For so long as any of the principal of and interest on any of the Bonds shall be outstanding and unpaid or until the Issuer has made provision for payment of principal, interest and redemption premiums, if any, with respect to the Bonds, as provided herein, the Issuer covenants with the Holders of any and all Bonds as follows:

(A) REVENUE FUND. All Gross Revenues of the Sewer System and any direct subsidy payments received from the United States Treasury relating to Direct Subsidy Bonds issued pursuant to Section 54AA of the Code or any other interest subsidy or similar payments made by the Federal government shall, upon receipt thereof, be deposited in the Revenue Fund. All deposits into such Revenue Fund shall be deemed to be held in trust for the purposes herein provided and used only for the purposes and in the manner herein provided.

(B) DISPOSITION OF REVENUES. All amounts on deposit in the Revenue Fund shall be disposed of monthly, but not later than the twenty-fifth (25th) day of each month commencing in the month immediately following the delivery of the first Series of Bonds issued hereunder only in the following manner and the following order of priority:

(1) The Issuer shall first fund the Cost of Operation and Maintenance for the next month.

(2) The Issuer shall next deposit into the Bond Service Fund and credit to the following accounts, in the following order (except that payments into the Principal Account and the Redemption Account shall be on a parity with each other), the following identified sums:

(a) Interest Account: Taking into account actual and anticipated earnings in the Interest Account of the Bond Service Fund within the current Bond Year, such sum as will be sufficient to pay one-sixth (1/6th) of all interest coming due on all Outstanding Bonds on the next interest payment date; provided, however, that monthly deposits of interest, or portions thereof, shall not be required to be made to the extent that money on deposit within such Interest Account is sufficient for such purpose. In the event the Issuer has issued Variable Rate Bonds pursuant to the provisions hereof, amounts transferred from the Revenue Fund shall be deposited at such other or additional times and amounts as necessary to pay any interest coming due on such Variable Rate

Bonds on the next interest payment date, all in the manner provided in a Supplemental Resolution of the Issuer. Any monthly payment from such amounts to be deposited as set forth above, for the purpose of meeting interest payments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of interest payment dates applicable to such Series. Moneys in the Interest Account may be used only for the purposes set forth in this paragraph (a). Deposits required pursuant to the foregoing shall be increased or decreased each month to the extent required to timely pay interest next becoming due and payable after making allowance for any accrued and capitalized interest, and to make up any deficiency or loss that may otherwise arise in such fund or account. Any direct subsidy payments received from the United States Treasury relating to Direct Subsidy Bonds issued pursuant to Section 54AA of the Code or any other interest subsidy or similar payments made by the Federal government shall be used to pay interest on Bonds issued as Direct Subsidy Bonds.

(b) Principal Account: Taking into account actual and anticipated earnings in the Principal Account of the Bond Service Fund within the current Bond Year, such sum as will be sufficient to pay one-sixth (1/6th) of the principal amount of the Outstanding Bonds which will mature and become due on such semi-annual maturity dates beginning the month which is six (6) months prior to the first principal maturity date; provided, however, that monthly deposits for principal, or portions thereof, shall not be required to be made to the extent that money on deposit within such Principal Account is sufficient for such purpose. Any monthly payment from amounts transferred from the Revenue Fund to be deposited as set forth above, for the purpose of meeting principal payments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of principal payment dates applicable to such Series. Moneys in the Principal Account may be used only for the purposes set forth in this paragraph (c). Deposits required pursuant to the foregoing shall be increased or decreased each month to the extent required to timely pay principal next becoming due and payable and to make up any deficiency or loss that may otherwise arise in such fund or account.

(c) Redemption Account: Taking into account actual and anticipated earnings in the Redemption Account of the Bond Service Fund within the current Bond Year, such sum as will be sufficient to pay one-sixth (1/6th) of any Amortization Installment established for the mandatory redemption of Outstanding Bonds on such annual maturity date beginning the month which is six (6) months prior to the first Amortization Installment date; provided, however, that monthly deposits into the Redemption Account, or portions thereof, shall not be required to be made to the extent that money on deposit in the Redemption Account is sufficient for such purpose. Any monthly payment from amounts transferred from the Revenue Fund to be deposited as set forth

above, for the purpose of meeting Amortization Installments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of dates established for Amortization Installments applicable to such Series. The moneys in the Redemption Account shall be used solely for the purchase or redemption of the Term Bonds payable therefrom. The Issuer may at any time purchase any of said Term Bonds at prices not greater than the then redemption price of said Term Bonds. If the Term Bonds are not then redeemable prior to maturity, the Issuer may purchase said Term Bonds at prices not greater than the redemption price of such Term Bonds on the next ensuing redemption date. If Term Bonds are so purchased by the Issuer, the Issuer shall credit the account of such purchased Term Bonds against any current Amortization Installment to be paid by the Issuer. If the Issuer shall purchase or call for redemption in any year Term Bonds in excess of the Amortization Installment requirement for such year, such excess of Term Bonds so purchased or redeemed shall be credited in such manner and at such times as the Issuer shall determine. Moneys in the Redemption Account in the Debt Service Fund may be used only for the purposes set forth in this paragraph (d). Deposits required pursuant to the foregoing shall be increased or decreased each month to the extent required to timely pay Amortization Installments next becoming due and payable and to make up any deficiency or loss that may otherwise arise in such fund or account.

(3) To the extent that the amounts on deposit in the Reserve Fund (or any subaccount therein) are less than the applicable Reserve Requirement, the Issuer shall next make deposits into the Reserve Fund (or any subaccount therein) in the manner described below from moneys remaining in the Revenue Fund. Any withdrawals from the Reserve Fund (or any subaccount therein) shall be subsequently restored from the first moneys available in the Revenue Fund, after all required current payments for Cost of Operation and Maintenance as set forth above and all current applications and allocations to the Bond Service Fund, including all deficiencies for prior payments have been made in full. Notwithstanding the foregoing, in case of withdrawal from the Reserve Fund (or any subaccount therein), in no event shall the Issuer be required to deposit into the Reserve Fund (or any subaccount therein) an amount greater than that amount necessary to ensure that the difference between the applicable Reserve Requirement and the amounts on deposit in the Reserve Fund (or any subaccount therein) on the date of calculation shall be restored not later than sixty (60) months after the date of such deficiency (assuming equal monthly payments into the Reserve Fund (or any subaccount therein) for such sixty (60) month period).

Notwithstanding anything herein to the contrary, the Issuer may establish a separate subaccount in the Reserve Fund for any Series of Bonds and provide a pledge of such subaccount to the payment of such Series of Bonds apart from the pledge provided herein. To the extent a Series of Bonds is secured separately by a subaccount of the Reserve Fund, the Holders of such Bonds shall not be secured by any other

moneys in the Reserve Fund or any other subaccount therein. Moneys in a separate subaccount of the Reserve Fund shall be maintained at the Reserve Requirement applicable to such Series of Bonds secured by the subaccount; provided the Supplemental Resolution authorizing such Series of Bonds may establish the Reserve Requirement relating to such separate subaccount of the Reserve Fund at such level as the Issuer deems appropriate. Moneys shall be deposited in the separate subaccounts in the Reserve Fund on a pro-rata basis.

Notwithstanding the foregoing, in lieu of or in substitution for the required deposits into the Reserve Fund (or any subaccount therein), the Issuer may cause to be deposited into the Reserve Fund (or any subaccount therein) a Reserve Fund Insurance Policy and/or a Reserve Fund Letter of Credit in an amount equal to the difference between the applicable Reserve Requirement and the sums then on deposit in the Reserve Fund (or any subaccount therein) plus the amounts to be deposited therein pursuant to the preceding paragraph.

In the event the Reserve Fund (or any subaccount therein) contains both a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit and cash, the cash shall be drawn down completely prior to any draw on the Reserve Fund Insurance Policy or Reserve Fund Letter of Credit. In the event more than one Reserve Fund Insurance Policy or Reserve Fund Letter of Credit is on deposit in the Reserve Fund (or any subaccount therein), amounts required to be drawn thereon shall be done on a pro-rata basis calculated by reference to the maximum amounts available thereunder.

Moneys in the Reserve Fund and subaccounts therein shall be used only for the purpose of the payment of Amortization Installments, principal of, or interest on the Outstanding Bonds secured thereby when the other moneys allocated to the Bond Service Fund are insufficient therefor, and for no other purpose.

Permitted Investments on deposit in the Reserve Fund (or any subaccount therein) shall be valued at fair value pursuant to generally accepted accounting principles at least annually. In the event of the refunding of any Series of Bonds, the Issuer may withdraw from the Reserve Fund or subaccount securing such Series, all or any portion of the amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts as required by the Supplemental Resolution authorizing the refunding of such Series of Bonds; provided that such withdrawal shall not be made unless (a) immediately thereafter, the Bonds being refunded shall be deemed to have been paid pursuant to the provisions hereof, and (b) the amount remaining in the Reserve Fund (or any subaccount therein) after giving effect to the issuance of such refunding obligations and the disposition of the proceeds thereof shall not be less than the applicable Reserve Requirement for any Bonds then Outstanding which are secured thereby.

(4) From the moneys remaining in the Revenue Fund, the Issuer shall next deposit into the Subordinated Debt Service Fund an amount required to be paid as provided in the resolution or agreement of the Issuer authorizing such Subordinated Debt, but for no other purposes.

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

(C) INVESTMENTS. Moneys in any fund or account created hereunder may be invested and reinvested in Permitted Investments which mature not later than the dates on which the moneys on deposit therein will be needed for the purpose of such fund. All income on such investments, except as otherwise provided, shall be deposited in the respective funds and accounts from which such investments were made and be used for the purposes thereof unless and until the maximum required amount (or, with respect to the Project Fund, the amount required to acquire, construct and erect the Project) is on deposit therein, and thereafter shall be deposited in the Revenue Fund.

In determining the amount of any of the payments required to be made pursuant to this Section 20(C), credit may be given for all investment income accruing to the respective funds and accounts described herein, except as otherwise provided.

(D) OPERATION AND MAINTENANCE. The Issuer will maintain the Sewer System and all parts thereof in good condition and will operate the same in an efficient and economical manner, making such expenditures for equipment and for renewals, repairs and replacements as may be proper for the economical operation and maintenance thereof.

(E) RATE COVENANT. The Issuer will fix, establish, revise from time to time whenever necessary, maintain and collect always such fees, rates, rentals and other charges for the use of the products, services and facilities of the Sewer System which will always provide Net Revenues in each Fiscal Year sufficient to pay one hundred twenty percent (120%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year and one hundred fifteen percent (115%) of the Bond Service Requirement on all Subordinated Debt in the applicable Bond Year.

(F) BOOKS AND ACCOUNTS; AUDIT. The Issuer shall keep proper books, records and accounts, separate and apart from all other records and accounts, showing correct and complete entries of all transactions of the Sewer System, and the Holders of any of the Bonds or any duly authorized agent or agents of such Holders shall have the right at any and all

reasonable times to inspect such books, records and accounts. The Issuer shall, within two hundred ten (210) days following the close of each Fiscal Year of the Issuer, cause an audit of such books, records and accounts to be made by an independent firm of certified public accountants.

Copies of each such audit report shall be placed on file with the Issuer and be made available at reasonable times for inspection by Holders of the Bonds. Without request of the Holder, the Issuer will provide thereto, at no cost to the Holder, a copy of its audited financial statements, annual operating budget and such other financial information as the Holder may reasonable request.

(G) DISPOSITION OF SEWER SYSTEM.

The Sewer System may be sold or otherwise disposed of as a whole or substantially as a whole, only if the net proceeds to be realized, together with other moneys available for such purpose, shall be sufficient to fully retire all of the Outstanding Bonds issued pursuant to this Resolution and all interest thereon to their respective dates of maturity or earlier redemption dates. The proceeds from such sale or other disposition of the Sewer System shall immediately be deposited first in the Bond Service Fund and then in the Subordinated Debt Service Fund and shall be used only for the purpose of paying the principal of and interest on the Bonds and Subordinated Debt as the same shall become due, or the redemption of callable Bonds and Subordinated Debt, or the purchase of Bonds and Subordinated Debt at a price not greater than the redemption price of said Bonds and Subordinated Debt, or, if the Bonds or Subordinated Debt are not then redeemable prior to maturity, at prices not greater than the redemption price of such Bonds or Subordinated Debt on the next ensuing redemption date.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease, exchange or otherwise dispose of any of the tangible property or ownership interest in tangible property comprising a part of the Sewer System in the following manner, if any one of the following conditions exist: (a) such property is not necessary for the operation of the Sewer System or (b) such property is not useful in the operation of the Sewer System or (c) such property is not profitable in the operation of the Sewer System.

Prior to any sale, lease, exchange or other disposition of said property:

(1) if the amount to be received therefor is not in excess of one-half (1/2) of one percent (1%) of the value of the gross plant investment in the Sewer System, the officer of the Issuer charged with the normal acquisition, construction, operation, maintenance and repair of the portion of the Sewer System for which disposition is sought, may determine that such property comprising a part of such Sewer System is either no longer necessary, useful or profitable in the operation thereof.

(2) if the amount to be received therefor is in excess of one-half (1/2) of one percent (1%) of the value of the gross plant investment in the Sewer System, the officer

of the Issuer charged with the normal acquisition, construction, operation, maintenance and repair of the portion of the Sewer System for which disposition is sought and the Consulting Engineers shall each first make a finding in writing determining that such property comprising a part of such Sewer System is either no longer necessary, useful or profitable in the operation thereof, and the Issuer shall, by resolution duly adopted, approve and concur in the finding of such authorized officer and the Consulting Engineers.

Notwithstanding any other provision of this Section 20(G) or this Resolution to the contrary, except for the initial paragraph of this Section 20(G), the Issuer may sell, lease, exchange or otherwise dispose of tangible property or an ownership interest in tangible property comprising a part of the Sewer System provided the duly authorized officer charged with the normal acquisition, construction, operation, maintenance and repair of the portion of the Sewer System for which disposition is sought, and the Qualified Independent Consultant each make a finding in writing, adopted and confirmed by resolution of the Issuer, determining that (i) such sale, lease, exchange or other disposition will not materially impair or restrict the Issuer's ability to realize Gross Revenues in compliance with the requirements therefor as set forth herein, and (ii) such sale, lease, exchange or other disposition is in the economic best interests of the Issuer.

(H) INSURANCE. The Issuer shall provide protection for the Sewer System both in accordance with the requirements of all agreements, if any, to which the Issuer may at the time be a party with respect to joint ownership of properties by the Issuer with others which is part of the Sewer System, and in accordance with Prudent Utility Practice. Said protection may consist of insurance, self insurance and indemnities. The Issuer will keep, or cause to be kept, the works, plants and facilities comprising the properties of the Sewer System insured, and will carry such other insurance against fire and other risks, accidents or casualties at least to the extent and of the kinds that insurance is usually carried by utilities operating like properties. Any insurance shall be in the form of policies or contracts for insurance with insurers of good standing, shall be payable to the Issuer and may provide for such deductibles, exclusions, limitations, restrictions, and restrictive endorsements customary in policies for similar coverage issued to entities operating properties similar to the properties of the Sewer System. Any self insurance shall be in the amounts, manner and of the type provided by entities operating properties similar to the properties of the Sewer System. In the event of any loss or damage to the Sewer System covered by insurance, the Issuer will, with respect to each such loss, promptly repair, reconstruct or replace the parts of the Sewer System affected by such loss or damage to the extent necessary to the proper conduct of the operation of the business of the Sewer System in accordance with Prudent Utility Practice, shall cause the proceeds of such insurance to be applied for that purpose to the extent required therefor, and pending such application, shall hold the proceeds of any insurance policy covering such damage or loss in trust to be applied for that purpose to the extent required therefor. Any excess insurance proceeds received by the Issuer may be used by the Issuer for any lawful purpose. Notwithstanding the foregoing or any provisions of this Resolution to the contrary, the Issuer shall not be required to maintain

insurance with respect to facilities for which insurance shall not be available at reasonable cost or for facilities which, in accordance with Prudent Utility Practice, are not customarily insured.

(I) NO FREE SERVICE. So long as any Bonds are outstanding, the Issuer shall not furnish or supply the facilities, services and commodities of the Sewer System either free of charge or for a nominal charge to any person, firm or corporation, public or private, including the Issuer's departments, agencies and instrumentalities which avail themselves of the services of the Sewer System. The Issuer shall promptly enforce the payment of any and all accounts owing to the Issuer and delinquent, by discontinuing service or by filing suits, actions or proceedings, or by both discontinuance of service and filing suit.

(J) MANDATORY CUT OFF. The Issuer shall establish a written policy consistent with sound business judgment for the disconnection from the Sewer System of any customer who fails to pay for services rendered by the Sewer System, and shall enforce such policy diligently and fairly.

(K) ENFORCEMENT OF COLLECTIONS. The Issuer will diligently enforce and collect the rates, fees and other charges for the services and facilities of the Sewer System and will take all steps, actions and proceedings for the enforcement and collection of such rates, charges and fees as shall become delinquent to the full extent permitted or authorized by law; and will maintain accurate records with respect thereof. All such fees, rates, charges and revenues shall, as collected, be held in trust to be applied as herein provided.

(L) OPERATING BUDGET. The Issuer shall annually, prior to commencement of each of its Fiscal Years, prepare and adopt a budget of the estimated expenditures for the operation and maintenance of the Sewer System during such next succeeding Fiscal Year. The Issuer shall mail copies of such annual budgets (including any amendments thereto) to any Holder or Holders of Bonds who shall file his address with the Issuer and request in writing that copies of all such budgets be furnished him and shall make available such budgets of the Sewer System at all reasonable times to any Holder or Holders of Bonds or to anyone acting for and on behalf of such Holder or Holders. Bondholders shall pay reasonable actual cost of printing and mailing of such copies (except as otherwise provided herein or in a Supplemental Resolution).

(M) MANDATORY CONNECTIONS; NO COMPETING SEWER SYSTEM. So long as service is in fact available as reasonably determined by the Issuer, the Issuer will, to the full extent permitted by law, require all lands, buildings and structures within the area being served by the Sewer System to connect with and use such facilities within one year after notification. To the extent permitted by law, the Issuer will not grant a franchise for the operation of any competing Sewer System or Sewer Systems within the area served by the Sewer System until all Bonds issued hereunder, together with the interest thereon, and premium, if any, have been paid in full. Notwithstanding the foregoing, the Issuer shall not be required to duplicate services being provided by private or public utilities in the area being served by such private or

public utilities on the date of issuance of the first Series of Bonds hereunder. In addition, the Issuer shall not be prohibited from allowing other private or public utilities to provide services within the area being served by the Sewer System, if the Issuer shall not be providing such service in such area on that date. Nothing herein shall be deemed to constitute the approval of the Issuer for any private or public utility (other than the Sewer System) to provide any services within the boundaries of the Issuer or within the area being served by the Sewer System or within any other area of the Issuer.

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

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

(P) ISSUANCE OF OTHER OBLIGATIONS. The Issuer shall issue no bonds or obligations of any kind or nature payable from or enjoying a lien on the Pledged Revenues if such obligations have priority over the Bonds with respect to payment or lien, nor shall the Issuer create or cause or permit to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien of the Bonds upon said Pledged Revenues. Notwithstanding any other provision in this Section 20(P), the Issuer may issue Additional Parity Obligations under the conditions and in the manner provided herein. Any obligations of the Issuer, other than the Bonds, which are payable from the Pledged Revenues shall contain an express statement that such obligations are junior and subordinate in all respects to the Bonds as to lien on and source and security for payment from such Pledged Revenues.

(Q) ISSUANCE OF ADDITIONAL PARITY OBLIGATIONS. No Additional Parity Obligations shall be issued after the issuance of the Series 2014 Bonds herein authorized, except upon the conditions and in the manner hereinafter provided:

(1) There shall have been obtained and filed with the Clerk a certificate of the Finance Director stating: (a) that the books and records of the Issuer relative to the

Sewer System and the Net Revenues have been reviewed by the Finance Director; and (b) that the amount of the Net Revenues derived from the most recently audited fiscal year preceding the date of issuance of the proposed Additional Parity Obligations (the "Test Period") adjusted as provided in paragraphs (2), (3), (4), (5) and/or (6) below, is equal to not less than one hundred twenty-five percent (125%) of the Maximum Bond Service Requirement becoming due in any Bond Year thereafter on (A) all Bonds issued under this Resolution, if any, then Outstanding, and (B) on the Additional Parity Obligations with respect to which such certificate is made.

(2) Upon recommendation of the Qualified Independent Consultants, the Net Revenues certified pursuant to (b) in the previous paragraph may be adjusted for purposes of this Section 20(Q) by including: (a) one hundred percent (100%) of the additional Net Revenues which in the opinion of the Qualified Independent Consultant would have been derived by the Issuer from rate increases adopted before the Additional Parity Obligations are issued, if such rate increases had been in place throughout the Test Period, and (b) one hundred percent (100%) of the additional Net Revenues estimated by the Qualified Independent Consultant to be derived during the first full twelve month period after the facilities of the Sewer System are extended, enlarged, improved or added to with the proceeds of the Additional Parity Obligations with respect to which such certificate is made.

(3) Upon recommendation of the Qualified Independent Consultants, if the Additional Parity Obligations are to be issued for the purpose of acquiring an existing sewer system in accordance with Section 26 hereof, the Net Revenues certified pursuant to Section 20(Q)(1)(b) may be adjusted by including: one hundred percent (100%) of the additional estimated Net Revenues which in the written opinion of the Qualified Independent Consultants will be derived from the acquired facilities during the first full twelve (12) month period after the issuance of such Additional Parity Obligations (the Qualified Independent Consultants' report shall be based on the actual operating revenues of the acquired utility for a recent twelve (12) month period adjusted to reflect the Issuer's ownership and the Issuer's rate structure in effect with respect to the Sewer System at the time of the issuance of the Additional Parity Obligations).

(4) Upon recommendation of the Qualified Independent Consultants, if the number of connections as of the first day of the month in which the proposed Additional Parity Obligations are to be issued exceeds the average number of such connections during such twelve (12) consecutive month period, then the Net Revenues certified pursuant to Section 20(Q)(1)(b) may be adjusted to include the Net Revenues which would have been received in such twelve (12) consecutive months if those additional connections had also been connected to the Sewer System during all of such twelve (12) consecutive months.

(5) Upon recommendation of the Qualified Independent Consultant, if the Issuer shall have entered into a contract, which contract shall be for a duration of not less than the final maturity of the proposed Additional Parity Obligations, with any public body, whereby the Issuer shall have agreed to furnish services for the collection, treatment or disposal of sewage or agreed to furnish services in connection with any other sewer system, then the Net Revenues certified pursuant to Section 20(Q)(1)(b) may be increased (to the extent such amounts were not reflected in such Net Revenues) by the minimum amount which the public body shall guarantee to pay in any one year for the furnishing of services by the Issuer, after deducting from such payment the estimated Cost of Operation and Maintenance attributable in such year to such services.

(6) Upon recommendations of the Qualified Independent Consultants approved by Resolution of the Issuer declaring its intent to implement such recommendations, if there is an estimated increase in Net Revenues to be received by the Issuer as a result of additions, extensions or improvements to the Sewer System during the period of three (3) years following the completion of such additions, extensions or improvements financed with the proceeds of Bonds or Additional Parity Obligations, then the Net Revenues derived from the Sewer System certified pursuant to Section 20(Q)(1)(b) may be increased by fifty percent (50%) of the average annual additional Net Revenues calculated for such three year period (less any anticipated debt service on any Additional Bonds expected to be issued to finance such requirements if not included in Section 20(Q)(1) above).

(7) The Issuer need not comply with the provisions of paragraph (1) of this Section 20(Q) if and to the extent the Additional Parity Bonds to be issued are refunding bonds, if the Issuer shall cause to be delivered a certificate of the Finance Director of the Issuer setting forth the Maximum Annual Debt Service Requirement (i) for the Bonds then Outstanding and (ii) for all Series of Bonds to be immediately Outstanding thereafter and stating that the Maximum Annual Debt Service Requirement pursuant to (ii) above is not greater than that set forth pursuant to (i) above.

(8) The Issuer need not comply with the provisions of paragraph (1) of this Section 20(Q) if and to the extent the Bonds to be issued are for the purpose of providing any necessary additional funds required for completion of any improvements to the Sewer System ("Completion Bonds") if originally financed with the proceeds of Bonds; provided that such Completion Bonds for which the Issuer need not comply with the provision of such paragraph (1) of this Section 20(Q) may not exceed ten percent (10%) of the total principal amount of Bonds estimated to be required for such improvements to the Sewer System at the time of issuance of the initial Series of Bonds to finance such improvements.

(9) The Finance Director of the Issuer shall have certified that the Issuer is not in default in the carrying out of any of the obligations assumed under this

Resolution and no event of default shall have occurred under this Resolution and shall be continuing, and all payments required by this Resolution to be made into the funds and accounts established hereunder shall have been made to the full extent required.

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

(11) Notwithstanding anything herein to the contrary, no Additional Parity Obligations shall be issued if an Event of Default would continue beyond such issuance.

SECTION 21. Defaults; Events of Default and Remedies. Except as provided below, if any of the following events occur, it is hereby defined as and declared to be and to constitute an "Event of Default:"

(A) Default in the due and punctual payment of any interest on the Bonds;

(B) Default in the due and punctual payment of the principal of and premium, if any, on any Bond, at the stated maturity thereof, or upon proceedings for redemption thereof;

(C) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer contained in this Resolution or in the Bonds and the continuance thereof for a period of thirty (30) days after written notice to the Issuer given by the Holders of not less than twenty-five percent (25%) of aggregate principal amount of Bonds then Outstanding (provided, however, that with respect to any obligation, covenant, agreement or condition which requires performance by a date certain, if the Issuer performs such obligation, covenant, agreement or condition within thirty (30) days of written notice as provided above, the default shall be deemed to be cured);

(D) Failure by the Issuer promptly to remove any execution, garnishment or attachment of such consequence as will materially impair its ability to carry out its obligations hereunder; or

(E) Any act of bankruptcy or the rearrangement, adjustment or readjustment of the obligations of the Issuer under the provisions of any bankruptcy or moratorium laws or similar laws relating to or affecting creditors' rights.

The term "default" shall mean default by the Issuer in the performance or observance of any of the covenants, agreements or conditions on its part contained in this Resolution, any Supplemental Resolution or in the Bonds, exclusive of any period of grace required to constitute a default or an "Event of Default" as hereinabove provided.

For purposes of Section 21(A) and (B) hereof, no effect shall be given to any payments made under any Bond Insurance Policy.

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

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

The foregoing notwithstanding:

(i) No remedy conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders hereunder.

(ii) No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised as often as may be deemed expedient.

(iii) No waiver of any default or Event of Default hereunder by the Bondholders shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

(iv) Acceleration of the payment of principal of and interest on the Bonds shall not be a remedy hereunder in the case of an Event of Default.

Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bondholders under this Resolution, the Bondholders shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Sewer System and the funds pending such proceedings, with such powers as the court making such appointment shall confer.

Notwithstanding any provision of this Resolution to the contrary, for all purposes of this Section 21, except the giving of notice of any Event of Default to the Holder of the Bonds, any Insurer shall be deemed to be the Holder of the Bonds it has insured.

On the occurrence of an Event of Default, to the extent such rights may then lawfully be waived, neither the Issuer nor anyone claiming through or under it, shall set up, claim or seek to take advantage of any stay, extension or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement of this Resolution, and the Issuer, for itself and all who may claim through or under it, hereby waives, to the extent it may lawfully do so, the benefit of all such laws and all right of redemption to which it may be entitled.

Within 30 days of knowledge thereof, both the Issuer and the Paying Agent shall provide notice to any and all Insurers of Bonds of the occurrence of any Event of Default.

The respective Insurers of Bonds shall be included as a party in interest and as a party entitled to (i) notify the Issuer or any applicable receiver of the occurrence of an Event of Default, and (ii) request the receiver to intervene in judicial proceedings that affect the Bonds or the security therefor. The receiver is required to accept notice of default from each Insurer of Bonds.

Anything in this Resolution to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Insurers of Bonds in default shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders under this Resolution, and the Insurers of Bonds in default shall also be entitled to approve all waivers of events of default.

SECTION 22. Amending and Supplementing of Resolution without Consent of Holders of Bonds. The Issuer, from time to time and at any time and without the consent or concurrence of any Holder of any Bonds, may adopt a Supplemental Resolution amendatory hereof or supplemental hereto if the provisions of such Supplemental Resolution shall not materially adversely affect the rights of the Holders of the Bonds then Outstanding, for any one or more of the following purposes:

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

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

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

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

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

(F) To assure compliance with federal "arbitrage" provisions in effect from time to time;

(G) To provide such changes as may be necessary in order to adjust the terms hereof (but not including the provisions of Section 20(E) and Section 20(Q) hereof) so as to facilitate the issuance of Variable Rate Bonds, Option Bonds, or to obtain a Credit Facility;

(H) To provide for the combination of the Sewer System with any other utility provided the conditions set forth in Section 26 hereof are satisfied;

(I) To provide for the transfer of the ownership and/or operation of the Sewer System pursuant to a governmental reorganization as set forth in Section 25 hereof;

(J) To modify any of the provisions of this Resolution in any other aspects provided that such modifications shall not be effective until after the Bonds Outstanding at the time such Supplemental Resolution is adopted shall cease to be Outstanding, or until the holders thereof consent thereto pursuant to Section 23 hereof, and any Bonds issued subsequent to any such modification shall contain a specific reference to the modifications contained in such Supplemental Resolution.

(K) To amend Section 30 hereof to make covenants relating to Direct Subsidy Bonds, if appropriate.

Except for Supplemental Resolutions providing for the issuance of Bonds pursuant hereto, the Issuer shall not adopt any Supplemental Resolution authorized by the foregoing provisions of this Section unless, in the opinion of Bond Counsel, the adoption of such Supplemental Resolution is permitted by the foregoing provisions of this Section.

Notwithstanding anything else in this Resolution to the contrary, any amendment or supplement to this Resolution, with the exception of Supplemental Resolutions relating to the issuance of Additional Parity Obligations, shall be subject to the prior written consent of each of the Insurers of the Bonds. Each of the Insurers of the Bonds shall be provided with a full transcript of all proceedings relating to the execution of any such amendment or supplement.

SECTION 23. Amendment of Resolution with Consent of Holders of Bonds. Except as provided in Section 22 hereof, no material modification or amendment of this Resolution or of any resolution supplemental hereto shall be made without the consent in writing of the Holders of fifty-one percent (51%) or more in the principal amount of the Bonds of each Series so affected and then Outstanding; provided, however, written consent by an underwriter of Bonds who intends to resell the Bonds to the public may not be counted towards meeting the fifty-one percent (51%) requirement. For purposes of this Section, so long as legally permitted, to the extent any Bonds are insured by a Bond Insurance Policy or are secured by a Credit Facility and such Bonds are then rated in as high a rating category as the rating category in which such Bonds were rated at the time of initial issuance and delivery thereof by either S&P, Moody's or Fitch or successors and assigns, then the consent of the Insurer or Insurers of such Bond Insurance Policy or the issuer or issuers of such letter of credit shall be deemed to constitute the consent of the Holder of such Bonds. No modification or amendment shall permit a change in

the maturity of such Bonds or a reduction in the rate of interest thereon or in the amount of the principal obligation thereof or reduce the percentage of the Holders of the Bonds required to consent to any material modification or amendment hereof without the consent of the Holder or Holders of all such obligations. For purposes of the immediately preceding sentence, the issuer or issuers of a Bond Insurance Policy or a Credit Facility shall not consent on behalf of the Holders of the Bonds. No amendment or supplement pursuant to this Section 23 (but not including Section 22 hereof) shall be made without the consent of each of the Insurers of Bonds.

Notwithstanding anything else in this Resolution to the contrary, any amendment or supplement to this Resolution, with the exception of Supplemental Resolutions relating to the issuance of Additional Parity Obligations, shall be subject to the prior written consent of each of the Insurers of the Bonds. Each of the municipal bond insurers of the Bonds shall be provided with a full transcript of all proceedings relating to the execution of any such amendment or supplement.

SECTION 24. Defeasance. The covenants and obligations of the Issuer shall be defeased and discharged under terms of this Resolution as follows:

(A) If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal, redemption premium, if any, and interest due or to become due thereon, at the times and in the manner stipulated herein, then the pledge of the Pledged Revenues and all covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of any Outstanding Bonds the principal, redemption premium, if any, and interest due or to become due thereon, at the times and in the manner stipulated herein, such Bonds shall cease to be entitled to any lien, benefit or security under this Resolution, and all covenants, agreements and obligations of the Issuer to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

(B) The Bonds, redemption premium, if any, and interest due or to become due for the payment or redemption of which moneys shall have been set aside and shall be held in trust (through deposit by the Issuer of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (A) of this Section 24. Subject to the provisions of paragraph (C) and (D) of this Section 24, any Outstanding Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in paragraph (A) of this Section if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the escrow agent instructions accepted in writing by the escrow agent to notify Holders of Outstanding Bonds in the manner required herein of the redemption of such Bonds on said date, and (ii) there shall have been deposited with the escrow agent either moneys in an amount which shall be sufficient, or Acquired Obligations (including any Acquired Obligations issued or held in book-entry form

on the books of the Department of the Treasury of the United States) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the escrow agent at the same time, shall be sufficient, to pay when due the principal of and premium, if any, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be. In the event of a defeasance pursuant to clause (ii) above, the Issuer shall cause to be delivered a verification report of an independent nationally recognized certified public accountant (a "Verification Report"), provided, however, that if the Issuer elects to gross fund the escrow by depositing funds with the escrow agent in an amount equal to or exceeding the amount necessary to pay when due the principal of and premium, if any, and interest due and to become due on said Bonds on or prior to the redemption date as certified to be the amount to become due by the Paying Agent, without regard to any investment earnings that may be received on such deposited amounts, then the Issuer may elect not to cause to be delivered a Verification Report. If a forward supply contract is employed in connection with the refunding, (i) such verification report shall expressly state that the adequacy of the escrow to accomplish the refunding project relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement and this Resolution, the terms of the escrow agreement and this Resolution shall be controlling.

(C) For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Acquired Obligations and moneys, if any, in accordance with paragraph (B) of this Section 24, the interest to come due on such Variable Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated assuming that interest thereon will accrue at the maximum rate of interest such Variable Rate Bonds may bear pursuant to the Supplemental Resolution authorizing the issuance thereof, or the maximum rate permitted by law if such Supplemental Resolution provides no maximum rate of interest.

(D) Option Bonds shall be deemed to have been paid in accordance with the second sentence of paragraph (B) of this Section 24 only if, in addition to satisfying the requirements of clauses (i) and (ii) of such sentence, there shall have been deposited with the escrow agent moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and redemption premium, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; provided, however, that if, at the time a deposit is made with the escrow agent pursuant to paragraph (B) of this Section 24, the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this paragraph (D). If any portion of the moneys deposited with the escrow agent for the payment of the principal of and redemption premium, if any, and interest on Option Bonds is not required for such purpose, the escrow agent shall, if requested by the

Issuer, pay the amount of such excess to the Issuer free and clear of any trust, lien, security interest, pledge or assignment securing said Bonds or otherwise existing under the Resolution.

SECTION 25. Governmental Reorganization. Notwithstanding any other provisions of this Resolution, this Resolution shall not prevent any lawful reorganization of the governmental structure of the Issuer, including a merger or consolidation of the Issuer with another public body or the transfer of a public function of the Issuer to another public body, provided that any reorganization which affects the Sewer System shall provide that the Sewer System shall be continued as a single enterprise and that any public body which succeeds to the ownership and operation of the Sewer System shall also assume all rights, powers, obligations, duties and liabilities of the Issuer under this Resolution and pertaining to all Bonds.

SECTION 26. Additional Utility Functions. The Issuer may expand the utility functions of the Sewer System as they exist on the date hereof as permitted in the definition of "Sewer System" contained herein, provided that the Issuer has received the prior written consent of the Insurer (provided the Insurer is not in default of its obligations under its Credit Facility), and adopted resolutions of the Issuer to the effect that, based upon such certificates and opinions of its Consulting Engineers, independent certified public accountants, Bond Counsel, Financial Advisor or other Qualified Independent Consultants as the Issuer shall deem necessary, desirable or appropriate, the addition of such utility functions (a) will not impair the ability of the Issuer to comply with the provisions of this Resolution including the Rate Covenant contained in Section 20(E) hereof, and (b) will not materially adversely affect the rights of the Holders of the Bonds. Upon such expansion, the Issuer shall notify the Holder of the Series 2014 Bonds in writing and provide a copy of the certificates or opinions obtained in compliance with this Section 26.

SECTION 27. [RESERVED].

SECTION 28. Payments to Credit Facility. In connection with any Bonds, the Issuer may obtain or cause to be obtained one or more Credit Facilities and agree with any Credit Facility Issuer to reimburse such issuer directly for amounts paid under the terms of such Credit Facility, together with interest thereof; provided, however, that no obligation to reimburse a Credit Facility Issuer shall be created, for purposes of this Resolution, until amounts are paid under such Credit Facility. Such payments are referred to herein as "Reimbursement Obligations." Any Reimbursement Obligation may be secured by a pledge of and a lien on the Pledged Revenues on a subordinate basis to the lien created herein in favor of the Holders of the Bonds. Any such Reimbursement Obligation shall be deemed to be a part of the Series to which the Credit Facility which gave rise to such Reimbursement Obligation relates. Payments to reimburse the issuer of a Credit Facility shall constitute Subordinated Debt.

SECTION 29. Capital Appreciation Bonds. For the purposes of (i) receiving payment of the redemption price of a Capital Appreciation Bond if redeemed prior to maturity, (ii)

computing Bond Service Requirement, and (iii) computing the amount of Holders required for any notice, consent, request or demand hereunder for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

SECTION 30. Tax Covenants.

(A) The Issuer covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that it shall not use the proceeds of such Series of Bonds in any manner which would cause the interest on such Series of Bonds to be or become includable in the gross income of the Holder thereof for federal income tax purposes.

(B) The Issuer covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that neither the Issuer nor any Person under its control or direction will make any use of the proceeds of such Series of Bonds (or amounts deemed to be proceeds under the Code) in any manner which would cause such Series of Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and neither the Issuer nor any other Person shall do any act or fail to do any act which would cause the interest on such Series of Bonds to become includable in the gross income of the Holder thereof for federal income tax purposes.

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

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

(E) There is hereby created and established a fund to be known as the "City of Sanibel Sewer System Revenue Bonds Rebate Fund" (the "Rebate Fund"), and a separate account therein for each Series of Bonds. The Issuer shall deposit into the appropriate account in the Rebate Fund, from investment earnings on moneys deposited in the other funds and accounts created hereunder, or from any other legally available funds of the Issuer, an amount equal to the Rebate Amount for such Rebate Year. The Issuer shall use such moneys deposited in the appropriate account in the Rebate Fund only for the payment of the Rebate Amount to the United States as required by this Section 30. In complying with the foregoing, the Issuer may rely upon any instructions or opinions from Bond Counsel.

If any amount shall remain in the Rebate Fund after payment in full of all Bonds issued hereunder that are not Taxable Bonds and after payment in full of the Rebate Amount to the United States in accordance with the terms hereof, such amounts shall be available to the Issuer for any lawful purpose.

The Rebate Fund shall be held separate and apart from all other funds and accounts of the Issuer, shall not be impressed with a lien in favor of the Bondholders and the moneys therein shall be available for use only as herein provided.

SECTION 31. Bond Anticipation Notes Authorized for Interim Financing. Pursuant to authority granted by Section 215.431, Florida Statutes, the Issuer is authorized to issue Bond Anticipation Notes, in one or more series, from time to time for the purposes authorized by this Resolution, and for the purpose of obtaining interim financing. Prior to the sale of Bonds authorized by this Resolution, the Issuer may issue its Bond Anticipation Notes as provided herein and as provided in Section 215.431, Florida Statutes. Any such Bond Anticipation Notes authorized by the Issuer shall be issued upon the adoption of a resolution by the Issuer specifying the amount of Bond Anticipation Notes to be issued, the series designation, the maturity of such Bond Anticipation Notes, the denomination, date and the rate of interest which shall be borne by such Bond Anticipation Notes which shall not be at a rate greater than the highest rate authorized by law. Any such Bond Anticipation Notes issued may be sold in the manner provided by Section 215.431, Florida Statutes and shall satisfy all other requirements contained therein, including those related to the maturity of such Bond Anticipation Notes.

SECTION 32. Additional Rights to Insurers. All notices required to be given to any party hereunder shall also be given to the Insurer. Pursuant to one or more Supplemental Resolutions, the Issuer may provide additional rights, covenants, agreements and restrictions relating to any Insurer and any Bond Insurance Policy.

SECTION 33. Severability. If any one or more of the covenants, agreements or provisions of this Resolution should be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid or shall in any manner be held to adversely affect the validity of the Bonds, then such covenants, agreements or provisions shall be null and void and shall be deemed separate from the remaining covenants, agreements or provisions of this Resolution or of the Bonds issued hereunder.

SECTION 34. Sale of Bonds. The Bonds may be issued and sold at public or private sale at one time or in installments from time to time and at such price or prices as shall be consistent with the provisions of the requirements of this Resolution and other applicable provisions of law.

SECTION 35. General Authority. The members of the City Council of the Issuer and the Issuer's officers, attorneys and other agents and employees are hereby authorized to perform all

acts and things required of them by this Resolution or desirable or consistent with the requirements hereof for the full, punctual and complete performance of all of the terms, covenants and agreements contained in the Bonds and this Resolution, and they are hereby authorized to execute and deliver all documents which shall be required by Bond Counsel to effectuate the sale of the Bonds to said initial purchasers.

SECTION 36. No Third Party Beneficiaries. Except such other Persons as may be expressly described herein or in the Bonds, nothing in this Resolution, or in the Bonds, expressed or implied, is intended or shall be construed to confer upon any Person, other than the Issuer and the Holders, any right, remedy or claim, legal or equitable, under and by reason of this Resolution or any provision hereof, or of the Bonds, all provisions hereof and thereof being intended to be and being for the sole and exclusive benefit of the Issuer and the Persons who shall from time to time be the Holders.

SECTION 37. No Personal Liability. Neither the members of the City Council of the Issuer, any person executing the Bonds, any other charter employees, nor employees of the Issuer shall be personally liable therefor or be subject to any personal liability or accountability by reason of the issuance thereof.

SECTION 38. Repeal of Inconsistent Instruments. Resolution No. 93-115 previously adopted and amended by the City Council of the Issuer is hereby amended and restated in its entirety. All resolutions or parts or resolutions in conflict herewith are hereby repealed to the extent of such conflict.

SECTION 39. Effective Date. This Resolution shall be in full force and effect and take effect immediately upon its passage and adoption.

DULY PASSED AND ADOPTED by the City Council of the City of Sanibel, Lee County, Florida, this 4th day of February, 2014.

AUTHENTICATION:

_____	_____
Kevin Ruane, Mayor	Pamela Smith, City Clerk

APPROVED AS TO FORM:

Kenneth B. Cuyler, City Attorney	February 4, 2014 Date

Vote of Councilmembers

Ruane _____
Congress _____
Denham _____
Harrity _____
Jennings _____

Date filed with City Clerk: _____

(SEAL)

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Exhibit A

TERM SHEET

Exhibit B

PURCHASER'S CERTIFICATE

This is to certify that Hancock Bank, a Mississippi Bank (the "Purchaser"), has not required the City of Sanibel, Florida (the "Issuer") to deliver any offering document and has conducted its own investigation, to the extent it deems satisfactory or sufficient, into matters relating to business affairs or conditions (either financial or otherwise) of the Issuer in connection with the issuance of the $9,493,598.46 City of Sanibel, Florida, Sewer System Refunding Revenue Bonds, Series 2014 (the "Bonds") and no inference should be drawn that the Purchaser, in the acceptance of said Bonds, is relying on Bryant Miller Olive P.A. ("Bond Counsel") or Kenneth B. Cuyler, Esq. ("City Attorney") as to any such matters other than the legal opinion rendered by Bond Counsel and by the City Attorney. Any capitalized undefined terms used herein not otherwise defined shall have the meaning set forth in Resolution No. 14-012 adopted by the City Commission of the Issuer on February 4, 2014 (the "Resolution").

We acknowledge and understand that the Resolution is not being qualified under the Trust Indenture Act of 1939, as amended (the "1939 Act"), and is not being registered in reliance upon the exemption from registration under Section 3(a)(2) of the Securities Act of 1933, Section 517.051(1), Florida Statutes, and/or Section 517.061(7), Florida Statutes, and that neither the Issuer, Bond Counsel nor the City Attorney shall have any obligation to effect any such registration or qualification.

We are not acting as a broker or other intermediary, and are purchasing the Bonds as an investment for our own account and not with a present view to a resale or other distribution to the public. We understand that the Bonds may not be transferred except to an "accredited investor" as described below in accordance with the restrictions set forth in the Bonds, except for certain exceptions provided in the Resolution.

We are a bank, trust company, savings institution, insurance company, dealer, investment company, pension or profit-sharing trust, or qualified institutional buyer as contemplated by Section 517.061(7), Florida Statutes. We are not purchasing the Bonds for the direct or indirect promotion of any scheme or enterprise with the intent of violating or evading any provision of Chapter 517, Florida Statutes. We are an "accredited investor" as such term is defined in the Securities Act of 1933, as amended, and Regulation D thereunder.

DATED this ____ day of February, 2014.

_____

By: _____
Name: _____
Title: _____

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Exhibit C

DISCLOSURE LETTER

The undersigned, as purchaser, proposes to negotiate with the City of Sanibel, Florida (the "Issuer") for the private purchase of its City of Sanibal, Florida, Sewer System Refunding Revenue Bonds, Series 2014 in the principal amount of $9,493,598.46 (the "Bonds"). Prior to the award of the Bonds, the following information is hereby furnished to the Issuer:

1. Set forth is an itemized list of the nature and estimated amounts of expenses to be incurred for services rendered to us (the "Bank") in connection with the issuance of the Bonds (such fees and expenses to be paid by the Issuer):

Akerman LLP, Bank Counsel
$4,500.00

2. (a) No fee, bonus or other compensation is estimated to be paid by the Bank in connection with the issuance of the Bonds to any person not regularly employed or retained by the Bank, including any "finder" as defined in Section 218.386(1)(a), Florida Statutes).

(b) No person has entered into an understanding with the Bank, or to the knowledge of the Bank, with the Issuer, for any paid or promised compensation or valuable consideration, directly or indirectly, expressly or implied, to act solely as an intermediary between the Issuer and the Bank or to exercise or attempt to exercise any influence to effect any transaction in the purchase of the Bonds.

3. The amount of the underwriting spread expected to be realized by the Bank on the Bonds is $0.

4. The management fee to be charged by the Bank on the Bonds is $0.

5. Truth-in-Bonding Statement:

The Bonds are being issued primarily to currently refund the Issuer's Sewer Utility Revenue Refunding Bonds, Series 2003 and the State Revolving Fund Loan Agreement #8358080 between the Issuer and the Florida Department of Environmental Protection and pay related costs in connection therewith.

Unless earlier redeemed, the Bonds are expected to be repaid by August 1, 2021. At an annual interest rate of 1.43%, total interest paid over the life of the Bonds is estimated to equal $548,097.45.

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The Bonds will be payable solely from net revenues of the Issuer's sewer system as further described in Resolution 14-012 of the Issuer adopted on February 4, 2014 (the "Resolution"). Issuance of the Bonds is estimated to result in a maximum of approximately $1,338,893 of revenues of the Issuer not being available to finance the services of the Issuer in any one year during the life of the Bonds.

6. The name and address of the Bank is as follows:

Hancock Bank
113 Designer Circle
Dothan, Alabama 36303

IN WITNESS WHEREOF, the undersigned has executed this Disclosure Letter on behalf of the Bank this ____ day of February, 2014.

HANCOCK BANK

By: _____
Name: _____
Title: Vice President

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