

Meeting Date
September 9, 2014



AGENDA	
Section	Unfinished Business
Item No.	III A

**AGENDA REPORT**  
**BREVARD COUNTY BOARD OF COUNTY COMMISSIONERS**

SUBJECT:	APPROVAL OF A RESOLUTION AUTHORIZING THE ISSUANCE OF WATER AND WASTEWATER UTILITY REVENUE BONDS, SERIES 2014 IN ORDER TO FINANCE VARIOUS CAPITAL IMPROVEMENTS TO THE COUNTY'S WATER AND WASTEWATER UTILITY SYSTEM
DEPT/OFFICE:	UTILITY SERVICES DEPARTMENT

**Requested Action:**

It is requested that the Board of County Commissioners approve a Resolution authorizing the issuance of not exceeding \$30,000,000 principal amount of Water and Wastewater Utility Revenue Bonds, Series 2014 to finance various capital improvements to the County's water and wastewater utility system; authorizing the publication of a notice of sale and a competitive sale of said Series 2014 Bonds; appointing U.S. Bank National Association as the paying agent and registrar for the Bonds; authorizing the distribution of a preliminary official statement and the execution of a final official statement; authorizing the execution of a continuing disclosure certificate and other necessary documents; authorizing the County Manager and other County officials and staff to take necessary action to effect the foregoing and approve all associated budget changes.

**Summary Explanation & Background:**

At its regular Board meeting on December 17, 2013 the Board authorized the financing team to commence work on a bond transaction that would provide for the financing of a portion of the utility capital improvements described in the Infrastructure Asset Evaluation dated July 2013 and also approved by the Board on December 17, 2013. The resolution authorizes the County Manager to determine which capital improvements within the Infrastructure Asset Evaluation will be financed with bond proceeds.

The Bonds will be sold pursuant to a competitive bond sale, currently set for September 23, 2014. The County Manager is authorized to change the date of sale upon the advice of the County's financial advisor. Closing for the Bonds is anticipated to occur approximately three weeks following the date of sale. The Bonds will have a final maturity date of September 1, 2044 with approximately level annual debt service of \$1.6 million annually. The County also requested underlying ratings on the Bonds from S&P and Fitch, which were assigned at AA- stable outlook by both rating agencies.

The Bonds will be secured by the net revenues derived from the water and wastewater utility operations, utility impact fees and moneys on deposit in the funds and accounts established under the bond resolution. The Bonds will be the only County debt outstanding that is secured by revenues of the County's utility system.

**Fiscal Impact:**

Based on current market conditions, the annual debt service payment will be approximately \$1.6 million through 2044 and the All In True Interest Cost (TIC) is approximately 4.15%. The actual debt service and final All In TIC will be determined based on the competitive bid process, but cannot exceed 5.00% per the Bond Resolution.

Contact: Robert G. Adolphe, P.E., Director; [bob.adolphe@brevardcounty.us](mailto:bob.adolphe@brevardcounty.us); 321-633-2091

Exhibits Attached: Bond Resolution, Exhibit A (Official Notice of Sale), Exhibit B (Preliminary Official Statement), Exhibit C (Continuing Disclosure Certificate)

Contract /Agreement (If attached): Reviewed by County Attorney Yes  No  PR  USD FINANCE

County Manager	Assistant County Manager, Mel Scott	Department Director / Extension
Stockton Whitten		 Robert G. Adolphe, P.E., Director / x52091



Tammy Etheridge, Clerk to the Board, 400 South Street • P.O. Box 999, Titusville, Florida 32781-0999

Telephone: (321) 637-2001  
Fax: (321) 264-6972

September 10, 2014

**M E M O R A N D U M**

**TO:** Robert Adolphe, Utility Services Director

**RE:** Item III.A., Resolution Authorizing the Issuance of Water and Wastewater Utility Revenue Bonds, Series 2014, in Order to Finance Various Capital Improvements to the County's Water and Wastewater Utility System

The Board of County Commissioners, in special session on September 9, 2014, adopted Resolution No. 14-145, authorizing the issuance of not exceeding \$30,000,000 principal amount of Water and Wastewater Utility Revenue Bonds, Series 2014, to finance various capital improvements to the County's water and wastewater utility system; authorized the publication of a notice of sale and a competitive sale of said Series 2014 Bonds; appointed U.S. Bank National Association as the paying agent and registrar for the Bonds; authorized the distribution of a preliminary official statement and the execution of a final official statement; authorized the execution of a continuing disclosure certificate and other necessary documents; authorized the County Manager and other County officials and staff to take necessary action to effect the foregoing; and approved all budget changes. Enclosed are two certified copies of the Resolution.

Your continued cooperation is greatly appreciated.

Sincerely yours,

BOARD OF COUNTY COMMISSIONERS  
SCOTT ELLIS, CLERK

*Tammy Etheridge*

Tammy Etheridge, Deputy Clerk

Encls. (2)

cc: Finance  
Budget



BOARD OF COUNTY COMMISSIONERS

Utility Services Department  
2725 Judge Fran Jamieson Way  
Building A, Room 213  
Viera, Florida 32940

## Inter-Office Memo

TO: Commissioner Mary Bolin Lewis, Chairman  
THRU: Mel Scott, Assistant County Manager  
FROM: Robert G. Adolphe, P.E., Utility Services Director *RGA*  
DATE: October 2, 2014  
SUBJ: Execution of Utility Services CIP Construction Contract:  
South Beaches Regional WRF Polymer Feed System - Bid No. B-4-14-72

On September 8, 2014, the Review & Qualifications Committee, pursuant to Board Policy BCC-28, voted to award a construction contract to the apparent low bidder for the project referenced above. This vote was based upon the Committee's unanimous conclusion that Speegle Construction II, Inc., was confirmed to be the lowest responsive and responsible, qualified bidder.

Accordingly, the contractor was asked to execute the original contract documents, provide the required performance and payment bonds, and provide insurance certificates fulfilling the contract requirements. The Risk Manager was then asked to review the insurance certificates for compliance. The County Attorney, prior to bid advertisement, had been asked to approve the contract, and has now signed each original contract copy as required. The approvals of both the Risk Manager and the County Attorney are also documented on the attached copy of the Initial Contract Form.

Attached, please find five (5) original copies of the contract for the project. This contract is the one approved by the Review & Qualifications Committee, as noted above. Please execute each original where indicated. Upon completion, please return all of the originals to this Department and we will forward them to the Clerk for attestation.

If you have any questions, please notify me at 633-2091. Thank you for your assistance.

Attachments

cc: Stockton Whitten, County Manager

SECTION 00500

CONTRACT

THIS CONTRACT, by and between the Brevard County, Florida Board of County Commissioners, a political subdivision of the State of Florida (hereinafter called the Owner), and Speegle Construction II, Inc., a Florida Corporation doing  
(Describe form of Ownership)  
business at P.O. Box 236095, Cocoa, FL 32923-6095 (hereinafter called the  
"Contractor"). (Address)

WITNESSETH: That the parties hereto, for the consideration hereinafter set forth, mutually agree as follows:

1.01 SCOPE OF THE WORK

The Contractor shall furnish all labor, materials, equipment, machinery, tools, apparatus, and transportation and perform all of the work shown on the Drawings and described in the Specifications entitled,

South Beaches Regional WRF Polymer Feed System

as prepared by Quentin L. Hampton, Inc., acting as, and in the Contract Documents entitled, the Engineer, and shall do everything required by this Contract and the other Contract Documents.

1.02 THE CONTRACT SUM

- A. The Owner shall pay to the Contractor for the faithful performance of the Contract, in lawful money of the United States, and subject to additions and deductions as provided in the Contract Documents, as follows:
- B. Based upon the price shown in the Contractor's Bid heretofore submitted to the Owner, which Bid is a part of these Contract Documents, the aggregate amount of this Contract is the sum of Three Hundred Seventy-Seven Thousand Six Hundred Seventy Seven Dollars (\$377,677.00).

1.03 COMMENCEMENT AND COMPLETION OF WORK

- A. The Contractor shall commence work within 10 calendar days after the start of the Contract Time identified on the Notice to Proceed.
- B. The Contractor shall prosecute the Work with faithfulness and diligence and shall complete the Work no later than 180 days after the date specified in the Notice to Proceed.

#### 1.04 CONTRACTOR'S ACCEPTANCE OF CONDITIONS

- A. The Contractor hereby agrees that Contractor has carefully examined the surface of the site and has made sufficient reasonable test holes, or other surface and subsurface investigations and is fully satisfied that said site is a correct and suitable one for this work and Contractor assumes full responsibility therefore. The provisions of the Contract shall control any inconsistent provisions contained in the specifications. All Drawings and Specifications have been read and carefully considered by the Contractor, who understands the same and agrees to their sufficiency for the work to be done. It is expressly agreed that under no circumstances, conditions or situations shall this Contract be more strongly construed against the Owner than against the Contractor and Contractor's Surety.
- B. Any ambiguity or uncertainty in the Drawings or Specifications shall be interpreted and construed by the Owner and such decision shall be final and binding upon all parties. If the ambiguity or uncertainty could have been identified during the Bidding process, such discrepancy or inconsistency shall not serve as a claim for additional time or money.
- C. It is distinctly understood and agreed that the passing, approval and/or acceptance of any part of the work or material by the Owner, or by any agent or representative as being in compliance with the terms of this Contract or with the Drawings, and Specifications covering said work, shall not operate as a waiver by the Owner of strict compliance with the terms of this Contract, or the Drawings and Specifications covering said work; and that the Owner may require the Contractor and Surety to strictly comply with this Contract and the Drawings and Specifications; and that the Owner may require the Contractor and the Surety to repair, replace, restore any and all of said work and materials which within a period of two years from and after the date of the acceptance of work are found to be defective or to fail in any way to comply with this Contract or with the Drawings and Specifications. This provision shall not apply to material or equipment normally expected to deteriorate or wear out and become subject to normal repair and replacement before their condition is discovered. Failure on the part of the Contractor or Contractor's Surety, immediately after Notice to either repair or replace any such defective materials and workmanship shall entitle the Owner, if the Owner sees fit, to replace or repair the same and recover the reasonable cost of such replacement or repair from the Contractor and Surety who, shall in any event be jointly and severally liable to the Owner by reason of the Contractor's breach of this Contract or Contractor's failure to comply strictly with this Contract and with the Drawings and Specifications.

#### 1.05 LIQUIDATED DAMAGES

- A. Both parties recognize that precise actual damages for delay are impossible to determine. The parties therefore agree to fix liquidated damages for delay in the Substantial Completion of the Project, as that term is more fully defined in Section 00700 of this Contract. **As a condition precedent to the issuance of the Notice to Proceed, a written addendum setting forth a reasonable date by which the Contractor must realize Substantial Completion shall be executed by the Contractor and the Owner. The reasonable Substantial Completion date set forth in the addendum shall be determined by the Owner's Engineer after consultation with the Contractor.**

On the Substantial Completion date, or such revised Substantial Completion date of the Project as may occur because of an authorized written Change Order of contract time for Substantial Completion, all essential elements of the Project must be ready for their intended use. Therefore, the agreed upon liquidated damages for failure to substantially complete the essential elements of the Project by the Substantial Completion date shall be \$100.00 per day for each calendar day of delay in the Substantial Completion of the work, beyond the Substantial Completion date, up to but not including the date the Project is deemed substantially complete by the Owner's Engineer.

- B. The liquidated damages for delay in the completion or construction of non-essential elements of the Project after the date of Substantial Completion is fixed at \$75.00 per calendar day.
- C. Final completion must occur within 14 days after the Project is deemed substantially complete by the Owner's Engineer. The liquidated damages for delay of final completion of the Project beyond the established date are fixed at \$50.00 per calendar day.
- D. This liquidated damages clause applies only to delay claims arising out of the Contractor's failure to timely perform the work required under the Contract. Nothing in this liquidated damages provision shall be deemed to preclude the prosecution of a claim for actual damages involving defects in the work, breach of contract or any other claim for damages not involving a claim based solely on delay caused by the Contractor's untimely performance of the work.
- E. For each day that any part of the work remains uncompleted after the expiration of the time allowed for completion of the work stipulated in the Contract or as increased by an authorized written Change Order, the sum per day set forth in the applicable subparagraph A, B or C above, shall be deducted from any moneys due the Contractor, or if no money is due the Contractor, the Owner shall have the right to recover said sum or sums from the Contractor, from the Surety, or from both. The amount of these deductions are to cover liquidated damages to the Owner incurred by additional and other expenses due to the failure of the Contractor to complete the work or any part of the work within the completion time specified in subparagraph A, B or C, whichever is applicable, and such deductions are not to be considered as penalties.

#### 1.06 PARTIAL AND FINAL PAYMENTS

In accordance with the provisions fully set forth in the General Conditions, and subject to additions and deductions as provided, the Owner shall pay the Contractor as follows:

- A. The Owner shall make partial payments to the Contractor, on the basis of the estimate of work as approved by the Owner's Engineer, pursuant to provisions of Section 219.70, Florida Statutes, Florida Prompt Payment Act, less five percent (5%) of the amount of such estimate which is to be retained by the Owner until all work has been performed strictly in accordance with this Contract and until such work has been accepted by the Owner. The Owner shall not be responsible for payment to the Contractor for delays.
- B. Upon receipt of the payment bond Surety's written consent to the release of final payment to the Contractor who has furnished and recorded a payment bond and after all guarantees that may be required in the specifications have been furnished and are found acceptable by the Owner, final

payment on account of this Contract shall be made within twenty (20) days after completion by the Contractor of all work covered by this Contract and acceptance of such work by the Owner. If the payment bond surety serves a written revocation of consent to payment or a written direction that the COUNTY withhold a specified amount from a payment, the COUNTY shall withhold from the final payment the amount specified by the payment bond Surety.

1.07 ADDITIONAL BOND

- A. It is further mutually agreed between the parties hereto that if, at any time after the execution of this Contract and the Performance and Payment Bonds hereto attached for its faithful performance, the Owner shall deem the surety or sureties upon such bonds to be unsatisfactory, or if, for any reason, such bond(s) ceases to be adequate to cover the performance of the Work, the Contractor shall, at Contractor's expense, and within three days after the receipt of Notice from the Owner to do so, furnish an additional bond or bonds, in such form and amount, and with such sureties as shall be satisfactory to the Owner. In such event, no further payment to the Contractor shall be deemed due under this Contract until such new or additional security for the faithful performance of the work shall be furnished in manner and form satisfactory to the Owner.

1.08 CONTRACT DOCUMENTS

- A. The Contract Documents are those referenced in Section 00700 of the Contract in Article 1 entitled "Definitions", as set forth in the Instructions to Bidders, which may or may not be attached hereto, and such contract documents also include any approved and fully executed change or task orders. All of the above described contract documents are incorporated as a part of this Contract as if set forth in full herein.

IN WITNESS WHEREOF the parties hereto have executed this Contract on the dates indicated below:\*

Attest:

Board of County Commissioners of  
Brevard County, Florida (Owner)

  
\_\_\_\_\_  
Scott Ellis, Clerk

By:   
\_\_\_\_\_  
Mary Bolin Lewis, Chairman

Date: \_\_\_\_\_

Seal

As approved by the Board on:

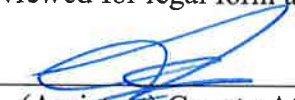
\_\_\_\_\_  
September 8, 2014


Speegle Construction II, Inc.  
Contractor

Date: September 8, 2014

By: Lu Anne Woodley  
(Printed Name)

Reviewed for legal form and content:

  
\_\_\_\_\_  
(Assistant) County Attorney

Signature:   
\_\_\_\_\_  
Title: President

\_\_\_\_\_  
(Seal)

(\* ) In the event that the Contractor is a Corporation, there shall be attached to the Contract a certified copy of a resolution of the Board of Directors of the Corporation, authorizing the officer who signs the Contract to do so in its behalf.

CERTIFICATE

STATE OF FLORIDA

COUNTY OF Brevard

I HEREBY CERTIFY that a meeting of the Board of Directors of Speegle Const. II, Inc., a Corporation under the laws of the State of Florida, held on September 7, 2014, the following resolution was duly passed and adopted:

“RESOLVED, that Lu Anne Woodley, as \_\_\_\_\_ President of the Corporation, be and he is hereby authorized to execute the Contract dated September 8, 2014, between BREVARD COUNTY, FLORIDA, and this Corporation, and that his execution thereof, attested by the Secretary of the Corporation and with corporate seal affixed, shall be the official act and deed of this corporation.”

I further certify that said resolution is now in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Corporation this 7 day of September, 2014.

  
Secretary

END OF SECTION

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**BREVARD COUNTY, FLORIDA**

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**WATER AND WASTEWATER UTILITY REVENUE BOND RESOLUTION**

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**ADOPTED SEPTEMBER 9, 2014**

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EXHIBIT A	--	FORM OF OFFICIAL NOTICE OF SALE
EXHIBIT B	--	FORM OF PRELIMINARY OFFICIAL STATEMENT
EXHIBIT C	--	FORM OF CONTINUING DISCLOSURE CERTIFICATE

**RESOLUTION NO. 14-145**

A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF BREVARD COUNTY, FLORIDA PROVIDING FOR THE ISSUANCE OF NOT EXCEEDING \$30,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF BREVARD COUNTY, FLORIDA WATER AND WASTEWATER UTILITY REVENUE BONDS, SERIES 2014, TO FINANCE CERTAIN COSTS RELATING TO THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF VARIOUS CAPITAL IMPROVEMENTS TO THE COUNTY'S WATER AND WASTEWATER UTILITY SYSTEM; PROVIDING FOR THE ISSUANCE OF ADDITIONAL WATER AND WASTEWATER UTILITY REVENUE BONDS FROM TIME TO TIME FOR THE PRINCIPAL PURPOSES OF ACQUIRING, CONSTRUCTING AND EQUIPPING VARIOUS CAPITAL IMPROVEMENTS TO THE COUNTY'S WATER AND WASTEWATER UTILITY SYSTEM AND REFUNDING OUTSTANDING INDEBTEDNESS RELATING TO THE SYSTEM; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SUCH BONDS; PROVIDING FOR THE PAYMENT THEREOF FROM THE NET REVENUES OF THE WATER AND WASTEWATER SYSTEM AND CERTAIN OTHER MONEYS; MAKING CERTAIN OTHER COVENANTS AND AGREEMENTS IN CONNECTION WITH BONDS ISSUED HEREUNDER; AUTHORIZING THE AWARDING OF SAID SERIES 2014 BONDS PURSUANT TO A PUBLIC BID; DELEGATING CERTAIN AUTHORITY TO THE COUNTY MANAGER FOR THE AWARD OF THE SERIES 2014 BONDS AND THE APPROVAL OF THE TERMS AND DETAILS OF SAID SERIES 2014 BONDS; AUTHORIZING THE PUBLICATION OF AN OFFICIAL NOTICE OF SALE FOR THE SERIES 2014 BONDS OR A SUMMARY THEREOF; APPOINTING THE REGISTRAR AND PAYING AGENT FOR SAID SERIES 2014 BONDS; AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND THE EXECUTION AND DELIVERY OF AN OFFICIAL STATEMENT WITH RESPECT TO THE SERIES 2014 BONDS; ESTABLISHING A BOOK-ENTRY SYSTEM OF REGISTRATION FOR THE SERIES 2014 BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A CONTINUING DISCLOSURE CERTIFICATE; DELEGATING AUTHORITY TO THE COUNTY MANAGER TO DETERMINE CERTAIN MATTERS WITH RESPECT TO SAID SERIES 2014 BONDS INCLUDING WHETHER TO UTILIZE MUNICIPAL BOND INSURANCE FOR ANY OF THE SERIES 2014 BONDS AND WHETHER TO FUND THE RESERVE ACCOUNT; AND PROVIDING AN EFFECTIVE DATE.

**NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF BREVARD COUNTY, FLORIDA that:**

**ARTICLE I  
GENERAL**

**SECTION 1.01. DEFINITIONS.** When used in this Resolution, the following terms shall have the following meanings, unless the context clearly otherwise requires:

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

**"Act"** shall mean the Constitution of the State of Florida, Chapter 125, Florida Statutes, the Charter of Brevard County, Florida, and other applicable provisions of law.

**"Additional Bonds"** shall mean the obligations issued at any time under the provisions of Section 6.02 hereof on parity with the Series 2014 Bonds.

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

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

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

**"Approved CIP"** shall mean those capital improvements to the System which are described in the Infrastructure Asset Evaluation dated July 2013 and approved by the Board on December 17, 2013, as the same may be amended and supplemented from time to time.

**"Authorized Investments"** shall mean any investments that may be made by the Issuer under applicable law and which are allowed under the Issuer's investment policy.

**"Authorized Issuer Officer"** shall mean the Chair, the County Manager or the Clerk, and when used in reference to any act or document, also means any other person authorized by resolution of the Issuer to perform such act or sign such document.

**"Board"** shall mean the Board of County Commissioners of Brevard County, Florida.

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

**"Bond Insurance Policy"** shall mean the municipal bond new issue insurance policy or policies issued by an Insurer guaranteeing the payment of the principal of and interest on any portion of the Bonds.

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

**"Bonds"** shall mean the Series 2014 Bonds, together with any Additional Bonds issued pursuant to this Resolution and any Subordinated Indebtedness which accedes to the status of Bonds pursuant to Section 6.04 hereof.

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

**"Chair"** shall mean the Chair of the Board of County Commissioners of Brevard County, Florida and such other person as may be duly authorized to act on her or his behalf.

**"Clerk"** shall mean the Clerk of the Circuit Court and Ex-Officio Clerk of the Board of County Commissioners of Brevard County, Florida and such other person as may be duly authorized to act on his or her behalf.

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

**"Connection Fees"** shall mean, collectively, the Wastewater Connection Fees and the Water Connection Fees.

**"Construction Fund"** shall mean the fund established pursuant to Section 4.03 hereof.

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

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

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

**"County Manager"** shall mean the County Manager of Brevard County, Florida, the Deputy County Manager of Brevard County, Florida and such other person as may be duly authorized to act on behalf of the County Manager.

**"Credit Bank"** shall mean as to any particular Series of Bonds, the Person (other than an Insurer) providing a letter of credit, a line of credit or other credit or liquidity

facility, as designated in the Supplemental Resolution providing for the issuance of such Bonds.

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

**"Debt Service"** shall mean, at any time, the aggregate amount in the then applicable period of time of (1) interest required to be paid on the Outstanding Bonds during such period of time, except to the extent that such interest is to be paid from deposits in the Interest Account or Construction Fund made from Bond proceeds for such purpose, (2) principal of Outstanding Serial Bonds maturing in such period of time, and (3) the Sinking Fund Installments scheduled to be paid during such period of time. For purposes of this definition, (A) all amounts payable on a Capital Appreciation Bond shall be considered a principal payment in the year it becomes due, (B) with respect to debt service on any Bonds which relate to a Qualified Hedge Agreement, interest on such Bonds during the term of such Qualified Hedge Agreement shall be deemed to be the Hedge Payments coming due during such period of time, (C) if any Series of Bonds has 25% or more of the aggregate principal amount of such Series coming due in any one year, Debt Service shall be determined on such Series during such period of time as if the principal of and interest on such Series were being paid from the date of issuance thereof in substantially equal annual amounts over a period of 25 years, (D) the amount, if any, on deposit in the Reserve Account (or any subaccount thereof) on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Bonds which are secured by such Reserve Account (or subaccount thereof) and in each preceding year until such amount is exhausted, and (E) with respect to Debt Service on any Federal Subsidy Bonds, when determining the interest on such Bonds for any particular Interest Date the amount of the corresponding Federal Subsidy Payment shall be deducted from the amount of interest which is due and payable to the holders of such Bonds on the Interest Date, but only to the extent that the Issuer reasonably believes that it will be in receipt of such Federal Subsidy Payment on or prior to such Interest Date.

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

**"Federal Securities"** shall mean non-callable direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of Treasury) or non-callable obligations the principal of and interest on which are unconditionally guaranteed by the United States of America. All such obligations shall not permit redemption prior to maturity at the option of the obligor.

**"Federal Subsidy Bonds"** shall mean Bonds issued under Section 54AA of the Code, Section 1400U-2 of the Code or any other applicable provision of the Code, the interest on which is not exempt from federal income taxation, with respect to which the Issuer elects to receive, or is otherwise entitled to receive, Federal Subsidy Payments from the United States Department of Treasury.

**"Federal Subsidy Payments"** shall mean the direct payments made by the United States Department of Treasury to the Issuer with respect to any Federal Subsidy Bonds pursuant to Sections 54AA(g), 6431 and 1400U-2 of the Code, or any other applicable provision of the Code.

**"Financial Advisor"** shall mean Public Financial Management, Inc., and its successors and assigns.

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

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

**"Fund Balance"** shall mean an amount of money equal to the unencumbered moneys on deposit in the Utility Reserve Fund as of September 30 of the immediately preceding Fiscal Year. Moneys shall be considered unencumbered to the extent such moneys are unrestricted and may be used for any lawful purpose relating to the System.

**"Government Grant"**, when used with respect to the System, shall mean any sum of money heretofore or hereafter received by the Issuer from the United States of America or any agency thereof or from the State of Florida or any agency or political subdivision thereof as or on account of a grant or contribution, not repayable by the Issuer, for or with respect to the construction, acquisition or other development of an addition, extension or improvement to any part of the System or any costs of any such construction, acquisition or development; provided, however, Government Grants shall not include any grants or contributions received by the Issuer for the purpose of funding Operating Expenses or paying Debt Service on Bonds.

**"Gross Revenues"** shall mean all income and moneys received by the Issuer from the rates, fees, rentals, charges and other income to be made and collected by the Issuer for the use of the products, services and facilities to be provided by the System, or otherwise received by the Issuer or accruing to the Issuer in the management and operation of the System, calculated in accordance with generally accepted accounting principles applicable to public utility systems similar to the System, including, without limiting the generality of the foregoing, (1) moneys deposited from the Rate Stabilization Fund into the Revenue Fund in accordance with the terms hereof, provided any moneys transferred from the Rate Stabilization Fund into the Revenue Fund in an amount not to exceed the Rate Stabilization

Amount within 120 days following the end of a Fiscal Year may be designated by the Issuer as Gross Revenues of such prior Fiscal Year, (2) proceeds from use and occupancy insurance on the System, and (3) Investment Earnings. "Gross Revenues" shall not include (A) Government Grants, (B) proceeds of Bonds or other Issuer debt, (C) moneys deposited to the Rate Stabilization Fund from the Utility Reserve Fund, including any moneys transferred from the Utility Reserve Fund to the Rate Stabilization Fund within 120 days following the end of a Fiscal Year which the Issuer determines not to be Gross Revenues of such prior Fiscal Year, (D) Wastewater Connection Fees, (E) Water Connection Fees, (F) Special Assessments Proceeds, unless subsequently pledged by Supplemental Resolution, (G) any gain or loss from the sale of assets of the System, and (H) any gain resulting from the valuation of investment securities or Hedge Agreements at market value and any other gain that does not require or result in the receipt of cash. Gross Revenues may include Special Assessments Proceeds and/or other revenues related to the System which are not enumerated in the definition of "Gross Revenues" if so authorized by Supplemental Resolution and if and to the extent the same shall be approved for inclusion by all Insurers and Credit Banks.

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

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

**"Hedge Receipts"** shall mean any amounts receivable by the Issuer on the related notional amount under a Qualified Hedge Agreement.

**"Insurer"** shall mean, with respect to a particular Series of Bonds, such Person as shall have issued a Bond Insurance Policy insuring such Series of Bonds, and its successors and assigns.

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

**"Interest Date"** or **"interest payment date"** shall be such date or dates for the payment of interest on the Bonds as provided pursuant to Section 2.01 hereof and by Supplemental Resolution of the Issuer. Notwithstanding the foregoing, the Interest Dates for the Series 2014 Bonds shall be March 1 and September 1 of each year.

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

**"Issuer"** shall mean Brevard County, Florida, and also includes any authority or other governmental entity to which may hereafter be transferred some or all of the powers and responsibilities of the Issuer with respect to the ownership, financing, operation, enlargement, improvement and maintenance of the System.

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

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

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

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

**"Official Notice of Sale"** shall meant the Official Notice of Sale as described in Section 10.01 hereof, the form of which is attached hereto as Exhibit A.

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

required to be paid for or with respect to proper operation or maintenance of the System, including appropriate reserves therefor, all to the extent properly attributable to the System in accordance with generally accepted accounting principles applicable to public utility systems similar to the System, and disbursements for the expenses, liabilities and compensation of any Paying Agent or Registrar under this Resolution, but does not include any extraordinary or non-recurring expenses, or any costs or expenses in respect of original construction or improvement other than expenditures necessary to prevent an interruption or continuance of an interruption of service or of Gross Revenues or minor capital expenditures necessary for the proper and economical operation or maintenance of the System, or any provision for interest, depreciation, amortization or similar charges, or any debt issuance costs, or any payments in lieu of taxes or franchise fees made to the Issuer's general fund, or any accruals required to be recognized with respect to pension, retirement, health and hospitalization funds that do not require or result in the expenditure of cash, or any loss resulting from the valuation of investment securities, Hedge Agreements at market value and any other loss that does not require or result in the expenditure of cash.

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

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

**"Paying Agent"** shall mean for each Series of Bonds, the paying agent appointed by the Issuer for such Series of Bonds and its successor or assigns, if any. With respect to the Series 2014 Bonds, the initial Paying Agent shall be U.S. Bank National Association, Orlando, Florida.

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

**"Pledged Funds"** shall mean (1) the Net Revenues, (2) the Connection Fees and (3) until applied in accordance with the provisions of this Resolution, all moneys, including investments thereof, in the funds and accounts established hereunder, except (A) as for the Rebate Fund, (B) to the extent moneys therein shall be required to pay the Operating Expenses of the System in accordance with the terms hereof, and (C) any moneys set aside in a particular subaccount of the Reserve Account if such moneys shall be pledged solely

for the payment of a different Series of Bonds for which it was established in accordance with the provisions hereof.

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

**"Prerefunded Obligations"** shall mean any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (1) which are (A) not callable prior to maturity or (B) as to which irrevocable instructions have been given to the fiduciary for such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (2) which are fully secured as to principal, redemption premium, if any, and interest by a fund held by a fiduciary consisting only of cash or Federal Securities, secured substantially in the manner set forth in Section 9.01 hereof, which fund may be applied only to the payment of such principal of, redemption premium, if any, and interest on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as the case may be, (3) as to which the principal of and interest on the Federal Securities, which have been deposited in such fund along with any cash on deposit in such fund are sufficient, as verified by an independent certified public accountant or other expert in such matters, to pay principal of, redemption premium, if any, and interest on the bonds or other obligations on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (1) above and are not available to satisfy any other claims, including those against the fiduciary holding the same, and (4) which are rated in the highest rating category (without regard to gradations, such as "+" or "-" or "1," "2" or "3" of such categories) of one of the Rating Agencies.

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

**"Project"** shall mean any structure, property or facility for public use which the Issuer from time to time may determine to construct, acquire or equip as part of the System, together with all equipment, structures and other facilities necessary or appropriate in connection therewith which are financed in whole or in part with the indebtedness secured by this Resolution. This term is to be broadly construed as including any lawful undertaking which will accrue to the benefit of the System, including, without limitation, financing improvements to the Issuer's facilities, joint ventures and acquisition of partial interests or contractual rights, and including modification, disposal, replacement or cancellation of a Project previously authorized, should such modification, disposal, replacement or cancellation be permitted under this Resolution. The Series 2014 Project shall constitute a Project hereunder.

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

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

**"Rate Stabilization Amount"** shall mean, as of the date of determination, an amount equal to 10% of Net Revenues received by the Issuer during the immediately preceding Fiscal Year.

**"Rate Stabilization Fund"** shall mean the "Rate Stabilization Fund" established pursuant to Section 4.04(J) hereof.

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

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

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

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

**"Registrar"** shall mean for each Series of Bonds, the registrar appointed by the Issuer for such Series of Bonds and its successor or assigns, if any. With respect to the Series 2014 Bonds, the initial Paying Agent shall be U.S. Bank National Association, Orlando, Florida.

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

**"Renewal and Replacement Fund Requirement"** shall mean, on the date of calculation, an amount of money equal to (1) \$1,500,000, or (2) such greater or lesser amount as may be certified to the Issuer by the Consulting Engineers as an amount appropriate for the purposes of this Resolution.

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

**"Reserve Account Insurance Policy"** shall mean the insurance policy deposited in the Reserve Account in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.05(B)(4).

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

**"Reserve Account Requirement"** shall mean, as of any date of calculation for the Reserve Account or a subaccount therein, an amount equal to the lesser of (1) Maximum Annual Debt Service for all Outstanding Bonds secured thereby, (2) 125% of the average Annual Debt Service for all Outstanding Bonds secured thereby, or (3) the maximum amount of Bond proceeds which may be deposited to the Reserve Account without subjecting the same to yield restriction under the Code, or causing interest on any of the Bonds secured thereby (other than Taxable Bonds) to be included in gross income for purposes of federal income taxation or otherwise violating applicable provisions of the Code; provided, however, the Issuer may establish hereby or by Supplemental Resolution a different Reserve Account Requirement with respect to any particular Series of Bonds pursuant to Section 4.05(B)(4) hereof, which Reserve Account Requirement may be \$0.00. In computing the Reserve Account Requirement in respect of a Series of Bonds that constitutes Variable Rate Bonds, the interest rate on such Bonds shall be assumed to be (A) if such Variable Rate Bonds have been Outstanding for at least 12 months prior to the date of calculation, the highest of (i) the actual rate of interest on the date of calculation, (ii) the average interest rate borne by such Variable Rate Bonds for the 12-month period immediately preceding each date of calculation, and (iii) the Bond Buyer Revenue Bond Index most recently published prior to the time of calculation, and (B) if such Variable Rate Bonds have not been Outstanding for at least 12 months prior to the date of calculation, the higher of (i) the actual rate of interest on the date of calculation, and (ii) the Bond Buyer Revenue Bond Index most recently published prior to the time of calculation. The Reserve Account Requirement shall be calculated, and the investments on deposit in the Reserve Account shall be valued, as of September 30 of each year with respect to the next succeeding Fiscal Year.

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

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

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

**"Series"** shall mean all the Bonds delivered on original issuance in a simultaneous transaction and identified pursuant to Sections 2.01 and 2.02 hereof or a Supplemental Resolution authorizing the issuance by the Issuer of such Bonds as a separate Series,

regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

**"Series 2014 Bonds"** shall mean the Brevard County, Florida Water and Wastewater Utility Revenue Bonds, Series 2014 authorized pursuant to Section 2.02 hereof.

**"Series 2014 Project"** shall mean that portion of the Approved CIP which is financed with proceeds of the Series 2014 Bonds as provided herein.

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

**"Sinking Fund Installment"** shall mean an amount designated as such pursuant to the provisions hereof or of a Supplemental Resolution of the Issuer and established with respect to the Term Bonds.

**"Special Assessments"** means any and all special assessments against property benefited by the System or any part thereof.

**"Special Assessments Fund"** shall mean the fund created pursuant to Section 4.04(F) hereof.

**"Special Assessments Proceeds"** means the proceeds of Special Assessments (principal and interest) whether paid at one time or in installments from time to time, but Special Assessment Proceeds shall be subject to the provisions and lien and pledge of this Resolution only if and to the extent provision for inclusion as part of the Gross Revenues has been made by Supplemental Resolution adopted by the Issuer.

**"Standard and Poor's"** or **"S&P"** shall mean Standard and Poor's Ratings Services, and any assigns and successors thereto.

**"State"** shall mean the State of Florida.

**"Subordinated Indebtedness"** shall mean that indebtedness of the Issuer, subordinate and junior to the Bonds, issued in accordance with the provisions of Section 6.01 hereof or deemed subordinate and junior to the Bonds in accordance with the provisions hereof or in accordance with the provisions of such Subordinated Indebtedness.

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

**"System"** shall mean any and all water production, transmission, treatment and distribution facilities, wastewater collection, transmission, treatment and disposal

facilities, and reclaimed water (reuse) facilities now owned or hereafter owned by the Issuer, which System shall also include any and all improvements, extensions and additions thereto hereafter constructed or acquired either from the proceeds of Bonds or from any other sources, together with all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith, including all contractual rights, rights to capacity and obligations or undertakings associated therewith. As of the date hereof, System shall not include those facilities that constitute the Barefoot Bay Water and Sewer Utility System. "System" shall also include any other utility facilities if and to the extent the Issuer determines by Supplemental Resolution to include such facilities within the System as described herein.

**"Taxable Bonds"** means any Bond which states, in the body thereof, that the interest income thereon is includable in the gross income of the Holder thereof for federal income taxation purposes or that such interest is subject to federal income taxation. Notwithstanding the foregoing, except as otherwise provided herein, Taxable Bonds shall not include Federal Subsidy Bonds.

**"Term Bonds"** shall mean those Bonds which shall be designated as Term Bonds hereby or by Supplemental Resolution of the Issuer.

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

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

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

**"Wastewater Connection Fees"** shall mean the fees and charges, if any, which relate to acquiring, constructing, equipping or expanding the capacity of the wastewater facilities of the System for the purpose of paying or reimbursing the equitable share of the capital cost relating to such acquisition, construction, expansion or equipping of capacity of the wastewater facilities of the System or expansion thereof in order to serve new users of the wastewater facilities of the System, to the extent the same are lawfully levied, collected and pledged. "Wastewater Connection Fees" include those fees and charges traditionally known under Florida law as "impact fees" but shall not include fees and charges imposed for the cost of physically hooking up or connecting to the System.

**"Wastewater Connection Fees Fund"** shall mean the fund created pursuant to Section 4.04(E) hereof.

**"Water Connection Fees"** shall mean the fees and charges, if any, which relate to acquiring, constructing, equipping or expanding the capacity of the water facilities of the System for the purpose of paying or reimbursing the equitable share of the capital cost relating to such acquisition, construction, expansion or equipping of capacity of the water facilities of the System or expansion thereof in order to serve new users of the water facilities of the System, to the extent the same are lawfully levied, collected and pledged. "Water Connection Fees" include those fees and charges traditionally known under Florida law as "impact fees" but shall not include fees and charges imposed for the cost of physically hooking up or connecting to the System.

**"Water Connection Fees Fund"** shall mean the fund created pursuant to Section 4.04(D) hereof.

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

Words importing the masculine gender include every other gender.

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

**SECTION 1.02. AUTHORITY FOR RESOLUTION.** This Resolution is adopted pursuant to the provisions of the Act. The Issuer has ascertained and hereby determined that adoption of this Resolution is necessary to carry out the powers, purposes and duties expressly provided in the Act, that each and every matter and thing as to which provision is made herein is necessary in order to carry out and effectuate the purposes of the Issuer in accordance with the Act and to carry out and effectuate the plan and purpose of the Act, and that the powers of the Issuer herein exercised are in each case exercised in accordance with the provisions of the Act and in furtherance of the purposes of the Issuer.

**SECTION 1.03. RESOLUTION TO CONSTITUTE CONTRACT.** In consideration of the purchase and acceptance of any or all of the Bonds by those who shall hold the same from time to time, the provisions of this Resolution shall be a part of the contract of the Issuer with the Holders of the Bonds, and shall be deemed to be and shall constitute a contract between the Issuer, the Holders from time to time of the Bonds and any Insurer or Credit Bank. The pledge made in the Resolution and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of said Bonds and any Insurer or Credit Bank, but only to the extent and in accordance with the terms hereof. All of the Bonds, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or pursuant to this Resolution.

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

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

(B) It is necessary and desirable and in the best interests of the Issuer to borrow moneys from time to time to improve and expand the System and to refinance certain indebtedness related to the System.

(C) For the purposes described above the Issuer is authorized hereunder to borrow money by issuing its Bonds from time to time as provided herein.

(D) The Issuer has various capital infrastructure needs and requirements in the form of the Approved CIP which need to be acquired, constructed and equipped in order to maintain and protect the health, safety and welfare of the citizens of the Issuer.

(E) It is in the best interests of the Issuer to finance a portion of the Costs of the Approved CIP through the issuance of tax-exempt debt obligations and the most efficient and fairest method of financing such Costs is by the issuance of the Series 2014 Bonds secured by and payable from the Pledged Funds as provided herein.

(F) In accordance with Section 218.385, Florida Statutes, and pursuant to this Resolution, the Series 2014 Bonds shall be advertised for competitive bids pursuant to the Official Notice of Sale, the form of which is attached hereto as Exhibit A, or a summary thereof.

(G) Pursuant to the Official Notice of Sale, competitive bids for the purchase of the Bonds received in accordance with the Official Notice of Sale on or prior to the date and time as is determined by the County Manager in accordance with the terms and provisions hereof and of the Official Notice of Sale, shall be publicly opened and announced.

(H) Due to the present volatility, uncertainty and complexity of the market for tax-exempt obligations such as the Series 2014 Bonds, it is desirable for the Issuer to be able to advertise and award the Series 2014 Bonds at the most advantageous time and date instead of restricting the sale and award to the date of a particular meeting of the Board; and, accordingly, the Issuer hereby determines to delegate the advertising and awarding of the Series 2014 Bonds to the County Manager within the parameters described herein.

(I) It is necessary and appropriate that the Issuer determine certain parameters for the terms and details of the Series 2014 Bonds and to delegate certain authority to the County Manager for the award of the Series 2014 Bonds and the approval of the terms of

the Series 2014 Bonds in accordance with the provisions hereof and of the Official Notice of Sale.

(J) In the event Bond Counsel shall determine that the Series 2014 Bonds have not been awarded competitively in accordance with the provisions of Section 218.385, Florida Statutes, the Issuer shall adopt such resolutions and make such findings as shall be necessary to authorize and ratify a negotiated sale of the Series 2014 Bonds in accordance with said Section 218.385.

(K) The Series 2014 Bonds and any subsequently issued Additional Bonds shall be secured by the Pledged Funds as provided herein and such Pledged Funds are not currently pledged or encumbered.

(L) The principal of and interest on the Bonds to be issued pursuant to this Resolution, and all other payments provided for in this Resolution will be paid solely from the Pledged Funds in accordance with the terms hereof; and the ad valorem taxing power of the Issuer will never be necessary or authorized to pay the principal of and interest on the Bonds to be issued pursuant to this Resolution, or to make any other payments provided for in this Resolution, and the Bonds shall not constitute a lien upon the System or upon any other property whatsoever of or in the Issuer.

**SECTION 1.05. AUTHORIZATION OF THE SERIES 2014 PROJECT; REIMBURSEMENT.** The acquisition, construction and equipping of the Series 2014 Project and the financing of Costs thereof from proceeds of the Series 2014 Bonds is hereby authorized and approved. The County Manager is authorized and directed to determine which components of the Approved CIP shall constitute the Series 2014 Project. Costs of the Series 2014 Project incurred by the Issuer heretofore or hereafter may be reimbursed from proceeds of the Series 2014 Bonds in accordance with the applicable provisions of the Code.

## **ARTICLE II AUTHORIZATION, TERMS, EXECUTION AND REGISTRATION OF BONDS**

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

The Bonds may, if and when authorized by the Issuer pursuant to this Resolution, be issued in one or more Series, with such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series as the Issuer may determine and as may be necessary to distinguish such Bonds from the Bonds of any other Series. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs. Notwithstanding anything in this Resolution to the contrary, any Series of Bonds issued hereunder may be designated as "Notes" or a "Note" or such other designation representing an indebtedness pursuant to Supplemental Resolution of the Issuer and if so issued such Note or Notes or other designation shall be considered a Bond or Bonds for all purposes of this Resolution.

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

The Bonds shall be issued in such denominations and such form, whether coupon or registered; shall be dated such date; shall bear such numbers; shall be payable in such manner and 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 on such dates; shall have such Interest Dates; and the proceeds shall be used in such manner; all as determined hereby or provided for by Supplemental Resolution of the Issuer. The Issuer may issue Bonds which may be secured by a Credit Facility or by a Bond Insurance Policy all as shall be determined hereby or by Supplemental Resolution of the Issuer. The Board may delegate approval of the terms, details and sale of a Series of Bonds to an Authorized Issuer Officer hereby or pursuant to Supplemental Resolution.

**SECTION 2.02. AUTHORIZATION AND DESCRIPTION OF SERIES 2014 BONDS.** A Series of Bonds entitled to the benefit, protection and security of this Resolution is hereby authorized in the aggregate principal amount of not exceeding \$30,000,000 for the principal purposes of financing Costs of the Series 2014 Project, funding the Reserve Account, if necessary, and paying costs of issuance. Such Series of Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "Brevard County, Florida Water and Wastewater Utility Revenue Bonds, Series 2014" (or such other designation as the County Manager may determine). The aggregate principal amount of Series 2014 Bonds to be issued pursuant to this Resolution shall be determined by the County Manager on or prior to the sale of the Series 2014 Bonds provided such aggregate principal amount does not exceed \$30,000,000. The Series 2014 Bonds shall be dated their date of delivery (or such other date as shall be determined by the County Manager), shall be issued in the form of fully registered Bonds in denominations of \$5,000 or any integral multiple thereof, shall be numbered consecutively from one upward in order of maturity preceded by the letter "R", shall bear interest from their dated dates,

payable semi-annually, on each Interest Date, commencing on March 1, 2015 (or such other date as shall be determined by the County Manager).

Interest payable on the Series 2014 Bonds on any Interest Date shall be paid by check or draft of U.S. Bank National Association, Orlando, Florida, as Paying Agent, to the holders in whose names such Series 2014 Bonds shall be registered at the close of business on the date which shall be the fifteenth day (whether or not a business day) of the calendar month next preceding such Interest Date. Notwithstanding the foregoing, interest shall be paid by wire transfer or such other payment method required by DTC (as defined in Section 10.02 hereof), or any successor securities depository, to the account of DTC or successor depository or its nominee when the Series 2014 Bonds are registered to Cede & Co. or any successor nominee. Principal of the Series 2014 Bonds is payable upon presentation and surrender of the Series 2014 Bonds at the designated office of the Paying Agent. All payments of principal, premium, if applicable, and interest on the Series 2014 Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

The Series 2014 Bonds shall bear interest at such rates (calculated on the basis of a 360-day year of twelve 30-day months) and have such yields, shall mature on September 1 of each of the years and in the principal amounts corresponding to such years, and, except as otherwise provided herein, shall have such redemption provisions, all as determined pursuant to the public bidding process, subject to the provisions and conditions set forth in this Resolution, particularly this Section 2.01. The final maturity of the Series 2014 Bonds shall not be later than September 1, 2044. All of the terms of the Series 2014 Bonds will be included in a certificate to be executed by the County Manager or other Authorized Issuer Officer following the award of the Series 2014 Bonds (the "Award Certificate") and shall be set forth in the final Official Statement, as described herein.

The County Manager, on behalf of the Issuer and only in accordance with the terms hereof and of the Official Notice of Sale, shall award the Series 2014 Bonds to the underwriter or underwriters that submit a bid proposal which complies in all respects with this Resolution and the Official Notice of Sale and offers to purchase the Series 2014 Bonds at the lowest true interest cost to the Issuer, as calculated by the Financial Advisor in accordance with the terms and provisions of the Official Notice of Sale; provided, however, the Series 2014 Bonds shall not be awarded to any bidder unless the true interest cost set forth in the winning bid (as calculated by the Financial Advisor) is equal to or less than 5.00%. In accordance with the provisions of the Official Notice of Sale, the County Manager may, in his or her sole discretion, reject any and all bids.

The Series 2014 Bonds may be redeemed prior to their respective maturities from any moneys legally available therefor, upon notice as provided in this Resolution, and upon the terms and provisions as shall be determined by the County Manager, upon the advice of the Financial Advisor. Notwithstanding the foregoing, with respect to any optional redemption terms for the Series 2014 Bonds, the first call date may be no later than

September 1, 2024, and there shall be no call premium. The County Manager, upon the advice of the Issuer's Financial Advisor, shall also determine which Series 2014 Bonds, if any, shall be subject to optional redemption. The County Manager may, in his or her discretion, and upon the advice of the Financial Advisor, determine that none of the Series 2014 Bonds shall be subject to redemption prior to their respective maturities. Term Bonds and the Sinking Fund Installments thereto may be established in accordance with the terms of the Official Notice of Sale.

The winning bidder for the Series 2014 Bonds shall have the option to determine whether any portion of the Series 2014 Bonds shall be insured by the Series 2014 Bond Insurance Policy described in Section 10.08 hereof, all in accordance with the provisions of the Official Notice of Sale. The County Manager is authorized and directed to determine, upon the advice of the Financial Advisor, the Reserve Account Requirement for the Series 2014 Bonds which Reserve Account Requirement may be \$0.00. If the Reserve Account Requirement is determined by the County Manager to be greater than \$0.00, the County Manager is authorized and directed to, upon the advice of the Financial Advisor, determine whether to fund the Reserve Account with cash or the Series 2014 Reserve Account Insurance Policy described in Section 10.08 hereof.

**SECTION 2.03. EXECUTION OF BONDS.** The Bonds shall be executed in the name of the Issuer with the manual or facsimile signature of the Chair and the official seal of the Issuer shall be imprinted thereon, attested and countersigned with the manual or facsimile signature of the Clerk. In case any one or more of the officers who shall have signed or sealed any of the Bonds or whose facsimile signature shall appear thereon shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Issuer by such person who at the actual time of the execution of such Bond shall hold the proper office of the Issuer, although at the date of such Bond such person may not have held such office or may not have been so authorized. The Issuer may adopt and use for such purposes the facsimile signatures of any such persons who shall have held such offices at any time after the date of the adoption of this Resolution, notwithstanding that either or both shall have ceased to hold such office at the time the Bonds shall be actually sold and delivered.

**SECTION 2.04. AUTHENTICATION.** No Bond of any Series shall be secured hereunder or entitled to the benefit hereof or shall be valid or obligatory for any purpose unless there shall be manually endorsed on such Bond a certificate of authentication by the Registrar or such other entity as may be approved by the Issuer for such purpose. Such certificate on any Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Resolution. The form of such certificate shall be substantially in the form provided in Section 2.08 hereof.

**SECTION 2.05. TEMPORARY BONDS.** Until the definitive Bonds of any Series are prepared, the Issuer may execute, in the same manner as is provided in Section 2.03, and deliver, upon authentication by the Registrar pursuant to Section 2.04 hereof, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in denominations authorized by the Issuer by Supplemental Resolution and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The Issuer, at its own expense, shall prepare and execute definitive Bonds, which shall be authenticated by the Registrar. Upon the surrender of such temporary Bonds for exchange, the Registrar, without charge to the Holder thereof, shall deliver in exchange therefor definitive Bonds, of the same aggregate principal amount and Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Resolution. All temporary Bonds surrendered in exchange for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith cancelled by the Registrar.

**SECTION 2.06. BONDS MUTILATED, DESTROYED, STOLEN OR LOST.** In case any Bond shall become mutilated, or be destroyed, stolen or lost, the Issuer may, in its discretion, issue and deliver, and the Registrar shall authenticate, a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder furnishing the Issuer and the Registrar proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer and the Registrar may incur. All Bonds so surrendered shall be cancelled by the Registrar. If any of the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same or cause the Bond to be paid, upon being indemnified as aforesaid, and if such Bonds be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this Section 2.06 shall constitute original, additional contractual obligations on the part of the Issuer whether or not the lost, stolen or destroyed Bond be at any time found by anyone, and such duplicate Bond shall be entitled to equal and proportionate benefits and rights as to lien on the Pledged Funds to the same extent as all other Bonds issued hereunder.

**SECTION 2.07. INTERCHANGEABILITY, NEGOTIABILITY AND TRANSFER.** Bonds, upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing, may, at the option of the Holder thereof, be

exchanged for an equal aggregate principal amount of registered Bonds of the same Series and maturity of any other authorized denominations.

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

Each Bond shall be transferable only upon the books of the Issuer, at the office of the Registrar, under such reasonable regulations as the Issuer may prescribe, by the Holder thereof in person or by his attorney duly authorized in writing upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed and guaranteed by the Holder or his duly authorized attorney. Upon the transfer of any such Bond, the Issuer shall issue, and cause to be authenticated, in the name of the transferee a new Bond or Bonds of the same aggregate principal amount and Series and maturity as the surrendered Bond. The Issuer, the Registrar and any Paying Agent or fiduciary of the Issuer may deem and treat the Person in whose name any Outstanding Bond shall be registered upon the books of the Issuer as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if applicable, and interest on such Bond and for all other purposes, and all such payments so made to any such Holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid and neither the Issuer nor the Registrar nor any Paying Agent or other fiduciary of the Issuer shall be affected by any notice to the contrary.

The Registrar, in any case where it is not also the Paying Agent in respect to any Series of Bonds, forthwith (A) following the fifteenth day prior to an interest payment date for such Series; (B) following the fifteenth day next preceding the date of first mailing of notice of redemption of any Bonds of such Series; and (C) at any other time as reasonably requested by the Paying Agent of such Series, shall certify and furnish to such Paying Agent the names, addresses and holdings of Bondholders and any other relevant information reflected in the registration books. Any Paying Agent of any fully registered Bond shall effect payment of interest on such Bonds by mailing a check to the Holder entitled thereto or may, in lieu thereof, upon the request and at the expense of such Holder, transmit such payment by bank wire transfer for the account of such Holder.

In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the Issuer shall execute and deliver Bonds and the Registrar shall authenticate such Bonds in accordance with the provisions of this Resolution. Execution of Bonds by the Chair and Clerk for purposes of exchanging, replacing or transferring Bonds may occur at the time of the original delivery of the Series of which such Bonds are a part. All Bonds surrendered in any such exchanges or transfers shall be held by the Registrar in

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

The Issuer may elect to issue any Bonds as uncertificated registered public obligations (not represented by instruments), commonly known as book-entry obligations, provided it shall establish a system of registration therefor by Supplemental Resolution. Pursuant to Section 10.02 hereof, the Issuer has elected to initially provide for a book-entry only system of registration for the Series 2014 Bonds.

**SECTION 2.08. FORM OF BONDS.** The text of the Bonds, except for Capital Appreciation Bonds and Variable Rate Bonds, the form of which shall be provided by Supplemental Resolution of the Issuer, shall be in substantially the following form with such omissions, insertions and variations as may be necessary and/or desirable and approved by the Chair or the Clerk prior to the issuance thereof (which necessity and/or desirability and approval shall be presumed by such officer's execution of the Bonds and the Issuer's delivery of the Bonds to the purchaser or purchasers thereof):

No. R-

\$ \_\_\_\_\_

**UNITED STATES OF AMERICA**  
**STATE OF FLORIDA**  
**BREVARD COUNTY, FLORIDA**  
**WATER AND WASTEWATER UTILITY REVENUE BOND, SERIES \_\_\_\_\_**

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
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Registered Holder:

Principal Amount:

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

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

registration books. Interest shall be calculated on the basis of a 360-day year of twelve 30-day months.

This Bond is one of an authorized issue of Bonds in the aggregate principal amount of \$ \_\_\_\_\_ (the "Bonds") of like date, tenor and effect, except as to maturity date, interest rate, denomination and number, issued to \_\_\_\_\_, in and for the Issuer, under the authority of and in full compliance with the Constitution and laws of the State of Florida, particularly Chapter 125, Florida Statutes, the Charter of the Issuer, and other applicable provisions of law (the "Act"), and Resolution No. \_\_\_\_\_ duly adopted by the Board of County Commissioners of the Issuer on September 9, 2014, as it may be amended and supplemented from time to time (the "Resolution"), and is subject to all the terms and conditions of the Resolution.

This Bond and the interest hereon are payable solely from and secured by a lien upon and a pledge of (1) the Net Revenues (as defined in the Resolution) to be derived from the operation of the Issuer's water and wastewater utility system (the "System"), (2) the Connection Fees (as defined in the Resolution), and (3) until applied in accordance with the provisions of the Resolution, all moneys, including investments thereof, in the funds and accounts established by the Resolution, except (A) as for the Rebate Fund, (B) to the extent moneys therein shall be required to pay the Operating Expenses (as defined in the Resolution) and (C) any moneys set aside in a particular subaccount of the Reserve Account (as defined in the Resolution) if such moneys shall be pledged solely for the payment of a different series of Bonds for which it was established in accordance with the provisions of the Resolution, subject in each case to the application thereof for the purposes and on the conditions permitted by the Resolution (collectively, the "Pledged Funds").

It is expressly agreed by the Registered Holder of this Bond that the full faith and credit of the Issuer are not pledged to the payment of the principal of, premium, if any, and interest on this Bond and that such Holder shall never have the right to require or compel the exercise of any taxing power of the Issuer to the payment of such principal, premium, if any, and interest. This Bond and the obligation evidenced hereby shall not constitute a lien upon the System or any other property of the Issuer, but shall constitute a lien only on, and shall be payable solely from, the Pledged Funds in accordance with the terms of the Resolution.

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

This Bond is transferable in accordance with the terms of the Resolution only upon the books of the Issuer kept for that purpose at the designated corporate trust office of the Registrar by the Registered Holder hereof in person or by his attorney duly authorized in

writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Holder or his attorney duly authorized in writing, and thereupon a new Bond or Bonds in the same aggregate principal amount shall be issued to the transferee in exchange therefor, and upon the payment of the charges, if any, therein prescribed. The Bonds are issuable in the form of fully registered Bonds in the denomination of \$5,000 and any integral multiple thereof, not exceeding the aggregate principal amount of the Bonds. The Issuer, the Registrar and any Paying Agent may treat the Registered Holder of this Bond as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and shall not be affected by any notice to the contrary. The Issuer shall not be obligated to make any exchange or transfer of the Bonds during the 15 days next preceding an interest payment date or, in the case of any proposed redemption of the Bonds, then, for the Bonds subject to such redemption, during the 15 days next preceding the date of the first mailing of notice of such redemption and continuing through such redemption date.

(INSERT REDEMPTION PROVISIONS)

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

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

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

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

laws and Constitution of the State of Florida applicable thereto, and that the issuance of the Bonds does not violate any constitutional or statutory limitations or provisions.

Neither the members of the Board of County Commissioners of the Issuer nor any person executing this Bond shall be liable personally hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

[This Bond is one of a series of Bonds which were validated by judgment of the Circuit Court of the Fifth Judicial Circuit of Florida in and for Brevard County, Florida, rendered on \_\_\_\_\_, \_\_\_\_\_.]

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

**IN WITNESS WHEREOF**, the Board of County Commissioners of Brevard County, Florida has issued this Bond and has caused the same to be executed by the manual or facsimile signature of the Chair, and attested by the manual or facsimile signature of the Clerk of the Circuit Court and Ex-Officio Clerk to the Board of County Commissioners of Brevard County, Florida, and its corporate seal or a facsimile thereof to be affixed or reproduced hereon, all Date of Original Issue.

**BREVARD COUNTY, FLORIDA**

(SEAL)

By: Mary Bolin Lewis  
Mary Bolin Lewis, Chairman  
Board of County Commissioners  
Approved by the Board on 9-9, 2014

ATTEST:

Scott Ellis  
Scott Ellis, Clerk of the Circuit Court  
and Ex-Officio Clerk to the Board of County  
Commissioners of Brevard County, Florida

**CERTIFICATE OF AUTHENTICATION**

This Bond is one of the Bonds of the Issue described in the within-mentioned Resolution.

DATE OF AUTHENTICATION:

\_\_\_\_\_

\_\_\_\_\_  
Registrar

By: \_\_\_\_\_  
Authorized Officer

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

**ASSIGNMENT**

**FOR VALUE RECEIVED**, the undersigned sells, assigns and transfers unto

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Insert Social Security or Other Identifying Number of Assignee

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(Name and Address of Assignee)

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the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_, as attorneys to register the transfer of the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature guaranteed:

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**NOTICE:** Signature must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program.

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**NOTICE:** The signature to this assignment must correspond with the name of the Registered Holder as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever and the Social Security or other identifying number of such assignee must be supplied.

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

TEN COM -- as tenants in common

TEN ENT -- as tenants by the entireties

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

UNIF TRANS MIN ACT -- \_\_\_\_\_  
(Cust.)

Custodian for \_\_\_\_\_  
under Uniform Transfers to Minors Act of \_\_\_\_\_  
(State)

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

**ARTICLE III  
REDEMPTION OF BONDS**

**SECTION 3.01. PRIVILEGE OF REDEMPTION.** The terms of this Article III shall apply to redemption of Bonds other than Capital Appreciation Bonds or Variable Rate Bonds. The terms and provisions relating to redemption of Capital Appreciation Bonds and Variable Rate Bonds shall be provided by Supplemental Resolution. The provisions of this Article III may also be modified pursuant to Supplemental Resolution to accommodate any redemption provisions with respect to Federal Subsidy Bonds. Certain redemption provisions with respect to the Series 2014 Bonds shall be determined in accordance with Section 2.02 hereof.

**SECTION 3.02. SELECTION OF BONDS TO BE REDEEMED.** The Bonds shall be redeemed only in the principal amount of \$5,000 each and integral multiples thereof. The Issuer shall, at least 45 days prior to the redemption date (unless a shorter time period shall be satisfactory to the Registrar), notify the Registrar of such redemption date and of the principal amount of Bonds to be redeemed and, if less than all of the Outstanding Bonds are to be redeemed, the particular maturities and portions thereof to be redeemed. For purposes of any redemption of less than all of the Outstanding Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected not more than 45 days prior to the redemption date by the Registrar from the Outstanding Bonds of the maturity or maturities designated by the Issuer by such method as the Registrar shall deem fair and appropriate and which may provide for the selection for redemption of Bonds or portions of Bonds in principal amounts of \$5,000 and integral multiples thereof. Notwithstanding the foregoing, if less than all of a Term Bond is to be redeemed the aggregate principal amount to be redeemed shall be allocated to the Sinking Fund Installments on a pro-rata basis unless the Issuer, in its discretion, designates a different allocation.

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

**SECTION 3.03. NOTICE OF REDEMPTION.** Notice of such redemption, which shall specify the Bond or Bonds (or portions thereof) to be redeemed and the date and place for redemption, shall be given by the Registrar on behalf of the Issuer, and (A) shall be filed with the Paying Agents of such Bonds, (B) shall be mailed first class, postage prepaid, not less than 30 days nor more than 45 days prior to the redemption date to all Holders of Bonds to be redeemed at their addresses as they appear on the registration books kept by the Registrar as of the date of mailing of such notice, and (C) shall be mailed, certified mail, postage prepaid, at least 35 days prior to the redemption date to the registered securities depositories and one or more nationally recognized municipal bond

information services as hereinafter provided in this Section 3.03. Failure to mail such notice to such depositories or services or the Holders of the Bonds to be redeemed, or any defect therein, shall not affect the proceedings for redemption of Bonds as to which no such failure or defect has occurred. Such notice shall also be mailed to the Insurer or Credit Bank, if any, of such redeemed Bonds. Failure of any Holder to receive any notice mailed as herein provided shall not affect the proceedings for redemption of such Holder's Bonds. Notice of optional redemption of Bonds shall only be sent if the Issuer reasonably determines it shall have sufficient funds available to pay the Redemption Price of and interest on the Bonds called for redemption on the redemption date.

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

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

(A) Each further notice of redemption shall be sent by certified mail or overnight delivery service or telecopy to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds and to two or more national information services which disseminate notices of prepayment or redemption of obligations such as the Bonds.

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

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

**SECTION 3.04. REDEMPTION OF PORTIONS OF BONDS.** Any Bond which is to be redeemed only in part shall be surrendered at any place of payment specified in the notice of redemption (with due endorsement by, or written instrument of transfer in form satisfactory to the Registrar duly executed by, the Holder thereof or his attorney duly authorized in writing) and the Issuer shall execute and the Registrar shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds, of any authorized denomination, as requested by such Holder in an aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bonds so surrendered.

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

**SECTION 3.06. PURCHASE IN LIEU OF OPTIONAL REDEMPTION.** Notwithstanding anything in this Resolution to the contrary, at any time the Bonds are subject to optional redemption pursuant to this Resolution, all or a portion of the Bonds to be redeemed as specified in the notice of redemption, may be purchased by the Paying Agent, as trustee, at the direction of the Issuer, on the date which would be the redemption date if such Bonds were redeemed rather than purchased in lieu thereof, at a purchase price equal to the redemption price which would have been applicable to such Bonds on the redemption date for the account of and at the direction of the Issuer who shall give the Paying Agent, as trustee, notice at least ten days prior to the scheduled redemption date accompanied by an opinion of Bond Counsel to the effect that such purchase will not adversely affect the exclusion from gross income for federal income tax purposes of interest on such Bonds or any other Outstanding Bonds. In the event the Paying Agent, as trustee, is so directed to purchase Bonds in lieu of optional redemption, no notice to the holders of the Bonds to be so purchased (other than the notice of redemption otherwise required under this Resolution) shall be required, and the Paying Agent, as trustee, shall be authorized to apply to such purchase the funds which would have been used to pay the redemption price for such Bonds if such Bonds had been redeemed rather than purchased. Each Bond so purchased shall not be canceled or discharged and shall be

registered in the name of the Issuer. Bonds to be purchased under this Resolution in the manner set forth above which are not delivered to the Paying Agent, as trustee, on the purchase date shall be deemed to have been so purchased and not optionally redeemed on the purchase date and shall cease to accrue interest as to the former holder thereof on the purchase date.

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**ARTICLE IV**  
**SECURITY, FUNDS AND ACCOUNTS;**  
**APPLICATION OF PLEDGED FUNDS**

**SECTION 4.01. BONDS NOT TO BE INDEBTEDNESS OF ISSUER.** The Bonds shall not be or constitute general obligations or indebtedness of the Issuer as "bonds" within the meaning of any constitutional or statutory provision, but shall be special obligations of the Issuer, payable solely from and secured by a lien upon and pledge of the Pledged Funds, in the manner and to the extent provided in this Resolution. No Holder of any Bond shall ever have the right to compel the exercise of any ad valorem taxing power to pay such Bond, or be entitled to payment of such Bond from any moneys of the Issuer except from the Pledged Funds in the manner and to the extent provided herein. The Bonds and the obligations evidenced thereby shall not constitute a lien upon the System or any other property of the Issuer, but shall constitute a lien only on, and shall be payable solely from, the Pledged Funds.

**SECTION 4.02. SECURITY FOR BONDS.** The payment of the principal of or Redemption Price, if applicable, and interest on the Bonds shall be secured forthwith equally and ratably by a pledge of and lien upon the Pledged Funds; provided, however, a Series of Bonds may be further secured by a Credit Facility or Bond Insurance Policy in addition to the security provided herein; and provided further that a Series of Bonds may be secured independently of any other Series of Bonds by the establishment of a separate subaccount in the Reserve Account for such Series of Bonds or by not being secured in any manner by the Reserve Account as provided herein or in a Supplemental Resolution. Issuers of a Reserve Account Insurance Policy or Reserve Account Letter of Credit shall be secured in accordance with the provisions hereof. In addition, the Issuer does hereby irrevocably pledge and grant a lien upon the Pledged Funds to the payment of the Policy Costs in accordance with the provisions hereof; provided, however, such pledge and lien shall be junior and subordinate in all respects to the pledge of and lien upon such Pledged Funds granted hereby to the Bondholders. The Issuer does hereby irrevocably pledge the Pledged Funds to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds in accordance with the provisions hereof. Except as otherwise provided by Supplemental Resolution, the obligation of the Issuer to make Hedge Payments to a Counterparty pursuant to a Qualified Hedge Agreement shall be on parity with the Bonds as to lien on and pledge of the Pledged Funds in accordance with the terms hereof (any other payments related to a Qualified Hedge Agreement, including fees, penalties, termination payments and the obligation to collateralize, shall be Subordinated Indebtedness of the Issuer).

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

**SECTION 4.03. CONSTRUCTION FUND.** The Issuer covenants and agrees to establish, a special fund to be known as the "Brevard County, Florida Water and Wastewater Construction Fund," which shall be used only for payment of the Costs of Projects. Moneys in the Construction Fund, until applied in payment of any item of the Cost of a Project in the manner hereinafter provided, shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders.

There shall be paid into the Construction Fund the amounts required to be so paid by the provisions of this Resolution, and there may be paid into the Construction Fund, at the option of the Issuer, any moneys received for or in connection with a Project by the Issuer from any other source. The Issuer shall establish within the Construction Fund a separate account for each Project, the Cost of which is to be paid in whole or in part out of the Construction Fund. Accordingly, there is hereby established within the Construction Fund a separate account with respect to the Series 2014 Project to be deemed the "Series 2014 Project Account."

The proceeds of insurance maintained pursuant to this Resolution against physical loss of or damage to a Project, or of contractors' performance bonds with respect thereto pertaining to the period of construction thereof, shall be deposited into the appropriate account of the Construction Fund.

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

The Issuer covenants that the acquisition, construction and installation of each Project will be completed without delay and in accordance with sound engineering practices. The Issuer shall make disbursements or payments from the applicable account of the Construction Fund to pay Costs of the Project for which it was established, except as otherwise provided below. The Issuer shall keep records of such disbursements and payments and shall retain all such records for such period of time as required by applicable law. The Issuer shall make available the records at all reasonable times for inspection by any Holder of any of the Bonds or the agent or representative of any Holder of any of the Bonds.

Notwithstanding any of the other provisions of this Section 4.03, to the extent that other moneys are not available therefor, amounts in an account of the Construction Fund shall be applied to the payment of principal and interest on Bonds.

The date of completion of the acquisition, construction and equipping of a Project shall be documented by an Authorized Issuer Officer in the appropriate records of the

Issuer. Promptly after the date of the completion of a Project, and after paying or making provision for the payment of all unpaid items of the Cost of such Project, the Issuer shall deposit in the following order of priority any balance of moneys remaining in an account in the Construction Fund in (A) another account of the Construction Fund for which the Board has determined that there are insufficient moneys present to pay the Cost of the related Project, (B) the Reserve Account, to the extent of a deficiency therein, and (C) such other fund or account established hereunder as shall be determined by the Issuer or for any other lawful purpose, provided the Issuer has received the prior approval of Bond Counsel to the effect that such deposit shall not adversely affect the exclusion, if any, of interest on the Bonds (other than Taxable Bonds) from gross income for purposes of Federal income taxation or shall not otherwise affect the status of any Outstanding Bonds issued as Federal Subsidy Bonds or the Issuer's receipt of Federal Subsidy Payments with respect to any Outstanding Federal Subsidy Bonds.

**SECTION 4.04. CREATION OF FUNDS AND ACCOUNTS.** The following funds and accounts are hereby created hereunder:

- (A) The "Brevard County, Florida Water and Wastewater Revenue Fund."
- (B) The "Brevard County, Florida Water and Wastewater Operation and Maintenance Fund."
- (C) The "Brevard County, Florida Water and Wastewater Sinking Fund." The Issuer shall maintain four separate accounts in the Sinking Fund: the "Interest Account," the "Principal Account," the "Term Bonds Redemption Account" and the "Reserve Account."
- (D) The "Brevard County, Florida Water and Wastewater Water Connection Fees Fund."
- (E) The "Brevard County, Florida Water and Wastewater Wastewater Connection Fees Fund."
- (F) The "Brevard County, Florida Water and Wastewater Special Assessments Fund."
- (G) The "Brevard County, Florida Water and Wastewater Renewal and Replacement Fund."
- (H) The "Brevard County, Florida Water and Wastewater Utility Reserve Fund."
- (I) The "Brevard County, Florida Water and Wastewater Rebate Fund;" and
- (J) The "Brevard County, Florida Water and Wastewater Rate Stabilization Fund."

Moneys in the aforementioned funds and accounts (except for moneys in the Rebate Fund), until applied in accordance with the provisions hereof, shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders to the extent provided herein.

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

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

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

(2) Into the Revenue Fund, the Issuer shall deposit promptly, as received, all Gross Revenues (other than any subsequently pledged Special Assessments Proceeds).

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

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

(3) To the extent Special Assessments Proceeds are made a component of the Gross Revenues, the Issuer shall deposit promptly, as received, all Special Assessment Proceeds into the Special Assessments Fund.

In the event the Issuer by Supplemental Resolution provides for all or a portion of any Special Assessments to secure the payment of all or a portion of a particular Series of Bonds, the Issuer may establish separate accounts or subaccounts for the deposit and application of such Special Assessments if necessary to provide for the payment and/or earlier redemption of such Bonds from such Special Assessments.

(B) Any deposits remaining in the Revenue Fund after the aforementioned transfers to the Operation and Maintenance Fund and all moneys at any time on deposit in the Special Assessments Fund (subject to the provisions above regarding earlier redemption of Bonds) shall be disposed of by the Issuer on or before the 25th day of each month, commencing in the month immediately following the delivery of any of the Bonds to the purchasers thereof, or such later date as hereinafter provided, first from the Special Assessments Fund and then from the Revenue Fund in the following manner and in the following order of priority:

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

Bonds for any 30-day period, and (B) if such Variable Rate Bonds have not been Outstanding for at least 24 months prior to the date of calculation, the Bond Buyer Revenue Bond Index most recently published prior to the commencement of such calendar month.

(2) Principal Account. Commencing no later than the month which is one year prior to the first principal payment date, the Issuer shall next deposit into the Principal Account the sum which, together with the balance in said Account, shall equal the principal amounts on all Bonds Outstanding due and unpaid and that portion of the principal next due which would have accrued on such Bonds during the then current calendar month if such principal amounts were deemed to accrue monthly (assuming that a year consists of 12 equivalent calendar months having 30 days each), except for the Sinking Fund Installments to be deposited pursuant to Section 4.05(B)(3) hereof, in equal amounts from the next preceding principal payment due date, or, if there be no such preceding principal payment due date from a date no later than one year preceding the due date of such principal amount. Moneys in the Principal Account shall be applied by the Issuer for deposit with the Paying Agents to pay the principal of the Bonds on or prior to the date the same shall mature, and for no other purpose. Serial Capital Appreciation Bonds shall be payable from the Principal Account in the years in which such Bonds mature and monthly payments into the Principal Account on account of such Bonds shall commence in the twelfth month immediately preceding the maturity date of such Bonds. The Issuer shall adjust the amount of the deposit to the Principal Account not later than the month immediately preceding any principal payment date so as to provide sufficient moneys in the Principal Account to pay the principal on Bonds becoming due on such principal payment date. No further deposit need be made to the Principal Account when the moneys therein are equal to the principal coming due on the Outstanding Bonds on the next succeeding principal payment date.

(3) Term Bonds Redemption Account. Commencing in the month which is one year prior to the first Sinking Fund Installment due date, there shall be deposited to the Term Bonds Redemption Account the sum which, together with the balance in such Account, shall equal the Sinking Fund Installments on all Bonds Outstanding due and unpaid and that portion of the Sinking Fund Installments of all Bonds Outstanding next due which would have accrued on such Bonds during the then current calendar month if such Sinking Fund Installments were deemed to accrue monthly (assuming that a year consists of 12 equivalent calendar months having 30 days each) in equal amounts from the next preceding Sinking Fund Installment due date, or, if there is no such preceding Sinking Fund Installment due date, from a date not later than one year preceding the due date of such Sinking Fund Installment. Moneys in the Term Bonds Redemption Account shall be used to purchase or redeem Term Bonds in the manner herein provided, and for no other purpose. Term Capital Appreciation bonds shall be payable from the Term Bonds

Redemption Account in the years in which such Bonds mature and monthly payments into the Term Bonds Redemption Account on account of such Bonds shall commence in the twelfth month immediately preceding the due date of the related Sinking Fund Installments. The Issuer shall adjust the amount of the deposit to the Term Bonds Redemption Account on the month immediately preceding any Sinking Fund Installment due date so as to provide sufficient moneys in the Term Bonds Redemption Account to pay the Sinking Fund Installments becoming due on such date. Payments to the Term Bonds Redemption Account shall be on parity with payments to the Principal Account.

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

(4) Reserve Account. There shall be deposited to the Reserve Account an amount which would enable the Issuer to restore the funds on deposit in the Reserve Account to an amount equal to the Reserve Account Requirement applicable thereto. All deficiencies in the Reserve Account must be made up no

later than 12 months from the date such deficiency first occurred, whether such shortfall was caused by an increase in the applicable Reserve Account Requirement, a decrease in the aggregate market value of the investments therein of more than 5% or withdrawal (whether from cash or a Reserve Account Insurance Policy or Reserve Account Letter of Credit). On or prior to each principal payment date and Interest Date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Reserve Account shall be applied by the Issuer to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds to the extent moneys in the Interest Account, the Principal Account and the Term Bonds Redemption Account shall be insufficient for such purpose, but only to the extent the moneys transferred from the Utility Reserve Fund for such purposes pursuant to Section 4.05(B)(8) hereof shall be inadequate to fully provide for such insufficiency. Whenever there shall be surplus moneys in the Reserve Account by reason of a decrease in the Reserve Account Requirement or as a result of a deposit in the Reserve Account of a Reserve Account Letter of Credit or a Reserve Account Insurance Policy, such surplus moneys, to the extent practicable, shall be deposited by the Issuer into the Utility Reserve Fund and applied as directed by Bond Counsel. The Issuer shall promptly inform each Insurer and Credit Bank of any draw upon the Reserve Account for purposes of paying the principal of and interest on the Bonds.

Upon the issuance of any Series of Bonds under the terms, limitations and conditions as herein provided, the Issuer shall fund the Reserve Account in an amount at least equal to the applicable Reserve Account Requirement to the extent such Series of Bonds are to be secured by the Reserve Account or any subaccount therein; provided, however, nothing herein shall be construed to require the Issuer to fund the Reserve Account or any subaccount for any Series of Bonds. Upon the adoption of the Supplemental Resolution authorizing the issuance of a Series of Bonds, the Issuer shall determine whether such Series of Bonds shall be secured by the Reserve Account or any subaccount therein and, if the Issuer determines that the Series of Bonds will be secured by a separate subaccount therein, the Issuer shall also establish the Reserve Account Requirement applicable thereto. Such required amount, if any, shall be paid in full or in part from the proceeds of such Series of Bonds or may be accumulated in equal monthly payments to the Reserve Account or subaccount therein over a period of months from the date of issuance of such Series of Bonds, which shall not exceed 36 months.

Notwithstanding the foregoing provisions, in lieu of or in substitution of any required deposits into the Reserve Account or any subaccount therein, the Issuer may cause to be deposited into the Reserve Account or subaccount a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit for the benefit of the Bondholders in an amount equal to the difference between the Reserve Account Requirement applicable thereto and the sums then on deposit in the Reserve

Account or subaccount, if any. The Issuer may also substitute a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit for cash on deposit in the Reserve Account or a subaccount therein upon compliance with the terms of this Section 4.05(B)(4). Such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall be payable to the Paying Agent (upon the giving of notice as required thereunder) on any Interest Date or redemption date on which a deficiency exists which cannot be cured by moneys in any other fund or account held pursuant to this Resolution and available for such purpose. Upon the initial deposit of any such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit, the provider thereof shall be either (a) an insurer whose municipal bond insurance policies insuring the payment, when due, or the principal of and interest on municipal bond issues results in such issues being rated in one of the three highest rating categories by at least one of the three Rating Agencies (without regard to gradations, such as "plus" or "minus" or "1," "2" or "3"), or (b) a commercial bank, insurance company or other financial institution which has been assigned a rating in one of the two highest rating categories by at least one of the three Rating Agencies (without regard to gradations, such as "plus" or "minus" or "1," "2" or "3"). Any Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall equally secure all Bonds secured by the Reserve Account or subaccount into which such Policy or Letter of Credit is deposited.

Each Reserve Account Insurance Policy and Reserve Account Letter of Credit shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the provider of the Reserve Account Insurance Policy or Reserve Account Letter of Credit to reimbursement will be subordinated to cash replenishment of the Reserve Account or subaccount to an amount equal to the difference between the full original amount available under the Reserve Account Insurance Policy or Reserve Account Letter of Credit and the amount then available for further draws or claims. If (a) the provider of a Reserve Account Insurance Policy or Reserve Account Letter of Credit becomes insolvent or (b) the provider of a Reserve Account Insurance Policy or Reserve Account Letter of Credit defaults in its payment obligations thereunder or (c) the rating of the provider of a Reserve Account Insurance Policy falls below a rating of "A-" or "A3" by all of the Rating Agencies then rating such provider or (d) the rating of the provider of a Reserve Account Letter of Credit falls below a rating of "AA-" or "Aa3" by at least two of the three Rating Agencies, the obligation to reimburse the provider of the Reserve Account Insurance Policy or Reserve Account Letter of Credit shall be subordinate to the cash replenishment of the Reserve Account or subaccount. Where applicable, the amount available for draws or claims under a Reserve Account Insurance Policy or Reserve Account Letter of Credit may be reduced by the amount of cash or investments deposited in the Reserve Account or subaccount pursuant to the provisions hereof.

If the revolving reinstatement feature described in the preceding paragraph is suspended or terminated or if the Reserve Account Insurance Policy or Reserve Account Letter of Credit is no longer valid and enforceable, the Issuer shall either (i) deposit into the Reserve Account or subaccount an amount sufficient to cause the cash or investments on deposit in the Reserve Account or applicable subaccount to equal the Reserve Account Requirement on all Outstanding Bonds then secured by such Reserve Account or subaccount, such amount to be paid over the ensuing five years in equal installments deposited at least semi-annually or (ii) replace such instrument with a Reserve Account Insurance Policy or a Reserve Account Letter of Credit meeting the requirements described herein within six months of such occurrence.

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

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

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

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

The Issuer may also establish a separate subaccount in the Reserve Account for any Series of Bonds and such subaccount shall be pledged to the payment of such Series of Bonds apart from the pledge provided herein. To the extent a Series of Bonds is secured separately by a subaccount of the Reserve Account, the Holders of such Bonds shall not be secured by any other moneys in the Reserve Account. Moneys in a separate subaccount of the Reserve Account shall be maintained at the Reserve Account Requirement applicable to such Series of Bonds secured by the subaccount; provided the Supplemental Resolution authorizing such Series of Bonds may establish the Reserve Account Requirement relating to such separate subaccount of the Reserve Account at such level as the Issuer deems appropriate. In the event the Issuer by Supplemental Resolution establishes the Reserve Account Requirement for a particular Series of Bonds to be zero (0.00) or it shall determine that such Series are not to be secured in any manner by the Reserve Account or a subaccount, then it shall not be required to establish a separate subaccount; provided, however, such Series of Bonds shall have no lien on or pledge of any moneys on deposit in the Reserve Account. Moneys used to replenish the Reserve Account shall be deposited in the separate subaccounts in the Reserve Account and in the Reserve Account on a pro-rata basis.

If, in accordance with Section 2.02 hereof, the County Manager determines that the Reserve Account Requirement with respect to the Series 2014 Bonds shall be greater than \$0.00, then the County Manager may determine, upon the advice of the Financial Advisor, that there be established a separate subaccount within the Reserve Account which shall only secure the Series 2014 Bonds (the "Series 2014 Subaccount").

In the event the Issuer shall maintain a Reserve Account Insurance Policy or Reserve Account Letter of Credit and moneys in the Reserve Account or any subaccount, the moneys shall be used prior to making any disbursements under such Reserve Account Insurance Policy or Reserve Account Letter of Credit. The provisions of the Debt Service Reserve Fund Policy Agreements, when executed and delivered, shall be incorporated herein by reference. The provisions of such Agreements shall supersede the provisions hereof to the extent of any conflict herewith.

(5) Renewal and Replacement Fund. There shall be deposited to the Renewal and Replacement Fund monthly such sums as shall be sufficient to pay 1/12 of the Renewal and Replacement Fund Requirement until the amount accumulated in such Fund is equal to the Renewal and Replacement Fund Requirement, taking into account the market value of investments in such Fund; provided, however, that (a) such Renewal and Replacement Fund Requirement may be increased or decreased as the Consulting Engineers shall certify to the Issuer is necessary for the purposes of the Renewal and Replacement Fund, and (b) in the

event that the Consulting Engineers shall certify that the Renewal and Replacement Fund Requirement is excessive for the purposes of the Renewal and Replacement Fund such excess amount as may be on deposit therein may be transferred by the Issuer from the Renewal and Replacement Fund for deposit into the Utility Reserve Fund. The moneys in the Renewal and Replacement Fund shall be applied by the Issuer for the purpose of paying the cost of major extensions, improvements or additions to, or the replacement or renewal of capital assets of, the System, or extraordinary repairs of the System; provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Renewal and Replacement Fund shall be applied for the payment into the Interest Account, the Principal Account, and the Term Bonds Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund for such purpose pursuant to Sections 4.05(B)(8) hereof, together with moneys available in the Reserve Account for such purpose pursuant to Section 4.05(B)(4) hereof, shall be inadequate to fully provide for such insufficiency. Moneys in the Renewal and Replacement Fund may also be transferred to the Operation and Maintenance Fund to fund Operating Expenses to the extent Gross Revenues shall be insufficient for such purpose; provided, however, such transfer shall be treated as an interfund loan and shall be repaid from Gross Revenues as described in this Section 4.05(B)(5) within one year from the date of such transfer.

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

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

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

principal of and interest on the Bonds coming due. Moneys not required to meet such a deficiency shall be deposited to the Water Connection Fees Fund and Wastewater Connection Fees Fund to make up any withdrawal from such Funds pursuant to Sections 4.06(A) and 4.07(A) hereof, respectively (to the extent required by such Sections), then to the Reserve Account to make up any deficiency therein, and thereafter to the Rebate Fund to the extent moneys are required to be deposited therein. Thereafter, moneys in the Utility Reserve Fund may be applied for any lawful purpose relating to the System including but not limited to, payments in lieu of taxes, payments in lieu of franchise fees and other similar payments, including, but not limited to, purchase or redemption of Bonds, payment of Subordinated Indebtedness, payment of other obligations incurred with respect to the System, deposit to the Rate Stabilization Fund and improvements, renewals and replacements to the System; provided, however, that none of such revenues shall ever be used for the purposes provided in this Section 4.05(B)(8) unless all payments required in Sections 4.05(B)(1) through 4.05(B)(6) hereof, including any deficiencies for prior payments, have been made in full to the date of such use.

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

The Issuer, in its discretion, may use moneys in the Principal Account and the Interest Account to purchase or redeem Bonds coming due on the next principal payment date, provided such purchase or redemption does not adversely affect the Issuer's ability to pay the principal or interest coming due on such principal payment date on the Bonds not so purchased or redeemed.

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

In the case of Bonds secured by a Credit Facility, amounts on deposit in the Sinking Fund may be applied as provided in the applicable Supplemental Resolution to reimburse the Credit Bank for amounts drawn under such Credit Facility to pay the principal of, premium, if any, and interest on such Bonds or to pay the purchase price of any such Bonds

which are tendered by the holders thereof for payment; provided such Credit Facility shall have no priority over Bondholders or an Insurer to amounts on deposit in the Sinking Fund. Other payments due to a Credit Bank in relation to obligations arising under its Credit Facility may be on parity with the Bonds as to source of and security for payment to the extent provided in the Supplemental Resolution relating thereto.

**SECTION 4.06. WATER CONNECTION FEES FUND.** The Issuer shall deposit into the Water Connection Fees Fund all Water Connection Fees as received, together with moneys transferred to such Fund pursuant to Section 4.05(B)(8) and such Water Connection Fees shall be accumulated in the Water Connection Fees Fund and applied by the Issuer in the following manner and order of priority:

(A) For the payments on or prior to each principal and interest payment date (in no event earlier than the 25th day of the month next preceding such payment date) into the Interest Account, the Principal Account and the Term Bonds Redemption Account, when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund, the Renewal and Replacement Fund and the Rate Stabilization Fund for such purpose pursuant to Sections 4.05(B)(8), 4.05(B)(5) and 4.09, respectively, hereof, together with moneys available in the Reserve Account for such purpose pursuant to Section 4.05(B)(4) hereof, shall be inadequate to fully provide for such insufficiency; provided moneys shall be transferred to the aforementioned Accounts from the Water Connection Fees Fund and the Wastewater Connection Fees Fund on a pro-rata basis or such other basis as the Issuer deems appropriate in relation to the amount of moneys in each Fund at the time of transfer. Any moneys transferred to the aforementioned Accounts described above shall be treated as an interfund loan and shall be repaid, together with reasonable interest thereon, from Gross Revenues as described in Section 4.05(B)(8) hereof on or prior to the date such amounts are needed for the purposes described in Sections 4.06(B) and (C) hereof, but in no event later than one year from the date of such transfer, unless the Issuer shall determine that such transfer constitutes a lawful use of such Water Connection Fees.

(B) To the extent permitted by law, to pay or reimburse the capital cost of acquiring, constructing and/or equipping such improvements or additions to the water facilities of the System for which the Water Connection Fees were imposed in accordance with the requisitions for disbursement of moneys provided by the Issuer.

(C) To be used for any other lawful purpose relating to the System.

**SECTION 4.07. WASTEWATER CONNECTION FEES FUND.** The Issuer shall deposit into the Wastewater Connection Fees Fund all Wastewater Connection Fees as received, together with moneys transferred to such Fund pursuant to Section 4.05(B)(8) hereof and such Wastewater Connection Fees shall be accumulated in the Wastewater Connection Fees Fund and applied by the Issuer in the following manner and order of priority:

(A) For the payments on or prior to each principal and interest payment date (in no event earlier than the 25th day of the month next preceding such payment Date) into the Interest Account, the Principal Account and the Term Bonds Redemption Account, when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund, the Renewal and Replacement Fund and the Rate Stabilization Fund for such purpose pursuant to Sections 4.05(B)(8), 4.05(B)(5) and 4.09, respectively, hereof, together with moneys available in the Reserve Account for such purpose pursuant to Section 4.05(B)(4) hereof, shall be inadequate to fully provide for such insufficiency; provided moneys shall be transferred to the aforementioned Accounts from the Wastewater Connection Fees Fund and the Water Connection Fees Fund on a pro-rata basis or such other basis as the Issuer deems appropriate in relation to the amount of moneys in each Fund at the time of transfer. Any moneys transferred to the aforementioned Accounts described above shall be treated as an interfund loan and shall be repaid, together with reasonable interest thereon, from Gross Revenues as described in Section 4.05(B)(8) hereof on or prior to the date such amounts are needed for the purposes described in Sections 4.07(B) and (C) hereof, but in no event later than one year from the date of such transfer, unless the Issuer shall determine that such transfer constitutes a lawful use of such Wastewater Connection Fees.

(B) To the extent permitted by law, to pay or reimburse the capital cost of acquiring, constructing and/or equipping such improvements or additions to the wastewater facilities of the System for which the Wastewater Connection Fees were imposed in accordance with the requisitions for disbursement of moneys provided by the Issuer.

(C) To be used for any other lawful purpose relating to the System.

**SECTION 4.08. REBATE FUND.** Amounts on deposit in the Rebate Fund shall be held in trust by the Issuer and used solely to make required rebates to the United States (except to the extent the same may be transferred to the Revenue Fund) and the Bondholders shall have no right to have the same applied for debt service on the Bonds. For any Series of Bonds for which the rebate requirements of Section 148(f) of the Code are applicable, the Issuer agrees to undertake all actions required of it in its arbitrage certificate relating to such Series of Bonds, including, but not limited to:

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

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

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

(D) keeping such records of the determinations made pursuant to this Section 4.08 as shall be required by the Code, as well as evidence of the fair market value of any investments purchased with proceeds of the Bonds.

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

**SECTION 4.09. RATE STABILIZATION FUND.** The Issuer may transfer into the Rate Stabilization Fund such moneys which are on deposit in the Utility Reserve Fund as it deems appropriate. The Issuer may transfer such amount of moneys from the Rate Stabilization Fund to the Revenue Fund as it deems appropriate; provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Rate Stabilization Fund shall be applied for the payment into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund and Renewal and Replacement Fund for such purposes pursuant to Sections 4.05(B)(8) and 4.05(B)(5) hereof, together with moneys available in the Reserve Account for such purpose pursuant to Section 4.05(B)(4) hereof, shall be inadequate to fully provide for such insufficiency.

**SECTION 4.10. INVESTMENTS.** Moneys on deposit in the Revenue Fund, the Construction Fund, the Sinking Fund, the Water Connection Fees Fund, the Wastewater Connection Fees Fund, the Operation and Maintenance Fund, the Special Assessments Fund, the Utility Reserve Fund, the Rate Stabilization Fund and the Renewal and Replacement Fund shall be continuously secured in the manner by which the deposit of public funds are authorized to be secured by the laws of the State. Moneys on deposit in the Construction Fund, the Revenue Fund, the Operation and Maintenance Fund, the Special Assessments Fund, the Principal Account, the Interest Account, the Term Bonds Redemption Account, the Renewal and Replacement Fund, the Water Connection Fees Fund, the Wastewater Connection Fees Fund, the Rate Stabilization Fund and the Utility Reserve Fund shall be invested and reinvested by the Issuer in Authorized Investments, maturing not later than the dates on which such moneys will be needed for the purposes of such fund or account. Moneys on deposit in the Reserve Account shall be invested in Authorized Investments, maturing no later than ten years from the date of investment. All investments shall be valued at the market price thereof. Investments in the Reserve Account shall be valued by the Issuer on an annual basis as of September 30 of each year.

Any and all income received from the investment of moneys in each separate account of the Revenue Fund, the Construction Fund, the Interest Account, the Principal Account, the Term Bonds Redemption Account, the Utility Reserve Fund, the Renewal and Replacement Fund (to the extent such income and other amounts in such Fund do not exceed the Renewal and Replacement Fund Requirement), the Water Connection Fees

Fund, the Wastewater Connection Fees Fund, the Utility Reserve Fund, the Rate Stabilization Fund and the Reserve Account (to the extent such income and the other amounts in the Reserve Account does not exceed the Reserve Account Requirement), shall be retained in such respective Fund or Account.

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

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

**SECTION 4.11. SEPARATE ACCOUNTS.** The moneys required to be accounted for in each of the foregoing funds, accounts and subaccounts established herein may be deposited in a single bank account, and funds allocated to the various funds, accounts and subaccounts established herein may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the moneys on deposit therein and such investments for the various purposes of such funds, accounts and subaccounts as herein provided.

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

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## **ARTICLE V COVENANTS**

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

**SECTION 5.02. OPERATION AND MAINTENANCE.** The Issuer will maintain or cause to be maintained the System and all portions thereof in good condition and will operate or cause to be operated the same in an efficient and economical manner, making or causing to be made such expenditures for equipment and for renewals, repairs and replacements as may be proper for the economical operation and maintenance thereof. The Issuer may contract with a responsible Person which has experience in the operation of utility systems similar to the System for the operation and maintenance of the System; provided, however, prior to entering any operating agreement with respect to any substantial part of the System the Issuer shall consult with Bond Counsel.

**SECTION 5.03. ANNUAL BUDGET.** The Issuer shall annually prepare and adopt, prior to the beginning of each Fiscal Year, an Annual Budget in accordance with applicable law. If for any reason the Issuer shall not have adopted the Annual Budget before the first day of any Fiscal Year, other than the first Fiscal Year, the preliminary budget for such year, if it be approved by the Consulting Engineers or Rate Consultant, or otherwise the Annual Budget for the preceding Fiscal Year, shall be deemed to be in effect for such Fiscal Year until the Annual Budget for such Fiscal Year is adopted.

The Issuer shall mail copies of or make available such Annual Budgets and amended Annual Budgets and all resolutions authorizing increased expenditures for Operating Expenses to any Credit Bank or Insurer of Bonds who shall file its address with the Clerk and request in writing that copies of all such Annual Budgets and resolutions be furnished to it and shall make available all such Annual Budgets and resolutions and ordinances authorizing increased expenditures for Operating Expenses of the System at all reasonable times to any Holder or Holders of Bonds or to anyone acting for and on behalf of such Holder or Holders.

**SECTION 5.04 RATES.** The Issuer shall fix, establish, maintain and collect such rates, fees and charges for the product, services and facilities of the System, and revise the same from time to time, whenever necessary, so as always to provide in each Fiscal Year:

(A) Net Revenues and Connection Fees, together with the Fund Balance, equal to at least 120% of the Annual Debt Service becoming due in such Fiscal Year; provided

(B) such Net Revenues shall be adequate at all times to pay in each Fiscal Year at least 110% of (1) the Annual Debt Service becoming due in such Fiscal Year, (2) any

amounts required by the terms hereof to be deposited in the Reserve Account or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year to pay Policy Costs, and (3) any amounts required by the terms of Sections 4.06(A) and 4.07(A) hereof to be repaid to the Water Connection Fees Fund and Wastewater Connection Fees Fund in such Fiscal Year.

Such rates, fees or other charges shall not be so reduced so as to be insufficient to provide adequate Net Revenues, Water Connection Fees and Wastewater Connection Fees for the purposes provided therefor by this Resolution and to satisfy the rate covenant set forth in this Section 5.04.

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

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

**SECTION 5.06. ANNUAL AUDIT.** The Issuer shall, immediately after the close of each Fiscal Year, cause the books, records and accounts relating to the System to be properly audited by a recognized independent firm of certified public accountants, and shall require such accountants to complete their report of such Annual Audit in accordance with applicable law. Each Annual Audit shall be in conformity with generally accepted accounting principles as applied to governmental entities. A copy of each Annual Audit shall regularly be furnished or made available to any Credit Bank or Insurer who shall have furnished his address to the Clerk and requested in writing that the same be furnished to him.

**SECTION 5.07. NO MORTGAGE OR SALE OF THE SYSTEM.** The Issuer irrevocably covenants, binds and obligates itself not to sell, lease, encumber or in any manner dispose of the System as a whole or any substantial part thereof (except as

provided below) until all of the Bonds and all interest thereon shall have been paid in full or provision for payment has been made in accordance with Section 9.01 hereof.

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

Prior to any such sale, lease or other disposition of said property: (1) if the amount to be received therefor is not in excess of five percent (5%) of the market value of the gross plant of the System, (a) an Authorized Issuer Officer shall make a finding in writing determining that one or more of the conditions for sale, lease or disposition of property provided for in the second paragraph of this Section 5.07 have been met, and (b) if any of the property to be sold, leased or otherwise disposed of was financed in whole or in part with proceeds of Bonds (other than Taxable Bonds) that remain Outstanding then the Issuer shall obtain an opinion of Bond Counsel to the effect that such sale, lease or other disposition will not adversely affect the federal tax exempt status of interest on such Bonds or shall not otherwise affect the status of any such Bonds issued as Federal Subsidy Bonds or the Issuer's receipt of Federal Subsidy Payments with respect to said Outstanding Federal Subsidy Bonds; or (2) if the amount to be received from such sale, lease or other disposition of said property shall be in excess of five percent (5%) of the market value of the gross plant of the System, (a) an Authorized Issuer Officer and the Consulting Engineers shall each first make a finding in writing determining that one or more of the conditions for sale, lease or other disposition of property provided for in the second paragraph of this Section 5.07 have been met, (b) the Board shall, by resolution, duly adopt, approve and concur in the finding of the Authorized Issuer Officer and the Consulting Engineers, and (c) the Issuer shall obtain an opinion of Bond Counsel to the effect that such sale, lease or other disposition is not in violation of the Act and will not adversely affect the federal tax exempt status of interest on the Bonds (other than Taxable Bonds) or shall not otherwise affect the status of any Outstanding Bonds issued as Federal Subsidy Bonds or the Issuer's receipt of Federal Subsidy Payments with respect to any Outstanding Federal Subsidy Bonds.

Except as otherwise required under applicable provisions of the Code, the proceeds from any such sale or other disposition shall be deposited, first, into the Renewal and Replacement Fund to the extent necessary to make the amount therein equal to the Renewal and Replacement Fund Requirement, and, second, into the Utility Reserve Fund. Proceeds from any lease of assets of the System shall constitute Gross Revenues and shall be deposited in the Revenue Fund.

The transfer of the System as a whole from the control of the Board to some other board or authority created for the purpose of owning, operating or controlling the System and which constitutes a governmental entity, interest on obligations issued by which are excluded from gross income for purposes of Federal income taxation (other than obligations similar to Taxable Bonds or Federal Subsidy Bonds), shall not be deemed prohibited by this Section 5.07 and such successor board or authority shall fall within the definition of "Issuer" in Section 1.01 hereof.

Notwithstanding the foregoing provisions of this Section 5.07, the Issuer shall have the authority to sell for fair and reasonable consideration any land comprising a part of the System which is no longer necessary or useful in the operation of the System and the proceeds derived from the sale of such land shall be disposed of in accordance with the provisions of the fourth paragraph of this Section 5.07; provided, however, if any of the land to be sold was financed in whole or in part with proceeds of Bonds (other than Taxable Bonds) that remain Outstanding then the Issuer shall obtain an opinion of Bond Counsel to the effect that such sale will not adversely affect the federal tax exempt status of interest on such Bonds or shall not otherwise affect the status of any such Bonds issued as Federal Subsidy Bonds or the Issuer's receipt of Federal Subsidy Payments with respect to said Outstanding Federal Subsidy Bonds.

The Issuer may make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the System if such contract, license, easement or right does not, in the opinion of the Consulting Engineers, as evidenced by a certificate to that effect filed with the Issuer, impede or restrict the operation by the Issuer of the System, but any payments to the Issuer under or in connection with any such contract, license, easement or right in respect of the System or any part thereof shall constitute Gross Revenues and shall be deposited in the Revenue Fund; provided, however, if that portion of the System was financed in whole or in part with proceeds of Bonds (other than Taxable Bonds) that remain Outstanding then the Issuer shall obtain an opinion of Bond Counsel to the effect that such action will not adversely affect the federal tax exempt status of interest on such Bonds or shall not otherwise affect the status of any such Bonds issued as Federal Subsidy Bonds or the Issuer's receipt of Federal Subsidy Payments with respect to said Outstanding Federal Subsidy Bonds.

**SECTION 5.08. INSURANCE.** The Issuer will carry such insurance as is ordinarily carried by private or public entities owning and operating utilities similar to the System with a reputable insurance carrier or carriers, in such amounts as the Issuer shall determine to be sufficient and such other insurance against loss or damage by fire, explosion, hurricane, tornado or other hazards and risks, and said property loss or damage insurance shall at all times be in an amount or amounts equal to the fair appraisal value of the buildings, properties, furniture, fixtures and equipment of the System, or such other amount or amounts as the Consulting Engineers or an insurance consultant who has a favorable reputation and experience and is qualified to survey risks and to recommend

insurance coverage for Persons engaged in operations similar to the System, shall recommend or approve as sufficient.

The Issuer may establish certain levels of insurance for which the Issuer may self-insure. Such levels of insurance shall be in amounts as recommended by an insurance consultant who has a favorable reputation and experience and is qualified to survey risks and to recommend insurance coverage for Persons engaged in operations similar to the System.

The proceeds from property loss and casualty insurance shall be deposited in the Renewal and Replacement Fund or other appropriate fund or account, and, together with other available funds of the Issuer, shall be used to repair or replace the damaged portion of the System; provided, however, if the Issuer makes a determination in accordance with Section 5.07 hereof that such portion of the System is no longer necessary or useful in the operation of the System, such proceeds shall (1) if such proceeds equal or exceed \$500,000, (a) be applied to the redemption or purchase of Bonds or (b) be deposited in irrevocable trust for the payment of Bonds in the manner set forth in Section 9.01, provided the Issuer has received an opinion of Bond Counsel to the effect that such deposit shall not adversely affect the exclusion, if any, from gross income of interest on the Outstanding Bonds for purposes of federal income taxation (other than Taxable Bonds) and will not otherwise affect the status of any Outstanding Bonds issued as Federal Subsidy Bonds or the Issuer's receipt of Federal Subsidy Payments with respect to any Outstanding Federal Subsidy Bonds, or (2) if such proceeds are less than \$500,000, be deposited in the Revenue Fund.

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

**SECTION 5.10. NO IMPAIRMENT OF RIGHTS.** The Issuer will not enter into any contract or contracts, nor take any action, the results of which might impair the rights of the Holders of the Bonds in any material respect and will not permit or grant a franchise for the operation of any competing water or wastewater or reclaimed water

service facilities in Brevard County; provided, however, the Issuer reserves the right to permit the ownership and operation of water or wastewater or reclaimed water service facilities or any of them by itself or by others in any territory which is not then served by the System unless such franchise or permit will have a material adverse effect on the Issuer's ability to meet its obligations hereunder.

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

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

**SECTION 5.13. UNIT BILLS.** In every instance in which a building or structure on a lot is connected to the wastewater facilities of the System, which building or structure is also connected to the water facilities of the System and receives water therefrom, the Issuer shall submit to the owner or occupant of such lot a single bill for both water and wastewater service and, except under extraordinary circumstances, shall refuse to accept payment for either the water charge alone or wastewater charge alone without payment of the other.

**SECTION 5.14. COVENANTS WITH CREDIT BANKS AND INSURERS.** The Issuer may make such covenants as it may in its sole discretion determine to be appropriate with any Insurer, Credit Bank or other financial institution that shall agree to insure or to provide for Bonds of any one or more Series credit or liquidity support that shall enhance the security or the value of such Bonds. Such covenants may be set forth in the applicable Supplemental Resolution or in an agreement approved by Supplemental Resolution and shall be binding on the Issuer, the Registrar, the Paying Agent and all the Holders of Bonds the same as if such covenants were set forth in full in this Resolution and shall not diminish the security for any of the Bonds Outstanding.

**SECTION 5.15. COLLECTION OF SPECIAL ASSESSMENTS.** To the extent Gross Revenues include any Special Assessments Proceeds, the Issuer shall proceed diligently to perform legally and effectively all steps required in the imposition and collection of the Special Assessments. The Issuer shall diligently proceed to collect such Special Assessments and shall exercise all legally available remedies now or hereafter available under State law to enforce such collections.

**SECTION 5.16. RE-ASSESSMENTS.** To the extent Gross Revenues include any Special Assessments Proceeds, if any Special Assessment shall be either in whole or in part annulled, vacated or set aside by the judgment of any court, or if the Board shall be satisfied that any such Special Assessment is so irregular or defective that the same cannot be enforced or collected, or if the Board shall have omitted to make such Special Assessment when it might have done so, the Board shall take all necessary steps to cause a new Special Assessment to be made for the whole or any part of said improvement or against any property benefitted by said improvement, and in case such second Special Assessment shall be annulled, said Board shall obtain and make other Special Assessments until a valid Special Assessment shall be made.

**SECTION 5.17. COLLECTION OF CONNECTION FEES.** The Issuer shall proceed diligently to perform legally and effectively all steps required in the collection of the Connection Fees, if and only to the extent such Connection Fees are levied by the Issuer. Upon the due date of any such Connection Fees, the Issuer shall diligently proceed to collect the same and shall exercise all legally available remedies to enforce such collections now or hereafter available under State law. Notwithstanding any provision of this Section 5.17 to the contrary, the Issuer may waive the levy or collection of a Connection Fee provided such waiver is in accordance with applicable law.

**SECTION 5.18. CONSULTING ENGINEERS.** The Issuer shall engage Consulting Engineers from time to time, whose duties shall be to make any certificates and perform any other acts required or permitted of the Consulting Engineers under this Resolution, and also to review the construction and operation of the System, to make an inspection of the System as requested by the Issuer from time to time, and to submit to the Issuer a report with recommendations as to the proper maintenance, repair and operation of the System, including recommendations for expansion and additions to the System to meet anticipated service demands, and an estimate of the amount of money necessary for such purposes. The Consulting Engineers shall, from time to time, recommend the amount of the Renewal and Replacement Fund Requirement. Copies of such reports, recommendations and estimates made as hereinabove provided shall be filed with the Issuer for inspection by Bondholders, if such inspection is requested.

**SECTION 5.19. FEDERAL INCOME TAXATION COVENANTS; TAXABLE BONDS.** The Issuer covenants with the Holders of each Series of Bonds (other than Taxable Bonds and Federal Subsidy Bonds) that it shall not use the proceeds of

such Series of Bonds in any manner which would cause the interest on such Series of Bonds to be or become included in gross income for purposes of federal income taxation.

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

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

The Issuer may, if it so elects, issue one or more Series of Taxable Bonds the interest on which is (or may be) includable in the gross income of the Holder thereof for federal income taxation purposes, so long as the issuance thereof will not cause interest on any other Bonds theretofore issued hereunder to be or become subject to federal income taxation. The covenants set forth in this Section 5.19 shall not apply to any Taxable Bonds.

**SECTION 5.20. COVENANTS RELATING TO FEDERAL SUBSIDY BONDS.** The Issuer covenants with respect to any Bonds issued as Federal Subsidy Bonds that it will:

(A) File, on a timely basis, Internal Revenue Service Form 8038-CP or such other form or forms required by the United States Department of Treasury to receive Federal Subsidy Payments in connection with any Bonds issued as Federal Subsidy Bonds.

(B) Deposit promptly the Federal Subsidy Payments received from the United States Department of Treasury, if any, to the Interest Account of the Sinking Fund to pay interest on the Federal Subsidy Bonds.

(C) Comply with all provisions of the Code, all Treasury Regulations promulgated thereunder, and any applicable notice, ruling or other formal interpretation issued by the United States Department of Treasury or the Internal Revenue Service, in order for the Bonds issued as Federal Subsidy Bonds to be and to remain Federal Subsidy Bonds.

(D) Not take any action, or fail to take any action, if any such action or failure to take such action would adversely affect the Issuer's receipt of Federal Subsidy Payments or the status of the Bonds issued as Federal Subsidy Bonds, or any portion thereof, as Federal Subsidy Bonds. The Issuer covenants that it will not directly or indirectly use or permit the use of any proceeds of Bonds issued as Federal Subsidy Bonds or any other of its funds or take or omit to take any action that would cause the Bonds issued as Federal Subsidy Bonds to be or become "arbitrage bonds" within the meaning of Section 148(a) or to fail to meet any other applicable requirements of the Code.

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**ARTICLE VI  
SUBORDINATED INDEBTEDNESS AND  
ADDITIONAL BONDS**

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

**SECTION 6.02. ISSUANCE OF ADDITIONAL BONDS.** No Additional Bonds, payable on parity with the Bonds then Outstanding pursuant to this Resolution, shall be issued except upon the conditions and in the manner herein provided. The Issuer may issue one or more Series of Additional Bonds for any one or more of the following purposes: (i) financing or refinancing the Cost of a Project, or the completion thereof, or (ii) refunding any or all Outstanding Bonds, any Subordinated Indebtedness of the Issuer, or any other indebtedness of the Issuer that it may lawfully refund with proceeds of Bonds.

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

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

(B) The Clerk shall certify that the amount of the Net Revenues (excluding Investment Earnings with respect to the Construction Fund), Connection Fees and Fund Balance (for the immediately preceding Fiscal Year) received by the Issuer during the immediately preceding Fiscal Year or any 12 consecutive months selected by the Issuer of

the 24 months immediately preceding the issuance of said Additional Bonds, adjusted as hereinafter provided, were equal to at least 120% of the Maximum Annual Debt Service of the Outstanding Bonds and the Additional Bonds then proposed to be issued, provided the amount of the Net Revenues, adjusted as hereinafter provided, received by the Issuer during such 12-month period, will be equal to (1) at least 110% of the Maximum Annual Debt Service of the Outstanding Bonds and the Additional Bonds then proposed to be issued, and (2) 100% of (a) any amounts required by the terms hereof to be deposited in the Reserve Account or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy to pay any Policy Costs and (b) any amounts required by the terms of Sections 4.06(A) and 4.07(A) hereof to be repaid to the Water Connection Fees Fund and Wastewater Connection Fees Fund, in each case during such 12-month period.

(C) For the purpose of determining the Debt Service under this Section 6.02, the interest rate on Additional Bonds that are proposed to be as Variable Rate Bonds shall be deemed to be the Bond Buyer Revenue Bond Index most recently published prior to the sale of such Additional Bonds.

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

(E) For the purpose of this Section 6.02, the phrases "12 consecutive months" or the "12-month period" shall mean the "immediately preceding Fiscal Year or any 12 consecutive months selected by the Issuer of the 24 months immediately preceding the issuance of said Additional Bonds."

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

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

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

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

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

(4) If the Issuer covenants to levy Special Assessments against property to be benefitted by the improvements, the cost of which shall be paid from the proceeds of the proposed Additional Bonds, then the Special Assessments Proceeds (which have been or are expected to be pledged as Gross Revenues hereunder) derived from the System during the 12 consecutive months shall be increased by an amount equal to the least amount which the Rate Consultant estimates will be received in any one year subsequent to completion of such improvements from the levy of said Special Assessments, said amount to be the total received, assuming no prepayments, from the installment payments on the Special Assessments plus the interest paid on the unpaid portion of the Special Assessments. The estimate of the Rate Consultant shall be based upon the preliminary assessment roll filed with the Issuer prior to the construction of such improvements.

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

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

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

(G) Additional Bonds shall be deemed to have been issued pursuant to this Resolution the same as the Outstanding Bonds, and all of the other covenants and other provisions of this Resolution (except as to details of such Additional Bonds inconsistent therewith) shall be for the equal benefit, protection and security of the Holders of all Bonds issued pursuant to this Resolution. Except as provided in Sections 4.02 and 4.05 hereof, all Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Pledged Funds and their sources and security for payment therefrom without preference of any Bonds over any other.

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

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

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

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**ARTICLE VII  
DEFAULTS AND REMEDIES**

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

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

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

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

**SECTION 7.02. REMEDIES.** Any Holder of Bonds issued under the provisions of this Resolution or any trustee or receiver acting for such Bondholders may either at law or in equity, by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights under the Laws of the State of Florida, or granted and contained in this Resolution, and may enforce and compel the performance of all duties required by this Resolution or by any applicable statutes to be performed by the Issuer or by any officer thereof; provided, however, that no Holder, trustee or receiver shall have the right to declare the Bonds immediately due and payable without the consent of any affected Insurers except to the extent the acceleration of any Variable Rate Bonds secured by a Credit Facility is provided for in a Supplemental Resolution or other documentation relating to such Credit Facility, the provisions of which are approved by the Insurers.

The Holder or Holders of Bonds in an aggregate principal amount of not less than 25% of the Bonds then Outstanding may by a duly executed certificate in writing appoint a trustee for Holders of Bonds issued pursuant to this Resolution with authority to represent such Bondholders in any legal proceedings for the enforcement and protection of the rights of such Bondholders and such certificate shall be executed by such Bondholders or their duly authorized attorneys or representatives, and shall be filed in the office of the Clerk. Notice of such appointment, together with evidence of the requisite signatures of the Holders of not less than 25% in aggregate principal amount of Bonds Outstanding and the trust instrument under which the trustee shall have agreed to serve shall be filed with the Issuer and the trustee and notice of such appointment shall be given to all Holders of Bonds in the same manner as notices of redemption are given hereunder. After the appointment of the first trustee hereunder, no further trustees may be appointed; however, the Holders of a majority in aggregate principal amount of all the Bonds then Outstanding may remove the trustee initially appointed and appoint a successor and subsequent successors at any time.

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

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

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

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

A. To the payment of the reasonable and proper charges, expenses and liabilities of the trustee or receiver and Registrar hereunder;

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

C. To the payment of the interest (including Hedge Payments) and principal or Redemption Price, if applicable, then due on the Bonds, as follows:

(1) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied:

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

SECOND: to the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due at maturity or upon mandatory redemption prior to maturity (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of Section 9.01 of this Resolution), in the order of their due dates, with any accrued and unpaid interest upon such Bonds from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with any accrued and unpaid interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the Persons entitled thereto without any discrimination or preference; and

THIRD: to the payment of the Redemption Price of any Bonds called for optional redemption pursuant to the provisions of this Resolution plus any accrued and unpaid interest.

(2) If the principal of all the Bonds shall have become due and payable, all such moneys shall be applied to the payment of the principal and interest (including Hedge Payments) then due and unpaid upon the Bonds, with interest thereon as aforesaid, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of

interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

D. To the payment of all amounts owed to the Insurers and Credit Banks not covered by A, B or C above and all amounts owed to Counterparties not covered by A, B or C above on a pro rata basis.

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

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**ARTICLE VIII  
SUPPLEMENTAL RESOLUTIONS**

**SECTION 8.01. SUPPLEMENTAL RESOLUTION WITHOUT BONDHOLDERS' CONSENT.** The Issuer, from time to time and at any time, may adopt such Supplemental Resolutions without the consent of the Bondholders (which Supplemental Resolution shall thereafter form a part hereof) for any of the following purposes:

(A) To cure any ambiguity or formal defect or omission or to correct any inconsistent provisions in this Resolution or to clarify any matters or questions arising hereunder.

(B) To grant to or confer upon the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders.

(C) To add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of this Resolution other conditions, limitations and restrictions thereafter to be observed.

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

(E) To specify and determine the matters and things referred to in Sections 2.01 or 2.02 hereof, including the issuance of Additional Bonds, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with this Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first delivery of such Bonds.

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

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

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

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

**SECTION 8.02. SUPPLEMENTAL RESOLUTION WITH BONDHOLDERS', INSURERS' AND CREDIT BANKS' CONSENTS.** Subject to

the terms and provisions contained in this Section 8.02 and Sections 8.01 and 8.03 hereof, the Holder or Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in this Resolution to the contrary notwithstanding, to consent to and approve the adoption of such Supplemental Resolutions hereto as shall be deemed necessary or desirable by the Issuer for the purpose of supplementing, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Resolution; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series or maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section 8.02. Any Supplemental Resolution which is adopted in accordance with the provisions of this Section 8.02 shall also require the written consent of any Credit Bank that has provided a Credit Facility and the Insurer of any Bonds which are Outstanding at the time such Supplemental Resolution shall take effect if such Insurer and Credit Bank are not in payment default under their Bond Insurance Policy or Credit Facility, as the case may be. No Supplemental Resolution may be approved or adopted which shall permit or require, without the consent of all affected Bondholders, (A) an extension of the maturity of the principal of or the payment of the interest on any Bond issued hereunder, (B) reduction in the principal amount of any Bond or the Redemption Price or the rate of interest thereon, (C) the creation of a lien upon or a pledge of the Pledged Funds other than the lien and pledge created by this Resolution, or except as otherwise permitted or provided hereby, which materially adversely affects any Bondholders, (D) a preference or priority of any Bond or Bonds over any other Bond or Bonds (except as to the establishment of separate subaccounts in the Reserve Account provided in Section 4.05(B)(4) hereof), or (E) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Resolution. Nothing herein contained, however, shall be construed as making necessary the approval by Bondholders or the Insurers or the Credit Banks of the adoption of any Supplemental Resolution as authorized in Section 8.01 hereof.

If at any time the Issuer shall determine that it is necessary or desirable to adopt any Supplemental Resolution pursuant to this Section 8.02, the Clerk shall cause the Registrar to give notice of the proposed adoption of such Supplemental Resolution and the form of consent to such adoption to be mailed, postage prepaid, to all Bondholders at their addresses as they appear on the registration books. Such notice shall briefly set forth the nature of the proposed Supplemental Resolution and shall state that copies thereof are on file at the offices of the Clerk and the Registrar for inspection by all Bondholders. The Issuer shall not, however, be subject to any liability to any Bondholder by reason of its failure to cause the notice required by this Section 8.02 to be mailed and any such failure shall not affect the validity of such Supplemental Resolution when consented to and approved as provided in this Section 8.02.

Whenever the Issuer shall deliver to the Clerk an instrument or instruments in writing purporting to be executed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Resolution described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Issuer may adopt such Supplemental Resolution in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

If the Holders of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the adoption of such Supplemental Resolution shall have consented to and approved the adoption thereof as herein provided, no Holder of any Bond shall have any right to object to the adoption of such Supplemental Resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Issuer from adopting the same or from taking any action pursuant to the provisions thereof.

Upon the adoption of any Supplemental Resolution pursuant to the provisions of this Section 8.02, this Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Resolution of the Issuer and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced in all respects under the provisions of this Resolution as so modified and amended.

Notwithstanding any other provision of this Section 8.02, Holders of Bonds shall be deemed to have provided consent pursuant to this Section 8.02 if the offering document for such Bonds expressly describes the Supplemental Resolution and the amendments to this Resolution contained therein and states by virtue of the Holders' purchase of such Bonds the Holders are deemed to have notice of, and consented to, such Supplemental Resolution and amendments.

**SECTION 8.03. AMENDMENT WITH CONSENT OF INSURERS AND CREDIT BANKS ONLY.** For purposes of amending this Resolution pursuant to Section 8.02 hereof, an Insurer of Bonds and the Credit Bank providing a Credit Facility shall be considered the Holder of such Bonds which it has insured or provided a Credit Facility. The consent of the Holders of such Bonds shall not be required if the Insurer of such Bonds and any such Credit Bank shall consent to the amendment as provided by this Section 8.03 and such Insurer and Credit Bank is not in default with respect to its obligations under its Bond Insurance Policy or Credit Facility. At least 15 days prior to adoption of any amendment made pursuant to this Section 8.03, notice of such amendment shall be delivered to the Rating Agencies rating the Bonds. Upon filing with the Clerk of evidence of such consent the Insurers and Credit Banks as aforesaid, the Issuer may adopt such Supplemental Resolution. After the adoption by the Issuer of such Supplemental Resolution, notice thereof shall be mailed in the same manner as notices of an amendment

under Section 8.03 hereof. Notwithstanding the foregoing, the consent of all affected Bondholders shall still be required with respect to any amendment set forth in Clauses (A), (B), (C), (D) or (E) in the first paragraph of Section 8.02 hereof.

## **ARTICLE IX DEFEASANCE**

**SECTION 9.01. DEFEASANCE.** If (A) the Issuer shall pay or cause to be paid or there shall otherwise be paid to the Holders of any Series of Bonds the principal and interest or Redemption Price, plus accrued interest, due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, and (B) the Issuer shall pay all Policy Costs owing to any provider of a Reserve Account Letter of Credit or Reserve Account Insurance Policy and all amounts owing to the Insurers and Credit Banks, then all covenants, agreements and other obligations of the Issuer to the holders of such Series of Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Paying Agents shall pay over or deliver to the Issuer all money or securities held by them pursuant to this Resolution which are not required for payment or redemption of any Series of Bonds not theretofore surrendered for such payment or redemption.

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

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

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

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

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

[Remainder of page intentionally left blank]

**ARTICLE X**  
**PROVISIONS RELATING TO SERIES 2014 BONDS**

**SECTION 10.01. OFFICIAL NOTICE OF SALE.** The form of the Official Notice of Sale attached hereto as Exhibit A and the terms and provisions thereof are hereby authorized and approved. The County Manager is hereby authorized to make such changes, insertions and modifications as he or she shall deem necessary prior to the advertisement of such Official Notice of Sale or a summary thereof. The County Manager is hereby authorized to advertise and publish the Official Notice of Sale or a summary thereof at such time as he or she shall deem necessary and appropriate and to determine the date and time of the competitive sale of the Series 2014 Bonds, all upon the advice of the Financial Advisor and Bond Counsel, to accomplish the competitive sale of the Series 2014 Bonds in accordance with applicable law.

**SECTION 10.02. BOOK-ENTRY.** Notwithstanding the provisions set forth in Section 2.07 hereof, the Series 2014 Bonds shall be initially issued in the form of a separate single certificated fully registered Series 2014 Bond for each of the maturities of the Series 2014 Bonds. Upon initial issuance, the ownership of each such Series 2014 Bond shall be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). As long as the Series 2014 Bonds shall be registered in the name of Cede & Co., all payments on the Series 2014 Bonds shall be made by the Paying Agent by check or draft or by bank wire transfer to Cede & Co., as Bondholder of the Series 2014 Bonds.

With respect to Series 2014 Bonds registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, the Issuer, the Registrar and the Paying Agent shall have no responsibility or obligation to any direct or indirect participant in the DTC book-entry program (a "Participant"). Without limiting the immediately preceding sentence, the Issuer, the Registrar and the Paying Agent shall have no responsibility or obligation with respect to (A) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest on the Series 2014 Bonds, (B) the delivery to any Participant or any other person other than a Series 2014 Bondholder, as shown in the registration books kept by the Registrar, of any notice with respect to the Series 2014 Bonds, or (C) the payment to any Participant or any other person, other than a Series 2014 Bondholder, as shown in the registration books kept by the Registrar, of any amount with respect to principal or interest of the Series 2014 Bonds. The Issuer, the Registrar and the Paying Agent may treat and consider the person in whose name each Series 2014 Bond is registered in the registration books kept by the Registrar as the Bondholder and absolute owner of such Series 2014 Bond for the purpose of payment of principal or interest with respect to such Series 2014 Bond, for the purpose of giving notices and other matters with respect to such Series 2014 Bond, for the purpose of registering transfers with respect to such Series 2014 Bond, and for all other purposes whatsoever. The Paying Agent shall pay all principal or interest of the Series 2014 Bonds

only to or upon the order of the respective Bondholders, as shown in the registration books kept by the Registrar, or their respective attorneys duly authorized in writing, as provided herein and in the Resolution and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal or interest of the Series 2014 Bonds to the extent of the sum or sums so paid. No person other than a Series 2014 Bondholder, as shown in the registration books kept by the Registrar, shall receive a certificated Series 2014 Bond evidencing the obligation of the Issuer to make payments of principal or interest pursuant to the provisions hereof. Upon delivery by DTC to the Issuer of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the words "Cede & Co." in the Resolution shall refer to such new nominee of DTC; and upon receipt of such notice, the Issuer shall promptly deliver a copy of the same to the Registrar and the Paying Agent.

Upon (A) receipt by the Issuer of written notice from DTC (i) to the effect that a continuation of the requirement that all of the outstanding Series 2014 Bonds be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, is not in the best interest of the beneficial owners of the Series 2014 Bonds or (ii) to the effect that DTC is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of DTC hereunder can be found which is willing and able to undertake such functions upon reasonable and customary terms, or (B) determination by the Issuer, in its sole discretion, that such book-entry only system should be discontinued by the Issuer, the Series 2014 Bonds shall no longer be restricted to being registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, but shall be registered in whatever name or names Bondholders shall designate, in accordance with the provisions of the Resolution. In such event, the Issuer shall issue and the Registrar shall authenticate, transfer and exchange Series 2014 Bonds consistent with the terms of the Resolution, in denominations of \$5,000 or any integral multiple thereof to the holders thereof. The foregoing notwithstanding, until such time as participation in the book-entry only system is discontinued, the provisions set forth in the existing Blanket Issuer Letter of Representations previously executed by the Issuer and delivered to DTC shall apply to the payment of principal and interest on the Series 2014 Bonds.

**SECTION 10.03 APPLICATION OF SERIES 2014 BOND PROCEEDS.**  
Subject in all respects to the satisfaction of the conditions set forth in Section 2.02 hereof, the proceeds derived from the sale of the Series 2014 Bonds shall be applied by the Issuer simultaneously with the delivery thereof as follows:

(A) A sufficient amount of Series 2014 Bond proceeds shall be deposited to the Series 2014 Project Account of the Construction Fund and shall be applied in accordance with the provisions hereof to pay Costs of the acquisition, construction, and equipping of the Series 2014 Project. Such deposited amounts may be used to reimburse the Issuer for

any moneys previously expended by the issuer for Costs of the Series 2014 Project so long as the Issuer complies with the applicable provisions of the Code regarding reimbursement.

(B) If the County Manager determines that the Reserve Account Requirement is greater than \$0.00, then a sufficient amount of the Series 2014 Bond proceeds will either be deposited to the Reserve Account (or the Series 2014 Subaccount therein if established in accordance with Section 4.05(B)(4) hereof) or applied to the payment of the premium for the Series 2014 Reserve Account Insurance Policy.

(C) The remainder of the proceeds of the Series 2014 Bonds shall be applied to the payment of costs and expenses relating to the issuance of the Series 2014 Bonds.

**SECTION 10.04. PRELIMINARY OFFICIAL STATEMENT.** The Issuer hereby authorizes the distribution and use of the Preliminary Official Statement in substantially the form attached hereto as Exhibit B in connection with offering the Series 2014 Bonds for sale. If between the date hereof and the mailing of the Preliminary Official Statement it is necessary to make insertions, modifications or changes in the Preliminary Official Statement, the County Manager is hereby authorized to approve such insertions, changes and modifications. Any Authorized Issuer Officer is each hereby authorized to deem the Preliminary Official Statement "final" within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the "Rule") in the form as mailed. Execution of a certificate by an Authorized Issuer Officer deeming the Preliminary Official Statement "final" as described above shall be conclusive evidence of the approval of any insertions, changes or modifications.

**SECTION 10.05. OFFICIAL STATEMENT.** Subject in all respects to the satisfaction of the conditions set forth in Section 2.02 hereof, the Chair and the County Manager are hereby authorized and directed to execute and deliver a final Official Statement, dated the date of the award of the Series 2014 Bonds, which shall be in substantially the form of the Preliminary Official Statement, in the name and on behalf of the Issuer, and thereupon to cause such Official Statement to be delivered to the winning bidder with such changes, amendments, modifications, omissions and additions as may be approved by the Chair and the County Manager. Said Official Statement, including any such changes, amendments, modifications, omissions and additions as approved by the Chair and the County Manager, and the information contained therein are hereby authorized to be used in connection with the sale of the Series 2014 Bonds to the public. Execution by the Chair and the County Manager of the Official Statement shall be deemed to be conclusive evidence of the approval of such changes.

**SECTION 10.06. APPOINTMENT OF PAYING AGENT AND REGISTRAR.** Subject in all respects to the satisfaction of the conditions set forth in Section 2.02, hereof, U.S. Bank National Association, Orlando, Florida, is hereby designated Registrar and Paying Agent for the Series 2014 Bonds. The Chair is hereby authorized to execute and deliver and the Clerk is authorized to attest any agreements

prepared by Bond Counsel and reviewed by the County Attorney that are necessary to engage the Paying Agent and Registrar.

**SECTION 10.07. SECONDARY MARKET DISCLOSURE.** Subject in all respects to the satisfaction of the conditions set forth in Section 2.02 hereof, the Issuer hereby covenants and agrees that, in order to provide for compliance by the Issuer with the secondary market disclosure requirements of the Rule, it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate to be executed by the Issuer and dated the dated date of the Series 2014 Bonds, as it may be amended from time to time in accordance with the terms thereof. The Continuing Disclosure Certificate shall be substantially in the form of Exhibit C hereto with such changes, amendments, modifications, omissions and additions as shall be approved by the Chair who is hereby authorized to execute and deliver such Certificate. Notwithstanding any other provision of the Resolution, failure of the Issuer to comply with such Continuing Disclosure Certificate shall not be considered an Event of Default under the Resolution; provided, however, to the extent permitted by law, the sole and exclusive remedy of any Series 2014 Bondholder for the enforcement of the provisions of the Continuing Disclosure Certificate shall be an action for mandamus or specific performance, as applicable, by court order, to cause the Issuer to comply with its obligations under this Section 10.07 and the Continuing Disclosure Certificate. For purposes of this Section 10.07, "Series 2014 Bondholder" shall mean any person who (A) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2014 Bonds (including persons holding such Bonds through nominees, depositories or other intermediaries), or (B) is treated as the owner of any such Bond for federal income tax purposes.

**SECTION 10.08. SERIES 2014 MUNICIPAL BOND INSURANCE; SERIES 2014 RESERVE ACCOUNT INSURANCE POLICY.** (A) Subject in all respects to the satisfaction of the conditions set forth in Section 2.02 hereof, if, in accordance with the provisions of the Official Notice of Sale, the winning bidder for the Series 2014 Bonds determines that any portion of the Series 2014 Bonds will be insured by a Bond Insurance Policy, the Issuer hereby authorizes the payment of the principal of and interest on the Series 2014 Bonds to be insured pursuant to a Bond Insurance Policy (the "Series 2014 Bond Insurance Policy") to be issued by either Assured Guaranty Municipal Corp. ("AGM") or Build America Mutual Assurance Company ("BAM"). For purposes of this Resolution, if AGM or BAM is selected by the winning bidder to insure the Series 2014 Bonds, it shall constitute the "Insurer" of the Series 2014 Bonds. The Chair is hereby authorized to execute such documents and instruments necessary to cause AGM or BAM to insure the Series 2014 Bonds and any actions previously taken by an Authorized Issuer Officer with respect to securing the commitments of AGM and/or BAM to issue the Series 2014 Bond Insurance Policy is hereby ratified and approved.

(B) Subject in all respects to the satisfaction of the conditions set forth in Section 2.02 hereof, if the County Manager determines, upon the advice of the Financial

Advisor, to fund the Reserve Account with a Reserve Account Insurance Policy from AGM or BAM (the "Series 2014 Reserve Account Insurance Policy"), the Issuer shall deposit to the Reserve Account (or the Series 2014 Subaccount therein if established in accordance with Section 4.05(B)(4) hereof) the Series 2014 Reserve Account Insurance Policy, the face amount of which, together with any other funds to be deposited to the Reserve Account, shall be the Reserve Account Requirement for the Series 2014 Bonds as determined by the County Manager upon the advice of the Financial Advisor. The Chair is authorized to enter into the standard insurance agreements of AGM or BAM upon the advice and counsel of Bond Counsel, the Financial Advisor and the County Attorney. Execution by the Chair shall be deemed conclusive evidence of the approval of such agreement. The provisions of such agreement, when executed and delivered, shall be incorporated herein by reference and to the extent there are any conflicts between the agreement and this Resolution, the provisions of the agreement shall control.

**SECTION 10.09. GENERAL AUTHORITY.** With respect to the Series 2014 Bonds, the Chair, the County Manager, the Clerk and the County Attorney and the other officers, attorneys and other agents or employees of the Issuer are hereby authorized to do all acts and things required of them by this Resolution, the Official Statement, the Continuing Disclosure Certificate, or any other agreement or instrument described herein, desirable or consistent with the requirements hereof or of the Resolution, the Official Statement, the Continuing Disclosure Certificate, or such other agreement or instrument for the full punctual and complete performance of all the terms, covenants and agreements contained herein or in the Series 2014 Bonds, the Resolution, the Official Statement, the Continuing Disclosure Certificate and such other agreement or instrument and each member, employee, attorney and officer of the Issuer is hereby authorized and directed to execute and deliver any and all papers and instruments and to be and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated hereunder.

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**ARTICLE XI  
MISCELLANEOUS**

**SECTION 11.01. CAPITAL APPRECIATION BONDS.** For the purposes of (A) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, or (B) receiving payment of a Capital Appreciation Bond if the principal of all Bonds becomes due and payable under the provisions of this Resolution, or (C) computing the amount of Bonds held by the Holder of a Capital Appreciation Bond in giving to the Issuer or any trustee or receiver appointed to represent the Bondholders any notice, consent, request or demand pursuant to this Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

**SECTION 11.02. SALE OF BONDS.** The Bonds shall be issued and sold at public or private sale at one time or in installments from time to time and at such price or prices as shall be consistent with the provisions of the Act, the requirements of this Resolution and other applicable provisions of law.

**SECTION 11.03. SEVERABILITY OF INVALID PROVISIONS.** If any one or more of the covenants, agreements or provisions of this Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this Resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Bonds issued hereunder.

**SECTION 11.04. VALIDATION AUTHORIZED.** To the extent deemed necessary by Bond Counsel or desirable by the County Attorney, Bond Counsel is authorized to institute appropriate proceedings for validation of a Series of Bonds herein authorized pursuant to Chapter 75, Florida Statutes.

**SECTION 11.05. REPEAL OF INCONSISTENT RESOLUTIONS.** All ordinances, resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict. Notwithstanding the foregoing, the terms of the Existing Resolution shall stay in effect in regard to the Refunded Bonds until the Refunded Bonds are legally defeased in accordance with the provisions thereof.

**SECTION 11.06. EFFECTIVE DATE.** This Resolution shall take effect immediately upon adoption.


This Resolution passed and adopted this 9th day of September, 2014.

BREVARD COUNTY, FLORIDA

(SEAL)

By: Mary Bolin Lewis  
Mary Bolin Lewis, Chair, Board of County Commissioners

ATTEST:

  
\_\_\_\_\_  
Scott Ellis, Clerk of the Circuit Court  
and Ex-Officio Clerk of the Board of  
County Commissioners

**EXHIBIT A**

**TRUTH-IN-BONDING STATEMENT  
AND DISCLOSURE**

In compliance with Section 218.385, Florida Statutes, as amended, the undersigned bidder submits the following Truth-In-Bonding Statement with respect to the 2014 Bonds (NOTE: For information purposes only and not a part of the bid):

The County is proposing to issue \$ \_\_\_\_\_ of revenue bonds for the principal purpose of financing the costs of the acquisition, construction and equipping of various capital improvements to the County's water and wastewater utility system. This debt or obligation is expected to be repaid over a period of approximately \_\_ years. At a true interest cost of \_\_\_\_\_%, total interest paid over the life of the debt or obligation will be \$ \_\_\_\_\_.

The principal source of repayment or security for these revenue bonds is net revenues of the County's water and wastewater utility system in the manner and to the extent described in the Preliminary Official Statement and Official Notice of Sale relating to such revenue bonds. Authorizing this debt or obligation will result in approximately \_\_\_\_\_ of such net revenues (average annual debt service) not being available for other utility related services or purposes of the County each year for \_\_ years.

In compliance with Section 218.386, Florida Statutes, the undersigned, on behalf of itself and all other members of the underwriting group, if any, hereby certifies that neither it nor any member of the underwriting group have paid any "finder's fees" as defined in Section 218.386, Florida Statutes, any bonus, fee or gratuity in connection with the sale of the 2014 Bonds, except as provided below:

Bidder's Name: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT A**

**FORM OF OFFICIAL NOTICE OF SALE**

**\$25,235,000\***  
**BREVARD COUNTY, FLORIDA**  
**WATER AND WASTEWATER UTILITY REVENUE BONDS,**  
**SERIES 2014**

**OFFICIAL NOTICE OF SALE**

The Brevard County, Florida Water and Wastewater Utility Revenue Bonds, Series 2014 (the "2014 Bonds") are being offered for sale in accordance with this Official Notice of Sale. Notice is hereby given that electronic bids will be received by Brevard County, Florida (the "County") for the purchase of the 2014 Bonds via the Parity Electronic Bid Submission System ("Parity") in the manner described herein. Bids for the 2014 Bonds will be received until 11:00 a.m. Eastern Daylight Savings Time, on September 23, 2014 or on such other date and/or time as may be established by the County Manager no less than ten (10) days after the date of publication of the Summary Notice of Sale and communicated through Thomson Municipal Market Monitor not less than twenty (20) hours prior to the time bids are to be received. To the extent any instructions or directions set forth on Parity conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about Parity, and to subscribe in advance of the bid, potential bidders should contact Parity at (212) 849-5021. The use of Parity shall be at the bidder's risk and expense and the County shall have no liability with respect thereto.

September 11, 2014

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\*Preliminary, subject to adjustment as provided herein

## **OFFICIAL NOTICE OF SALE**

\$25,235,000\*

BREVARD COUNTY, FLORIDA

WATER AND WASTEWATER UTILITY REVENUE BONDS, SERIES 2014

The Brevard County, Florida Water and Wastewater Utility Revenue Bonds, Series 2014 (the "2014 Bonds") are being offered for sale in accordance with this Official Notice of Sale. Notice is hereby given that bids will be received by Brevard County, Florida (the "County") for the purchase of the 2014 Bonds via the Parity Electronic Bid Submission System ("Parity") in the manner described below. Bids for the 2014 Bonds will be received until 11:00 a.m. Eastern Daylight Savings Time, on September 23, 2014 or on such other date and/or time as may be established by the County Manager no less than ten (10) days after the date of publication of the Summary Notice of Sale and communicated through Thomson Municipal Market Monitor not less than twenty (20) hours prior to the time bids are to be received. To the extent any instructions or directions set forth on Parity conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about Parity, and to subscribe in advance of the bid, potential bidders may contact Parity at (212) 849-5021. The use of Parity shall be at the bidder's risk and expense and the County shall have no liability with respect thereto. Only bids submitted through Parity will be considered. No telephone, telefax, telegraph, mail, courier delivery or personal delivery bids will be accepted.

### **BOND DETAILS**

The description of the 2014 Bonds, the purpose thereof and the security therefore, as set forth in this Official Notice of Sale, is subject in its entirety to the disclosure made in the Preliminary Official Statement relating to the 2014 Bonds. SEE "DISCLOSURE INFORMATION" herein.

The 2014 Bonds will be issued initially as single fully registered bonds, and when executed and delivered, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2014 Bonds. Individual purchases of the 2014 Bonds may be made only in book-entry form only through DTC participants, as described in the Preliminary Official Statement, in denominations of \$5,000 or integral multiples thereof. Purchasers of 2014 Bonds (the "Beneficial Owners") will not receive physical delivery of bond certificates. As long as Cede & Co. is the registered owner of the 2014 Bonds, as nominee for DTC, payments of principal and interest with respect to the 2014 Bonds will be made directly to such registered owner who will in turn remit such

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\*Preliminary, subject to adjustment as provided herein

principal and interest payments to DTC participants for subsequent disbursement to the Beneficial Owners.

The 2014 Bonds will be dated their date of delivery (expected to be October 15, 2014) or such other date as may be communicated through Thomson Municipal Market Monitor not less than 20 hours prior to the time bids are to be received, and shall bear interest from such date and shall be payable semiannually commencing on March 1, 2015, and on each September 1 and March 1 thereafter until maturity at the rate or rates specified in such proposals as may be accepted. The proposed schedule of maturities and amounts are as follows:

**PROPOSED MATURITY SCHEDULE  
FOR  
THE 2014 BONDS**

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount*</u>	<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount*</u>
2015	\$440,000	2030**	\$780,000
2016	500,000	2031**	810,000
2017	510,000	2032**	845,000
2018	520,000	2033**	885,000
2019	535,000	2034**	925,000
2020	550,000	2035**	965,000
2021	570,000	2036**	1,010,000
2022	585,000	2037**	1,060,000
2023	605,000	2038**	1,110,000
2024	620,000	2039**	1,170,000
2025**	640,000	2040**	1,225,000
2026**	665,000	2041**	1,290,000
2027**	690,000	2042**	1,350,000
2028**	720,000	2043**	1,420,000
2029**	750,000	2044**	1,490,000

\*Preliminary; subject to adjustment as provided herein

\*\*Subject to Term Bond Option as described herein

**(NOTE: The County reserves the right to modify the maturity schedule shown above prior to the time bids are received. Any such modification will be communicated through the Thomson Municipal Market Monitor (See "ADJUSTMENT OF PRINCIPAL AMOUNTS" below.))**

**ADJUSTMENT OF PRINCIPAL AMOUNTS**

The schedule of maturities set forth above (the "Initial Maturity Schedules") represents an estimate of the principal amount and maturities of the 2014 Bonds that will be sold. The County reserves the right to change the Initial Maturity Schedules by

announcing any such change not later than 3:00 p.m., Eastern Daylight Savings Time, on the date immediately preceding the date set for receipt of bids, through Thomson Municipal Market Monitor. If no such change is announced, the Initial Maturity Schedule will be deemed the schedule of maturities for the Official Bid Form.

Furthermore, if after final computation of the bids, the County determines in its sole discretion that the funds necessary to accomplish the purpose of the 2014 Bonds is more or less than the proceeds of the sale of all of the 2014 Bonds, the County reserves the right to increase or decrease the aggregate principal amount, by no more than 15% of the aggregate principal amount for the 2014 Bonds stated on the cover of the Preliminary Official Statement and reserves the right to increase or decrease the principal amount by no more than 15% within a given maturity of the 2014 Bonds (to be rounded to the nearest \$5,000), or by such other amount as approved by the winning bidder.

In the event of any such adjustment, no rebidding or recalculation of the bids submitted will be required or permitted; and the 2014 Bonds of each maturity, as adjusted, will bear interest at the same rate and must have the same initial reoffering yield as specified immediately after award of the 2014 Bonds of that maturity. However, the award will be made to the bidder whose bid produces the lowest true interest cost rate, calculated as specified herein, solely on the basis of the 2014 Bonds offered, without taking into account any adjustment in the amount of 2014 Bonds pursuant to this paragraph.

#### **PAYING AGENT AND REGISTRAR**

The Paying Agent and Registrar for the 2014 Bonds will be U.S. Bank National Association, Orlando, Florida.

#### **REDEMPTION PROVISIONS**

The 2014 Bonds maturing on or before September 1, 2024 are not subject to redemption prior to their respective dates of maturity.

The 2014 Bonds maturing after September 1, 2024, are subject to redemption prior to their respective stated dates of maturity at the option of the County, in whole, or in part, from such maturities selected by the County (and by lot within a maturity if less than a full maturity), on September 1, 2024, or any date thereafter, at a redemption price equal to 100% of the principal amount of the 2014 Bonds so redeemed plus accrued interest to the date fixed for redemption.

#### **TERM BOND OPTION**

Any bidder may, at its option, specify that certain maturities of the 2014 Bonds maturing after September 1, 2024 will consist of term bonds which are subject to mandatory sinking fund redemption in consecutive years immediately preceding the

maturity thereof (each a "Term Bond") as designated in the bid of such bidder. In the event that the bid of the successful bidder specifies that any maturity of the 2014 Bonds will be a Term Bond, such Term Bond will be subject to mandatory sinking fund redemption on September 1, in each applicable year, in the principal amount for such year as set forth hereinbefore under the heading "BOND DETAILS," at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, subject to adjustment as described under "ADJUSTMENT OF PRINCIPAL AMOUNTS."

### **AUTHORITY AND PURPOSE**

The 2014 Bonds are being issued pursuant to Resolution No. 145 duly adopted by the Board of County commissioners of the County on September 9, 2014, as the same may be amended and supplemented from time to time (the "Bond Resolution") and the provisions of the Constitution of the State of Florida, Chapter 125, Florida Statutes, the Charter of the County, and other applicable provisions of law (collectively, the "Act").

The proceeds of the 2014 Bonds are being used to (i) finance costs related to the acquisition, construction and equipping of various capital improvements to the County's water and wastewater utility system (as more particularly described in the Bond Resolution, the "System"), and (ii) pay certain costs of issuance of the 2014 Bonds.

### **SECURITY**

The 2014 Bonds and the interest thereon are secured by and payable from a pledge of and lien on (1) the Net Revenues (as defined in the Bond Resolution) derived from the operation of the System, (2) the Connection Fees (as defined in the Bond Resolution) and (3) until applied in accordance with the provisions of the Bond Resolution, all moneys, including investments thereof, in the funds and accounts established hereunder, except (A) as for the Rebate Fund (as defined in the Bond Resolution), (B) to the extent moneys therein shall be required to pay the Operating Expenses (as defined in the Bond Resolution) of the System in accordance with the terms hereof, and (C) any moneys set aside in a particular subaccount of the Reserve Account (as defined in the Bond Resolution) if such moneys shall be pledged solely for the payment of a different series of bonds for which it was established in accordance with the provisions of the bond Resolution. The foregoing is referred to herein and in the Bond Resolution as the "Pledged Funds." Currently, there is no other indebtedness of the County secured by the Pledged Funds.

**The 2014 Bonds shall not be or constitute general obligations or indebtedness of the County as "bonds" within the meaning of any constitutional or statutory provision, but shall be special obligations of the County, payable solely from and secured by a lien upon and pledge of the Pledged Funds, in the manner and to the extent provided in the Bond Resolution. No Holder of any 2014 Bond shall ever**

**have the right to compel the exercise of any ad valorem taxing power to pay such 2014 Bond, or be entitled to payment of such 2014 Bond from any moneys of the County except from the Pledged Funds in the manner and to the extent provided in the Bond Resolution. The 2014 Bonds and the obligations evidenced thereby shall not constitute a lien upon the System or any other property of the County, but shall constitute a lien only on, and shall be payable solely from, the Pledged Funds.**

#### **NO RESERVE ACCOUNT; RATINGS**

The 2014 Bonds shall not be secured in any manner by the Reserve Account established under the Bond Resolution.

Standard & Poor's and Fitch Ratings have assigned underlying ratings of "AA-(stable outlook)" and "AA-(stable outlook)," respectively, to the 2014 Bonds.

#### **MUNICIPAL BOND INSURANCE OPTION**

Application has been made to Assured Guaranty Municipal Corp. and Build America Mutual Assurance Company for the issuance of a commitment for municipal bond insurance for all or a portion of the 2014 Bonds. The purchase of municipal bond insurance, if available, will be at the option and expense of the bidder. The successful bidder will be responsible for the payment of all costs associated with any such insurance, including the premium charged by the insurer. The bidder understands, by submission of its bid that the bidder is solely responsible for the selection of any insurer and for all negotiations with the insurer as to the premium to be paid. If all or a portion of the 2014 Bonds are awarded on an insured basis, reference to the insurance policy will appear on the 2014 Bonds and in the final Official Statement; however the provisions of neither the Bond Resolution nor any other financing document will be altered nor will the County consent to make additional representations, undertakings or warranties.

In addition, if the successful bidder is arranging for bond insurance for all or a portion of the 2014 Bonds, it also shall provide the amount of the premium to be paid and certification that the present value of the premium is less than the present value of the interest reasonably expected to be saved as a result of the insurance and that the premium does not exceed a reasonable arms-length charge for the transfer of credit risk accomplished through bond insurance.

#### **TERMS OF BID AND BASIS OF AWARD**

**THE COUNTY WILL AWARD THE 2014 BONDS TO THE BIDDER WHOSE BID PRODUCES THE LOWEST TRUE INTEREST COST, AS DESCRIBED BELOW. THE COUNTY HAS THE RIGHT TO AWARD ALL OR NONE OF THE 2014 BONDS.**

Proposals must be unconditional and for the purchase of all of the 2014 Bonds. The reoffering price for the 2014 Bonds may not be less than 97% of the principal amount of the 2014 Bonds for any single maturity thereof. The aggregate purchase price, inclusive of original issue discount ("OID"), original issue premium ("OIP"), underwriter's discount and the cost of the municipal bond insurance premium, if bond insurance is to be purchased by the bidder as described under "MUNICIPAL BOND INSURANCE OPTION" above, may not be equal to or less than 98% of the principal amount of the 2014 Bonds. The true interest cost for the 2014 Bonds may not exceed 5.00%. No more than one proposal from any bidder will be considered.

The 2014 Bonds shall bear interest expressed in multiples of one-eighth (1/8) or one-twentieth (1/20) of one (1) per centum. The use of split or supplemental interest coupons will not be considered and a zero rate or blank rate will not be permitted. All 2014 Bonds maturing on the same date shall bear the same rate of interest.

The 2014 Bonds will be awarded to the bidder offering to purchase the 2014 Bonds at the lowest annual interest cost computed on a true interest cost basis (the "TIC"). The annual TIC will be determined by doubling the semi-annual interest rate necessary to discount the semi-annual debt service payments on the 2014 Bonds back to the Net Bond Proceeds (defined as the par amount of the 2014 Bonds, plus any OIP and less any OID, underwriter's discount and bond insurance premium, if any) calculated on a 30/360 day count basis to the date of issuance of the 2014 Bonds, which for purposes of this calculation is assumed to be October 15, 2014). The TIC must be calculated to four (4) decimal places.

**EACH PROPOSAL MUST BE SUBMITTED THROUGH PARITY. EACH BIDDER MUST SPECIFY IN ITS BID THE INTEREST RATE AND PRICE OR YIELD FOR THE 2014 BONDS OF EACH MATURITY. NO BIDS FOR LESS THAN ALL OF THE 2014 BONDS OFFERED WILL BE CONSIDERED. THE COUNTY RESERVES THE RIGHT TO REJECT ALL BIDS OR ANY BID NOT CONFORMING TO THIS OFFICIAL NOTICE OF SALE. THE COUNTY ALSO RESERVES THE RIGHT TO WAIVE, IF PERMITTED BY LAW, ANY IRREGULARITY OR INFORMALITY IN ANY PROPOSAL. THE COUNTY SHALL NOT REJECT ANY CONFORMING BID, UNLESS ALL CONFORMING BIDS ARE REJECTED.**

### **GOOD FAITH DEPOSIT**

If the County selects a winning bid, then the successful bidder must submit a "Good Faith Deposit" (the "Deposit") to the County in the form of a wire transfer in the amount of \$252,350 for the 2014 Bonds not later than 2:00 p.m., Eastern Daylight Savings Time on the business day following the award. The Deposit of the successful bidder will be collected and the proceeds thereof retained by the County to be applied as partial payment for the 2014 Bonds and no interest will be allowed or paid upon the

amount thereof, but in the event the successful bidder shall fail to comply with the terms of the bid, the proceeds thereof will be retained as and for full liquidated damages.

### **STANDARD FILINGS, CHARGES AND CLOSING DOCUMENTS**

The winning bidder will be required to make the standard filings and maintain the appropriate records routinely required pursuant to MSRB Rules G-8, G-11 and G-36. The winning bidder will be required to pay the standard MSRB charge for the 2014 Bonds purchased. The winning bidder will also be required to execute certain closing documents required by Florida law or required by bond counsel in connection with the delivery of its tax opinion. See "DISCLOSURE; AMENDMENTS TO NOTICE OF SALE; NOTIFICATION OBLIGATIONS OF PURCHASER" herein.

### **CUSIP NUMBERS**

It is anticipated that CUSIP identification numbers will be printed on the 2014 Bonds, but neither the failure to print such number on any 2014 Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the successful bidder to accept delivery of and pay for the 2014 Bonds in accordance with their agreement to purchase the 2014 Bonds. All expenses in relation to the printing of CUSIP numbers on the 2014 Bonds shall be paid for by the County; provided, however, that it shall be the responsibility of the successful bidder(s) to timely obtain and pay for the assignment of such CUSIP numbers.

### **BLUE SKY**

The County has not undertaken to register the 2014 Bonds under the securities laws of any state, nor investigated the eligibility of any institution or person to purchase or participate in the underwriting of the 2014 Bonds under any applicable legal investment, insurance, banking or other laws. By submitting a bid for the 2014 Bonds, the successful bidder represents that the sale of the 2014 Bonds in states other than Florida will be made only under exemptions from registration or, wherever necessary, the successful bidder will register the 2014 Bonds in accordance with the securities laws of the state in which the 2014 Bonds are offered or sold. The County agrees to cooperate with the successful bidder, at the bidder's written request and expense, in registering the 2014 Bonds or obtaining an exemption from registration in any state where such action is necessary; provided, however, that the County shall not be required to consent to suit or to service of process in any jurisdiction.

### **DELIVERY OF THE 2014 BONDS**

The County will pay the cost of preparing the 2014 Bonds. The successful bidder is responsible for DTC eligibility and related DTC costs. Delivery of and payment for the 2014 Bonds will be made on a date specified by the County via DTC Fast. Delivery

of and payment for the 2014 Bonds will be made on or about October 15, 2014 through the facilities of DTC in New York, New York, or such other time and place mutually acceptable to the successful bidder and the County. Payment of the full purchase price, less the Deposit, shall be made to the County at the closing, in Federal Reserve Funds of the United States of America, without cost to the County.

The legal opinion of Nabors, Giblin & Nickerson, P.A. ("Bond Counsel") will be furnished without charge to the successful bidder at the time of delivery of the 2014 Bonds. For a further discussion of the content of that opinion and the proposed form of the approving opinion, see the Preliminary Official Statement for the 2014 Bonds.

There will also be furnished at the time of delivery of the 2014 Bonds, a certificate or certificates of the County (which may be included in a consolidated closing certificate) (1) relating to the accuracy and completeness of the Official Statement, (2) to the effect that the Preliminary Official Statement has been deemed by the County to be a "final official statement" for purposes of SEC Rule 15c2-12(b)(3) and (3) stating to the effect that there is no litigation of any nature pending or, to the knowledge of the County, threatened, at the time of delivery of the 2014 Bonds, (a) to restrain or enjoin the issuance of the 2014 Bonds or (b) affecting or contesting the validity of the 2014 Bonds.

**DISCLOSURE; AMENDMENTS TO NOTICE OF SALE;  
NOTIFICATION OBLIGATIONS OF PURCHASER**

This Official Notice of Sale is not intended as a disclosure document and bidders are required to obtain and carefully review the entire Preliminary Official Statement (including all appendices thereto) before submitting a bid.

This Official Notice of Sale may be amended from time to time after its initial publication by publication of amendments thereto not less than 20 hours prior to the bid date and time via Thomson Municipal Market Monitor. Each bidder will be charged with the responsibility of obtaining any such amendments and complying with the terms thereof.

Prior to delivery of the 2014 Bonds to the successful bidder, the successful bidder shall file with the County a statement as described in Section 218.38(1)(c), Florida Statutes, containing, among other required items, the underwriting spread, and the amount of any fee, bonus or gratuity paid in connection with the 2014 Bonds to any person not regularly employed by the successful bidder. This statement shall be filed with the County even if no such management fee or underwriting spread has been charged by the successful bidder or no such fee, bonus or gratuity has been paid by the successful bidder, and such filing shall be a condition precedent to the delivery of the 2014 Bonds by the County to the successful bidder.

The successful bidder, by submitting its bid, agrees to furnish to the County and Bond Counsel, a certificate verifying information as to the bona fide initial offering prices of the 2014 Bonds to the public and sales of the 2014 Bonds appropriate for determination of the issue price of, and the yield on, the 2014 Bonds under the Internal Revenue Code of 1986, as amended, and such other documentation as and at the time requested by Bond Counsel.

The successful bidder shall also verify its winning bid in writing to the County by executing a printed copy of its winning bid as reported on Parity.

Each bidder is required to provide a Truth in Bonding Statement pursuant to Section 218.385, Florida Statutes, and to disclose the payment of any "finder's fee" pursuant to Section 218.386, Florida Statutes, prior to the award of the 2014 Bonds, as set forth in Exhibit A.

### **OFFICIAL STATEMENT**

The County shall furnish at its expense within seven (7) business days after the 2014 Bonds have been awarded to the successful bidder, or at least three (3) business days before closing, whichever is earlier, up to 150 copies of the final Official Statement, which, in the judgment of the financial advisor to the County will permit the successful bidder to comply with applicable SEC and MSRB rules. The successful bidder may arrange for additional copies of the final Official Statement at its expense.

### **CONTINUING DISCLOSURE**

The County has covenanted for the benefit of bondholders to provide certain financial information and operating data relating to the System and the 2014 Bonds in each year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated material events. Such covenant shall only apply so long as the 2014 Bonds remain outstanding under the Bond Resolution. The covenant shall also cease upon the termination of the continuing disclosure requirements of Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule") by legislative, judicial or administrative action. The Annual Report will be filed by the County as required with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System ("EMMA").

### **DISCLOSURE INFORMATION**

Copies of the Preliminary Official Statement, as supplemented and amended by this Official Notice of Sale, "deemed final" (except for permitted omissions) by the County in accordance with the Rule can be obtained from the financial advisor to the County, Public Financial Management Inc., 300 South Orange Avenue, Suite 1170, Orlando, Florida 32801 (407) 406-5760 before a bid is submitted. The County's

Preliminary Official Statement and Official Notice of Sale are also available for viewing in electronic format at [www.munios.com](http://www.munios.com).

BREVARD COUNTY, FLORIDA

By: May Blinn Lewis  
Chair, Board of County Commissioners

**EXHIBIT B**

**FORM OF PRELIMINARY OFFICIAL STATEMENT**

BMO Draft #3  
8/25/2014

PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2014

**NEW ISSUE - Book-Entry Only**

RATINGS: Fitch: "\_\_\_\_"  
S&P: "\_\_\_\_"

(For more information, see "RATINGS" herein)

*In the opinion of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel, interest on the Series 2014 Bonds is, under existing statutes, regulations, rulings and court decisions, (a) excludable from gross income of the owners thereof for federal income tax purposes except as otherwise described herein under the caption "TAX EXEMPTION" and (b) not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Such interest, however, will be includable in the calculation of a corporation's alternative minimum taxable income and may be subject to other federal income tax consequences referred to herein under "TAX EXEMPTION." See "TAX EXEMPTION" herein for a discussion of Bond Counsel's opinion.*

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**BREVARD COUNTY, FLORIDA**  
**Water and Wastewater Utility Revenue Bonds,**  
**Series 2014**

Dated: Date of Delivery

Due: September 1, in each year as shown on inside cover

The Brevard County, Florida Water and Wastewater Utility Revenue Bonds, Series 2014 (the "Series 2014 Bonds") are being issued as fully registered bonds, without coupons, in denominations of \$5,000 or any integral multiple thereof. Interest on the Series 2014 Bonds is payable semiannually on each March 1 and September 1, commencing March 1, 2015, and will be payable by check or draft of U.S. Bank National Association, Orlando, Florida, as Paying Agent, mailed to the holder at his or her address, as shown on the registration books of Brevard County, Florida (as more fully described herein, the "County") maintained by U.S. Bank National Association, Orlando, Florida, as Registrar, at the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding the applicable interest payment date. Principal and premium, if any, of the Series 2014 Bonds is payable to the holder thereof upon presentation and surrender at the designated office of the Paying Agent. Upon initial issuance, the Series 2014 Bonds will be registered in the name of and held by Cede & Co. as nominee for The Depository Trust Company ("DTC"), an automated depository for securities and a clearinghouse for securities transactions. So long as DTC or Cede & Co. is the registered owner of the Series 2014 Bonds, payments of the principal of and interest on the Series 2014 Bonds will be wired directly to DTC or Cede & Co., which is to remit such payments to the Participants (as defined herein), which in turn are to remit such payments to the Beneficial Owners (as defined herein) of the Series 2014 Bonds. See "DESCRIPTION OF THE SERIES 2014 BONDS – Book-Entry Only System" herein.

The Series 2014 Bonds are subject to optional and mandatory redemption prior to their stated maturities as set forth herein.

The Series 2014 Bonds are being issued to (1) finance certain costs relating to the acquisition, construction and equipping of various capital improvements to the County's Water and Wastewater Utility System (the "System"), (2) fund a deposit to the Reserve Account, if determined at the time of pricing to be in the best interest of the County, and (3) pay certain costs and expenses relating to the issuance of the Series 2014 Bonds, including a reserve account insurance premium, if any.

The Series 2014 Bonds are issued pursuant to and under the authority of the Constitution of the State of Florida, Chapter 125, Florida Statutes, the Charter of the County, and other applicable provisions of law (collectively, the "Act"), and under and pursuant to Resolution No. \_\_\_\_\_ adopted by the Board of County Commissioners of the County (the "Board") on September 9, 2014, as may be amended and supplemented from time to time (the "Resolution").

The Series 2014 Bonds are payable solely from and secured by a lien upon and pledge of (1) the Net Revenues (as defined herein), (2) the Connection Fees (as defined herein) and (3) until applied in accordance with the provisions of the Resolution, all moneys, including investments thereof, in the funds and accounts established under the Resolution, except (A) as for the Rebate Fund, (B) to the extent moneys therein shall be required to pay the Operating Expenses (as defined herein) of the System in accordance with the terms of the Resolution, and (C) any moneys set aside in a particular subaccount of the Reserve Account if such moneys shall be pledged solely for the payment of a different Series of Bonds for which it was established in accordance with the provisions of the Resolution (collectively, the "Pledged Funds").

The scheduled payment of principal of and interest on all or a portion of the Series 2014 Bonds when due may be guaranteed under a municipal bond insurance policy. *The County will make the determination whether to purchase such policy to insure all or a portion of the Series 2014 Bonds, if any, at the time the Series 2014 Bonds are marketed. See "POTENTIAL MUNICIPAL BOND INSURANCE" herein.*

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

THE SERIES 2014 BONDS SHALL NOT BE OR CONSTITUTE GENERAL OBLIGATIONS OR INDEBTEDNESS OF THE COUNTY AS "BONDS" WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION, BUT SHALL BE SPECIAL OBLIGATIONS OF THE COUNTY, PAYABLE SOLELY FROM AND SECURED BY A LIEN UPON AND PLEDGE OF THE PLEDGED FUNDS, IN THE MANNER AND TO THE EXTENT PROVIDED IN THE RESOLUTION. NO HOLDER OF ANY SERIES 2014 BOND SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY AD VALOREM TAXING POWER TO PAY SUCH SERIES 2014 BOND, OR BE ENTITLED TO PAYMENT OF SUCH SERIES 2014 BOND FROM ANY MONEYS OF THE COUNTY EXCEPT FROM THE PLEDGED FUNDS IN THE MANNER AND TO THE EXTENT PROVIDED IN THE RESOLUTION. THE SERIES 2014 BONDS AND THE OBLIGATIONS EVIDENCED THEREBY SHALL NOT CONSTITUTE A LIEN UPON THE SYSTEM OR ANY OTHER PROPERTY OF THE COUNTY, BUT SHALL CONSTITUTE A LIEN ONLY ON, AND SHALL BE PAYABLE SOLELY FROM PLEDGED FUNDS.

The Series 2014 Bonds are offered when, as, and if issued, subject to the approval of legality by Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel. Certain legal matters will be passed upon for the County by Scott Knox, Esq., County Attorney, and by Bryant Miller Olive P.A., Miami, Florida, Disclosure Counsel to the County. Public Financial Management Inc., Orlando, Florida, is serving as Financial Advisor to the County. It is expected that the Series 2014 Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York on or about October \_\_, 2014.\*

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***Sealed bids for the Series 2014 Bonds will be received by the County via the Parity® Bidding System as set forth in the Official Notice of Sale until 11:00 a.m., Eastern Daylight Savings Time, on \_\_\_\_\_, \_\_\_\_\_, 2014, or such other date and time as may be established by the County Manager and communicated through Thomson Municipal Market Monitor not less than 20 hours prior to the time bids are to be received.***

Dated: \_\_\_\_\_, 2014

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\*Preliminary, subject to change.

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**BREVARD COUNTY, FLORIDA**  
**Water and Wastewater Utility Revenue Bonds,**  
**Series 2014**

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

\$ \_\_\_\_\_ \* **Serial Bonds**

<u>Maturity</u> (September 1)*	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Initial</u> <u>CUSIP</u> <u>Numbers**</u>
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\$ \_\_\_\_\_ \* \_\_\_\_\_ % Term Bonds due September 1, \_\_\_\_\* – Price \_\_\_\_\_ – Yield \_\_\_\_\_ % Initial CUSIP Number \_\_\_\_\_\*\*

\* Preliminary, subject to change.

\*\* The County is not responsible for the use of the CUSIP Numbers referenced herein nor is any representation made by the County as to their correctness. The CUSIP Numbers provided herein are included solely for the convenience of the readers of this Official Statement.

**RED HERRING LANGUAGE:**

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Series 2014 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities laws of such jurisdiction. The County has deemed this Preliminary Official Statement "final," except for certain permitted omissions, within the contemplation of Rule 15c2-12 promulgated by the Securities and Exchange Commission.

**BREVARD COUNTY, FLORIDA**

**MEMBERS OF THE BOARD OF COUNTY COMMISSIONERS**

Mary Bolin Lewis, Chairman  
Robin Fisher, Vice Chairman  
Chuck Nelson, Commissioner  
Trudie Infantini, Commissioner  
Andy Anderson, Commissioner

**CLERK OF THE CIRCUIT COURT**

Scott Ellis

**COUNTY MANAGER**

Stockton Whitten

**FINANCE DIRECTOR**

Stephen Burdett, C.P.A.

**COUNTY ATTORNEY**

Scott Knox, Esq.

**BOND COUNSEL**

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

**DISCLOSURE COUNSEL**

Bryant Miller Olive P.A.  
Miami, Florida

**FINANCIAL ADVISOR**

Public Financial Management Inc.  
Orlando, Florida

**FEASIBILITY CONSULTANT**

Public Resources Management Group, Inc.  
Maitland, Florida

**CONSULTING ENGINEER**

WadeTrim  
Tampa, Florida

No dealer, broker, salesman or other person has been authorized by the County to give any information or to make any representations in connection with the Series 2014 Bonds, other than as contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the County. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2014 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from the County, DTC and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness by and is not to be construed as a representation by the County. The information and expressions of opinion stated herein are subject to change, and neither the delivery of this Official Statement nor any sale made hereunder shall create, under any circumstances, any implication that there has been no change in the matters described herein since the date hereof.

IN CONNECTION WITH THIS OFFERING OF THE SERIES 2014 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH SERIES 2014 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The scheduled payment of principal of and interest on all or a portion of the Series 2014 Bonds when due may be guaranteed under a municipal bond insurance policy. The County will make the determination whether to purchase such policy to insure all or a portion of the Series 2014 Bonds, if any, at the time the Series 2014 Bonds are marketed. See "POTENTIAL MUNICIPAL BOND INSURANCE" herein.

All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Series 2014 Bonds are qualified in their entirety by reference to the form thereof included in the aforesaid documents and agreements.

NO REGISTRATION STATEMENT RELATING TO THE SERIES 2014 BONDS HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION") OR WITH ANY STATE SECURITIES COMMISSION. IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATIONS OF THE COUNTY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2014 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE COMMISSION OR ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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- A - General Information Concerning Brevard County, Florida
- B - Form of the Resolution
- C - Audited Financial Statements for the Fiscal Year Ended September 30, 2013
- D - Financial Feasibility Report
- E - Consulting Engineer’s Report
- F - Form of Opinion of Bond Counsel
- G - Form of Continuing Disclosure Certificate

**OFFICIAL STATEMENT**

*relating to*

\$ \_\_\_\_\_\*

**BREVARD COUNTY, FLORIDA  
Water and Wastewater Utility Revenue Bonds,  
Series 2014**

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page and the appendices, is to furnish certain information with respect to the sale of \$ \_\_\_\_\_\* aggregate principal amount of Brevard County, Florida Water and Wastewater Utility Revenue Bonds, Series 2014 (the "Series 2014 Bonds") being issued by Brevard County, Florida (the "County"). The term "County" shall mean Brevard County, Florida, and any authority or other governmental entity to which may hereafter be transferred some or all of the powers and responsibilities of the County with respect to the ownership, financing, operation, enlargement, improvement and maintenance of the System (as defined herein).

The Series 2014 Bonds are issued pursuant to and under the authority of the Constitution of the State of Florida, Chapter 125, Florida Statutes, the Charter of the County and other applicable provisions of law (collectively, the "Act"), and under and pursuant to Resolution No. \_\_\_\_ adopted by the Board of County Commissioners of the County (the "Board") on September 9, 2014, as may be amended and supplemented from time to time (the "Resolution"). Capitalized terms used but not otherwise defined herein have the same meaning ascribed thereto in the Resolution unless the context would clearly indicate otherwise.

The Series 2014 Bonds are being issued to (1) finance certain costs relating to the acquisition, construction and equipping of various capital improvements to the System (as more fully described herein, the "Series 2014 Project"), (2) fund a deposit to the Reserve Account, if determined at the time of pricing to be in the best interest of the County, and (3) pay certain costs and expenses relating to the issuance of the Series 2014 Bonds, including a reserve account insurance premium, if any.

The Series 2014 Bonds are payable solely from and secured by a lien upon and pledge of (1) the Net Revenues (as defined herein), (2) the Connection Fees (as defined herein) and (3) until applied in accordance with the provisions of the Resolution, all moneys, including investments thereof, in the funds and accounts established under the Resolution, except (A) as for the Rebate Fund, (B) to the extent moneys therein shall be required to pay the Operating Expenses of the System in accordance with the terms of the Resolution, and (C) any moneys set aside in a particular subaccount of the Reserve Account if such moneys shall be pledged solely for the payment of a different Series of Bonds for which it was established in accordance with the provisions of the Resolution (collectively, the "Pledged Funds").

The Series 2014 Bonds, together with any Additional Bonds issued under the Resolution and any Subordinate Indebtedness which accedes to the status of Bonds pursuant to the Resolution are herein collectively referred to as the "Bonds."

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\*Preliminary, subject to change.

The County has covenanted in the Resolution to provide certain continuing disclosure information pursuant to Rule 15c2-12 of the Securities and Exchange Commission relating to the Series 2014 Bonds. See "CONTINUING DISCLOSURE" herein.

Complete descriptions of the terms and conditions of the Series 2014 Bonds are set forth in the Resolution, a form of which is attached as APPENDIX B to this Official Statement. The descriptions of the Series 2014 Bonds, the documents authorizing and securing the same, and the information from various reports and statements contained herein are not comprehensive or definitive. All references herein to such documents, reports and statements are qualified by the entire, actual content of such documents, reports and statements. Copies of such documents, reports and statements referred to herein that are not included in their entirety in this Official Statement may be obtained from the office of the Clerk of Court, 700 South Park Avenue, Building B, Titusville, Florida 32780, telephone (321) 637-2001.

### **THE SERIES 2014 PROJECT**

The Series 2014 Project consists of various capital improvements to the System, including but not limited to, replacement of lime slakers, construction of raw water lines, replacement of water mains, acquisition and installation of security and fire alarm systems, development of a hydraulic model, rehabilitation of wells, acquisition of sodium hypochlorite and ammonium sulfate feed systems, acquisition of fire protection and security systems, rehabilitation of lift stations, replacement of force mains, reduction of inflow and infiltration, rehabilitation of pump stations, replacement of vitrified clay pipes, replacement of manholes, construction of a septage and grease pretreatment facility, improvements to aeration, improvements to treatment plant disinfection system, replacement of alum pumps and components, addition of manhole liners, construction of vehicle storage buildings, rehabilitation of sludge holding tanks, replacement of polymer feed systems, rehabilitation of filtration systems, rehabilitation of pretreatment channel and filters, replacement of odor control equipment, replacement or reline of gravity mains, replacement of fuel tanks, and replacement of aeration basin centrifugal blowers. The County may elect to use a portion of the proceeds of the Series 2014 Bonds to fund these improvements and/or any other capital projects designated in the Infrastructure Asset Evaluation dated July 2013 and approved by the Board on December 17, 2013 (the "Infrastructure Asset Evaluation").

Such capital improvements are described in the Infrastructure Asset Evaluation. See also "APPENDIX E-Consulting Engineer's Report" for a more detailed description of the Series 2014 Project.

### **DESCRIPTION OF THE SERIES 2014 BONDS**

#### **General**

The Series 2014 Bonds shall be issued only in fully registered form without coupons in principal denominations of \$5,000 each or any integral multiple thereof. The Series 2014 Bonds are dated as of the date of their delivery and bear interest at the rates per annum and mature on the dates set forth on the inside cover page hereof. Interest on the Series 2014 Bonds is payable semiannually on each March 1 and September 1, commencing March 1, 2015 (the "Interest Dates"). Interest payable on the Series 2014 Bonds on any Interest Date shall be paid by check or draft of U.S. Bank National Association, Orlando, Florida, as Paying Agent, to the holders in whose names the Series 2014 Bonds shall be registered at the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding the applicable Interest Date. Principal of the Series 2014 Bonds is payable to the holder thereof upon

presentation and surrender at the designated office of the Paying Agent. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Series 2014 Bonds will be issued initially as book-entry obligations and held by The Depository Trust Company ("DTC") as securities depository. The ownership of one fully registered Series 2014 Bond for each maturity as set forth on the inside cover page hereof, in the appropriate aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. For more information regarding DTC and DTC's Book-Entry System, see the subheading "Book-Entry Only System" which immediately follows.

### **Book-Entry-Only System**

THE FOLLOWING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY-ONLY SYSTEM HAS BEEN OBTAINED FROM DTC, AND THE COUNTY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2014 BONDS, AS NOMINEE OF DTC, CERTAIN REFERENCES IN THIS OFFICIAL STATEMENT TO THE SERIES 2014 BONDHOLDERS OR REGISTERED OWNERS OF THE SERIES 2014 BONDS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2014 BONDS. THE DESCRIPTION WHICH FOLLOWS OF THE PROCEDURES AND RECORD KEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2014 BONDS, PAYMENT OF INTEREST AND PRINCIPAL ON THE SERIES 2014 BONDS TO DIRECT PARTICIPANTS (AS HEREINAFTER DEFINED) OR BENEFICIAL OWNERS OF THE SERIES 2014 BONDS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2014 BONDS, AND OTHER RELATED TRANSACTIONS BY AND BETWEEN DTC, THE DIRECT PARTICIPANTS AND BENEFICIAL OWNERS OF THE SERIES 2014 BONDS IS BASED SOLELY ON INFORMATION FURNISHED BY DTC. ACCORDINGLY, THE COUNTY NEITHER MAKES NOR CAN MAKE ANY REPRESENTATIONS CONCERNING THESE MATTERS.

DTC will act as securities depository for the Series 2014 Bonds. The Series 2014 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2014 Bond will be issued for each maturity of the Series 2014 Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www . dtcc . com](http://www.dtcc.com).

Purchases of Series 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2014 Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2014 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2014 Bonds, except in the event that use of the book-entry system for the Series 2014 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2014 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2014 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2014 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2014 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit

Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent and Registrar on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County and/or the Paying Agent for the Series 2014 Bonds. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2014 Bonds at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor depository is not obtained, Series 2014 Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Series 2014 Bond certificates will be printed and delivered to DTC and be subject to transfer and registration as provided in the Resolution and as described under the subheading "—Interchangeability, Negotiability and Transfer" which immediately follows.

#### **Interchangeability, Negotiability and Transfer**

*So long as the Series 2014 Bonds are registered in the name of DTC or its nominee, the following paragraphs relating to transfer and exchange of Series 2014 Bonds do not apply to the Series 2014 Bonds to the extent of a conflict with the DTC book-entry system.*

The Series 2014 Bonds, upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of registered Series 2014 Bonds of the same maturity of any other authorized denominations.

The Series 2014 Bonds issued under the Resolution shall be and have all the qualities and incidents of negotiable instruments under the law merchant and the Uniform Commercial Code of the State of Florida, subject to the provisions for registration and transfer contained in the Resolution and in the Series 2014 Bonds. So long as any of the Series 2014 Bonds shall remain Outstanding, the County shall maintain and keep, at the office of the Registrar, books for the registration and transfer of the Series 2014 Bonds.

Each Series 2014 Bond shall be transferable only upon the books of the County, at the office of the Registrar, under such reasonable regulations as the County may prescribe, by the Holder thereof in person or by his attorney duly authorized in writing upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed and guaranteed by the Holder or his duly authorized attorney. Upon the transfer of any such Series 2014 Bond, the County shall issue, and cause to be authenticated, in the name of the transferee a new Series 2014 Bond or Series 2014 Bonds of

the same aggregate principal amount and series and maturity as the surrendered Series 2014 Bond. The County, the Registrar and any Paying Agent or fiduciary of the County may deem and treat the Person in whose name any Outstanding Series 2014 Bond shall be registered upon the books of the County as the absolute owner of such Series 2014 Bond, whether such Series 2014 Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if applicable, and interest on such Series 2014 Bond and for all other purposes, and all such payments so made to any such Holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Series 2014 Bond to the extent of the sum or sums so paid and neither the County nor the Registrar nor any Paying Agent or other fiduciary of the County shall be affected by any notice to the contrary.

The Registrar, in any case where it is not also the Paying Agent in respect to any Series 2014 Bonds, forthwith (A) following the fifteenth day prior to an interest payment date for the Series 2014 Bonds; (B) following the fifteenth day next preceding the date of first mailing of notice of redemption of any Series 2014 Bonds; and (C) at any other time as reasonably requested by the Paying Agent of such Series 2014 Bonds, shall certify and furnish to such Paying Agent the names, addresses and holdings of Series 2014 Bondholders and any other relevant information reflected in the registration books. Any Paying Agent of any fully registered Series 2014 Bond shall effect payment of interest on such Series 2014 Bonds by mailing a check to the Holder entitled thereto or may, in lieu thereof, upon the request and expense of such Holder, transmit such payment by bank wire transfer for the account of such Holder.

In all cases in which the privilege of exchanging Series 2014 Bonds or transferring Series 2014 Bonds is exercised, the County shall execute and deliver Series 2014 Bonds and the Registrar shall authenticate such Series 2014 Bonds in accordance with the provisions of the Resolution. Execution of Series 2014 Bonds by the Chair and Clerk for purposes of exchanging, replacing or transferring Series 2014 Bonds may occur at the time of the original delivery of the Series 2014 Bonds. All Series 2014 Bonds surrendered in any such exchanges or transfers shall be held by the Registrar in safekeeping until directed by the County to be cancelled by the Registrar. For every such exchange or transfer of Series 2014 Bonds, the County or the Registrar may make a charge sufficient to reimburse it for any tax, fee, expense or other governmental charge required to be paid with respect to such exchange or transfer. The County and the Registrar shall not be obligated to make any such exchange or transfer of Series 2014 Bonds during the fifteen days next preceding an Interest Date on the Series 2014 Bonds, or, in the case of any proposed redemption of the Series 2014 Bonds, then, for the Series 2014 Bonds subject to redemption, during the fifteen days next preceding the date of the first mailing of notice of such redemption and continuing until such redemption date.

#### **Series 2014 Bonds Mutilated, Destroyed, Stolen or Lost**

*So long as the Series 2014 Bonds are registered in the name of DTC or its nominee, the following paragraphs relating to mutilated, destroyed, stolen or lost Series 2014 Bonds do not apply to the Series 2014 Bonds to the extent of a conflict with the DTC book-entry system.*

In case any Series 2014 Bond shall become mutilated, or be destroyed, stolen or lost, the County may, in its discretion, issue and deliver, and the Registrar shall authenticate, a new Series 2014 Bond of like tenor as the Series 2014 Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Series 2014 Bond upon surrender and cancellation of such mutilated Series 2014 Bond or in lieu of and substitution for the Series 2014 Bond destroyed, stolen or lost, and upon the Series 2014 Bondholder furnishing the County and the Registrar proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the County or the

Registrar may prescribe and paying such expenses as the County and the Registrar may incur. All Series 2014 Bonds so surrendered shall be cancelled by the Registrar. If any of the Series 2014 Bonds shall have matured or be about to mature, instead of issuing a substitute Series 2014 Bond, the County may pay the same or cause the Series 2014 Bond to be paid, upon being indemnified as aforesaid, and if such Series 2014 Bonds be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Series 2014 Bonds issued pursuant to the Resolution shall constitute original, additional contractual obligations on the part of the County whether or not the lost, stolen or destroyed Series 2014 Bond be at any time found by anyone, and such duplicate Series 2014 Bond shall be entitled to equal and proportionate benefits and rights as to the lien on the Pledged Funds to the same extent as all other Series 2014 Bonds issued pursuant to the Resolution.

### **Redemption Provisions**

*Optional Redemption.* The Series 2014 Bonds maturing on or before September 1, 20\_\_ are not subject to optional redemption prior to their respective dates of maturity. The Series 2014 Bonds maturing after September 1, 20\_\_ are subject to redemption prior to their respective stated dates of maturity at the option of the County, in whole, or in part, from such maturities selected by the County (and by lot within a maturity if less than a full maturity), on September 1, 20\_\_, or on any date thereafter, at a Redemption Price equal to 100% of the principal amount of the Series 2014 Bonds so redeemed plus accrued interest to the date fixed for redemption.

*Mandatory Redemption.* The Series 2014 Bonds maturing on September 1, 20\_\_, are subject to mandatory redemption in part prior to maturity by lot, in such manner as shall be determined by the Registrar, through Sinking Fund Installments by operation of the Term Bonds Redemption Account, at the Redemption Prices equal to 100% of the principal amount thereof plus interest to the redemption date, on the Sinking Fund Installment Dates in the amount of the Sinking Fund Installments as follows:

Sinking Fund <u>Installment Date</u>	Sinking Fund <u>Installments</u>
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\*Maturity

*Notice of Redemption.* Notice of any redemption shall specify the Series 2014 Bonds (or portions thereof) to be redeemed and the date and place for redemption, shall be given by the Registrar on behalf of the County, and (A) shall be filed with the Paying Agent of such Series 2014 Bonds, (B) shall be mailed first class, postage prepaid, not less than 30 days nor more than 45 days prior to the redemption date to all Holders of the Series 2014 Bonds to be redeemed at their addresses as they appear on the registration books kept by the Registrar as of the date of mailing of such notice, and (C) shall be mailed, certified mail, postage prepaid, at least 35 days prior to the redemption date to the registered securities depositories and one or more nationally recognized municipal bond information services as provided in the Resolution. Failure to mail such notice to such depositories or services or the Holders of the Series 2014 Bonds to be redeemed, or any defect therein, shall not affect the proceedings for redemption of Series 2014 Bonds as to which no such failure or defect has occurred. Such notice shall also be mailed to the Insurer, if any, of

such redeemed Series 2014 Bonds. Failure of any Holder to receive any notice mailed as provided in the Resolution shall not affect the proceedings for redemption of such Holder's Series 2014 Bonds. Notice of optional redemption of the Series 2014 Bonds shall only be sent if the County reasonably determines it shall have sufficient funds available to pay the Redemption Price of and interest on the Series 2014 Bonds called for redemption on the redemption date.

Each notice of redemption shall state: (1) the CUSIP numbers and any other distinguishing number or letter of all Series 2014 Bonds being redeemed, (2) the original issue date of such Series 2014 Bonds, (3) the maturity date and rate of interest borne by each Series 2014 Bond being redeemed, (4) the redemption date, (5) the Redemption Price, (6) the date on which such notice is mailed, (7) if less than all Outstanding Series 2014 Bonds are to be redeemed, the certificate number (and, in the case of a partial redemption of any Series 2014 Bond, the principal amount) of each Series 2014 Bond to be redeemed, (8) that on such redemption date there shall become due and payable upon each Series 2014 Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Series 2014 Bonds to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable, (9) that the Series 2014 Bonds to be redeemed, whether as a whole or in part, are to be surrendered for payment of the Redemption Price at the designated office of the Registrar at an address specified, (10) the name and telephone number of a person designated by the Registrar to be responsible for such redemption, (11) unless sufficient funds have been set aside by the County for such purpose prior to the mailing of the notice of redemption, that such redemption is conditioned upon the deposit of sufficient funds for such purpose on or prior to the date set for redemption, and (12) any other conditions that must be satisfied prior to such redemption.

The County may provide that a redemption may be contingent upon the occurrence of certain condition(s) and that if such condition(s) do not occur the notice of redemption will be rescinded, provided notice of rescission shall be mailed in the manner described above to all affected Series 2014 Bondholders as soon as practicable.

*So long as the Series 2014 Bonds are registered in the name of Cede & Co., as nominee of DTC (or in the name of any successor securities depository), notices of redemption shall only be given on behalf of the County to Cede & Co., or any successor securities depository. See "DESCRIPTION OF THE SERIES 2014 BONDS – Book-Entry-Only-System" herein.*

## SECURITY FOR THE BONDS

### General

The payment of the principal of or Redemption Price, if applicable, and interest on the Series 2014 Bonds shall be secured forthwith equally and ratably by a pledge of and lien upon the Pledged Funds; provided, however, that a Series of Bonds may be secured independently of any other Series of Bonds by the establishment of a separate subaccount in the Reserve Account for such Series of Bonds or by not being secured in any manner by the Reserve Account as provided in a Supplemental Resolution.

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

"Pledged Funds" shall mean (1) the Net Revenues, (2) the Connection Fees and (3) until applied in accordance with the provisions of the Resolution, all moneys, including investments thereof, in the funds and accounts established under the Resolution, except (A) as for the Rebate Fund, (B) to the extent moneys therein shall be required to pay the Operating Expenses of the System in accordance with the terms of the Resolution, and (C) any moneys set aside in a particular subaccount of the Reserve Account if such moneys shall be pledged solely for the payment of a different Series of Bonds for which it was established in accordance with the provisions of the Resolution.

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

"Gross Revenues" shall mean all income and moneys received by the Issuer from the rates, fees, rentals, charges and other income to be made and collected by the Issuer for the use of the products, services and facilities to be provided by the System, or otherwise received by the Issuer or accruing to the Issuer in the management and operation of the System, calculated in accordance with generally accepted accounting principles applicable to public utility systems similar to the System, including, without limiting the generality of the foregoing, (1) moneys deposited from the Rate Stabilization Fund into the Revenue Fund in accordance with the terms hereof, provided any moneys transferred from the Rate Stabilization Fund into the Revenue Fund in an amount not to exceed the Rate Stabilization Amount within 120 days following the end of a Fiscal Year may be designated by the Issuer as Gross Revenues of such prior Fiscal Year, (2) proceeds from use and occupancy insurance on the System, and (3) Investment Earnings. "Gross Revenues" shall not include (A) Government Grants, (B) proceeds of Bonds or other Issuer debt, (C) moneys deposited to the Rate Stabilization Fund from the Utility Reserve Fund, including any moneys transferred from the Utility Reserve Fund to the Rate Stabilization Fund within 120 days following the end of a Fiscal Year which the Issuer determines not to be Gross Revenues of such prior Fiscal Year, (D) Wastewater Connection Fees, (E) Water Connection Fees, (F) Special Assessments Proceeds, unless subsequently pledged by Supplemental Resolution, (G) any gain or loss from the sale of assets of the System and (H) any gain resulting from the valuation of investment securities or Hedge Agreements at market value and any other gain that does not require or result in the receipt of cash. Gross Revenues may include Special Assessments Proceeds and/or other revenues related to the System which are not enumerated in the definition of "Gross Revenues" if so authorized by Supplemental Resolution and if and to the extent the same shall be approved for inclusion by all Insurers and Credit Banks.

"System" shall mean any and all water production, transmission, treatment and distribution facilities, wastewater collection, transmission, treatment and disposal facilities, and reclaimed water (reuse) facilities now owned or hereafter owned by the County, which System shall also include any and all improvements, extensions and additions thereto hereafter constructed or acquired either from the proceeds of Bonds or from any other sources, together with all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith, including all contractual rights, rights to capacity and obligations or undertakings associated therewith. As of the date hereof, System shall not include those facilities that constitute the Barefoot Bay Water and Sewer Utility System. "System" shall also include any other utility facilities if and to the extent the County determines by Supplemental Resolution to include such facilities within the System as described in the Resolution.

"Operating Expenses" shall mean the County's expenses for operation, maintenance and repairs with respect to the System and shall include, without limiting the generality of the foregoing, administration expenses, payments for the purchase of materials essential to or used in the operation of

the System including bulk purchases of water or wastewater services, fees for the management of the System or any portion thereof, any insurance and surety bond fees, the fees to the provider of a Reserve Account Insurance Policy or Reserve Account Letter of Credit (but excluding any expenses or reimbursement obligations for draws made thereunder), accounting, legal and engineering expenses, ordinary and current rentals of equipment or other property, refunds of moneys lawfully due to others, payments to others for disposal of sewage or other wastes, actual payments to pension, retirement, health and hospitalization funds, and any other expenses required to be paid for or with respect to proper operation or maintenance of the System, including appropriate reserves therefor, all to the extent properly attributable to the System in accordance with generally accepted accounting principles applicable to public utility systems similar to the System, and disbursements for the expenses, liabilities and compensation of any Paying Agent or Registrar under the Resolution, but does not include any extraordinary or non-recurring expenses, or any costs or expenses in respect of original construction or improvement other than expenditures necessary to prevent an interruption or continuance of an interruption of service or of Gross Revenues or minor capital expenditures necessary for the proper and economical operation or maintenance of the System, or any provision for interest, depreciation, amortization or similar charges, or any debt issuance costs, or any payments in lieu of taxes or franchise fees made to the County's general fund, or any accruals required to be recognized with respect to pension, retirement, health and hospitalization funds that do not require or result in the expenditure of cash, or any loss resulting from the valuation of investment securities, Hedge Agreements at market value and any other loss that does not require or result in the expenditure of cash.

"Connection Fees" shall mean, collectively, the Wastewater Connection Fees and the Water Connection Fees.

"Wastewater Connection Fees" shall mean the fees and charges, if any, which relate to acquiring, constructing, equipping or expanding the capacity of the wastewater facilities of the System for the purpose of paying or reimbursing the equitable share of the capital cost relating to such acquisition, construction, expansion or equipping of capacity of the wastewater facilities of the System or expansion thereof in order to serve new users of the wastewater facilities of the System, to the extent the same are lawfully levied, collected and pledged. "Wastewater Connection Fees" include those fees and charges traditionally known under Florida law as "impact fees" but shall not include fees and charges imposed for the cost of physically hooking up or connecting to the System.

"Water Connection Fees" shall mean the fees and charges, if any, which relate to acquiring, constructing, equipping or expanding the capacity of the water facilities of the System for the purpose of paying or reimbursing the equitable share of the capital cost relating to such acquisition, construction, expansion or equipping of capacity of the water facilities of the System or expansion thereof in order to serve new users of the water facilities of the System, to the extent the same are lawfully levied, collected and pledged. "Water Connection Fees" include those fees and charges traditionally known under Florida law as "impact fees" but shall not include fees and charges imposed for the cost of physically hooking up or connecting to the System.

Generally, under Florida law, impact fees such as the Connection Fees may be validly imposed against new construction or development in order to fund capital improvements or capacity, which are necessitated by such new construction or development or to satisfy debt service for the bonds or other obligations issued for such purposes. Proceeds of such Connection Fees may be used only for the capital improvements or capacity attributable to the new construction or development or to pay associated debt service.

IMPACT FEE REVENUES SUCH AS THE CONNECTION FEES FLUCTUATE WITH THE AMOUNT OF NEW CONSTRUCTION OR DEVELOPMENT WHICH OCCURS WITHIN THE AREAS OF THE COUNTY SERVED BY THE SYSTEM. THEREFORE, THERE CAN BE NO ASSURANCES THAT SUCH REVENUE WILL NOT DECREASE OR BE ELIMINATED ALTOGETHER IN THE EVENT THAT NEW CONSTRUCTION, FOR WHATEVER REASON, MIGHT DECREASE OR CEASE ALTOGETHER WITHIN AREAS OF THE COUNTY SERVED BY THE SYSTEM.

THE SERIES 2014 BONDS SHALL NOT BE OR CONSTITUTE GENERAL OBLIGATIONS OR INDEBTEDNESS OF THE COUNTY AS "BONDS" WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION, BUT SHALL BE SPECIAL OBLIGATIONS OF THE COUNTY, PAYABLE SOLELY FROM AND SECURED BY A LIEN UPON AND PLEDGE OF THE PLEDGED FUNDS, IN THE MANNER AND TO THE EXTENT PROVIDED IN THE RESOLUTION. NO HOLDER OF ANY SERIES 2014 BOND SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY AD VALOREM TAXING POWER TO PAY SUCH SERIES 2014 BOND, OR BE ENTITLED TO PAYMENT OF SUCH SERIES 2014 BOND FROM ANY MONEYS OF THE COUNTY EXCEPT FROM THE PLEDGED FUNDS IN THE MANNER AND TO THE EXTENT PROVIDED IN THE RESOLUTION. THE SERIES 2014 BONDS AND THE OBLIGATIONS EVIDENCED THEREBY SHALL NOT CONSTITUTE A LIEN UPON THE SYSTEM OR ANY OTHER PROPERTY OF THE COUNTY, BUT SHALL CONSTITUTE A LIEN ONLY ON, AND SHALL BE PAYABLE SOLELY FROM PLEDGED FUNDS.

#### **Funds and Accounts**

The following funds and accounts have been created under the Resolution:

- (1) the Construction Fund;
- (2) the Revenue Fund;
- (3) the Operation and Maintenance Fund;
- (4) the Sinking Fund, and within such fund, the Interest Account, the Principal Account, the Term Bonds Redemption Account and the Reserve Account;
- (5) the Water Connection Fees Fund;
- (6) the Wastewater Connection Fees Fund;
- (7) the Special Assessments Fund;
- (8) the Renewal and Replacement Fund;
- (9) the Utility Reserve Fund;
- (10) the Rebate Fund; and
- (11) the Rate Stabilization Fund.

Moneys in the aforementioned funds and accounts (except for moneys in the Rebate Fund), until applied in accordance with the provisions of the Resolution, shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders to the extent provided in the Resolution.

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

### **Investments**

Moneys on deposit in the Revenue Fund, the Construction Fund, the Sinking Fund, the Water Connection Fees Fund, the Wastewater Connection Fees Fund, the Operation and Maintenance Fund, the Special Assessments Fund, the Utility Reserve Fund, the Rate Stabilization Fund and the Renewal and Replacement Fund shall be continuously secured in the manner by which the deposit of public funds are authorized to be secured by the laws of the State. Moneys on deposit in the Construction Fund, the Revenue Fund, the Operation and Maintenance Fund, the Special Assessments Fund, the Principal Account, the Interest Account, the Term Bonds Redemption Account, the Renewal and Replacement Fund, the Water Connection Fees Fund, the Wastewater Connection Fees Fund, the Rate Stabilization Fund and the Utility Reserve Fund shall be invested and reinvested by the County in Authorized Investments, maturing not later than the dates on which such moneys will be needed for the purposes of such fund or account. Moneys on deposit in the Reserve Account shall be invested in Authorized Investments, maturing no later than ten years from the date of investment. All investments shall be valued at the market price thereof. Investments in the Reserve Account shall be valued by the County on an annual basis as of September 30 of each year.

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

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

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

## Flow of Funds

(A) (1) Into the Revenue Fund, the County shall deposit promptly, as received, all Gross Revenues (other than any subsequently pledged Special Assessments Proceeds). Moneys in the Revenue Fund shall first be used each month to deposit in the Operation and Maintenance Fund such sums as are necessary to pay Operating Expenses for the ensuing month; provided the County may transfer moneys from the Revenue Fund to the Operation and Maintenance Fund at any time to pay Operating Expenses to the extent there is a deficiency in the Operation and Maintenance Fund for such purpose. Amounts in the Operation and Maintenance Fund shall be paid out from time to time by the County for Operating Expenses, including any expenses relating to the purchase or redemption of Term Bonds as provided in the Resolution. The remaining moneys in the Revenue Fund shall be applied in accordance with (B) below.

(2) To the extent Special Assessments Proceeds are made a component of the Gross Revenues, the County shall deposit promptly, as received, all Special Assessment Proceeds into the Special Assessments Fund. In the event the County by Supplemental Resolution provides for all or a portion of any Special Assessments to secure the payment of all or a portion of a particular Series of Bonds, the County may establish separate accounts or subaccounts for the deposit and application of such Special Assessments if necessary to provide for the payment and/or earlier redemption of such Bonds from such Special Assessments.

(B) Any deposits remaining in the Revenue Fund after the aforementioned transfers to the Operation and Maintenance Fund and all moneys at any time on deposit in the Special Assessments Fund (subject to the provisions in the Resolution regarding earlier redemption of Bonds) shall be disposed of by the County on or before the 25th day of each month, commencing in the month immediately following the delivery of any of the Bonds to the purchasers thereof, or such later date as provided in the Resolution, first from the Special Assessments Fund and then from the Revenue Fund in the following manner and in the following order of priority:

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

the interest on Variable Rate Bonds which shall accrue during a calendar month, the interest rate on such Variable Rate Bonds shall be assumed to be (A) if such Variable Rate Bonds have been Outstanding for at least 24 months prior to the commencement of such calendar month, the highest average interest rate borne by such Variable Rate Bonds for any 30-day period, and (B) if such Variable Rate Bonds have not been Outstanding for at least 24 months prior to the date of calculation, the Bond Buyer Revenue Bond Index most recently published prior to the commencement of such calendar month.

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

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

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

(4) Reserve Account. There shall be deposited to the Reserve Account an amount which would enable the County to restore the funds on deposit in the Reserve Account to an amount equal to the Reserve Account Requirement applicable thereto. All deficiencies in the Reserve Account must be made up no later than 12 months from the date such deficiency first occurred, whether such shortfall was caused by an increase in the applicable Reserve Account Requirement, a decrease in the aggregate market value of the investments therein of more than 5% or withdrawal (whether from cash or a Reserve Account Insurance Policy or Reserve Account Letter of Credit). On or prior to each principal payment date and Interest Date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Reserve Account shall be applied by the County to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds to the extent moneys in the Interest Account, the Principal Account and the Term Bonds Redemption Account shall be insufficient for such purpose, but only to the extent the moneys transferred from the Utility Reserve Fund for such purposes pursuant to the Resolution shall be inadequate to fully provide for such insufficiency. Whenever there shall be surplus moneys in the Reserve Account by reason of a decrease in the Reserve Account Requirement or as a result of a deposit in the Reserve Account of a Reserve Account Letter of Credit or a Reserve Account Insurance Policy, such surplus moneys, to the extent practicable, shall be deposited by the County into the Utility Reserve Fund and applied as directed by Bond Counsel. The County shall promptly inform each Insurer and Credit Bank of any draw upon the Reserve Account for purposes of paying the principal of and interest on the Bonds.

Upon the issuance of any Series of Bonds under the terms, limitations and conditions as herein provided, the County shall fund the Reserve Account in an amount at least equal to the applicable Reserve Account Requirement to the extent such Series of Bonds are to be secured by the Reserve Account or any subaccount therein; provided, however, nothing herein shall be construed to require the County to fund the Reserve Account or any subaccount for any Series of Bonds. Upon the adoption of the

Supplemental Resolution authorizing the issuance of a Series of Bonds, the County shall determine whether such Series of Bonds shall be secured by the Reserve Account or any subaccount therein and, if the County determines that the Series of Bonds will be secured by a separate subaccount therein, the County shall also establish the Reserve Account Requirement applicable thereto. Such required amount, if any, shall be paid in full or in part from the proceeds of such Series of Bonds or may be accumulated in equal monthly payments to the Reserve Account or subaccount therein over a period of months from the date of issuance of such Series of Bonds, which shall not exceed 36 months.

The County may also establish a separate subaccount in the Reserve Account for any Series of Bonds and such subaccount shall be pledged to the payment of such Series of Bonds apart from the pledge provided herein. To the extent a Series of Bonds is secured separately by a subaccount of the Reserve Account, the Holders of such Bonds shall not be secured by any other moneys in the Reserve Account. Moneys in a separate subaccount of the Reserve Account shall be maintained at the Reserve Account Requirement applicable to such Series of Bonds secured by the subaccount; provided the Supplemental Resolution authorizing such Series of Bonds may establish the Reserve Account Requirement relating to such separate subaccount of the Reserve Account at such level as the County deems appropriate. In the event the County by Supplemental Resolution establishes the Reserve Account Requirement for a particular Series of Bonds to be zero (0.00) or it shall determine that such Series are not to be secured in any manner by the Reserve Account or a subaccount, then it shall not be required to establish a separate subaccount; provided, however, such Series of Bonds shall have no lien on or pledge of any moneys on deposit in the Reserve Account. Moneys used to replenish the Reserve Account shall be deposited in the separate subaccounts in the Reserve Account and in the Reserve Account on a pro-rata basis.

In the event the County shall maintain a Reserve Account Insurance Policy or Reserve Account Letter of Credit and moneys in the Reserve Account or any subaccount, the moneys shall be used prior to making any disbursements under such Reserve Account Insurance Policy or Reserve Account Letter of Credit. See "APPENDIX B-Form of the Resolution" for more information regarding the use of Reserve Account Insurance Policies and Reserve Account Letters of Credit.

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

together with moneys available in the Reserve Account for such purpose pursuant to the Resolution, shall be inadequate to fully provide for such insufficiency. Moneys in the Renewal and Replacement Fund may also be transferred to the Operation and Maintenance Fund to fund Operating Expenses to the extent Gross Revenues shall be insufficient for such purpose; provided, however, such transfer shall be treated as an interfund loan and shall be repaid from Gross Revenues as described in the Resolution within one year from the date of such transfer.

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

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

(8) Utility Reserve Fund. The balance of any Gross Revenues remaining in said Revenue Fund shall be deposited in the Utility Reserve Fund and applied to the payment, on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein shall be insufficient to pay the principal of and interest on the Bonds coming due. Moneys not required to meet such a deficiency shall be deposited to the Water Connection Fees Fund and Wastewater Connection Fees Fund to make up any withdrawal from such Funds pursuant to the Resolution (to the extent required by the Resolution), then to the Reserve Account to make up any deficiency therein, and thereafter to the Rebate Fund to the extent moneys are required to be deposited therein. Thereafter, moneys in the Utility Reserve Fund may be applied for any lawful purpose relating to the System, including but not limited to, payments in lieu of taxes, payments in lieu of franchise fees and other similar payments, including, but not limited to, purchase or redemption of Bonds, payment of Subordinated Indebtedness, payment of other obligations incurred with respect to the System, deposit to the Rate Stabilization Fund and improvements, renewals and replacements to the System; provided, however, that none of such revenues shall ever be used for the purposes provided in the Resolution unless all payments required in the Resolution, including any deficiencies for prior payments, have been made in full to the date of such use.

### **Water Connection Fees Fund**

The County shall deposit into the Water Connection Fees Fund all Water Connection Fees as received, together with moneys transferred to such Fund pursuant to the Resolution and such Water Connection Fees shall be accumulated in the Water Connection Fees Fund and applied by the County in the following manner and order of priority:

(A) For the payments on or prior to each principal and interest payment date (in no event earlier than the 25th day of the month next preceding such payment date) into the Interest Account, the Principal Account and the Term Bonds Redemption Account, when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred

from the Utility Reserve Fund, the Renewal and Replacement Fund and the Rate Stabilization Fund for such purpose pursuant to the Resolution, together with moneys available in the Reserve Account for such purpose pursuant to the Resolution, shall be inadequate to fully provide for such insufficiency; provided moneys shall be transferred to the aforementioned Accounts from the Water Connection Fees Fund and the Wastewater Connection Fees Fund on a pro-rata basis or such other basis as the County deems appropriate in relation to the amount of moneys in each Fund at the time of transfer. Any moneys transferred to the aforementioned Accounts described above shall be treated as an interfund loan and shall be repaid, together with reasonable interest thereon, from Gross Revenues as described in the Resolution on or prior to the date such amounts are needed for the purposes described in the Resolution, but in no event later than one year from the date of such transfer, unless the County shall determine that such transfer constitutes a lawful use of such Water Connection Fees.

(B) To the extent permitted by law, to pay or reimburse the capital cost of acquiring, constructing and/or equipping such improvements or additions to the water facilities of the System for which the Water Connection Fees were imposed in accordance with the requisitions for disbursement of moneys provided by the County.

(C) To be used for any other lawful purpose relating to the System.

#### **Wastewater Connection Fees Fund**

The County shall deposit into the Wastewater Connection Fees Fund all Wastewater Connection Fees as received, together with moneys transferred to such Fund pursuant to the Resolution and such Sewer Connection Fees Fund shall be accumulated in the Wastewater Connection Fees Fund and applied by the County in the following manner and order of priority:

(A) For the payments on or prior to each principal and interest payment date (in no event earlier than the 25th day of the month next preceding such payment Date) into the Interest Account, the Principal Account and the Term Bonds Redemption Account, when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund, the Renewal and Replacement Fund and the Rate Stabilization Fund for such purpose pursuant to the Resolution, together with moneys available in the Reserve Account for such purpose pursuant to the Resolution, shall be inadequate to fully provide for such insufficiency; provided moneys shall be transferred to the aforementioned Accounts from the Wastewater Connection Fees Fund and the Water Connection Fees Fund on a pro-rata basis or such other basis as the County deems appropriate in relation to the amount of moneys in each Fund at the time of transfer. Any moneys transferred to the aforementioned Accounts described above shall be treated as an interfund loan and shall be repaid, together with reasonable interest thereon, from Gross Revenues as described in the Resolution on or prior to the date such amounts are needed for the purposes described in the Resolution, but in no event later than one year from the date of such transfer, unless the County shall determine that such transfer constitutes a lawful use of such Wastewater Connection Fees.

(B) To the extent permitted by law, to pay or reimburse the capital cost of acquiring, constructing and/or equipping such improvements or additions to the wastewater facilities of the System for which the Wastewater Connection Fees were imposed in accordance with the requisitions for disbursement of moneys provided by the County.

(C) To be used for any other lawful purpose relating to the System.

### **Possible Reserve Account Funding**

Subject to pricing requirements, the County is not anticipating providing for a funded Reserve Account created therein for the Series 2014 Bonds. In the event that the County, upon the advice of the Financial Advisor, determines it is in its best interest to fund the Reserve Account created therein for the Series 2014 Bonds, such Reserve Account will be funded by either a depositing cash or a Reserve Account Insurance Policy into such account in accordance with the terms of the Resolution. The amount of such funding, if any, will be set forth in the final Official Statement.

### **Construction Fund**

The County shall establish within the Construction Fund a separate account with respect to the Series 2014 Project to be deemed the "Series 2014 Project Account." There shall be paid into the Series 2014 Project Account the amounts required to be so paid by the provisions of the Resolution, and there may be paid into the Series 2014 Project Account, at the option of the County, any moneys received for or in connection with the Series 2014 Project by the County from any other source. The Cost of the Series 2014 Project is to be paid in whole or in part out of the Series 2014 Project Account.

Moneys in the Construction Fund, until applied in payment of any item of the Cost of a Project in the manner provided in the Resolution, shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders.

### **Rate Stabilization Fund**

The County may transfer into the Rate Stabilization Fund such moneys which are on deposit in the Utility Reserve Fund as it deems appropriate. The County may transfer such amount of moneys from the Rate Stabilization Fund to the Revenue Fund as it deems appropriate; provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Rate Stabilization Fund shall be applied for the payment into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund and Renewal and Replacement Fund for such purposes pursuant to the Resolution, together with moneys available in the Reserve Account for such purpose pursuant to Resolution, shall be inadequate to fully provide for such insufficiency.

### **Rate Covenant**

The County shall fix, establish, maintain and collect such rates, fees and charges for the product, services and facilities of the System, and revise the same from time to time, whenever necessary, so as always to provide in each Fiscal Year:

- (A) Net Revenues and Connection Fees, together with the Fund Balance, equal to at least 120% of the Annual Debt Service becoming due in such Fiscal Year; provided
- (B) such Net Revenues shall be adequate at all times to pay in each Fiscal Year at least 110% of (1) the Annual Debt Service becoming due in such Fiscal Year, (2) any amounts

required by the terms of the Resolution to be deposited in the Reserve Account or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year to pay Policy Costs, and (3) any amounts required by the terms of the Resolution to be repaid to the Water Connection Fees Fund and Wastewater Connection Fees Fund in such Fiscal Year.

"Fund Balance" shall mean an amount of money equal to the unencumbered moneys on deposit in the Utility Reserve Fund as of September 30 of the immediately preceding Fiscal Year. Moneys shall be considered unencumbered to the extent such moneys are unrestricted and may be used for any lawful purpose relating to the System.

Such rates, fees or other charges shall not be so reduced so as to be insufficient to provide adequate Net Revenues, Water Connection Fees, Wastewater Connection Fees and Reclaimed Water Fees Fund for the purposes provided therefor by the Resolution and to satisfy the rate covenant set forth in the Resolution.

If, in any Fiscal Year, the County shall fail to comply with the rate covenant contained in the Resolution, it shall promptly cause the Rate Consultant to review its rates, fees, charges, income, Gross Revenues, Operating Expenses, Connection Fees and methods of operation and to make written recommendations as to the methods by which the County may seek to comply with these requirements. The County shall forthwith commence to implement such recommendations to the extent required so as to cause it to thereafter comply with said requirements. So long as the County implements such recommendations in a timely manner so that the County shall be in compliance with the rate covenant described above by the end of the immediately succeeding Fiscal Year, the County's failure to comply with said requirements shall not be considered an Event of Default under the Resolution.

### **Additional Bonds**

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

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

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

(B) The Clerk shall certify that the amount of the Net Revenues (excluding Investment Earnings with respect to the Construction Fund), Connection Fees and Fund Balance (for the immediately preceding Fiscal Year) received by the County during the immediately preceding Fiscal Year or any 12 consecutive months selected by the County of the 24 months immediately preceding the issuance of said Additional Bonds, adjusted as hereinafter provided, were equal to at least 120% of the Maximum Annual Debt Service of the Outstanding Bonds and the Additional Bonds then proposed to be issued, provided

the amount of the Net Revenues, adjusted as hereinafter provided, received by the County during such 12-month period, will be equal to (1) at least 110% of the Maximum Annual Debt Service of the Outstanding Bonds and the Additional Bonds then proposed to be issued, and (2) 100% of (a) any amounts required by the terms of the Resolution to be deposited in the Reserve Account or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy to pay any Policy Costs and (b) any amounts required by the terms of the Resolution to be repaid to the Water Connection Fees Fund and Wastewater Connection Fees Fund, in each case during such 12-month period.

(C) For the purpose of determining the Debt Service under this Section, the interest rate on Additional Bonds that are proposed to be issued as Variable Rate Bonds shall be deemed to be the Bond Buyer Revenue Bond Index most recently published prior to the sale of such Additional Bonds.

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

(E) For the purpose of these provisions, the phrases "12 consecutive months" or the "12-month period" shall mean the "immediately preceding Fiscal Year or any 12 consecutive months selected by the County of the 24 months immediately preceding the issuance of said Additional Bonds."

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

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

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

any increase in rates imposed on customers of such water and/or sewer system on or prior to the acquisition thereof by the County.

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

(4) If the County covenants to levy Special Assessments against property to be benefitted by the improvements, the cost of which shall be paid from the proceeds of the proposed Additional Bonds, then the Special Assessments Proceeds (which have been or are expected to be pledged as Gross Revenues under the Resolution) derived from the System during the 12 consecutive months shall be increased by an amount equal to the least amount which the Rate Consultant estimates will be received in any one year subsequent to completion of such improvements from the levy of said Special Assessments, said amount to be the total received, assuming no prepayments, from the installment payments on the Special Assessments plus the interest paid on the unpaid portion of the Special Assessments. The estimate of the Rate Consultant shall be based upon the preliminary assessment roll filed with the County prior to the construction of such improvements.

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

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

(7) The Net Revenues and Connection Fees shall be adjusted for any period the System or any portion thereof was not owned by the County to reflect government ownership of the System or such portion.

(G) Additional Bonds shall be deemed to have been issued pursuant to the Resolution the same as the Outstanding Bonds, and all of the other covenants and other provisions of the Resolution (except as to details of such Additional Bonds inconsistent therewith) shall be for the equal benefit, protection and security of the Holders of all Bonds issued pursuant to the Resolution. Except as provided

in the Resolution, all Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Pledged Funds and their sources and security for payment therefrom without preference of any Bonds over any other.

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

See "THE SYSTEM – Funding Sources for Capital Improvement Program" herein relating to possible Additional Bonds to be issued in the near future.

### **Subordinated Indebtedness**

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

### **Operation and Maintenance**

The County has agreed in the Resolution to maintain or cause to be maintained the System and all portions thereof in good condition and will operate or cause to be operated the same in an efficient and economical manner, making or causing to be made such expenditures for equipment and for renewals, repairs and replacements as may be proper for the economical operation and maintenance thereof. The County may contract with a responsible Person which has experience in the operation of utility systems similar to the System for the operation and maintenance of the System; provided, however, prior to entering any operating agreement with respect to any substantial part of the System the County shall consult with Bond Counsel.

### **Annual Budget**

The County has agreed in the Resolution to annually prepare and adopt, prior to the beginning of each Fiscal Year, an Annual Budget in accordance with applicable law.

If for any reason the County shall not have adopted the Annual Budget before the first day of any Fiscal Year, other than the first Fiscal Year, the preliminary budget for such year, if it be approved by the Consulting Engineers or Rate Consultant, or otherwise the Annual Budget for the preceding Fiscal Year, shall be deemed to be in effect for such Fiscal Year until the Annual Budget for such Fiscal Year is adopted.

The County shall mail copies of or make available such Annual Budgets and amended Annual Budgets and all resolutions authorizing increased expenditures for Operating Expenses to any Credit Bank or Insurer of Bonds who shall file its address with the Clerk and request in writing that copies of all such Annual Budgets and resolutions be furnished to it and shall make available all such Annual Budgets and resolutions and ordinances authorizing increased expenditures for Operating Expenses of the System at all reasonable times to any Holder or Holders of Bonds or to anyone acting for and on behalf of such Holder or Holders.

### **Books and Records**

The County has agreed in the Resolution to keep books, records and accounts of the revenues and operations of the System, which shall be kept separate and apart from all other books, records and accounts of the County, and the Holders of any Bonds Outstanding or the duly authorized representatives thereof shall have the right at all reasonable times to inspect all books, records and accounts of the County relating thereto.

### **Annual Audit**

The County has agreed in the Resolution to, immediately after the close of each Fiscal Year, to cause the books, records and accounts relating to the System to be properly audited by a recognized independent firm of certified public accountants, and shall require such accountants to complete their report of such Annual Audit in accordance with applicable law. Each Annual Audit shall be in conformity with generally accepted accounting principles as applied to governmental entities. A copy of each Annual Audit shall regularly be furnished or made available to any Credit Bank or Insurer who shall have furnished his address to the Clerk and requested in writing that the same be furnished to him.

### **No Mortgage or Sale of the System**

The County has irrevocably covenanted, bound and obligated itself in the Resolution not to sell, lease, encumber or in any manner dispose of the System as a whole or any substantial part thereof (except as provided below) until all of the Bonds and all interest thereon shall have been paid in full or provision for payment has been made in accordance with the Resolution.

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

Prior to any such sale, lease or other disposition of said property: (1) if the amount to be received therefor is not in excess of five percent (5%) of the market value of the gross plant of the System, (a) an

Authorized Issuer Officer shall make a finding in writing determining that one or more of the conditions for sale, lease or disposition of property provided for in the paragraph above have been met, and (b) if any of the property to be sold, leased or otherwise disposed of was financed in whole or in part with proceeds of Bonds (other than Taxable Bonds) that remain Outstanding then the County shall obtain an opinion of Bond Counsel to the effect that such sale, lease or other disposition will not adversely affect the federal tax exempt status of interest on such Bonds or shall not otherwise affect the status of any such Bonds issued as Federal Subsidy Bonds or the County's receipt of Federal Subsidy Payments with respect to said Outstanding Federal Subsidy Bonds; or (2) if the amount to be received from such sale, lease or other disposition of said property shall be in excess of five percent (5%) of the market value of the gross plant of the System, (a) an Authorized Issuer Officer and the Consulting Engineers shall each first make a finding in writing determining that one or more of the conditions for sale, lease or other disposition of property provided for in paragraph above have been met, (b) the Board shall, by resolution, duly adopt, approve and concur in the finding of the Authorized Issuer Officer and the Consulting Engineers, and (c) the County shall obtain an opinion of Bond Counsel to the effect that such sale, lease or other disposition is not in violation of the Act and will not adversely affect the federal tax exempt status of interest on the Bonds (other than Taxable Bonds) or shall not otherwise affect the status of any Outstanding Bonds issued as Federal Subsidy Bonds or the County's receipt of Federal Subsidy Payments with respect to any Outstanding Federal Subsidy Bonds.

Except as otherwise required under applicable provisions of the Code, the proceeds from any such sale or other disposition shall be deposited, first, into the Renewal and Replacement Fund to the extent necessary to make the amount therein equal to the Renewal and Replacement Fund Requirement, and, second, into the Utility Reserve Fund. Proceeds from any lease of assets of the System shall constitute Gross Revenues and shall be deposited in the Revenue Fund.

The transfer of the System as a whole from the control of the Board to some other board or authority created for the purpose of owning, operating or controlling the System and which constitutes a governmental entity, interest on obligations issued by which are excluded from gross income for purposes of Federal income taxation (other than obligations similar to Taxable Bonds or Federal Subsidy Bonds), shall not be deemed prohibited by the Resolution and such successor board or authority shall fall within the definition of "Issuer" in the Resolution.

Notwithstanding the foregoing provisions, the County shall have the authority to sell for fair and reasonable consideration any land comprising a part of the System which is no longer necessary or useful in the operation of the System and the proceeds derived from the sale of such land shall be disposed of in accordance with the provisions of the paragraph above; provided, however, if any of the land to be sold was financed in whole or in part with proceeds of Bonds (other than Taxable Bonds) that remain Outstanding then the County shall obtain an opinion of Bond Counsel to the effect that such sale will not adversely affect the federal tax exempt status of interest on such Bonds or shall not otherwise affect the status of any such Bonds issued as Federal Subsidy Bonds or the County's receipt of Federal Subsidy Payments with respect to said Outstanding Federal Subsidy Bonds.

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

if that portion of the System was financed in whole or in part with proceeds of Bonds (other than Taxable Bonds) that remain Outstanding then the County shall obtain an opinion of Bond Counsel to the effect that such action will not adversely affect the federal tax exempt status of interest on such Bonds or shall not otherwise affect the status of any such Bonds issued as Federal Subsidy Bonds or the County's receipt of Federal Subsidy Payments with respect to said Outstanding Federal Subsidy Bonds.

### **Insurance**

The County has agreed in the Resolution to carry such insurance as is ordinarily carried by private or public entities owning and operating utilities similar to the System with a reputable insurance carrier or carriers, in such amounts as the County shall determine to be sufficient and such other insurance against loss or damage by fire, explosion, hurricane, tornado or other hazards and risks, and said property loss or damage insurance shall at all times be in an amount or amounts equal to the fair appraisal value of the buildings, properties, furniture, fixtures and equipment of the System, or such other amount or amounts as the Consulting Engineers or an insurance consultant who has a favorable reputation and experience and is qualified to survey risks and to recommend insurance coverage for Persons engaged in operations similar to the System, shall recommend or approve as sufficient.

The County may establish certain levels of insurance for which the County may self-insure. Such levels of insurance shall be in amounts as recommended by an insurance consultant who has a favorable reputation and experience and is qualified to survey risks and to recommend insurance coverage for Persons engaged in operations similar to the System.

The proceeds from property loss and casualty insurance shall be deposited in the Renewal and Replacement Fund or other appropriate fund or account, and, together with other available funds of the County, shall be used to repair or replace the damaged portion of the System; provided, however, if the County makes a determination in accordance with the Resolution that such portion of the System is no longer necessary or useful in the operation of the System, such proceeds shall (1) if such proceeds equal or exceed \$500,000, (a) be applied to the redemption or purchase of Bonds or (b) be deposited in irrevocable trust for the payment of Bonds in the manner set forth in the Resolution, provided the County has received an opinion of Bond Counsel to the effect that such deposit shall not adversely affect the exclusion, if any, from gross income of interest on the Outstanding Bonds for purposes of federal income taxation (other than Taxable Bonds) and will not otherwise affect the status of any Outstanding Bonds issued as Federal Subsidy Bonds or the County's receipt of Federal Subsidy Payments with respect to any Outstanding Federal Subsidy Bonds, or (2) if such proceeds are less than \$500,000, be deposited in the Revenue Fund.

### **No Free Service**

The County has agreed in the Resolution not to render or cause to be rendered any free services of any nature by its System, nor will any preferential rates be established for users of the same class; provided, however, the foregoing clause shall not be construed to prevent the County from establishing various classes of users based on any factors deemed necessary or desirable by the County. Different rates may be established for different classes. Whenever the County, including its departments, agencies and instrumentalities, shall avail itself of the product, facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged to the County and any such department, agency or instrumentality. Such charges shall be paid as they accrue, and the County shall transfer from its general funds to the Revenue

Fund sufficient sums to pay such charges. The revenues so received shall be deemed to be Gross Revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other Gross Revenues derived from such operation of the System.

### **No Impairment of Rights**

The County has agreed in the Resolution not to enter into any contract or contracts, nor take any action, the results of which might impair the rights of the Holders of the Bonds in any material respect and will not permit or grant a franchise for the operation of any competing water or wastewater or reclaimed water service facilities in the County; provided, however, the County reserves the right to permit the ownership and operation of water or wastewater or reclaimed water service facilities or any of them by itself or by others in any territory which is not then served by the System unless such franchise or permit will have a material adverse effect on the County's ability to meet its obligations hereunder.

### **Compulsory Connections**

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

### **Enforcement of Charges**

The County has agreed in the Resolution to compel the prompt payment of rates, fees and charges imposed in connection with the System, and to that end will vigorously enforce all of the provisions of any ordinance or resolution of the County having to do with wastewater and water connections and charges, and all of the rights and remedies permitted the County under law, including the requirement for the making of a reasonable deposit by each user, the requirement for lawful disconnection of services for all premises delinquent in the payment of any duly invoiced bill, and the securing of injunction against the disposition of sewage or industrial waste into the wastewater facilities of the System by any premises delinquent in the payment of such charges.

### **Unit Bills**

In every instance in which a building or structure on a lot is connected to the wastewater facilities of the System, which building or structure is also connected to the water facilities of the System and receives water therefrom, the County has agreed in the Resolution to submit to the owner or occupant of such lot a single bill for both water and wastewater service and, except under extraordinary circumstances, shall refuse to accept payment for either the water charge alone or wastewater charge alone without payment of the other.

### **Collection of Connection Fees**

The County has agreed in the Resolution to proceed diligently to perform legally and effectively all steps required in the collection of the Connection Fees, if and only to the extent such Connection Fees

are levied by the County. Upon the due date of any such Connection Fees, the County shall diligently proceed to collect the same and shall exercise all legally available remedies to enforce such collections now or hereafter available under State law. NOTWITHSTANDING ANY PROVISION OF THIS PARAGRAPH TO THE CONTRARY, THE COUNTY MAY WAIVE THE LEVY OR COLLECTION OF A CONNECTION FEE PROVIDED SUCH WAIVER IS IN ACCORDANCE WITH APPLICABLE LAW.

### **Consulting Engineers**

The County has agreed in the Resolution to engage Consulting Engineers from time to time, whose duties shall be to make any certificates and perform any other acts required or permitted of the Consulting Engineers under the Resolution, and also to review the construction and operation of the System, to make an inspection of the System as requested by the County from time to time, and to submit to the County a report with recommendations as to the proper maintenance, repair and operation of the System, including recommendations for expansion and additions to the System to meet anticipated service demands, and an estimate of the amount of money necessary for such purposes. The Consulting Engineers shall, from time to time, recommend the amount of the Renewal and Replacement Fund Requirement. Copies of such reports, recommendations and estimates made as hereinabove provided shall be filed with the County for inspection by Bondholders, if such inspection is requested.

### **Amendments Without Bondholder Consent**

Subject to the terms and provisions contained in the Resolution, under certain circumstances described in the Resolution, the County may make amendments to the Resolution without Bondholder consent. See "APPENDIX B – Form of the Resolution" attached hereto.

## **POTENTIAL MUNICIPAL BOND INSURANCE**

### **General**

In the event that the County or the successful bidder elects to purchase a municipal bond insurance policy (the "Municipal Bond Insurance Policy") with respect to all or a portion of the Series 2014 Bonds from a municipal bond insurer (the "Insurer"), disclosure regarding the Insurer and the Municipal Bond Insurance Policy will be included in the final Official Statement at this location and a specimen bond insurance policy will be attached hereto as an appendix.

### **Municipal Bond Insurance Risk Factors**

In the event of default of the payment of principal or interest with respect to the insured Series 2014 Bonds, if any (the "Insured Series 2014 Bonds"), when all or some becomes due, any owner of the Insured Series 2014 Bonds shall have a claim under the Municipal Bond Insurance Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Municipal Bond Insurance Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Insured Series 2014 Bonds by the County which is recovered by the County from the bond owner as a

voidable preference under applicable bankruptcy law is covered by the Municipal Bond Insurance Policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the County unless the Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may direct and must consent to any remedies and the Insurer's consent may be required in connection with amendments to the Resolution.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Municipal Bond Insurance Policy, the Insured Series 2014 Bonds are payable solely from the moneys received pursuant to the Resolution. In the event the Insurer becomes obligated to make payments with respect to the Insured Series 2014 Bonds, no assurance is given that such event will not adversely affect the market price of the Insured Series 2014 Bonds or the marketability (liquidity) for the Insured Series 2014 Bonds.

The long-term ratings on the Insured Series 2014 Bonds are dependent in part on the financial strength of the Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Insured Series 2014 Bonds will not be subject to downgrade and such event could adversely affect the market price of the Insured Series 2014 Bonds or the marketability (liquidity) for the Insured Series 2014 Bonds.

The obligations of the Insurer are contractual obligations and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the County nor Underwriters have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the County to pay principal and interest on the Insured Series 2014 Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. .

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**ESTIMATED SOURCES AND USES OF FUNDS**

The proceeds to be received from the sale of the Series 2014 Bonds, together with other legally available funds of the County, are expected to be applied as follows:

**SOURCES OF FUNDS:**

Par Amount of Series 2014 Bonds .....	\$	
Plus/Less Net Original Issue Premium/Discount .....		_____
<b>TOTAL SOURCES</b> .....	<b>\$</b>	

**USES OF FUNDS:**

Deposit to the Series 2014 Project Account .....	\$	
Deposit to the Reserve Account, if any <sup>(1)</sup> .....		
Costs of Issuance <sup>(2)</sup> .....		_____
<b>TOTAL USES</b> .....	<b>\$</b>	

- 
- (1) The County will determine whether to fund the Reserve Account created therein for the Series 2014 Bonds, at the time of pricing of the Series 2014 Bonds. If a determination is made to fund the Reserve Account created therein for the Series 2014 Bonds, the County may choose to either deposit cash or a Reserve Account Insurance Policy into such fund or account.
  - (2) Includes underwriters' discount, legal, financial advisory, municipal bond insurance premium, if any, reserve account insurance policy premium, if any, and other related fees and expenses.

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## DEBT SERVICE SCHEDULE

The following table sets forth the annual debt service schedule for the Series 2014 Bonds.

<u>Year Ending</u> <u>September 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
TOTAL			

## THE SYSTEM

### Overview of the System

The County is located on the central Atlantic coastline of Florida encompassing approximately 1,300 square miles. The County's utility infrastructure currently includes two water distribution systems and seven wastewater collection systems. The County's utility infrastructure is comprised of three (3) water treatment plants and distribution systems, six (6) wastewater treatment plants and seven (7) wastewater collection systems (collectively, the "System").

The System was originally established in 1968 and included eleven separate wastewater systems and one water system that were acquired by the County from private investors. Since that time, various additions to the System have been either acquired or constructed by the County.

In 1984 the County implemented a comprehensive program of wastewater facility improvements that focused on consolidating the individual wastewater systems into a regional utility system in order to streamline operations & maintenance and improve overall facility performance.

The County is authorized to operate the System pursuant to the authority granted by Chapter 125, Florida Statutes, as amended. The County provides wastewater service to an estimated population of approximately 147,000 people and water service to approximately 7,000 people. The System is comprised of several distinct service areas located throughout the County. The County provides potable water service in the northern unincorporated portion of the County only, with exception to a small water-only utility that the County is in receivership of located in the southern portion of the County and is not included as part of the System. Wastewater service is provided in the north, central and southern areas of the County and comprise the primary components of the System.

Below is a map of the service area locations of the System.



## **Organizational Structure of the System**

The System is managed and operated by the Brevard County Utility Services Department ("Utility Department"). The Utility Department currently has 145 full-time positions and no part-time positions. Biographical information on the Utility Department's key management staff follows:

**Robert "Bob" Adolphe** is the Utility Services Director. Mr. Adolphe has been both a public sector executive and a consultant to public water/ wastewater utilities and public works organizations for over 30 years. Having held public management and engineering positions of increasing responsibility from Senior and Chief Engineer to Director of two County Utilities and Environmental Departments, his focus has been in water and wastewater utilities, asset management, and the application of engineering, technology, and business systems. As an independent consultant and working directly for Central Florida Engineering firms, Mr. Adolphe provided program management for over \$75 million in water and wastewater projects.

He is a Florida Professional Engineer with a Bachelors degree in Industrial/Mechanical Engineering, and holds an Masters in Business Administration from Florida Institute of Technology. He also served as a former U.S. Naval Flight Officer.

**Jim Helmer** is the Assistant Utilities Director and Support Services Manager. Mr. Helmer has been with the County for 24 years and has 33 years of experience in utility financial management with electric, gas, stormwater and water and sewer utilities. Mr. Helmer has a Bachelor of Science degree from the University of Maryland majoring in Business Administration.

**Craig Helpling** is the Environmental Section Supervisor. Mr. Helpling has been employed by the Utility Department for over 25 years. Although his professional background is rooted in geophysics and hydrogeology, Mr. Helpling's primary responsibilities are associated with the construction activities of the Utility Department's Capital Improvement Program. In that capacity, his work complements the efforts of the Engineering Section, acting as a Project Manager for the preparation, execution and coordination of bid documents for completed design projects.

Mr. Helpling has a Bachelor of Science degree in Physics from Florida State University. He also attended Southwestern Baptist Theological Seminary, earning both a Master of Arts in Religious Education and a Master of Arts in Communication.

**Mark W. Reagan** is the Engineering Manager. Mr. Reagan is a professional engineer and attorney at law licensed to practice engineering and law in Florida and several other States. His professional career of nearly 30 years includes private practice and civil service as a government employee and as a contractor. He has held executive positions in compliance management for a Fortune 100 company, having responsibility for the legal, safety, and environmental compliance of several of its projects. His engineering specialty is water and wastewater treatment system design.

Mr. Reagan received his Engineering Degree from University of Florida and his Juris Doctor degree from Widener University.

[The County provides retirement benefits to employees, including those of the Utility Department, through the FRS. The County's contribution to the Florida Retirement System Plan, on behalf of all employees, is set by the State. The rate is currently 5.18% of all wages for all regular employees and 6.30% for senior management including the Director, and employees' portion is 3.00% for regular and senior management. See "- Retirement Plan And Other Post Employment Benefits" in APPENDIX A attached hereto. The County provides a cafeteria plan of medical, dental, and life insurance options to its employees, requiring each employee to participate in a major medical insurance plan, long-term disability plan and life insurance plan. Depending on the required options selected, the County contribution can cover additional employee options. Utility Department employees may also participate in the County's deferred compensation plan.]

### **The Water System**

The water system includes ten (10) active raw water production wells, one County-owned water treatment plant with a permitted capacity of 2.40 million gallons per day ("MGD") expressed on a maximum daily flow basis and over 74 miles of water transmission and distribution lines which provided potable water service to 2,887 retail accounts during Fiscal Year 2013. The daily raw water withdrawal and finished water produced for Fiscal Year 2013 was 0.831 MGD and 0.749 MGD, respectively.

Additionally, the County also owns the water and wastewater facilities for the Barefoot Bay Water and Sewer District, a separate stand-alone utility system located in the southern portion of the County (the "Barefoot Bay System"). The Barefoot Bay System is not part of the System and no revenues from the Barefoot Bay System are pledged to or available to pay the Series 2014 Bonds.

The County has received through receivership the San Sebastian Water Treatment Facility (the "San Sebastian System"). The San Sebastian System was an investor-owned utility company servicing the San Sebastian Woods Subdivision with 52 residential customers and the potential to provide service to 200 customers in the future. The San Sebastian System is operating in a break-even position on a net revenue basis and does not have a material impact on the System revenues.

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**Summary of Certain Water System Attributes and Statistics [1]**

	<u>Fiscal Year 2013</u>
Number of Water Production / Treatment Facilities County –owned Facilities [2]	1
Average Annual Accounts Served – Fiscal Year 2013	2,887
Average Annual ERUs Served – Fiscal Year 2013	3,234
Maximum Treatment Plant Capacity (MGD)	2.40
Total Finished Water Produced – Fiscal Year 2013:	
Total Gallons (000s)	275,030
Millions Gallons per Day – Annual Average Daily Flow	0.754
Average Daily Water Demand per ERU Served (gpd)	231

MMADF = Maximum Month Average Annual Daily Flow  
ERU = Equivalent Residential Unit  
gpd = Gallons per Day  
MGD = Millions Gallons per Day

- [1] Information provided by the County and its Consulting Engineers; for more information please refer to Appendix E - The Consulting Engineer’s Report.
- [2] As discussed above, the County did receive the San Sebastian Water Company which was abandoned by San Sebastian Water LLC, a privately – owned water utility that was regulated by the Florida Public Service Commission that has a minimal customer base (approximately 50 customers).

**Water Transmission and Distribution Facilities**

There are approximately 74 miles of pipeline in the County's water transmission and distribution system. The pipe ranges from 2 inches to 24 inches in diameter. Most of the pipe is PVC, but some of the pipelines are asbestos cement pipe. The portion of the water distribution system composed of ACP has a lengthy history of pipe failures due to age and general degradation. A portion of the projects being funded with the proceeds of the Series 2014 Bonds will be used for the replacement of pipes in the water transmission and distribution system which will address this issue.

**Regulatory Compliance in Water System**

*Withdrawal Quantity.* St. Johns River Water Management District (“SJWMD”) administers the consumptive use of water through its water use permitting system. In Florida, groundwater is deemed to be a natural resource of the State. Permits are based on several factors, including (1) the water use being beneficial and reasonable, (2) water usage being in the public interest, and (3) usage not interfering with any other permit users. Presently, wells that supply source groundwater to the System are properly permitted through SJWMD. Under Consumptive Use Permit No. 233, the system is permitted to withdraw an annual average of 1.977 MGD from the surficial aquifer. The withdrawal capacity increases annually from the time the permit was issued in 2006 through its expiration on June 9, 2018. The permit

allows for withdrawal of 2.228 MGD annual average in 2018. Average annual water demand in the service area was less than 50% of the permitted withdrawal capacity in 2013. It is not anticipated that the System will experience any withdrawal capacity issues in the foreseeable future.

***Treatment Requirements.*** The United States Environmental Protection Agency ("EPA") and the Florida Department of Environmental Protection Agency ("FDEP") regulate the quality of the System's water. FDEP is the public water system permitting authority for the System. The water system is permitted as Facility No. 3050834 by FDEP with a capacity of 2.4 MGD.

The water system has been under a consent order in the past for exceeding the maximum contaminant level for disinfection byproducts in the distribution system. The violation was resolved and the consent order was lifted in October 2012. The County performs periodic sampling and submits monthly operating reports to FDEP as required by the permit. The water system operates in substantial compliance with treatment requirements contained in its permit.

### **Wastewater System**

The County's wastewater system includes collection, transmission, treatment, and effluent disposal facilities that provide service to approximately 51,821 wastewater retail customers. The wastewater system consists of five County-owned wastewater treatment plants ("WWTPs") with their respective collection and transmission systems. The WWTPs are known as the (i) North Brevard WWTP, (ii) Port St. John WWTP, (iii) Sykes Creek WWTP, (iv) South Central WWTP and (v) South Beaches WWTP. The WWTPs have a combined permitted capacity of 20.9 MGD. The primary methods of effluent disposal are either spray irrigation through percolation ponds/rapid infiltration basins or the reclaimed water system.

Each WWTP operates under a current FDEP permit. No wastewater system discharges directly to surface waters therefore there is no requirement for obtaining National Pollution Discharge Elimination Service permits.

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Summary of Certain Wastewater System Attributes and Statistics [1]

	<u>Fiscal Year 2013</u>
Number of Wastewater Treatment Facilities County –owned Facilities	5
Average Annual Accounts Served – Fiscal Year 2013	51,821
Average Annual ERUs Served – Fiscal Year 2013	66,364
Total Permitted Treatment Plant Capacity-ADF (MGD)	20.90
Total Wastewater Treated by County – Fiscal Year 2013:	
Total Gallons (000s)	5,063,373
Millions Gallons per Day – Annual Average Daily Flow	13.87
Average Daily Wastewater Demand per ERU Served (gpd)	209

M3MADF = Maximum 3-Month Average Annual Daily Flow

ERU = Equivalent Residential Unit

gpd = Gallons per Day

MGD = Millions Gallons per Day

[1] Information provided by the County and its Consulting Engineers; for more information please refer to Appendix E - The Consulting Engineer's Report.

### **Wastewater Collection and Transmission Facilities**

The wastewater collection and transmission system collects sewage produced by residential and commercial customers and transports the flow to the WWTPs for treatment. The collection and transmission system includes gravity sewer piping, manholes, wastewater pumping stations, and force mains. Most of the force mains consist of cast iron pipe, asbestos cement pipe, polyvinyl chloride pipe, ductile iron pipe, per-stressed concrete cylinder pipe, steel and vitrified clay pipe. The wastewater collection and transmission systems have been in service since the 1960s. The systems consist of more than 984 miles of gravity sewer and sewage force mains ranging in size from 1 inch to 30 inches in diameter. The gravity sewer system includes approximately 3,877 manholes for maintenance and operational access.

In addition, the wastewater system has 261 county-owned lift stations and 122 private lift stations. One station is equipped with a permanently installed generator, while the other stations have provisions for manually connecting a generator to receive power in case of power failure. Smaller pumping stations are typically equipped with 2-3 submersible pumps ranging in size from 1 to 60 horsepower.

### **Wastewater Treatment Plants**

*Description of Facilities.* The County's wastewater system consists of five WWTPs with treatment process as follows:

- The North Brevard WWTP treatment consists of a continuous extended aeration ditch process with tertiary filtration.
- The Port St. John WWTP treatment consists of influent screening, contact and reaeration (stabilization), secondary clarification, chemical feed, filtration, chlorination and aerobic digestion of residuals with drying bed dewatering.
- The Sykes Creek WWTP treatment consists of mechanical influent screening, dual carousel aeration basins, secondary clarifiers, chemical feed, tertiary filters, chlorination, and residuals dewatering by centrifuge.
- The South Central WWTP treatment uses an activated sludge process and consists of mechanical influent screening, grit removal, anaerobic tanks, first anoxic tanks, extended oxidation ditches, second anoxic tanks, reaeration tanks, clarification, filtration, chlorination, solids handling, and reclaimed water storage and pumping. The solids handling consists of an aerated sludge holding tank and belt-presses for dewatering.
  - The County also operates a septage and grease receiving and treatment station that is located on the South Central WWTP property.
- The South Beaches WWTP treatment consists of an activated sludge domestic wastewater facility consisting of two contiguous wastewater treatment plants, a dual train carousel oxidation ditch and an activated sludge plant connected in parallel, with mechanical influent screening, grit removal, aeration, clarification, chemical feed facilities, disinfection by chlorination, tertiary filtration, dechlorination and dewatering of residuals.

**Effluent Disposal.** The County currently utilizes three methods of disposal of effluent from the WWTPs which are: (1) surface water discharge and land application in the form of public reuse system and created wetland, (2) slow rate public access irrigation system, (3) rapid infiltration basis system, and (4) reclaimed water.

### **Regulatory Compliance in Wastewater System**

The EPA and FDEP regulate the operation of wastewater treatment facilities in Florida. Regulations primarily involve the quality of effluent discharge from the WWTPs, the disposal of wastewater solids generated at the WWTPs, the discharge of pollutants into the groundwater, and the nature of material discharged into the collection facilities. FDEP is the permitting authority for these facilities. The WWTPs are properly permitted and do not have a history of permit violations. The System is not facing or expecting any EPA or FDEP mandated schedules for elimination of discharges, or any sewage related administrative orders or consent decree decisions. The System is currently operating in substantial compliance with state and federal regulations relating to its wastewater treatment facilities and processes.

For ease of reference, below is a table listing the permit numbers and expiration date by which each wastewater treatment operates and its permitted capacity and average annual daily flow for Fiscal Year 2013.

<u>WWTP</u>	<u>Permit No.</u>	<u>County Service Area Location</u>	<u>Permit Expiration Date</u>	<u>Permitted Capacity (MGD)</u>	<u>Average Annual Daily Flow(MGD)</u>
North Brevard	Facility No. FLA010263	North	12/26/2017	0.9	0.258
Port St. John	FDEP Permit No. FLA102750	Central	06/30/2019	0.5	0.358
Sykes Creek	Facility No. FLA102695	Central	07/31/2019	6.0	2.872
South Central	Facility No. FL0102679	South	05/04/2016	5.5*	4.155
South Beaches	Facility No. FL0040622	South	03/12/2019	8.0	6.229

\*An expansion to 9.0 MGD is being recommended to serve the County's needs in the future.

### System Customers

The top ten customers of the System based on the revenue billed (pursuant to the rates in effect for the System) are listed below:

#### Water and Wastewater Top Ten Retail Utility Customers – Fiscal Year 2013 [1]

<u>Account</u>	<u>Water Service Provider</u>	<u>Service Class</u>	<u>Type of Service</u>	<u>Total Rate Revenue [2]</u>	<u>Percent of Total System Rate Revenue</u>
School Board of Brevard County	Melbourne	Commercial	Wastewater Only	\$80,737	0.31%
Health First Hospital	Cocoa	Commercial	Wastewater Only	72,399	0.27%
Country Club Apts.	Cocoa	Master Meter Res. [2]	Wastewater Only	66,360	0.25%
Three Fountains of Vierra	Cocoa	Master Meter Res. [2]	Wastewater Only	65,060	0.25%
Southeast Brittany L.P.	Melbourne	Master Meter Res. [2]	Wastewater Only	64,744	0.25%
Ce Dune Apts., LLC-Owner	Melbourne	Master Meter Res. [2]	Wastewater Only	62,722	0.24%
Crown Plaza Melbourne Oceanfront Resort	Melbourne	Master Meter Res. [2]	Wastewater Only	61,385	0.23%
Palm Colony Club	Melbourne	Master Meter Res. [2]	Wastewater Only	61,324	0.23%
Op Apartments, Inc.	Cocoa	Master Meter Res. [2]	Wastewater Only	57,744	0.22%
The Pines Resort Apts.	Melbourne	Master Meter Res. [2]	Wastewater Only	55,942	0.21%
Total Top Ten Customers				\$648,418	2.46%
Total Water and Wastewater Revenue				\$26,391,393	100.00%

[1] Based on financial information provided by the County; reflects month user rate revenue only amounts for the twelve (12) months ended September 30, 2013 (the most recently completed fiscal year).

[2] Multi-family customers represent accounts that are served by a master meter which generally represents a large meter serving a large number of residential dwelling units.

[3] For information provided by the City of Cocoa, the reported revenues were for the twelve months ended February 2014 and not the Fiscal Year 2013. It was assumed that such individual customer revenues would be representative of the reported Fiscal Year 2013 amounts and were recognized in the summary above.

Source: Brevard County, Florida Financial Feasibility Report dated August \_\_, 2014 by Public Resources Management Group, Inc.

The average number of water and wastewater customers served by the System is listed below:

<b>Active Accounts – Annual Average Fiscal Year 2013</b>		
	Water Accounts	Wastewater Accounts [1]
Residential Service:		
Single-Family (Individual Metered)	2,662	43,560
Multi-Family (Master Metered)	133	5,877
Commercial	92	2,384
Totals	<u>2,887</u>	<u>51,821</u>

[1] Includes County wastewater-only retail accounts that are billed by the Cities of Melbourne and Cocoa.

Source: Brevard County, Florida Financial Feasibility Report dated August \_\_, 2014 by Public Resources Management Group, Inc.

### Rates, Fees and Charges

**Monthly User Charges.** User rates, fees and charges were established pursuant to Resolution No. 13-229, adopted by the Board on December 17, 2013 (the "Rate Resolution"). Under the Rate Resolution, rates increased or will increase, as the case may be, automatically, through a phasing or implementation approach on January 1 of 2014, 2015, 2016, 2017, 2018 and 2019. After the rate phasing plan, the Rate Resolution also provides that the rates for water and wastewater utility service will be adjusted annually by a price index rate adjustment.

The adopted monthly water system rates as reflected in the Rate Resolution include: (i) a base charge (readiness to serve) which varies based on the size of the meter for all customer classifications and which includes a minimum water use allowance based on the size of the meter; and (ii) for all customers, a consumption charge consisting of inclining blocked rates to promote water conservation that varies based on meter size (implied equivalent residential units served). The adopted monthly wastewater system rates as reflected in the Rate Resolution include: (i) a base charge (readiness to serve) which varies based on the customer classification and is predicated either on the number of units served (residential) or the equivalent residential connections ("ERCs") based on the flow characteristics of the respective customer; and (ii) for individually metered residential wastewater customers, a flow charge (based on metered water use) that is capped at 12,000 gallons per month per such residential service dwelling unit and for the remaining customers of the wastewater system, a constant volumetric flow charge based on one hundred percent (100%) of the metered water consumption to such account (domestic use; would not include separately metered water-only use).

The following is a summary of the monthly current and adopted water system rates and a comparison of the monthly cost of providing water for a ¾-inch or smaller water meter at various usage levels calculated at the existing rates of the System and other neighboring Florida utilities as of the billing month of June 2014.

**Summary of Existing and Adopted Monthly County Water Rates [1][2]**

All Classes of Service:	Minimum Flow (Gallons) [2]	For the Fiscal Years Ending September 30,				
		2014 (In Effect)	2015 (Adopted)	2016 (Adopted)	2017 (Adopted)	2018 (Adopted)
Monthly Base Charge:						
3/4-inch	3,000	\$13.43	\$14.24	\$14.95	\$15.70	\$16.48
1-inch	5,000	22.38	23.72	24.91	26.16	27.47
1-1/2-inch	12,000	53.72	56.94	59.79	62.78	65.92
2-inch	210,00	94.00	99.64	104.62	109.85	115.34
3-inch	48,000	214.89	227.78	239.17	251.13	263.69
4-inch	85,000	380.52	403.35	423.52	444.70	466.93
6-inch	192,000	859.55	911.12	956.68	1,004.51	1,054.74
8-inch	340,000	1,522.04	1,613.36	1,694.03	1,778.73	1,867.67

Usage Rate (per 1,000 Gallons)[3]

Tier 1 – Usage Block	\$4.21	\$4.46	\$4.68	\$4.91	\$5.16
Tier 2 – Usage Block	6.10	6.47	6.79	7.13	7.49
Tier 3 – Usage Block	8.84	9.37	9.84	10.33	10.85
Tier 4 – Usage Block	11.92	12.64	13.27	13.93	14.63

- [1] Amounts shown derived from the Rate Resolution; rates to become effective on January 1<sup>st</sup> of each fiscal year; amounts shown do not include rates associated with providing water-only service to the San Sebastian service area.
- [2] Fiscal Year 2019 rates not shown since such rates will be adjusted based on the application of the Board-approved price index adjustment which is not known at this time; the financial forecast assumes a 1.2% index adjustment in Fiscal Year 2019.
- [3] The following is a summary of the water use consumption levels per tier for all metered water consumption above the minimum flow amount included in the monthly base charge. The water use tiers are applicable uniformly to all classes of customers.

Meter Size	Monthly Water Use – 1,000 Gallons			
	Tier 1	Tier 2	Tier 3	Tier 4
3/4-inch	3 – 8	8 – 16	16 – 24	Above 24
1-inch	5 – 12	12 – 18	18 – 24	Above 24
1-1/2-inch	12 – 32	32 – 64	64 – 96	Above 96
2-inch	21 – 42	42 – 84	84 – 168	Above 168
3-inch	48 – 96	96 – 182	182 – 364	Above 364
4-inch	85 – 170	170 – 340	340 – 680	Above 680
6-inch	192 – 384	384 – 768	768 – 1,536	Above 1,536
8-inch	340 – 680	680 – 1,300	1,300 – 2,200	Above 2,200

Source: Brevard County, Florida Financial Feasibility Report dated August \_\_, 2014 by Public Resources Management Group, Inc.

**Comparison of Typical Monthly Residential For Bills Water Service <sup>[1]</sup>**

**Residential Service for a 5/8" or 3/4" Meter**

<u>Description</u>	0	2,000	3,000	4,000	5,000	8,000	10,000	15,000	20,000
	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>
<b>Brevard County, FL</b>									
Brevard Existing Rates	\$13.43	\$13.43	\$13.43	\$17.64	\$21.85	\$34.48	\$46.68	\$77.18	\$118.64
<b><u>Other Brevard Co Utilities:</u></b>									
Brevard Co - Barefoot Bay Dist [2]	\$12.12	\$18.10	\$21.09	\$24.08	\$27.07	\$36.04	\$42.02	\$56.97	\$71.92
City of Cape Canaveral [2]	14.59	20.67	23.71	26.75	29.79	44.45	56.07	90.40	128.25
City of Cocoa [2]	13.26	18.78	21.54	24.30	27.06	40.38	50.94	82.14	116.54
City of Cocoa Beach [2]	14.59	20.67	23.71	26.75	29.79	44.45	56.07	90.40	128.25
City of Melbourne [2]	7.58	16.24	20.57	24.90	29.23	42.22	50.88	72.53	94.18
City of Palm Bay [2]	13.22	20.18	23.66	27.14	30.62	44.24	53.32	81.22	116.12
City of Titusville [2]	8.73	14.39	17.22	20.05	22.88	35.63	44.13	72.38	126.13
City of West Melbourne [2]	14.00	25.20	30.80	36.65	42.50	60.35	72.65	104.80	137.30
<b><u>Other Florida Utilities:</u></b>									
City of Daytona Beach [2]	14.12	18.77	23.42	28.07	32.72	46.67	55.97	79.22	102.47
City of Edgewater	9.34	12.56	17.91	23.26	28.61	48.68	62.06	103.86	145.66
City of Orlando / O.U.C.	7.50	8.77	9.40	10.48	11.56	15.30	18.48	26.42	35.61
City of Ormond Beach	12.08	12.08	15.26	18.44	21.62	32.34	39.88	58.73	77.58
City of Port St. Lucie	8.11	15.67	19.45	23.23	27.01	41.80	51.66	79.73	110.08
City of St. Cloud	13.13	15.07	16.04	17.97	19.90	26.67	31.51	45.80	64.17
City of Vero Beach	13.60	15.26	16.09	16.92	17.75	26.09	31.65	45.55	73.35
City of West Palm Beach [2]	20.91	27.38	30.62	33.85	37.09	48.44	56.54	78.98	102.84
Ft. Pierce Utilities Auth [2]	23.14	23.14	23.14	26.49	29.84	39.89	46.59	67.54	92.69
Indian River County	9.05	13.45	15.65	18.07	20.49	29.18	36.88	63.83	102.33
Martin County [2]	16.30	20.50	22.60	24.70	26.80	33.10	37.30	52.05	71.00
New Smyrna Beach Util Comm	11.65	13.51	14.44	15.68	16.92	22.08	26.00	35.80	47.45
Okeechobee Utilities Authority [2]	19.44	27.64	31.74	37.90	44.06	62.54	74.86	105.66	136.46
Orange County	6.52	8.60	9.64	11.07	12.50	16.79	19.65	33.85	48.05
Polk County [2]	9.23	12.73	14.48	16.81	19.14	26.13	30.79	53.94	77.09
Seminole County [2]	12.15	14.21	15.24	16.27	17.30	20.39	22.45	30.95	46.35
S. Martin Regional Utilities [2]	19.51	21.27	22.15	24.21	26.27	32.45	36.57	52.02	67.47
St. Lucie County	21.89	28.63	32.00	35.37	38.74	56.92	69.04	109.44	156.59
St. Lucie West Services District	15.42	22.36	25.83	29.30	32.77	43.18	50.12	67.47	84.82
Volusia County - Softened	12.75	19.97	23.58	27.19	30.80	44.12	53.00	75.95	101.30
<b>Other Florida Utilities' Average</b>	<b>\$13.35</b>	<b>\$18.06</b>	<b>\$20.75</b>	<b>\$23.78</b>	<b>\$26.82</b>	<b>\$37.88</b>	<b>\$45.61</b>	<b>\$68.49</b>	<b>\$95.07</b>

<sup>[1]</sup> Unless otherwise noted, amounts shown reflect residential rates in effect June 2014 and are exclusive of taxes or franchise fees, if any, and reflect rates charged for inside the city service. All rates are as reported by the respective utility. This comparison is intended to show comparable charges for similar service for comparison purposes only and is not intended to be a complete listing of all rates and charges offered by each listed utility.

<sup>[2]</sup> Utility is currently involved in a rate study, is planning to conduct a rate study, or plans on implementing a rate revision within the next twelve months.

Source: Brevard County, Florida Financial Feasibility Report dated August \_\_\_, 2014 by Public Resources Management Group, Inc.

The following is a summary of the current and adopted monthly wastewater system rates and a comparison of the monthly cost of providing wastewater for a ¾-inch or smaller wastewater meter at various usage levels calculated at the existing rates of the System and other neighboring Florida utilities as of the billing month of June 2014.

**Summary of Existing and Adopted Monthly County Wastewater Rates [1][2]**

	Fiscal Years Ending September 30,				
	2014 (In Effect)	2015 (Adopted)	2016 (Adopted)	2017 (Adopted)	2018 (Adopted)
<b>Residential Service:</b>					
Monthly Base Charge (per Unit)					
Class A – Single Family	\$17.29	\$18.33	\$19.25	\$20.21	\$21.22
Class B – Multi-Family Master Metered	14.86	15.75	16.54	17.37	18.24
Class C – Multi-Family Individ. Metered	14.86	15.75	16.54	17.37	18.24
Commodity Charge (per 1,000 Gall. of Service):					
All Residential Customer Classes [3]	\$3.66	\$3.88	\$4.07	\$4.27	\$4.48
<b>Commercial / Non-Residential Service:</b>					
Monthly Base Charge (Per Account)[1][4]					
Per Equivalent Residential Connection	\$17.29	\$18.33	\$19.25	\$20.21	\$21.22
Commodity Charge (per 1,000 Gall. of Service):					
All Commercial Customers	\$3.66	\$3.88	\$4.07	\$4.27	\$4.48
<b>Unmetered User Charge - Monthly Rate[3]</b>					
Single Family	\$39.27	\$41.63	\$43.71	\$45.90	\$48.19
Duplex	78.55	83.26	87.42	91.79	96.38
All Other Residential and Commercial (per Unit)					
Multi-family Units (4,000 Gallons)	\$29.50	\$31.27	\$32.82	\$34.45	\$36.16
Trailer Parks (5,000 Gallons)	33.16	35.15	36.89	38.72	40.64
Motel Units (2,500 Gallons)	24.01	25.45	26.72	28.05	29.44
Motel Apartment Units (3,750 Gallons)	28.36	30.30	31.80	33.38	35.04

[1] Amounts shown derived from the Rate Resolution; rates to become effective on January 1<sup>st</sup> of each fiscal year.

[2] Fiscal Year 2019 rates not shown since such rates will be adjusted based on the application of the Board-approved price index adjustment which is not known at this time; the financial forecast assumes a 1.2% index adjustment in Fiscal Year 2019.

[3] Residential customers classified as Class A (single family) and Class C (individually metered residential) have an monthly maximum billing usage threshold of 12,000 gallons per month; Class B (master metered) residential and commercial / non-residential customers do not have a monthly billing usage threshold.

[4] Customers that do not receive metered water service used (which serves as the basis to determine the billed wastewater user charges) shall be billed a monthly fixed amount which includes both the base charge and a consumption element.

Source: Brevard County, Florida Financial Feasibility Report dated August \_\_, 2014 by Public Resources Management Group, Inc.

### Comparison of Typical monthly Residential Bills for Wastewater Service [1]

Description	Residential Service for a 5/8" or 3/4" Meter								
	0	2,000	3,000	4,000	5,000	8,000	10,000	15,000	20,000
	Gallons	Gallons	Gallons	Gallons	Gallons	Gallons	Gallons	Gallons	Gallons
<b>Brevard County, FL</b>									
Brevard Existing Rates	\$17.29	\$24.61	\$28.27	\$31.93	\$35.59	\$46.57	\$53.89	\$61.21	\$61.21
<b>Other Brevard Co Utilities:</b>									
Brevard Co - Barefoot Bay Dist [2]	\$26.12	\$38.18	\$44.21	\$50.24	\$56.27	\$62.30	\$62.30	\$62.30	\$62.30
City of Cape Canaveral [2]	17.54	27.76	32.87	37.98	43.09	58.42	68.64	94.19	119.74
City of Cocoa [2]	12.82	24.98	31.06	37.14	43.22	61.46	73.62	85.78	85.78
City of Cocoa Beach [2]	16.22	16.22	16.22	20.75	25.28	41.30	51.98	78.68	105.38
City of Melbourne [2]	11.21	24.19	30.68	37.17	43.66	63.13	76.11	108.56	141.01
City of Palm Bay [2]	17.40	27.46	32.49	37.52	42.55	57.64	67.70	67.70	67.70
City of Titusville [2]	12.72	26.20	32.94	39.68	46.42	66.64	80.12	113.82	113.82
City of West Melbourne [2]	12.75	22.47	27.33	32.19	37.05	51.63	61.35	85.65	109.95
<b>Other Florida Utilities:</b>									
City of Daytona Beach [2]	11.72	18.92	26.12	33.32	40.52	62.12	76.52	112.52	148.52
City of Edgewater	13.04	23.96	29.42	34.88	40.34	56.72	67.64	94.94	122.24
City of Orlando / O.U.C.	17.84	26.46	30.77	35.08	39.39	52.32	60.94	78.18	78.18
City of Ormond Beach	15.79	15.79	20.22	24.65	29.08	42.37	51.23	73.38	95.53
City of Port St. Lucie	15.70	30.56	37.99	45.42	52.85	75.14	75.14	75.14	75.14
City of St. Cloud	16.74	25.16	29.37	33.58	37.79	50.42	58.84	79.89	100.94
City of Vero Beach	19.89	27.07	30.66	34.25	37.84	48.61	55.79	55.79	55.79
City of West Palm Beach [2]	11.77	21.05	25.69	30.33	34.97	48.88	58.16	67.29	67.29
Ft. Pierce Utilities Auth [2]	15.30	26.28	31.77	37.26	42.75	59.22	70.20	70.20	70.20
Indian River County	14.58	20.30	23.16	26.02	28.88	37.46	43.18	48.90	48.90
Martin County [2]	16.90	25.14	29.26	33.38	37.50	49.86	58.10	58.10	58.10
New Smyrna Beach Util Comm	18.61	26.75	30.82	34.89	38.96	51.17	59.31	79.66	100.01
Okeechobee Utilities Authority [2]	21.71	35.23	41.99	48.75	55.51	75.79	89.31	123.11	156.91
Orange County	15.25	22.19	25.66	29.13	32.60	43.01	49.95	63.83	63.83
Polk County [2]	34.42	46.76	52.93	59.10	65.27	77.61	77.61	77.61	77.61
Seminole County [2]	19.31	28.09	32.48	36.87	41.26	54.43	63.21	85.16	85.16
S. Martin Regional Utilities [2]	12.02	22.38	27.56	32.74	37.92	53.46	63.82	63.82	63.82
St. Lucie County	23.23	37.17	44.14	51.11	58.08	78.99	92.93	92.93	92.93
St. Lucie West Services District	19.29	27.01	30.87	34.73	38.59	50.17	57.89	77.19	96.49
Volusia County - Softened	19.60	27.90	32.05	36.20	40.35	52.80	61.10	77.70	77.70
<b>Other Florida Utilities' Average</b>	<b>\$17.12</b>	<b>\$26.49</b>	<b>\$31.45</b>	<b>\$36.58</b>	<b>\$41.71</b>	<b>\$56.54</b>	<b>\$65.45</b>	<b>\$80.43</b>	<b>\$90.75</b>

[1] Unless otherwise noted, amounts shown reflect residential rates in effect June 2014 and are exclusive of taxes or franchise fees, if any, and reflect rates charged for inside the city service. All rates are as reported by the respective utility. This comparison is intended to show comparable charges for similar service for comparison purposes only and is not intended to be a complete listing of all rates and charges offered by each listed utility.

[2] Utility is currently involved in a rate study, is planning to conduct a rate study, or plans on implementing a rate revision within the next twelve months.

Source: Brevard County, Florida Financial Feasibility Report dated August \_\_, 2014 by Public Resources Management Group, Inc.

The County currently charges an effluent or reclaimed water rate in order to promote conservation, reduce ground water withdrawals, and reduce the use of potable water. The current reclaimed water rates are based on the pervious surface and irrigation requirements of an individual property. The rate currently employed is a flat rate per service, regardless of the amount of metered flow that a property may require. The following is a summary of the current reclaimed water rates:

**Monthly Reclaimed Water Rates**

Customer Designation	Monthly Rate
<b>Small Users (1 Acre Maximum) [1]</b>	
Single Family	\$6.00
Duplex (per Potable Water Meter)	6.00
Multi-Family	\$1.20 per 1,000 sq. ft. Irrigated Area; \$6.00 Month-Minimum)
Medium Users [1][2]	\$20.00 per Acre; \$10.00 per Each Additional 1/2 acre
Major Users (Greater than 100,000 GPD)	Large Users Governed by Individual Reclaimed Water Agreements

GPD = Gallons Per Day

- [1] Amounts derived from the Rate Resolution; no rate phasing of increased reclaimed water rates was adopted by the BOCC as part of the adoption of the Rate Resolution.
- [2] Pursuant to the Rate Resolution, Medium Users would consist of Non-major users greater than 1 acre and generally would consist of commercial, multi-family, recreational, landscape, agricultural, and other uses.

Source: Brevard County, Florida Financial Feasibility Report dated August \_\_, 2014 by Public Resources Management Group, Inc.

The County reads every water meter monthly and sends monthly invoices to all active customers. Billing data is transferred to an outside vendor who prepares the bills and mails them at the lowest possible United States Postal Service pre-sorted rate. Mailed customer payments are opened, recorded and deposited by the County.

Payment is due 20 days after the billing date and accounts are considered in arrears by the next month's billing. Standard operating procedures are maintained for payment collections, extension and service disconnections for delinquencies. If a customer does not pay their bill within a reasonable grace period, their water service is turned off at the water meter. Upon request of reconnection of services, each account is reviewed for additional deposit requirements.

**Connection Fees.** The County currently charges Connection Fees based upon an equitable and proportionate share of the cost for: (i) water production and transmission capacity, including facilities to which the County has a contractual capacity entitlement; and (ii) wastewater transmission, treatment and effluent disposal capacity of the System. The purposes of the Connection Fees are for paying or reimbursing the equitable share of the capital costs relating to the construction, expansion, or equipping of excess or unused capacity of the System in order to serve new users. If an existing customer requests an increase in water or wastewater capacity due to increased development, an additional Connection Fee will be collected prior to the development consistent with the net increase in demand. The following table summarizes the water and wastewater system Connection Fees for each respective utility customer.

The following table summarizes the water system Connection Fees as adopted by the Board as presented in the Rate Resolution for each respective service class.

<b>Summary of Existing Water Connection Fees [1]</b>		
Service Type	Application Basis	Connection Fee
<b>Residential-related Service</b>		
Single Family Residential	Unit	\$1,903.00
Condominium, Apartments, and Mobile Homes	Unit	1,589.00
<b>Commercial-related Service</b>		
Travel Trailer	Per Space	\$476.00
Motel / Hotel	Per Room	952.00
Restaurants	Per Seat	190.00
Cocktail Lounges	Per Seat	76.00
Laundry Facilities	Per Washing Machine	638.00
Other Commercial	Per ERC at 200 GPD	1,903.00

GPD = Gallons Per day

[1] Amounts shown derived from the Rate Resolution.

Source: Brevard County, Florida Financial Feasibility Report dated August \_\_, 2014 by Public Resources Management Group, Inc.

The following table summarizes the Wastewater System Connection Fees as adopted by the Board as presented in the Rate Resolution for each respective service class.

**Summary of Existing Wastewater Connection Fees [1]**

Service Type	Application Basis	Connection Fee
<b>All Residential-Related Service [2]</b>		
1 to 3 Bedrooms	Unit	\$2,257.00
4 Bedrooms	Unit	2,610.00
5 or more Bedrooms	Unit	2,962.00
<b>Commercial-Related Service</b>		
Travel Trailer	Per Space	\$374.00
Motel / Hotel	Per Room	747.00
Restaurants	Per Seat	148.00
Cocktail Lounges	Per Seat	58.00
Laundry Facilities	Per Washing Machine	747.00
Other Commercial	Per ERC at 200 GPD	2,257.00

GPD = Gallons Per day

[1] Amounts shown derived from the Rate Resolution.

[2] Fees applicable to single family, condominium, apartment, mobile home and applied on a "per unit" basis.

Source: Brevard County, Florida Financial Feasibility Report dated August \_\_, 2014 by Public Resources Management Group, Inc.

Under Florida law, impact fees such as the Connection Fees may be validly imposed against new connections in order to fund capital improvements that are needed to serve new connections or for debt service for bonds or other obligations issued for such purposes and, therefore, can be lawfully used only to pay debt service related to bonds issued to finance expansion of the System. Such lawfully available impact fees must be placed in separate accounts and used only for the capital improvements or debt service attributable to expansion or oversizing of the System through construction or acquisition. Impact fee revenues fluctuate with the amount of new construction, which occurs within the System service area. There can, therefore, be no assurances that such revenues will not decrease or be eliminated altogether in the event that new construction, for whatever reason, might decrease or cease altogether within the System service area.

**Capital Recovery Charge.** The County also charges a capital recovery charge associated with the construction of the primary backbone transmission facilities. The application is on a service area-specific basis predicated on the facilities constructed to serve the area and are recovered on the same basis and time as the Connection Fees. The fees vary by service area. These capital recovery charges are applied on the same basis as the Connection Fees are considered a component of the Connection Fees in determining the Pledged Funds of the System.

**Miscellaneous Service Charges.** Pursuant to the Rate Resolution, the County has adopted a schedule of rates, fees and charges that are applicable to miscellaneous or customer-requested services.

The charges are generally imposed to recover the cost of specific services such as water and wastewater taps or utility turn-on fees.

#### Security Deposits

The County currently charges a security deposit to all new customers to limit the risk of payment of a utility bill (unless the customer can demonstrate that it has a good credit history and a deposit is not necessary). The County refunds the single-family residential deposit to the customer if all payments are current and the deposit has been on file for 12 consecutive months; if the customer does not meet the above criteria then the County will hold the deposit until the credit history is satisfactory for the preceding 12 months or when service is terminated, whichever occurs first. All master-metered multi-family and commercial deposits are held for the term of service. If a customer is disconnected for non-payment, service will not be restored until the outstanding balance, including delinquent charges, and a new deposit has been made by the customer. For customers that are billed by the Cities of Melbourne and Cocoa on behalf of the County (represent wastewater-only customers for the County), the billing and customer deposit policies and procedures adopted by the specific local governments for their respective water system shall also be used for the County wastewater accounts. The total deposits from October 1, 2013 to present was \$30,747.

#### Water Meter Installation Charges

The County has adopted a fee for the installation of a water meter as requested by a customer for the installation of water service. The total water meter installation charges from October 1, 2013 to present was \$1,050.

#### Other Miscellaneous Service Charges

In addition to the above referenced charges, the County also has several other charges which are applicable to miscellaneous or customer requested services or for specific utility services. Such fees include account set-up/transfer charge, account reactivation charge, delinquent charge, hydrant meter charge, meter replacement charge and fire line rate-annual charges. The total miscellaneous service charges from October 1, 2013 was \$41,274.

### **Renewal and Replacement Fund**

As previously discussed, the County will establish a Renewal and Replacement Fund in the amount of the Renewal and Replacement Fund Requirement which is an amount equal to (1) \$1,500,000, or (2) such greater or lesser amount as may be certified to the County by the Consulting Engineers as an amount appropriate for the purposes of the Resolution. The County shall deposit monthly 1/12<sup>th</sup> of the Renewal and Replacement Fund Requirement until the amount accumulated is equal to the Renewal and Replacement Fund Requirement. See "APPENDIX D-Feasibility Report" for recommended levels of funding in each year.

## Historical Operating Results

The historical operating results for the System for the fiscal years ended September 30, 2009 through and including 2013 are summarized herein.

### Brevard County, Florida Water and Wastewater Utility System Summary of Historical System Operating Results and Debt Coverage [1]

	Fiscal Year Ended September 30,				
Description	2009	2010	2011	2012	2013
Gross Revenues [2] [3]:					
Water User Service Fees	\$1,155,526	\$1,134,735	\$1,091,825	\$1,042,757	\$1,010,039
Wastewater User Service Fees	<u>24,899,177</u>	<u>25,050,943</u>	<u>25,453,168</u>	<u>25,347,194</u>	<u>25,381,354</u>
Subtotal - Service Fees	\$26,054,703	\$26,185,678	\$26,544,993	\$26,389,951	\$26,391,392
Connection Fees [4]	1,305,295	1,400,027	1,176,801	1,216,849	1,723,550
Other Revenues [5]	63,310	47,659	177,292	36,970	86,132
Income on Investments [5] [6]	451,740	374,847	99,938	108,490	62,414
Gain/Loss on Sale of Assets	109,632	(572,540)	(32,913)	4,803	(89,613)
Self-Insurance Reimbursement [7]	-	235,379	-	-	-
<b>Total</b>	<u>\$27,984,680</u>	<u>\$27,671,050</u>	<u>\$27,966,111</u>	<u>\$27,757,063</u>	<u>\$28,173,875</u>
Cost of Operation and Maintenance [3] [8]:					
Personnel Wages and Benefits	\$8,091,912	\$ 8,249,830	\$ 8,005,129	\$ 7,508,684	\$7,625,854
Other Post Employ Benefits [9]	322,209	90,175	82,733	136,851	60,635
Repair and Maintenance [10]	2,324,705	2,385,821	3,747,962	3,459,562	4,048,166
Operating Supplies	1,337,107	1,172,464	1,345,772	1,353,085	1,377,305
Other Contracted Services	2,563,079	2,565,462	2,659,187	2,987,725	2,679,915
Utility Services (Electricity)	2,059,777	1,700,896	1,659,360	1,661,165	1,542,405
Other Operating Expenses	852,263	695,550	609,348	714,143	703,505
Other Current Charges	690,591	889,140	715,945	918,662	912,667
<b>Total</b>	<u>\$18,241,643</u>	<u>\$17,749,338</u>	<u>\$18,825,437</u>	<u>\$18,739,878</u>	<u>\$18,950,452</u>
Net Revenues	\$9,743,037	\$9,921,712	\$9,140,674	\$9,017,185	\$9,223,423
<b>Rate Covenant Compliance [11]</b>					
Test A - Net Revenues Less Connection Fees					
Net Rev Less Connection Fees	\$8,437,742	\$8,521,685	N/A	N/A	N/A
Max Debt Service Req [12]	7,784,862	7,775,256	N/A	N/A	N/A
Calculated Coverage	108.39%	109.60%	N/A	N/A	N/A
Required Min Coverage	100.0%	100.0%	N/A	N/A	N/A
<b>AND</b>					
Test B - Net Revenues (Incl Connection Fees)					
Net Rev Less Connection Fees	\$9,743,037	\$9,921,712	N/A	N/A	N/A
Max Debt Service Req [12]	7,784,862	7,775,526	N/A	N/A	N/A
Calculated Coverage	125.15%	127.61%	N/A	N/A	N/A
Required Min Coverage	125.0%	125.0%	N/A	N/A	N/A
Required Transfers from Net Revenues: [13]					
Senior Lien Bonds [14]	\$7,937,229	\$7,935,039	\$3,381,115	N/A	N/A
Reserve Account [15]	-	-	-	-	-
Jr Lien Bonds - Interfund Loan [14] [16]	-	-	3,691,250	6,187,500	2,526,250
Renewal and Replacement Fund [17]	-	-	-	-	-
Amounts Available for Other System Purposes	<u>\$1,805,808</u>	<u>\$1,986,673</u>	<u>\$2,068,309</u>	<u>\$2,829,685</u>	<u>\$6,697,173</u>

[Footnotes on succeeding page]

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- [1] This table provides a review of historical compliance with the covenants of the Prior Bond Resolution related to the Outstanding Bonds during the Historical Period. Defined terms will have the meaning assigned to them in the Prior Bond Resolution. As of the end of the Fiscal Year 2013, no bonds issued pursuant to the Prior Bond Resolution were outstanding and such resolution is no longer in effect. Unless otherwise noted amounts shown are derived from the County's Comprehensive Annual Financial Reports and other supporting financial information as provided by the County and in support of the audited financial statements.
- [2] Pursuant to the Prior Bond Resolution, "Gross Revenues" or "Revenues" shall mean all income or earnings, including Special Assessments and Connection Fees, and including income from investments deposited in the Revenue Fund, derived by the Issuer from the operation of the System.
- [3] Unless otherwise noted, amounts shown were derived from detailed historical financial records of the County and are in support of reported amounts within the Statement of Revenues, Expenses and Changes in Fund Net Assets (the "Income Statement") and Statement of Cash Flows (the "Cash Flow Statement") in the County's Comprehensive Annual Financial Report.
- [4] Generally, under Florida law, Connection Fees (also referred to as Impact Fees) may be validly imposed for construction of improvements and the expansion of the System to new customer growth or development that drive the need for such improvements. Connection Fees may also be used to pay the debt service for the expansion-related capital improvements funded from the proceeds of any respective outstanding indebtedness of the System. For purposes of this analysis, no determination of the expansion-related capital improvements related to the Outstanding Bonds or Subordinated Indebtedness was evaluated and therefore not all of the identified Connection Fees may be legally available for payment of debt service payments shown.
- [5] Amounts shown are reported as non-operating revenues within the Income Statement, however based on a review of the detailed financial records such amounts include charges for miscellaneous services provided by the System, including account set up, delinquent, and turn-on / turn-off charges and other miscellaneous charges. Such amounts also include minor revenues from grants received during the Fiscal Year 2009 of \$4,834 and Fiscal Year 2013 of \$1,494, respectively. For purposes of this analysis and since such amounts were earned as part of the operation of the System, such amounts were included as part of the Gross Revenues for determination of compliance with the covenants of the Prior Bond Resolution.
- [6] Pursuant to the Prior Bond Resolution, interest income included as part of the definition of Gross Revenues recognizes any income from investments earned on funds deposited to the Revenue Fund. For purposes of this analysis income from investments shown reflects earning on all fund balances with exception to cash balances associated with bond proceeds.
- [7] Amounts shown reflect a reimbursement from the County's self-insurance fund for excess transfers to the payment of insurance expenses.
- [8] Pursuant to the Prior Bond Resolution, the Cost of Operating and Maintenance is defined as the current expenses, paid or accrued, for the operation, maintenance and repair of the System as calculated in accordance with generally accepted accounting principles, including the Operating Component of the Cost of Contracted Services but shall not include expenses not annually recurring, such as any reserve for renewals and replacements, extraordinary repairs or conditions, any allowance for depreciation, any debt service requirement, or any payments in lieu of taxes (the "PILOT"). Amounts shown reflect the reported operating expenses within the Income Statement less depreciation and PILOT. The following provides a reconciliation from the Cost of Operation and Maintenance to the total reported operating expenses within the Income Statement:

Fiscal Year	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Cost of Operation and Maintenance	\$18,241,643	\$17,749,338	\$18,825,437	\$18,739,878	\$18,950,452
Less other Indirect Costs Transfers (a)	(6,220)	(156,654)	(89,010)	(123,643)	(94,641)
Payment in Lieu of Taxes (PILOT)	912,040	0	0	0	0
Reported in Operating Expenses (b)					
Non-annually Recurring Expenses (c)	405,216	791,903	N/A	N/A	N/a
Depreciation	<u>8,120,274</u>	<u>6,570,256</u>	<u>5,765,546</u>	<u>5,555,575</u>	<u>4,761,893</u>
Operating Expenses Reported by County	<u>\$27,672,953</u>	<u>\$24,954,843</u>	<u>\$24,501,973</u>	<u>\$24,171,810</u>	<u>\$23,617,704</u>

(a) Amounts shown reflect transfers from the utility enterprise fund to other County funds for reimbursement of indirect costs related information technology and other services, which were not recorded as an operating expense within the Income Statement. Such amounts were included as part of the Cost of Operation and Maintenance for purposes of determining compliance with the rate covenant of the Prior Bond Resolution. Therefore, such amounts reflect an adjustment or reduction to the Cost of Operation and Maintenance in order to reconcile to the reported operating expenses of the historical Income Statements for the County.

(b) The Income Statement for the County reported transfers to the General Fund for PILOT as a component of operating expenses during the Fiscal Year 2009. During subsequent years such amounts were not included as a part of reported operating expenses and included as part of "Transfers Out". For informational purposes, the following provides a summary of total transfers to the General Fund of the County related to PILOT and other minor transfers for operation of the System for the Historical Period:

Fiscal Year	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Transfer to the General Fund for PILOT	<u>\$912,040</u>	<u>\$984,680</u>	<u>\$1,161,070</u>	<u>\$1,430,868</u>	<u>\$1,667,686</u>

(c) Amounts shown were derived from the notes to the financial statements for the County and reflect certain expenses which were excluded from the Cost of Operation and Maintenance for calculation of compliance with the rate covenant of the Prior Bond Resolution. Such amounts were considered by the County to be non-annually recurring (e.g. certain litigation expenses) or extraordinary expenses of the System. Subsequent to the defeasance of the Series 2002 Bonds during Fiscal Year 2011, the County no longer reported on such amounts within the audited financial statements although the County maintains an internal tracking for such expenses.

[9] Other Post Employment Benefits ("OPEB") represent the expense associated with the change in the reported OPEB liability. Amounts shown do not represent actual transfers made to fund the OPEB liability and is considered a non-cash expense.

[10] Amounts shown include expenditures related to major maintenance or capital renovations that were included as part of the capital improvement program, which were not capitalized and reclassified as an operating expense..

[11] Pursuant to the Prior Bond Resolution, Section 17F (the "Rate Covenant"), the County must maintain sufficient rates, fees, charges and other Pledged Funds in each Fiscal Year which will provide:

A) Revenues (excluding Special Assessment and Connection Fees) after paying the Cost of Operation and Maintenance of the System, in each year sufficient to pay least 100% of the Maximum Debt Service Requirement on the Outstanding Bonds (referenced as "Test A");

AND

B) Revenues (including Connection Fees but excluding Special Assessments) after paying the Cost of Operation and Maintenance of the System, in each year sufficient to pay least 125% of the Maximum Debt Service Requirement on the Outstanding Bonds (referenced as "Test B").

[12] During the Historical Period, the Maximum Debt Service Requirement on the Outstanding Bonds, which included only the Series 2002 Bonds was determined as follows:

Fiscal Year of Determination	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Maximum Annual Debt Service Requirement (a)(b)	\$7,784,862	\$7,775,256	N/A	N/A	N/A
Projected Year of Maximum Debt Service	FY2013	FY2013	N/A	N/A	N/A

- (a) Amounts shown reflect the Maximum Annual Debt Service Requirement as defined by the Prior Bond Resolution and reflect the maximum remaining debt service payments made on an "as paid" or "cash basis" for each respective Fiscal Year for the then outstanding Series 2002 Bonds.
- (b) During the Fiscal Year 2011, the County defeased and redeemed all of the then outstanding Series 2002 Bonds and no other Bonds were considered outstanding pursuant to the terms of the Prior Bond Resolution. The defeasance of the Series 2002 Bonds was financed using available System cash reserves and the use of Subordinated Indebtedness (reference Footnote No. 16 below). Upon the defeasance of the Series 2002 Bonds, the Prior Bond Resolution was considered to no longer be in effect.
- [13] Unless otherwise noted, amounts shown reflect other required deposits to funds and accounts as reference in Section 17B of the Prior Bond Resolution; although not a specific component of the rate covenant as delineated in the Prior Bond Resolution, Net Revenues must be sufficient to meet such required deposits.
- [14] Amounts shown are derived from the actual loan repayment schedules for the Outstanding Bonds during the Historical Period and represent when the monthly deposits to the Sinking Fund are required from operations and not when the principal and interest payments were actually made.
- [15] Pursuant to the Prior Bond Resolution, the Reserve Account Requirement shall mean maintaining a minimum cash balance within the Reserve Account equivalent to the lesser of: i) the Maximum Annual Debt Service for all Outstanding Bonds secured by the Reserve Account; or ii) 125% of the Annual Debt Service of Bonds secured by the Reserve Account coming due in such Fiscal Year. No required transfers were recognized during the Historical Period since the Reserve Account Requirement was secured through a Reserve Account Insurance Policy for the Outstanding Bonds or from the proceeds of such Outstanding Bonds.
- [16] Reflects the repayment of the County Internal Loan which is considered as Subordinated Indebtedness for the purposes of this Report. Since the loan is internal to the County, there is no specific rate covenant (required debt service coverage) and therefore the required coverage was assumed at a 100% requirement.
- [17] Pursuant to Section 17B(9) of the Prior Bond Resolution, the required annual transfers to the Renewal, Replacement and Improvement Fund must be not less than five percent (5%) of the Gross Revenues for the immediately preceding Fiscal Year; however, no such transfer shall be required whenever the unappropriated balance in such fund shall equal the lesser of at: i) of one percent (1%) of the gross book value of the fixed assets of the System; or ii) \$500,000. Based on discussions with County staff, a minimum cash reserve equal to at least \$500,000 was held in such fund resulting in compliance with the requirement of the Prior Bond Resolution and no required transfers identified for the historical period.

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Source: Brevard County, Florida Financial Feasibility Report dated August \_\_, 2014 by Public Resources Management Group, Inc.

### **Projected Operating Results**

Projections of the operating results for the System have been prepared for the Forecast Period. These projections were based on: (i) the adopted Fiscal Year 2014 and preliminary Fiscal Year 2015 Budget for each respective cost center; (ii) actual Fiscal Year 2013 audited results and other supporting financial information as reported by the County for the System, including Fiscal Year 2014 year-to-date operating results; (iii) discussions with Utility staff and its consultants regarding current and future utility needs associated with System expansion and capital improvements; (iv) information provided by other utilities, including information regarding the cost of wastewater customer and billing services; and (v) other information provided by the County and its consultants.

Below is a summary of the projected operating results and debt service coverage:

**Brevard County, Florida**  
**Water and Wastewater Utility System**  
**Projected Debt Service Coverage Analysis [1]**

Description	Fiscal Year Ending September 30,					
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Gross Revenues [2]						
Water User Service Fees [3]	\$1,073,861	\$1,147,329	\$1,209,322	\$1,272,763	\$1,340,949	\$1,374,605
Wastewater User Service Fees [3]	27,183,775	29,236,807	31,019,750	32,838,702	34,766,476	35,817,743
Other Revenues [4]	104,854	104,854	104,854	104,854	104,854	104,854
Investment Earnings [5]	67,700	94,600	111,100	133,700	151,000	170,700
Transfers (to) / from Rate Stabilization Fund	-	-	-	-	-	-
<b>Total</b>	<u>\$28,430,190</u>	<u>\$30,583,591</u>	<u>\$32,445,026</u>	<u>\$34,350,019</u>	<u>\$36,363,279</u>	<u>\$37,467,902</u>
Operating Expenses [6]:						
Personnel Wages and Benefits	\$ 8,105,921	\$ 9,071,733	\$9,414,751	\$ 9,772,389	\$10,145,334	\$10,534,111
Other Post Employ Benefits [7]	146,832	161,765	171,471	181,760	192,665	204,225
Repair and Maintenance[8]	2,983,213	4,130,854	4,282,128	4,410,713	4,203,992	4,136,399
Operating Supplies	1,325,000	1,348,750	1,388,925	1,431,921	1,479,234	1,528,226
Other Contracted Services	2,581,432	2,697,274	2,778,147	2,861,451	2,947,263	3,035,649
Utility Services (Electricity)	1,633,041	1,647,000	1,729,350	1,815,818	1,906,608	2,001,939
Other Operating Expenses	646,274	675,538	712,829	753,041	796,693	843,439
Other Current Charges	905,099	913,621	941,030	969,261	998,338	1,028,288
Bad Debt [9]	<u>178,733</u>	<u>192,556</u>	<u>204,548</u>	<u>216,783</u>	<u>229,757</u>	<u>236,809</u>
<b>Total</b>	<u>\$18,505,545</u>	<u>\$20,839,091</u>	<u>\$21,623,179</u>	<u>\$22,413,136</u>	<u>\$22,899,886</u>	<u>\$23,549,086</u>
Net Revenues [10]	\$ 9,924,645	\$ 9,744,499	\$10,821,848	\$11,936,883	\$13,463,393	\$13,918,816
Connection Fees [11][12]	<u>1,570,651</u>	<u>1,579,679</u>	<u>1,599,284</u>	<u>1,632,077</u>	<u>1,646,814</u>	<u>1,668,676</u>
<b>Total</b>	<u>\$11,495,296</u>	<u>\$11,324,178</u>	<u>\$12,421,132</u>	<u>\$13,568,960</u>	<u>\$15,110,207</u>	<u>\$15,587,492</u>
Annual Debt Service						
Series 2014 Bonds [13]	\$ -	\$1,543,510	\$ 1,724,100	\$ 1,723,700	\$ 1,723,100	\$ 1,721,900
Series 2016 Bonds [13]	-	-	<u>2,557,608</u>	<u>3,388,013</u>	<u>3,387,613</u>	<u>3,386,813</u>
<b>Total</b>	\$ -	\$ 1,543,510	\$3,981,708	\$ 5,111,713	\$5,110,713	\$5,108,713
<b>Rate Covenant Compliance [14]</b>						
Test A-Net Revenues w/Connection Fees[15]	\$11,495,296	\$11,324,178	\$12,421,132	\$13,568,960	\$15,110,207	\$15,487,492
Annual Debt Service	N/A	\$ 1,543,510	\$ 3,981,708	\$ 5,111,713	\$5,110,713	\$ 5,108,714
Calculated Coverage	N/A	733.7%	312.0%	265.4%	295.7%	305.1%
Required Coverage	N/A	120.0%	120.0%	120.0%	120.0%	120.0%
AND Test B - Net Revenues Only	\$ 9,924,645	\$ 9,744,499	\$10,821,848	\$11,936,883	\$13,463,393	\$13,918,816
Annual Debt Service	N/A	\$1,543,510	\$3,981,708	\$5,111,713	\$5,110,713	\$5,108,713
Calculated Coverage	N/A	631.6%	271.8%	233.5%	263.4%	272.5%
Required Coverage	N/A	110.0%	110.0%	110.0%	110.0%	110.0%
Other Req Transfers from Net Rev [16]						
Sinking Fund Deposits	\$ -	-	-	-	-	-
Reserve Account [17]	-	-	-	-	-	-
Renewal and Replace Fund [18]	-	-	-	-	-	-
Sub Indebtedness Debt Serv [19]	-	-	-	-	-	-
Connection Fees Funds [20]	-	-	-	-	-	-
Avail for Other System Purposes [21]	<u>\$ 9,924,645</u>	<u>\$ 8,057,314</u>	<u>\$ 6,557,838</u>	<u>\$ 6,825,254</u>	<u>\$ 8,352,848</u>	<u>\$ 8,810,391</u>

[Footnotes on succeeding page]

- [1] This table provides a review of projected compliance with the covenants of the Bond Resolution related to the Series 2014 Bonds and Additional Bonds anticipated to be issued based on the forecast results. Projections were based on: i) the adopted Fiscal Year 2014 Budget and Fiscal Year 2015 Preliminary Budget for each respective utility or cost center; ii) actual Fiscal Year 2013 audited results, Fiscal Year-to-Date 2014 results, and other supporting financial information as reported by the County for the System; iii) discussions with County staff and its consultants regarding current and future utility needs associated with System expansion and capital improvements; iv) information provided by other utilities, including information regarding the cost of billing for wastewater service; and v) other information provided by the County and its consultants.
- [2] Pursuant to the Bond Resolution Gross Revenues generally mean all income and moneys received by the County from rates, fees, rentals, charges and other income for water and wastewater services calculated in accordance with generally accepted accounting principles ("GAAP") including, without limiting the generality of the foregoing, Investment Earnings. Gross Revenues shall also include transfers from the Rate Stabilization Fund into the Revenue Fund but will not include transfers from the Utility Reserve Fund to the Rate Stabilization Fund during the respective current period. Please see APPENDIX B-Form of Resolution for the full definition.
- [3] Amounts shown recognize Board-adopted rate increases pursuant to the Rate Resolution for the Forecast Period. The summary below reflects the average percentage increase in rates as approved by the Board:

Board Adopted Rate Increases - Effective January 1st: [a]

Fiscal Year	<u>2014</u> [b]	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u> [c]
Adopted Rate Revenue Increases	9.00%	6.00%	5.00%	5.00%	5.00%	1.20%

[a] Percentage rate increases based on change in rates as presented in the Rate Resolution.

[b] Adopted rate increase has been enacted by the County and is now in effect.

[c] Adopted rate indexing provision effective with bills rendered on or after January 1, 2019. Inflation index is estimated and may vary dependent upon the reported Consumer Price Index as reported by the Bureau of Labor Statistics.

- [4] Amounts shown include charges for customer services such as turn-ons and turn-offs, initiation of service, late payment fees and other miscellaneous charges.
- [5] Pursuant to the Bond Resolution, Investment Earnings pledged and available for calculating compliance with the rate covenant (Section 5.04 of the Bond Resolution) shall include all income and earnings on all funds and accounts as established through the Bond Resolution with exception of the Rebate Fund.
- [6] Amounts shown represent operating expenses as defined pursuant to the Bond Resolution and are exclusive of depreciation, amortization and Payment-in-lieu-of-taxes ("PILOT"). Please reference Note 22 for additional detail concerning the forecast of the PILOT expenses.
- [7] Amounts shown reflect projected increases in the liability associated with Other Post-Employment Benefits ("OPEB"). Based on discussions with County staff, such amounts were forecasted based on the application of a 6.0% escalation factor to the recent historical average for the reported OPEB expense. Such amounts also reflect an incremental adjustment for six (6) new additional personnel during the Fiscal Year 2015.
- [8] Amounts shown reflect expenditures related to major maintenance or capital renovations that were included as part of the capital improvement program (reference Table 3), which were assumed not to be capitalized and therefore reclassified as an Operating Expenses for purposes of calculating compliance with the rate covenant delineated in the Bond Resolution.

- [9] Amounts shown reflect application of a 0.65% bad debt factor to total user fee / rate revenues to provide an allowance for revenues which are considered as being uncollectable (bad debt expenses) in order to estimate the amount of rate revenues to be received by the System and in the determination of the Net Revenues.
- [10] Amounts shown reflect the Pledged Funds including Net Revenues (Gross Revenues less Operating Expenses) for use in evaluating compliance with the rate covenant delineated in the Resolution.
- [11] Amounts shown reflect Connection Fees as received (as opposed to when earned) for the respective fiscal years shown and do not include any Investment Earnings. Any Investment Earnings related to the Connection Fees Fund have been included as a component of Gross Revenues (recognized through Investment Earnings) in accordance with the terms of the Bond Resolution.
- [12] Generally, under Florida law, Connection Fees (also referred to as Impact Fees) may be validly imposed for construction of improvements and the expansion of the System to new customer growth or development that drive the need for such improvements (i.e., "Growth Pays for Growth"). Connection Fees may also be used to pay the debt service for the expansion-related capital improvements funded from the proceeds of any respective outstanding indebtedness of the System. For purposes of this analysis, no determination of the expansion-related capital improvements related to the Series 2014 Bonds or Additional Bonds was evaluated and therefore not all of the identified Connection Fees may be legally available for payment of the Annual Debt Service payments shown.
- [13] Amounts shown are derived from the estimated Bond repayment schedules as provided by the Financial Advisor for the Series 2014 Bonds and the Additional Bonds assumed to be issued during the Forecast Period. Amounts represent debt service payments on an "as paid" basis (i.e. when the principal and interest payments are estimated to be made) by respective fiscal year shown. The Annual Debt Service schedules were prepared by the County's Financial Advisor and relied upon by PRMG and was based on assumptions regarding the timing, structure and costs as developed by such advisors.
- [14] Pursuant to the Bond Resolution Section 5.04 (the "Rate Covenant"), the County must maintain sufficient rates, fees, charges and other Pledged Funds in each Fiscal Year which provides the following:
- A) Net Revenues and Connection Fees, together with Fund Balance, equal to at least 120% of i) the Annual Debt Service becoming due in such Fiscal Year (referenced at "Test A");  
AND
  - B) Net Revenues shall be adequate at all times to pay at least 110% of the Annual Debt Service becoming due in such Fiscal Year and any amounts required to be deposited into the Reserve Account or with any issuer of a Reserve Account letter of Credit or Reserve Account Insurance Policy in such Fiscal Year to pay Policy Costs and amounts required to be repaid in the Water Connection Fees and Wastewater Connection Fees Funds (referenced at "Test B").
- [15] For the purposes of the determination of compliance with the Rate Covenant, PRMG only considered the Pledged Revenues to test the adequacy of such revenues to meet the Annual Debt Service and did not consider the availability of Fund Balance in the determination of the coverage calculation; the recognition of Fund Balance would increase the debt service coverage ratio as shown above.
- [16] Amounts shown reflect other required deposits to funds and accounts as referenced in Section 5.04 of the Bond Resolution.
- [17] Amounts shown represent the monthly deposits to the Sinking Fund (i.e. accrued payments and not when principal and interest payments are due) pursuant to the requirements of the Resolution.

- [18] Based on the assumptions provided by the Municipal Financial Advisor, proceeds from the Series 2014 Bonds and the Additional Bonds will be used to fully fund the Reserve Account Requirement. Accordingly, no required transfers from Pledged Revenues were recognized during the Forecast Period.
- [19] Pursuant to the Bond Resolution, the Renewal and Replacement Fund Requirement shall mean an amount of money equal to: i) \$1,500,000; or ii) an amount as determined by the Consulting Engineer. For purposes of this analysis and based on discussions with the County, it is assumed the County will transfer \$1,500,000 from available unrestricted funds from the System prior to issuance of the Series 2014 Bonds to the Renewal and Replacement Fund in order to satisfy the requirement of the Bond Resolution. Accordingly, no required transfers from Pledged Revenues were recognized during the Forecast Period.
- [20] During the Forecast Period it is assumed based on the capital financing plan as shown on Table 3 that the County will not be securing or issuing any Subordinated Indebtedness.
- [21] Pursuant to Sections 4.06(a) and 4.07(a) of the Resolution, the County must repay any amounts used from the Connection Fees Funds that were not legally available to pay debt service as a result of a deficiency arising in the Principal Account or Interest Account. No deficiencies are anticipated during the Forecast Period that would require the use of Connection Fees or balance transfers from the Connection Fees Funds.
- [22] For informational purposes the following table provides a reconciliation to the projected uses of remaining Net Revenues "Available for Other System Purposes":

Fiscal Year	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Amounts Available for Other System Purposes	\$9,924,645	\$8,057,314	\$6,557,838	\$6,825,254	\$8,352,848	\$8,810,391
Plus:						
OPEB (Non-Cash Expense)	146,832	161,765	171,471	181,760	192,665	204,225
Connection Fees Used to Pay Debt Service	-	-	1,351,698	1,609,241	1,618,269	1,636,325
Less:						
Payment in Lieu of Taxes (PILOT)	1,563,421	1,554,882	1,587,535	1,622,460	1,661,399	1,701,273
Capital Outlay (Excludes Major Maintenance)	984,900	1,726,542	1,363,990	1,356,499	1,397,194	1,275,201
Restricted Interest to Connection Fees	<u>16,200</u>	<u>20,100</u>	<u>14,100</u>	<u>8,200</u>	<u>7,900</u>	<u>9,200</u>
Net Available to Utility Reserve Fund	<u>\$7,506,956</u>	<u>\$4,917,556</u>	<u>\$5,115,383</u>	<u>\$5,629,096</u>	<u>\$7,097,288</u>	<u>\$7,665,267</u>
Transfers to Utility Reserve Fund Uses:						
Funding Capital Improvements	\$7,256,955	\$4,405,970	\$4,859,262	\$5,361,409	\$6,816,246	\$7,374,711
Maintaining Minimum Reserve Balances	<u>250,000</u>	<u>511,586</u>	<u>256,121</u>	<u>267,687</u>	<u>281,043</u>	<u>290,556</u>
Total	<u>\$7,506,955</u>	<u>\$4,917,556</u>	<u>\$5,115,383</u>	<u>\$5,629,096</u>	<u>\$7,097,288</u>	<u>\$7,665,267</u>

Source: Brevard County, Florida Financial Feasibility Report dated August \_\_, 2014 by Public Resources Management Group, Inc

## Capital Improvement Program

The County has identified over \$132 million in capital projects for the period including Fiscal Year 2014 through 2019 (the "Forecast Period") in order to meet future needs based on increases in customer growth and consumption rates and to maintain the System properly. Therefore, the County developed a Capital Improvement Program ("CIP") comprising a variety of major additions, extensions, improvements, replacements, rehabilitations, and enhancements to the System. This plan was developed by the utility staff and its consulting engineers based on a comprehensive condition assessment and evaluation of the existing assets in service, the projection of service area capacity needs, the recommendations of an internal audit prepared by the County's external auditors relative to capital re-investment needs, and the recognition of ongoing regulations promulgated by the EPA, the FDEP, SJRWMD, and other agencies that may have jurisdiction. The County reviews its CIP annually and updates such program recognizing changes in cost and priority of the improvements. Accordingly, the total cost of the CIP could be more or less depending on future demand, actual contract awards, and other economic factors.

A summary of the Capital Improvement Program is summarized below:

<b>Summary of Capital Funding Requirements – Forecast Period</b>		
	Estimated Appropriations Fiscal Years 2014-2019 [1]	Percent of Total
Water System – CIP	\$6,415,542	4.85%
Wastewater System – CIP	117,682,618	89.02%
Department Capital [2]	8,104,326	6.13%
<b>Total</b>	<b>\$132,202,486</b>	<b>100.00%</b>

[1] For expenditures beginning in Fiscal Year 2017 such capital costs as identified by the County were escalated for inflation.

[2] Amounts reflect funding of capital outlay and equipment from annual operations and reflect capital expenditures not considered a part of the County's formal CIP but are a part of the annual operating budget of the System (funded from annual rate revenues/operations).

Source: Brevard County, Florida Financial Feasibility  
Report dated August \_\_, 2014 by Public Resources  
Management Group, Inc.

See "APPENDIX D-Feasibility Report" for more detail regarding the proposed capital improvements and "APPENDIX E – Consulting Engineer's Report" for a description of the condition of the System and purpose for the CIP needs.

## Funding Sources for the Capital Improvement Program

Projects are to be funded from the Series 2014 Bonds, Net Revenues (based on assumed rate increases hereinafter described), Connection Fees, available unencumbered funds on deposit, and future borrowings. Based on an analysis of available funds to the County (e.g., Connection Fees, available Renewal and Replacement Funds and other capital account reserves balances, etc.) and the estimated

amount of bond proceeds to be derived from the issuance of the Series 2014 Bonds and additional parity bonds, the funding sources for the total CIP as identified by the County and recognized for the purpose of preparing the financial projections were assumed as follows:

	Estimated Funding	
	<u>Amount [1]</u>	<u>Percent</u>
Capital Improvement Fund [2]	\$36,619,171	27.7%
Series 2014 Bonds	26,627,707	20.1%
Series 2016 Bonds [3]	50,199,511	38.0%
Water Connection Fees	300,000	0.2%
Sewer Connection Fees	5,585,000	4.2%
Annual Operations/Rate Revenues [4]	<u>12,871,097</u>	<u>9.7%</u>
Total	<u>\$132,202,486</u>	<u>100.00%</u>

- [1] Amounts include estimated expenditures associated with previously appropriated projects approved in prior periods which are still in process (carryover capital projects) and the CIP for the six (6) Fiscal Year period 2014-2019.
- [2] Represents an unrestricted subaccount of the Utility Reserve Fund established by the County to budget and account for capital improvements funded. Projected fund balances in the Capital Improvement Fund are assumed from dedicated annual transfers derived from the service fees and other revenues of the System as noted in greater detail in Financial Feasibility Report.
- [3] Reflects anticipated additional parity bonds expected to be issued by the County during the Forecast Period to primarily fund the construction of the South County Water Reclamation Facility.
- [4] Amounts reflect funding major maintenance expenses included in the CIP, as well as, budgeted departmental capital outlay and other equipment funded from annual rate revenues/operations.

Source: Brevard County, Florida Financial Feasibility Report dated August \_\_, 2014 by Public Resources Management Group, Inc.

As noted above, as part of the County's CIP, they expect to issue Additional Bonds in 2016 in the estimated amount of \$50,000,000 to fund a portion of the planned capital improvements.

### RISK FACTORS

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

## INVESTMENT POLICY OF THE COUNTY

Pursuant to the requirements of Section 218.415, Florida Statutes, the County adopted a written investment policy which applies to all cash and investments held or controlled by the County with the exception of the County's funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds. The investment policy was updated and revised on August 9, 2011.

The foremost objective of the investment policy is the safety of the principal of those funds within the portfolios. Investment transactions shall seek to keep capital losses at a minimum. The portfolios shall be managed in such a manner that funds are available to meet reasonably anticipated cash flow requirement in an orderly manner. Investment portfolios shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

The investment policy limits the securities eligible for inclusion in the County's portfolio, including: the State Board of Administration, State of Florida, direct obligations of the United States Government, obligations of different agencies of the Federal Government (e.g., fixed rate mortgage-backed securities), corporate notes and time deposits or savings accounts of financial institutions under Federal and State regulation. The investment policy also establishes criteria for suitable financial institutions and broker-dealers with which the County will conduct business. Internal investment controls are provided in the investment policy as are bidding requirements.

To enhance safety, the investment policy requires the diversification of the portfolio to reduce the risk of loss resulting from over-concentration of assets in a specific class of security. The investment policy provides guidelines for diversification, setting forth maximum percentages for the various allowable investments. The investment policy also provides maturity and liquidity requirements for investments. The responsibility for providing oversight in regards to the management of the investment program resides with the Brevard County Investment Committee comprised of five community volunteers. The management responsibility for all County funds in the long-term core investment program and investment transactions is delegated to the County's Investment Advisor. The Clerk's Finance Director or designees will be responsible for the transferring of appropriate funds to affect investment transactions as recommended by the County's Investment Advisor for the long-term core investment program. The Clerk's Finance Department will be responsible for the investment of operating funds, operating reserves funds, and bond proceeds. Quarterly investment reports on the County's short-term and long-term core investments are required to be prepared and distributed to the Investment Committee and the Board. In addition, an annual investment report on the County's long-term core investment funds is required to be prepared and distributed to the Investment Committee and the Board.

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

The County participates in the State Local Government Surplus Funds Trust Fund, administered by the State Board of Administration (the "SBA"). The purpose of this pool is to promote, through State assistance, the maximization of net interest earnings on invested surplus funds of local units of government, thereby reducing the need for imposing additional taxes. During the fiscal year ended September 30, 2008, the SBA reported that the investment pool was exposed to potential risks due to indirect exposure in the sub-prime mortgage financial market. Consequently, the SBA placed some restrictions on how participants could access portions of their surplus funds and ultimately restructured

the investment pool into two separate pools, the Florida Prime (formerly, the Local Government Investment Pool) and Fund B. As of December 23, 2008, full liquidity was restored to the LGIP, formerly known as Fund A.

Florida Prime is considered a SEC "2a-7 like" fund, with the fair value of the investment equal to the account balance. A 2a7-like fund is not registered with the SEC as an investment company, but has a policy that it operates in a manner consistent with the SEC's Rule 2a7 of The Investment Company Act of 1940, the rules governing money market funds. Thus, the pool operates essentially as a money market fund, but is classified as an external investment pool.

Fund B participants are prohibited from withdrawing any amount from Fund B. As securities mature in Fund B, funds are transferred to Florida Prime at which time the funds are available to withdraw without any restrictions. The weighted average days to maturity of Florida Prime was 44 days, while the weighted average life of Fund B was 4.04 years, as of September 30, 2013. On September 30, 2013, the County had \$3,825,050 invested in Florida Prime and \$3,149,090 remaining in Fund B, with a fair value of \$3,566,731.

## LEGAL MATTERS

Certain legal matters incident to the validity of the Series 2014 Bonds are subject to the approval of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel, whose approving opinion in the form attached hereto as "APPENDIX F – Form of Opinion of Bond Counsel " will be furnished without charge to the purchasers of the Series 2014 Bonds at the time of their delivery. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Official Statement or otherwise shall create no implication that subsequent to the date of the opinion Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion.

Bond Counsel has not been engaged or undertaken to review (i) the accuracy, completeness or sufficiency of this Official Statement or any other offering material related to the Series 2014 Bonds except as may be provided in the supplemental opinion of Bond Counsel to the Underwriters, upon which only they may rely, or (ii) the compliance with any federal or state law with regard to the sale or distribution of the Series 2014 Bonds.

Certain legal matters will be passed upon by Scott Knox, Esq., County Attorney, and by Bryant Miller Olive P.A., Miami, Florida, Disclosure Counsel to the County. See also "CONTINGENT FEES" herein.

## LITIGATION

There is no pending or, to the knowledge of the County, any threatened litigation against the County of any nature whatsoever which in any way questions or affects the validity of the Series 2014 Bonds, or any proceedings or transactions relating to their issuance, sale, execution, or delivery, or the adoption of the Resolution, or the source of security described herein. The County does carry liability insurance, and is afforded the additional protection of coverage of sovereign immunity by Section 768.28, Florida Statutes. Neither the creation, organization or existence, nor the title of the present members of the Board, or other officers of the County is being contested.

The County experiences claims, litigation, and various legal proceedings which individually are not expected to have a material adverse effect on the operations or financial condition of the County or the System, but may, in the aggregate, have a material impact thereon. In the opinion of the County Attorney, however, the County will either successfully defend such actions or otherwise resolve such matters without any material adverse consequences to the financial condition of the County.

#### **DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS**

Pursuant to Section 517.051, Florida Statutes, as amended, no person may directly or indirectly offer or sell securities of the County except by an offering circular containing full and fair disclosure of all defaults as to principal or interest on its obligations since December 31, 1975, as provided by rule of the Office of Financial Regulation within the Florida Financial Services Commission (the "Commission"). Pursuant to administrative rulemaking, the Commission has required the disclosure of the amounts and types of defaults, any legal proceedings resulting from such defaults, whether a trustee or receiver has been appointed over the assets of the County, and certain additional financial information, unless the County believes in good faith that such information would not be considered material by a reasonable investor. The County is not and has not been in default on any bond, note or other obligations which it has issued, assumed or guaranteed as to payment of principal, premium, if any, or interest since December 31, 1975 that would be considered material by a reasonable investor in the Series 2014 Bonds.

The County has not undertaken an independent review or investigation of securities for which it has served as conduit issuer. The County does not believe that any information about any default on such securities is appropriate and would be considered material by a reasonable investor in the Series 2014 Bonds because the County would not have been obligated to pay the debt service on any such securities except from payments made to it by the private companies on whose behalf such securities were issued and no funds of the County would have been pledged or used to pay such securities or the interest thereon.

#### **TAX EXEMPTION**

##### **Opinion of Bond Counsel**

In the opinion of Bond Counsel, the form of which is included as "APPENDIX F – Form of Opinion of Bond Counsel" attached hereto, the interest on the Series 2014 Bonds is excludable from gross income and is not a specific item of tax preference for federal income tax purposes under existing statutes, regulations, rulings and court decisions. However, interest on the Series 2014 Bonds is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on corporations pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Failure by the County to comply subsequently to the issuance of the Series 2014 Bonds with certain requirements of the Code, regarding the use, expenditure and investment of Series 2014 Bonds proceeds and the timely payment of certain investment earnings to the Treasury of the United States, may cause interest on the Series 2014 Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issuance. The County has covenanted in the Resolution to comply with all provisions of the Code necessary to, among other things, maintain the exclusion from gross income of interest on the Series 2014 Bonds for purposes of federal income taxation. In rendering its opinion, Bond Counsel has assumed continuing compliance with such covenants.

## **Internal Revenue Code of 1986**

The Code contains a number of provisions that apply to the Series 2014 Bonds, including, among other things, restrictions relating to the use or investment of the proceeds of the Series 2014 Bonds and the payment of certain arbitrage earnings in excess of the "yield" on the Series 2014 Bonds to the Treasury of the United States. Noncompliance with such provisions may result in interest on the Series 2014 Bonds being included in gross income for federal income tax purposes retroactive to their date of issuance.

## **Collateral Tax Consequences**

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of, the Series 2014 Bonds. Prospective purchasers of Series 2014 Bonds should be aware that the ownership of Series 2014 Bonds may result in other collateral federal tax consequences. For example, ownership of the Series 2014 Bonds may result in collateral tax consequences to various types of corporations relating to (1) denial of interest deduction to purchase or carry such Series 2014 Bonds, (2) the branch profits tax, and (3) the inclusion of interest on the Series 2014 Bonds in passive income for certain Subchapter S corporations. In addition, the interest on the Series 2014 Bonds may be included in gross income by recipients of certain Social Security and Railroad Retirement benefits.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE SERIES 2014 BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE SERIES 2014 BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

## **Other Tax Matters**

Interest on the Series 2014 Bonds may be subject to state or local income taxation under applicable state or local laws in other jurisdictions. Purchasers of the Series 2014 Bonds should consult their own tax advisors as to the income tax status of interest on the Series 2014 Bonds in their particular state or local jurisdictions.

During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Series 2014 Bonds. In some cases, these proposals have contained provisions that altered these consequences on a retroactive basis. Such alterations of federal tax consequences may have affected the market value of obligations similar to the Series 2014 Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Series 2014 Bonds and their market value. No assurance can be given that additional legislative proposals will not be introduced or enacted that would or might apply to, or have an adverse effect upon, the Series 2014 Bonds. For example, proposals have been discussed from time to time in connection with deficit spending reduction, job creation and other tax reform efforts that could significantly reduce the benefit of, or otherwise affect the exclusion from gross income of, interest on obligations such as the Series 2014 Bonds. Introduction or enactment of one or more of such proposals could affect the market price or marketability of the Series 2014 Bonds.

### **Tax Treatment of Original Issue Discount**

Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2014 Bonds maturing on September 1, 20\_\_ (the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of Underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excludable from gross income for federal income tax purposes to the same extent as interest on the Series 2014 Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

### **Tax Treatment of Bond Premium**

The difference between the principal amount of the Series 2014 Bonds maturing on September 1, 20\_\_ (the "Premium Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for Federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond or, in the case of certain of the Premium Bonds that are callable prior to maturity, the amortization period and yield must be determined on the basis of the earliest call date that results in the lowest yield on such Bond. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

### **RATINGS**

S&P and Fitch Ratings have assigned underlying ratings of "\_\_\_\_" and "\_\_\_\_" to the Series 2014 Bonds. The ratings reflect only the views of said rating agencies and an explanation of the ratings may be obtained only from said rating agencies. There is no assurance that such ratings will continue for any given period of time or that they will not be lowered or withdrawn entirely by the rating agencies, or any of them, if in their judgment, circumstances so warrant. A downward change in or withdrawal of any of such ratings, may have an adverse effect on the market price of the Series 2014 Bonds. An explanation of the significance of the ratings can be received from the rating agencies, at the following addresses: Standard & Poor's, 55 Water Street, 38<sup>th</sup> Floor, New York, New York 10041 and Fitch Ratings, One State Street Plaza, New York, New York, 10004.

## **FINANCIAL ADVISOR**

The County has retained Public Financial Management, Inc., Orlando, Florida, as Financial Advisor (the "Financial Advisor") in connection with the County's financing plans and with respect to the authorization and issuance of the Series 2014 Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. The Financial Advisor did not participate in the underwriting of the Series 2014 Bonds. The Financial Advisor may receive a fee for bidding investments for certain proceeds of the Series 2014 Bonds.

## **AUDITED FINANCIAL STATEMENTS**

The general purpose financial statements of the County as of September 30, 2013 and for the year then ended, attached hereto as "APPENDIX C – Audited Financial Statements for the Fiscal Year Ended September 30, 2013," have been audited by Berman Hopkins Wright & LaHam CPAs and Associates, LLP, independent auditors, as stated in their report (the "Audit Report") appearing therein. The consent of the County's auditor to include in this Official Statement the aforementioned report was not requested, and the general purpose financial statements of the County are provided only as publicly available documents. The auditor was not requested nor did they perform any other procedures with respect to the preparation of this Official Statement or the information presented herein.

The Series 2014 Bonds are payable solely from the Pledged Funds as described in the Resolution and the Series 2014 Bonds are not otherwise secured by, or payable from, the general revenues of the County. The general purpose financial statements are presented for general information purposes only.

## **ENFORCEABILITY OF REMEDIES**

The remedies available to the owners of the Series 2014 Bonds upon an event of default under the Resolution and the Municipal Bond Insurance Policy, if any, are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically the federal bankruptcy code, the remedies specified by the Resolution and the Municipal Bond Insurance Policy, if any, and the Series 2014 Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2014 Bonds, including Bond Counsel's approving opinion, will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery. See "APPENDIX B – Form of the Resolution" attached hereto for a description of events of default and remedies.

## **CONTINUING DISCLOSURE**

The County has covenanted for the benefit of the Series 2014 Bondholders to provide certain financial information and operating data relating to the County and the Series 2014 Bonds in each year, and to provide notices of the occurrence of certain enumerated material events. The County has agreed to file annual financial information and operating data and the audited financial statements with each entity authorized and approved by the Securities and Exchange Commission (the "SEC") to act as a repository (each a "Repository") for purposes of complying with Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934 (the "Rule"). Effective July 1, 2009, the sole Repository is the

Municipal Securities Rulemaking Board. The County has agreed to file notices of certain enumerated material events, when and if they occur, with the Repository either itself or through its dissemination agent.

The specific nature of the financial information, operating data, and of the type of events which trigger a disclosure obligation, and other details of the undertaking are described in "APPENDIX G - Form of Continuing Disclosure Certificate" attached hereto. The Continuing Disclosure Certificate shall be executed by the County prior to the issuance of the Series 2014 Bonds. These covenants have been made in order to assist the Underwriters in complying with the continuing disclosure requirements of the Rule.

With respect to the Series 2014 Bonds, no party other than the County is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the Rule.

### **UNDERWRITING**

\_\_\_\_\_ (the "Underwriter"), has agreed to purchase the Series 2014 Bonds at an aggregate purchase price of \$\_\_\_\_\_ (which includes net original issue premium/discount of \$\_\_\_\_\_ and Underwriter's discount of \$\_\_\_\_\_). The Underwriter will be obligated to purchase all of the Series 2014 Bonds if any Series 2014 Bonds are purchased. The Series 2014 Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2014 Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

### **FORWARD LOOKING STATEMENTS**

This Official Statement contains certain "forward looking statements" concerning the County's operations, performance and financial condition, including its future economic performance, plans and objectives and the likelihood of success if development and expanding. These statements are based upon a number of assumptions and estimates which are subject to significant uncertainties, many of which are beyond the control of the County. The words "may," "would," "could," "will," "expect," "anticipate," "believe," "intend," "plan," "estimate," and similar expressions are meant to identify these forward looking statements. Actual results may differ materially from those expressed or implied by these forward looking statements.

### **CONTINGENT FEES**

The County has retained Bond Counsel, Disclosure Counsel and the Financial Advisor with respect to the authorization, sale, execution and delivery of the Series 2014 Bonds. Payment of the fees of such professionals and an underwriting discount to the Underwriter (including the fees of their counsel) to be paid by the County are each contingent upon the issuance of the Series 2014 Bonds.

### **ACCURACY AND COMPLETENESS OF OFFICIAL STATEMENT**

The references, excerpts, and summaries of all documents, statutes, and information concerning the County and certain reports and statistical data referred to herein do not purport to be complete, comprehensive and definitive and each such summary and reference is qualified in its entirety by reference to each such document for full and complete statements of all matters of fact relating to the

Series 2014 Bonds, the security for the payment of the Series 2014 Bonds and the rights and obligations of the owners thereof and to each such statute, report or instrument. Copies of such documents may be obtained from either the office of the Clerk of the Court, 700 South Park Avenue, Building B, Titusville, Florida 32780, telephone (321) 637-2001 or the County's Financial Advisor, Public Financial Management, Inc., 300 S. Orange Avenue, Suite 1170, Orlando, Florida 32801, telephone (407) 406-5760 or the Underwriter of the Series 2014 Bonds, \_\_\_\_\_, \_\_\_\_\_, telephone (\_\_\_\_) \_\_\_\_\_.

The information contained in this Official Statement has been compiled from official and other sources deemed to be reliable, and is believed to be correct as of the date of the Official Statement, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Series 2014 Bonds.

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

**AUTHORIZATION OF OFFICIAL STATEMENT**

The execution and delivery of this Official Statement has been duly authorized and approved by the County. At the time of delivery of the Series 2014 Bonds, the County will furnish a certificate to the effect that nothing has come to their attention which would lead it to believe that the Official Statement (other than information herein related to DTC, the book-entry-only system of registration and the information contained under the caption "TAX EXEMPTION" as to which no opinion shall be expressed), as of its date and as of the date of delivery of the Series 2014 Bonds, contains an untrue statement of a material fact or omits to state a material fact which should be included therein for the purposes for which the Official Statement is intended to be used, or which is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

**BREVARD COUNTY, FLORIDA**

By:   
Mary Bolin Lewis, Chairman  
Board of County Commissioners

By:   
Scott Ellis  
Clerk of the Circuit Court

## APPENDIX A

### GENERAL INFORMATION CONCERNING BREVARD COUNTY

#### General Description and Location

Brevard County, Florida (the "County"), encompasses approximately 1,276 square miles along the Atlantic Ocean near the middle of the Florida peninsula. The County is 72 miles north to south, and is bordered on the north by Volusia County and on the south by Indian River County. The County extends about 20 miles inland from the Atlantic Ocean, with the St. Johns River forming its western boundary. The City of Titusville, the county seat, is located 40 miles due east of Orlando, Florida, and 142 miles southeast of the City of Jacksonville, Florida. The County is traversed north and south by the Indian and Banana Rivers. The Palm Bay-Melbourne-Titusville Metropolitan Statistical Area (MSA) contains 16 municipalities.

The County is divided into three distinct landforms which lie in banks roughly parallel to the Indian River: (i) the St. Johns River, which is the westernmost part of the County; (ii) the Atlantic Coastal Ridge, which forms the eastern boundary of the mainland; and (iii) the barrier islands, which lie offshore and parallel to the mainland.

The climate in the County is characterized as subtropical, with a pronounced marine influence from the Atlantic. The July high is around 91 degrees. The January low is 50 degrees. The comfort index, which is based on humidity during the hot months, is a 30 out of 100, where higher is more comfortable with an annual average level of 74.47%. Summer temperatures average in the 80's with highs in the low 90's a common occurrence. Rainfall averages about 51.83 inches annually with most of the precipitation occurring during the summer season.

#### Government

The County is governed by an elected five-member Board of County Commissioners (the "Board"). Each Commissioner is elected for a four-year term of office. The Board appoints a County Manager to administer the County's programs. The Clerk of the Circuit Court of the County is the clerk and accountant for the Board. The seat of government is at Titusville, with branch offices at Viera, Merritt Island, Palm Bay and Melbourne. In addition to the courthouse facilities, service complexes are located in the north, central and southern sections of the County. Listed below are current members of the Board of County Commissioners and their term expiration dates.

<u>Name</u>	<u>Date Elected to Office</u>	<u>Date Current Term Expires</u>
Mary Bolin Lewis, Chairman	November 2006	November 2014
Robin Fisher, Vice-Chairman	November 2008	November 2016
Andy Anderson	November 2008	November 2016
Chuck Nelson	November 2006	November 2014
Trudie Infantini	November 2008	November 2016

## General Demographic Information

The following table shows certain demographic information for the County for the years 2003-2013:

### DEMOGRAPHIC STATISTICS 2003-2012

<u>Year</u>	<u>Population<sup>(1)</sup></u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Income<sup>(1)</sup></u>	<u>Median Age</u>	<u>School Enrollment<sup>(1)</sup></u>	<u>Average Unemployment Rate<sup>(1)</sup></u>
2004	521,422	16,308,666	31,613	42.9	72,704	4.4%
2005	531,970	17,578,293	33,413	43.0	73,491	3.6%
2006	543,050	18,891,718	35,623	43.3	74,110	3.2%
2007	552,109	19,748,200	36,953	43.5	73,887	4.2%
2008	556,213	20,176,057	37,620	43.9	73,480	6.5%
2009	555,657	20,088,653	37,454	44.9	73,030	10.2%
2010	543,376	19,945,159	36,675	45.5	72,712	11.1%
2011	543,566	20,670,931	38,028	46.0	73,030	10.7%
2012	547,307	21,766,214	39,770	46.3	72,601	9.2%
2013	543,755	(2)	(2)	46.1	72,561	6.5%

(1) Source: Comprehensive Annual Financial Report, Brevard County, Florida, for the Year Ended September 30, 2013.

(2) Data Unavailable.

### Population

The County is the tenth largest county in population and twelfth in population density among the 67 counties of the State of Florida. Since 1950 the County's population has grown at a faster rate than the rate of growth for the State of Florida as a whole, with the exception of the 1970 to 1980 period. The primary cause for the rapid growth is migration. The development of the Space Center, peripheral services, aerospace and high technology industries, tourism services and an influx of retired persons have contributed to population growth.

The following table shows the comparative population trends for the County and the State of Florida for the years 1950-2030:

**Brevard County and State of Florida  
Population Trends 1950-2030**

<u>Year</u>	<u>Brevard County</u>	<u>Average Annual Percentage Increase</u>	<u>State of Florida</u>	<u>Average Annual Percentage Increase</u>
1950	23,631	---	2,771,305	---
1960	111,435	371.6%	4,951,560	78.7%
1970	230,006	106.4	6,791,418	37.2
1980	272,959	18.7	9,746,324	43.5
1990	398,978	46.2	12,937,926	32.7
2000	476,230	19.4	15,982,824	23.5
2010	543,376	14.1	18,801,310	17.6
2020*	591,530	8.9	21,021,643	11.8
2030*	647,346	9.4	23,567,010	12.1

\* Population projections are those published by the Bureau of Economic and Business Research, University of Florida.

Source: U.S. Department of Commerce, Bureau of the Census, 1950, 1960, 1970, 1980, 1990, 2000 and 2010.

**Employment Information**

The local economy, which was based largely upon space program construction, has evolved and diversified. The local economy now includes manufacturing of electronic equipment, the Space Shuttle Program at the Kennedy Space Center, citrus production, agriculture and tourism. Major private employers include Harris Corporation, United Space Alliance, Health First, Wal-Mart and Publix Supermarkets. The County's unemployment rate has steadily decreased in the past three years from 11.1% in 2010 to 8.3% in 2012.

The following table summarizes the level of employment in the civilian labor force for the years 2003-2012:

**Civilian Labor Force Summary\***  
**Brevard County, Florida**

<u>Calendar Year</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate (%)</u>
2003	242,047	229,520	12,527	5.2
2004	247,583	236,656	10,927	4.4
2005	258,323	249,105	9,218	3.6
2006	262,526	254,140	8,386	3.2
2007	266,745	255,558	11,187	4.2
2008	268,551	251,053	17,498	6.5
2009	266,899	239,551	27,348	10.2
2010	267,928	238,064	29,864	11.1
2011	269,180	240,267	28,913	10.7
2012	268,281	243,535	24,746	9.2

\* Annual Not Seasonally Adjusted.

Source: Labor Market Statistics, Local Area Unemployment Statistics Program

The following table summarizes unemployment rates for the Palm Bay-Melbourne-Titusville MSA and for the State of Florida for the years 2003-2013:

**Unemployment Statistics\***

Melbourne-Titusville-Palm Bay MSA

State of Florida

<u>Year</u>	<u>Unemployment Rate (%)</u>	<u>Year</u>	<u>Unemployment Rate (%)</u>
2003	5.2	2003	5.3
2004	4.4	2004	4.7
2005	3.6	2005	3.8
2006	3.2	2006	3.3
2007	4.2	2007	4.0
2008	6.5	2008	6.3
2009	10.2	2009	10.4
2010	11.1	2010	11.3
2011	10.7	2011	10.3
2012	9.2	2012	8.8
2013	(1)	2013	7.2

\* Annual Not Seasonally Adjusted.

(2) Data Unavailable.

Source: Labor Market Statistics, Local Area Unemployment Statistics Program

The following table summarizes occupational employment and wages in the Palm Bay-Melbourne-Titusville MSA for the year 2013:

**Occupational Employment and Wages**

<u>Industry</u>	Employment	Entry Wage	Average Wage	Median Wage	Experienced Wage
Total, All Industries	191,420	\$19,487.66	\$44,588.55	\$32,964.75	\$57,138.48
Construction	8,130	23,507.38	42,464.21	36,480.33	51,942.11
Manufacturing	21,460	27,618.47	63,968.40	52,883.64	82,143.88
Wholesale Trade	4,900	23,063.82	47,738.61	37,296.59	60,077.03
Retail Trade	25,680	17,431.09	29,001.50	23,195.25	34,787.22
Transportation and Warehousing	4,250	23,497.11	58,469.15	45,703.60	75,954.65
Information	2,350	22,033.99	48,449.12	37,389.00	61,657.20
Financing and Insurance	5,480	26,941.85	50,780.86	40,969.27	62,700.37
Real Estate and Rental and Leasing	2,230	19,488.69	34,264.61	27,928.55	41,653.08
Professional and Technical Services	11,620	28,218.09	65,682.04	58,022.51	84,414.02
Management of Companies and Enterprises	1,300	26,600.97	57,647.75	40,725.93	73,172.17
Administrative and Waste Services	16,160	18,281.23	43,368.77	30,841.43	55,912.55
Educational Services	15,280	24,865.76	43,113.11	38,814.12	52,237.82
Health Care and Social Assistance	29,390	21,551.42	46,818.65	34,028.46	59,451.74
Arts, Entertainment, and Recreation	2,960	17,436.22	29,854.73	24,094.68	36,063.47
Accommodation and Food Services	19,330	17,393.10	20,943.59	19,157.05	22,718.84
Other Services	5,450	18,197.04	32,827.16	25,975.68	40,141.71
Public Administration	15,100	28,931.68	56,864.34	45,133.75	70,831.18

(1) Entry level and experienced wage rates represent the means of the lower 1/3 and upper 2/3 of the wage distribution, respectively.

Source: Florida Labor Market Statistics, Occupational Employment Statistics and Wages Program

The following table lists the ten largest employers in the County for the year 2013:

<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total County Employment</u>
Brevard County School Board	8,915	3.55%
Health First	7,800	3.10
Harris Corporation	6,605	2.41
Brevard County Board of Co. Comm.	2,360	0.94
U.S. Department of Defense	2,180	0.87
NASA	2,090	0.83
Wuesthoff Health System	1,455	0.58
Rockwell Collins	1,400	0.56
Northrop Grumman Corporation	1,350	0.54
Eastern Florida State College	<u>1,260</u>	0.50
Total	34,875	
Total Employees	251,266	

Source: Comprehensive Annual Financial Report, Brevard County, Florida, for the Year Ended September 30, 2013.

### **Transportation**

The County is a quadramodal transportation hub--allowing for in-county space, air, sea, highway and rail access. In addition, many of those transportation methods are part of Foreign Trade Zone 136, which enables qualified businesses to defer or eliminate U.S. Customs' duties on imported goods.

Air: The Melbourne International Airport offers 20 scheduled flights per day, and the Space Coast Regional Airport in Titusville is one of the state's premier executive airports. In addition, Orlando International Airport, one of the nation's busiest airports, is easily accessible via State Road 528. Melbourne International Airport and Space Coast Regional Airport are both part of Foreign Trade Zone (FTZ) 136. Melbourne International services the international and domestic travel markets while offering a 1200 acre Industrial Park in FTZ 136. Space Coast Regional's main runway is 7319' and capable of handling any jet up to a Boeing 757. The airport has 1650 acres available for development in FTZ 136.

Highway: Running from Maine to Miami, I-95 is the most heavily traveled north-south interstate on the East Coast, and for the convenience of businesses and residents alike, it runs directly through the County. For goods and persons traveling to Orlando, Tampa and all points west, Brevard County offers SR-528, better known as the Beachline Expressway because it directly links to other major Florida highways such as I-4 and the Florida Turnpike.

Rail: Running directly through Brevard County, Florida's East Coast Railway (FEC) is a Class II freight railroad that extends along a 351-mile corridor between Jacksonville and Miami. FEC's main line runs north/south along the west side of US Highway 1. Near dock rail is provided by FEC via the

north/south route along Florida's Atlantic seaboard. In addition, a piggyback facility is located at State Road 528 and Clearlake Road in Cocoa, Florida. The capacity is currently 22 trains per day running north and south with 100 cars per train. Average capacity of a rail car is 2,860 pounds but will depend on size of car and type of product being shipped. The railway can accommodate large and small cars and carry more weight depending upon the needs of transportation.

Sea: Port Canaveral is a bustling deep-water seaport providing ocean cargo service between leading world markets and is home to Foreign Trade Zone 136. In addition, it's the second busiest cruise port in the world. Port Canaveral has 2 liquid bulk facilities, 9 dry cargo berths equal to 6,976 total feet of berthing space and 1 roll on/roll off (ro/ro) ramp.

Space: The Space Coast is one of only three areas in the country that currently conduct commercial orbital launches. Managed by the 45th Space Wing, Cape Canaveral Air Force Station has conducted more than 3,300 launches since their first launch in 1950.

### **Community Facilities**

Modern hospitals, extended care facilities, nursing homes and diagnostic clinics are located in the major population areas of the County. County has six nationally recognized hospitals that deliver advanced medical services using the latest technology and therapies. Services offered locally include a level II trauma center, emergency air transport service, quality in and outpatient care, as well as skilled nursing and assisted living facilities throughout the county. Public safety is provided by the County Sheriff's Department and the police departments of various municipalities. Modern fire protection is available in the cities and in the developed residential, commercial and industrial areas of the County. Libraries, theaters and museums offer educational and cultural advantages to County residents. Churches, embracing all major denominations, are located throughout the County.

### **Educational System**

The School District of Brevard County, Florida (the "District") is organized under Article IX, Section 4 of the Florida Constitution and Chapter 1001, Florida Statutes. The boundaries of the District are coterminous with the County. As of June 30, 2013, the District included 92 schools (including 7 charter schools), 70,386 full time equivalent membership students and 9,232 full time employees, including 5,243 instructional personnel.

There are 84 private and parochial schools in Brevard County, Florida. Higher education facilities are provided by the Florida Institute of Technology (private), Rollins College (private), Brevard Community College, Barry University and the University of Central Florida, which has a campus at Cocoa and Palm Bay offering degrees in 6 disciplines. Graduate school facilities are also operated by Stetson University.

**Budgetary Process**

The County's annual budget is prepared pursuant to Chapters 129 and 200, Florida Statutes, and represents the County's legal authority to levy taxes and expend funds for County purposes. The Board will be held personally liable and subject to penalty for making unbudgeted expenditures.

On or before May 1 of each year, the Sheriff, the Clerk of the Circuit Court and the Supervisor of Elections must each submit to the Board a tentative budget request for their respective offices for the ensuing fiscal year. No later than 15 days after the Property Appraiser certifies the tax roll, the County Budget Officer shall prepare and present to the Board a tentative budget for each Board fund. The Board will receive and examine the tentative budget for each fund and, subject to the notice and hearing requirements, make such changes as it deems necessary, provided that the budget remains in balance. A summary of the tentative budget is prepared by the Board, advertised, publicly reviewed and revised prior to final approval and adoption before the end of the fiscal year on September 30.

**BREVARD COUNTY, FLORIDA  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
(Unaudited)**

Fiscal Year	Governmental Activities						Business-Type Activities						Percentage of Personal Income	Per Capita
	General Obligation Bonds	Revenue Bonds	Notes	Commercial Paper	Capital Leases	Revenue Bonds	Notes	Commercial Paper	Capital Leases	Total				
2004	\$83,860,620	\$105,568,129	\$9,202,000	\$0	\$613,892	\$103,301,380	\$25,000	\$0	\$14,284	\$302,585,305	1.79%	583		
2005	137,036,603	114,237,513	14,826,000	0	706,830	94,913,976	0	0	440,098	362,161,020	1.99	683		
2006	128,116,920	153,325,886	15,380,000	0	676,065	85,996,227	0	0	430,717	383,925,815	1.97	717		
2007	203,617,995	193,482,286	10,556,000	0	761,232	76,493,639	0	0	302,816	485,213,968	2.39	899		
2008	191,045,772	183,518,673	9,788,000	0	460,804	66,152,282	0	0	169,039	451,134,570	2.18	832		
2009	178,027,949	173,080,669	8,101,000	0	188,833	55,977,447	0	0	48,190	415,424,088	2.07	766		
2010	164,500,967	162,067,569	6,636,000	0	96,659	49,039,493	0	0	498,946	382,839,634	1.88	705		
2011	130,142,005	151,420,729	9,475,000	0	10,171	19,510,459	0	0	307,718	310,866,082	1.46	572		
2012	121,254,127	141,462,712	14,830,000	0	568,279	18,670,134	0	0	114,086	296,899,338	1.36	542		
2013	113,603,990	131,299,768	13,780,000	10,782,000	406,323	17,485,046	0	1,035,000	0	288,392,127	(1)	530		

(1) Data not available.

Source: Comprehensive Annual Financial Report, Brevard County, Florida, for the Year Ended September 30, 2013.

**Tax Data**

The following data is provided for information and analytical purposes only. The Bonds are not secured by the ad valorem tax revenues, sales and use tax revenues, motor fuel tax revenues or franchise fee/service tax revenues of the County.

<u>Fiscal Year</u>	<b>Tax Revenues By Source(1)</b>				
	<u>Last Ten Fiscal Years</u>				
	<u>General Property Tax (2)</u>	<u>Sales and Use Tax (2)</u>	<u>Motor Fuel Tax (3)</u>	<u>Franchise Fees/Service Tax (2)</u>	<u>Total</u>
2004	\$155,492,375	\$13,873,600	\$8,099,826	\$10,731,975	\$188,197,776
2005	167,436,879	15,559,309	8,506,595	19,743,734	211,246,517
2006	193,979,483	16,482,743	8,348,642	24,726,195	243,537,063
2007	223,220,998	16,810,267	8,336,871	25,092,675	273,460,811
2008	214,164,082	16,062,223	8,002,409	24,338,340	262,567,054
2009	199,675,058	15,522,810	7,792,301	24,239,238	247,229,407
2010	193,121,708	15,416,037	7,719,502	22,336,079	238,593,326
2011	192,192,463	16,430,103	7,697,371	21,399,649	237,719,586
2012	186,045,943	18,728,928	7,918,177	20,681,709	230,080,640
2013	183,761,113	18,943,935	8,662,379	20,712,408	232,079,835

(1) This table includes General and Special Revenue Funds only.

(2) The ad valorem property taxes, sales and use taxes, and communications services tax were combined for financial statement presentation and disclosed by fund type as taxes. Franchise fees are reported as permits, fees and special assessments.

(3) The motor fuel tax is disclosed in the Special Revenue Fund entitled County Transportation Trust as intergovernmental revenues.

Source: Comprehensive Annual Financial Report, Brevard County, Florida, for the Year Ended September 30, 2013.

**BREVARD COUNTY, FLORIDA**  
**Assessed Property Valuation**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Year	Total Assessed Valuation <sup>(1)</sup>	Tax Exempt Properties <sup>(2)</sup>	Save Our Homes Exemptions <sup>(3)</sup>	Other Exemptions <sup>(4)</sup>	Total Exemptions	Residential Taxable Valuation	Non - Residential Taxable Valuation	Taxable Assessed Valuation	Total Direct Tax Rate <sup>(5)</sup>	Percentage of Taxable Value to Assessed Value
2004	\$46,718,362,194	\$11,890,393,490	\$5,364,496,990	\$4,128,512,374	\$21,383,402,854	\$18,293,380,360	\$7,041,578,980	\$25,334,959,340	14.0977	54.2%
2005	59,572,616,688	13,475,891,630	10,759,831,530	4,276,649,518	28,512,372,678	23,445,902,400	7,614,341,610	31,060,244,010	13.2880	52.1
2006	72,615,041,333	14,082,163,410	14,584,756,080	4,572,190,597	33,239,110,087	30,324,900,480	9,051,030,766	39,375,931,246	13.1045	54.2
2007	71,405,674,842	14,560,985,490	11,167,295,930	4,703,912,648	30,432,167,068	31,511,785,280	9,461,722,494	40,973,507,774	12.6023	57.4
2008	68,541,534,744	13,816,343,500	8,277,756,690	8,434,018,823	60,528,119,019	28,072,936,613	9,940,479,118	38,013,415,731	12.7875	55.5
2009	59,186,483,459	13,243,055,074	4,334,280,660	8,278,538,866	25,885,874,600	24,144,455,260	9,186,153,599	33,330,608,859	12.6584	56.3
2010	51,669,459,081	12,708,133,950	1,851,105,830	8,021,209,609	22,580,449,389	21,230,358,280	7,858,651,412	29,089,009,692	13.3282	57.0
2011	43,752,659,362	10,716,895,090	653,545,940	7,460,022,408	18,830,463,438	18,369,381,280	6,552,814,644	24,922,195,924	14.3977	57.3
2012	43,002,265,084	10,518,529,347	518,856,130	7,338,033,105	18,375,418,582	18,012,805,800	6,614,070,702	24,626,876,502	14.3817	56.6
2013	45,463,019,488	10,583,214,600	1,687,001,570	7,447,647,557	19,717,863,727	18,957,047,515	6,788,108,246	25,745,155,761	13.7667	

<sup>(1)</sup> The Brevard County Property Appraiser shall assess all property at market or just value. In arriving at just valuation as required under s.4. Article VII of the State Constitution, the Property Appraiser takes into consideration the factors enumerated in Section 193.011, Florida Statutes.

<sup>(2)</sup> Governmental, Institutional and Economic Development Exemptions.

<sup>(3)</sup> "Save our Homes" (FS 193.155), limits annual increases in property value assessments on real property qualifying and receiving the homestead exemptions.

<sup>(4)</sup> Other exemptions (i.e. \$50,000 homestead exemption – increased from \$25,000 in 2008, Disability/Blind, Widow/Widowers, and age 65 & older).

<sup>(5)</sup> Includes only the Countywide Tax Rate from Table 8.

Source: Brevard County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2013.

**BREVARD COUNTY, FLORIDA**  
**Property Tax Levies and Tax Collections<sup>(1)</sup>**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year Ended	Collected Within the Fiscal Year of the Levy			Collections in Subsequent Years	Total Collection to Date	
	Taxes Levied	Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$446,527,253	\$445,029,555	99.66%	\$1,496,380	\$446,525,935	100.00%
2005	546,405,148	545,813,320	99.89	589,853	546,403,173	100.00
2006	629,314,232	628,231,980	99.83	1,013,209	629,245,189	99.99
2007	738,570,256	736,289,706	99.69	2,113,744	738,403,450	99.98
2008	750,404,495	748,303,769	99.72	1,788,648	750,092,417	99.96
2009	736,464,106	730,542,090	99.20	5,451,644	735,993,734	99.94
2010	672,804,957	670,643,768	99.68	1,357,924	672,001,692	99.88
2011	633,495,997	632,350,023	99.82	993,132	633,343,155	99.98
2012	597,148,902	596,108,769	99.83	5,325	596,186,094	99.84
2013	591,602,518	590,734,618	99.85	N/A	590,734,618	99.85

<sup>(1)</sup> Property taxes are due and payable as of November 1 and become delinquent on April 1. A tax certificate sale is held at the end of May on all delinquent real estate taxes, and a lien is placed on the property.

Source: Brevard County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2013.

**BREVARD COUNTY, FLORIDA**  
**Principal Taxpayers**  
**(September 30, 2013)**

<u>Taxpayer</u>	<u>Taxes</u>	<u>% of Total Taxes</u>
Florida Power & Light Company	\$10,119,288	1.69%
Harris Corporation	3,654,485	0.61
Oleander Power Project LTD	3,423,606	0.57
Bright House Networks	1,641,067	0.27
AT&T Florida	1,629,977	0.27
Walmart Stores	1,480,066	0.25
Cape Caribe, Inc.	946,204	0.16
Health First Physicians	911,157	0.15
Florida Gas Transmission Company	893,035	0.15
Florida East Coast Railroad	825,326	0.14
Total	\$25,524,211	4.26%
Total Taxes	\$598,748,059	

Source: Brevard County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2013.

## **Florida Constitutional Limitations and Property Tax Reform**

During recent years, various legislative proposals and constitutional amendments relating to ad valorem taxation and revenue limitation have been introduced in the State. Many of these proposals sought to provide for new or increased exemptions to ad valorem taxation, limit the amount of revenues that local governments could generate or otherwise restrict the ability of local governments in the State to levy ad valorem taxes at recent, historical levels. Several Constitutional and Legislative amendments affecting ad valorem taxes have been approved by voters in the past including the following:

Save Our Homes Amendment. By voter referendum held on November 3, 1992, Article VII, Section 4 of the State Constitution was amended by adding thereto a subsection which, in effect, limits the increases in assessed just value of homestead property to the lesser of (1) three percent of the assessment for the prior year or (2) the percentage change in the Consumer Price Index for all urban consumers, U.S. City Average, all items 1967=100, or successor reports for the preceding calendar year as initially reported by the United States Department of Labor, Bureau of Labor Statistics. Further, the amendment provides that (1) no assessment shall exceed just value, (2) after any change of ownership of homestead property or upon termination of homestead status such property shall be reassessed at just value as of January 1 of the year following the year of sale or change of status, (3) new homestead property shall be assessed at just value as of January 1 of the year following the establishment of the homestead, and (4) changes, additions, reductions or improvements to homestead shall initially be assessed as provided for by general law, and thereafter as provided in the amendment. This amendment is known as the "Save Our Homes Amendment." The effective date of the amendment was January 5, 1993 and, pursuant to a ruling by the Florida Supreme Court, it began to affect homestead property valuations commencing January 1, 1995, with 1994 assessed values being the base year for determining compliance.

Millage Rollback Legislation. In 2007, the Florida Legislature adopted Chapter 2007-321, Laws of Florida, a property tax plan which significantly impacted ad valorem tax collections for Florida local governments. One component of the adopted legislation required counties, cities and special districts to rollback their millage rates for the 2007-2008 fiscal year to a level that, with certain adjustments and exceptions, would generate the same level of ad valorem tax revenue as in fiscal year 2006-2007; provided, however, depending upon the relative growth of each local government's own ad valorem tax revenues from 2001 to 2006, such rolled back millage rates were determined after first reducing 2006-2007 ad valorem tax revenues by zero to nine percent (0% to 9%). In addition, the legislation limited how much the aggregate amount of ad valorem tax revenues may increase in future fiscal years. A local government may override certain portions of these requirements by a supermajority, and for certain requirements, a unanimous vote of its governing body.

The County fell under the 9% ad valorem tax revenue reduction category. The Board adopted a general revenue millage rate of 4.9063 ended September 30, 2013 and a general revenue millage rate of 4.8239 for the fiscal year ending September 30, 2014. The County's charter limits increases to ad valorem taxes, other than debt service, to the lesser of 3% or the change in the consumer price index, without a supermajority vote of the Board and a finding that the excess is necessary because of emergency or critical need. Budgets for the fiscal years ending September 30, 2012 and September 30, 2013 have been challenging due to revenue reductions faced as a result of the property tax reform and the economic recession facing the entire nation. The budget for the fiscal year ended September 30, 2013 was balanced by **[insert extraordinary measures taken, if any.]**

Constitutional Amendments Related to Ad Valorem Exemptions. On January 29, 2008, in a special election held in conjunction with the State's presidential primary, the requisite number of voters approved amendments to the Florida Constitution exempting certain portions of a property's assessed value from taxation. The following is a brief summary of certain important provisions contained in such amendments:

1. Provides for an additional exemption for the assessed value of homestead property between \$50,000 and \$75,000, thus doubling the existing homestead exemption for property with an assessed value equal to or greater than \$75,000.

2. Permits owners of homestead property to transfer their Save Our Homes Amendment benefit (up to \$500,000) to a new homestead property purchased within two years of the sale of their previous homestead property to which such benefit applied if the just value of the new homestead is greater than or is equal to the just value of the prior homestead. If the just value of the new homestead is less than the just value of the prior homestead, then owners of homestead property may transfer a proportional amount of their Save Our Homes Amendment benefit, such proportional amount equaling the just value of the new homestead divided by the just value of the prior homestead multiplied by the assessed value of the prior homestead. As discussed above, the Save Our Homes Amendment generally limits annual increases in ad valorem tax assessments for those properties with homestead exemptions to the lesser of three percent (3%) or the annual rate of inflation.

3. Exempts from ad valorem taxation \$25,000 of the assessed value of property subject to tangible personal property tax.

4. Limits increases in the assessed value of non-homestead property to 10% per year, subject to certain adjustments. The cap on increases would be in effect for a 10-year period, subject to extension by an affirmative vote of electors.

The amendments were effective for the 2008 tax year (fiscal year 2008-2009 for local governments).

Over the last few years, the Save Our Homes Amendment assessment cap and portability provisions described above have been subject to legal challenge. The plaintiffs in such cases have argued that the Save Our Homes Amendment assessment cap constitutes an unlawful residency requirement for tax benefits on substantially similar property in violation of the equal protection provisions of the Florida Constitution and the Privileges and Immunities Clause of the Fourteenth Amendment to the United States Constitution. The plaintiffs also argued that the portability provision simply extends the unconstitutionality of the tax shelters granted to long-term homeowners by Save Our Homes Amendment. The courts in each case have rejected such constitutional arguments and upheld the constitutionality of such provisions; however, there is no assurance that any future challenges to such provisions will not be successful.

In addition to the legislative activity described above, the constitutionally mandated Florida Taxation and Budget Reform Commission (required to be convened every 20 years) (the "TBRC") completed its meetings on April 25, 2008 and placed several constitutional amendments on the November 4, 2008 General Election ballot. Three of such amendments were approved by the voters of Florida, which, among other things, do the following: (a) allow the Florida Legislature, by general law, to exempt from assessed value of residential homes, improvements made to protect property from wind

damage and installation of a new renewable energy source device; (b) assess specified working waterfront properties based on current use rather than highest and best use; (c) provide a property tax exemption for real property that is perpetually used for conservation (began in 2010); and, (d) for land not perpetually encumbered, require the Florida Legislature to provide classification and assessment of land use for conservation purposes solely on the basis of character or use.

Exemption for Deployed Military Personnel. In the November 2010 General Election voters approved a constitutional amendment which provides an additional homestead exemption for deployed military personnel. The exemption equals the percentage of days during the prior calendar year that the military homeowner was deployed outside of the United States in support of military operations designated by the Florida Legislature. This constitutional amendment took effect on January 1, 2011. At this time, it is impossible to estimate with any certainty the level of impact that the constitutional amendment will have on the County.

Other Proposals Affecting Ad Valorem Taxation. During the Florida Legislature's 2011 Regular Session, it passed Senate Joint Resolution 592 ("SJR 592"). SJR 592 allows totally or partially disabled veterans who were not Florida residents at the time of entering military service to qualify for the combat-related disabled veteran's ad valorem tax discount on homestead property. The amendment took effect on January 1, 2013.

During the Florida Legislature's 2012 Regular Session, it passed House Joint Resolution 93 ("HJR 93"). HJR 93 allows the Florida Legislature to provide ad valorem tax relief to the surviving spouse of a veteran who died from service-connected causes while on active duty as a member of the United States Armed Forces and to the surviving spouse of a first responder who died in the line of duty. The amount of tax relief, to be defined by general law, can equal the total amount or a portion of the ad valorem tax otherwise owed on the homestead property. The amendment took effect on January 1, 2013.

Also during the Florida Legislature's 2012 Regular Session, it passed House Joint Resolution 169 ("HJR 169") allowing the Florida Legislature by general law to permit counties and municipalities, by ordinance, to grant an additional homestead tax exemption equal to the assessed value of homestead property to certain low income seniors. To be eligible for the additional homestead exemption the county or municipality must have granted the exemption by ordinance; the property must have a just value of less than \$250,000; the owner must have title to the property and maintained his or her permanent residence thereon for at least 25 years; the owner must be age 65 years or older; and the owner's annual household income must be less than \$27,300. The additional homestead tax exemption authorized by HJR 169 would not apply to school property taxes.

Each of the above described proposals was approved by the voters on November 6, 2012. At present, the impact of these amendments on the County's finances cannot be accurately ascertained. There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the County's finances.

During the Florida Legislature's 2013 Regular Session, it passed Senate Bill 1830 ("SB 1830"), which was signed into law by the Governor and creates a number of changes affecting ad valorem taxation which became effective July 1, 2013. First, SB 1830 provides long-term lessees the ability to retain their homestead exemption and related assessment limitations and exemptions in certain instances and extends the time for property owners to appeal value adjustment board decisions on transfers of

assessment limitations to conform with general court filing timeframes. Second, SB 1830 inserts the term "algaculture" in the definition of "agricultural purpose" and inserts the terms "aquacultural crops" in the provision specifying the valuation of certain annual agricultural crops, nonbearing fruit trees and nursery stock. Third, SB 1830 allows for an automatic renewal for assessment reductions related to certain additions to homestead properties used as living quarters for a parent or grandparent and aligns related appeal and penalty provisions to those for other homestead exemptions. Fourth, SB 1830 deletes a statutory requirement that the owner of the property must reside upon the property to qualify for a homestead exemption, provided it is the permanent residence of another person legally or materially dependent upon such owner. Fifth, SB 1830 clarifies the property tax exemptions counties and cities may provide for certain low income persons age 65 and older. Sixth, SB 1830 removes a residency requirement that a senior disabled veteran must have been a Florida resident at the time they entered the service to qualify for certain property tax exemptions. Seventh, SB 1830 repeals the ability for certain limited liability partnerships to qualify for the affordable housing property tax exemption. Eighth, SB 1830 exempts property used exclusively for educational purposes when the entities that own the property and the educational facility are owned by the same natural persons.

Also during the Florida Legislature's 2013 Regular Session, the Florida Legislature passed House Bill 277 ("HB 277"), which was signed into law by the Governor. HB 277 provides that certain renewable energy devices are exempt from being considered when calculating the assessed value of residential property. HB 277 only applies to devices installed on or after January 1, 2013. HB 277 took effect on July 1, 2013.

Also during the Florida Legislature's 2013 Regular Session, the Florida Legislature passed House Bill 1193 ("HB 1193"), which was signed into law by the Governor. HB 1193 eliminated three ways in which the property appraiser had authority to reclassify agricultural land as non-agricultural land. Additionally, HB 1193 relieves the value adjustment board of the authority to review the property appraisers. HB 1193 is effective immediately and will apply retroactively to January 1, 2013.

**Future Legislative Proposals Relating to Ad Valorem Taxation.** [Certain legislation has been introduced in advance of the Florida Legislature's 2014 Regular Session that includes: House Bill 389/Senate Bill 842 which proposes an ad valorem exemption for certain mobile home lots, House Bill 611 which proposes a tax reimbursement for businesses in certain rural areas entitled to tax credits that exceed tax liabilities and House Joint Resolution 473/Senate Joint Resolution 704 which propose a constitutional amendment to exempt property owned by a municipality from taxation. There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the County's finances.]

### **Florida Retirement System**

*The information relating to the Florida Retirement System ("FRS") contained herein has been obtained from the FRS Annual Reports available at [www.dms.myflorida.com](http://www.dms.myflorida.com) and the Florida Comprehensive Annual Financial Reports available at [www.myfloridacfo.com/aadir/statewide\\_financial\\_reporting](http://www.myfloridacfo.com/aadir/statewide_financial_reporting). No representation is made by the County as to the accuracy or adequacy of such information or that there has not been any material adverse change in such information subsequent to the date of such information.*

**General.** Substantially all full and part time employees of the County are eligible to participate in the FRS. The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan

for participating public employees ("FRS Pension Plan"). FRS membership is compulsory for all employees filling a regularly established position in a state agency, county agency, state university, state community college, or district school board. Participation by cities, municipalities, special districts, charter schools, and metropolitan planning organizations, although optional, is generally irrevocable after election to participate is made. Members hired into certain positions may be eligible to withdraw from the FRS altogether or elect to participate in the non-integrated optional retirement programs in lieu of the FRS except faculty of a medical college in a state university who must participate in the State University System Optional Retirement Program.

There are five general classes of membership, as follows:

- *Regular Class* - Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class (SMSC)* - Members in senior management level positions in state and local governments as well as assistant state attorneys, assistant statewide prosecutors, assistant public defenders, assistant attorneys general, deputy court administrators, and assistant capital collateral representatives. Members of the Elected Officers' Class may elect to withdraw from the FRS or participate in the SMSC in lieu of the Elected Officers' Class.
- *Special Risk Class* - Members who are employed as law enforcement officers, firefighters, firefighter trainers, fire prevention officers, state fixed-wing pilots for aerial firefighting surveillance, correctional officers, emergency medical technicians, paramedics, community-based correctional probation officers, youth custody officers, certain health-care related positions within state forensic or correctional facilities, or specified forensic employees of a medical examiner's office or a law enforcement agency, and meet the criteria to qualify for this class.
- *Special Risk Administrative Support Class* - Former Special Risk Class members who are transferred or reassigned to nonspecial risk law enforcement, firefighting, emergency medical care, or correctional administrative support positions within an FRS special risk-employing agency.
- *Elected Officers' Class (EOC)* - Members who are elected state and county officers and the elected officers of cities and special districts that choose to place their elected officials in this class.

Since July 1, 2001, the FRS Pension Plan has provided for vesting of benefits after six years of creditable service. Members not actively working in a position covered by the FRS on July 1, 2001, must return to covered employment for up to one work year to be eligible to vest with less service than was required under the law in effect before July 1, 2001. Members initially enrolled on or after July 1, 2001, through June 30, 2011, vest after six years of service. Members initially enrolled on or after July 1, 2011, vest after eight years of creditable service. Members are eligible for normal retirement when they have met the requirements listed below. Early retirement may be taken any time after vesting within 20 years of normal retirement age; however, there is a 5% benefit reduction for each year prior to the normal retirement age.

- *Regular Class, Senior Management Service Class, and Elected Officers' Class Members* – For members initially enrolled in the FRS before July 1, 2011, six or more years of creditable service and age

62, or the age after completing six years of creditable service if after age 62. Thirty years of creditable service regardless of age before age 62.

For members initially enrolled in the FRS on or after July 1, 2011, eight or more years of creditable service and age 65, or the age after completing eight years of creditable service if after age 65. Thirty-three years of creditable service regardless of age before age 65.

- *Special Risk Class and Special Risk Administrative Support Class Members* – For members initially enrolled in the FRS before July 1, 2011, six or more years of Special Risk Class service and age 55, or the age after completing six years of Special Risk Class service if after age 55. Twenty-five years of special risk service regardless of age before age 55. A total of 25 years of service including special risk service and up to four years of active duty wartime service and age 52. Without six years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.

For members initially enrolled in the FRS on or after July 1, 2011, eight or more years of Special Risk Class service and age 60, or the age after completing eight years of Special Risk Class service if after age 60. Thirty years of special risk service regardless of age before age 60. Without eight years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.

Benefits under the FRS Pension Plan are computed on the basis of age and/or years of service, average final compensation and service credit. Members are also eligible for in-line-of-duty or regular disability and survivors' benefits. Pension benefits of retirees and annuitants are increased each July 1 by a cost-of-living adjustment. If the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. FRS Pension Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

The Deferred Retirement Option Program (DROP) became effective July 1, 1998, subject to provisions of Section 121.091(13), Florida Statutes. Defined benefit plan members who reach normal retirement are eligible to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a maximum of 60 months. Authorized instructional personnel may participate in the DROP for up to 36 additional months beyond their initial 60-month participation period. Monthly retirement benefits remain in the FRS Trust Fund during DROP participation and accrue interest. As of June 30, 2013, the FRS Trust Fund projected \$3,209,149,119 in accumulated benefits and interest for 38,724 current and prior participants in the DROP.

The FRS is a cost-sharing multiple-employer public-employee retirement system with two primary plans. The Department of Management Services, Division of Retirement administers the FRS Pension Plan and the SBA invests the assets of the FRS Pension Plan held in the FRS Trust Fund. Administration costs of the FRS Pension Plan are funded through investment earnings of the FRS Trust Fund. Reporting of the FRS is on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the obligation is incurred.

The State Board of Administration (the "SBA") administers the defined contribution plan officially titled the FRS Investment Plan. Service retirement benefits are based upon the value of the member's account upon retirement. The FRS Investment Plan provides vesting after one year of service for Investment Plan contributions regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, six years of service (including the service credit represented by the transferred funds) is required to be vested for these funds and the earnings on the funds. The employer pays a contribution as a percentage of salary that is deposited into the individual member's account. The Investment Plan member directs the investment from the options offered under the plan. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.03% of payroll and by forfeited benefits of plan members. After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, or leave the funds invested for future distribution. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the FRS Investment Plan and rely upon that account balance for retirement income.

All participating employers must comply with statutory contribution requirements. Section 121.031(3), Florida Statutes, requires an annual actuarial valuation of the FRS Pension Plan, which is provided to the Legislature as guidance for funding decisions. Employer and employee contribution rates are established in Section 121.71, Florida Statutes. Employer contribution rates under the uniform rate structure (a blending of both the FRS Pension Plan and Investment Plan rates) are recommended by the actuary but set by the Legislature. Statutes require that any unfunded actuarial liability (UAL) be amortized within 30 plan years. Pursuant to Section 121.031(3) (f), Florida Statutes, any surplus amounts available to offset total retirement system costs are to be amortized over a 10-year rolling period on a level-dollar basis. The balance of legally required reserves for all defined benefit pension plans at June 30, 2013, was \$129,852,527,785. These funds were reserved to provide for total current and future benefits, refunds, and administration of the FRS Pension Plan.

Contribution Rates. The rates indicated in the chart below are uniform rates for all FRS members created by blending the FRS Investment Plan and the FRS Pension Plan rates and including UAL contribution rates. These rates do not include a 0.03% contribution for the FRS Investment Plan administration and educational program fee. In addition, the July 1, 2012, statutory employer rates do not include a 3.00% mandatory employee contribution required for all membership classes except for members in the DROP.

<u>Membership Class</u>	Uniform Employer Rates Recommended by Actuarial Valuation as of July 1, 2011 for Fiscal Year 2012-2013		July 1, 2012 Statutory Rates (Chapter 121, Florida Statutes)
	Regular	5.99%	4.04%
Senior Management Service	16.90	5.16	
Special Risk	19.03	13.76	
Special Risk Administrative Support	31.88	4.77	
Elected Officers - Judges	26.85	10.79	
Elected Officers -			
Legislators/Attorneys/Cabinet	34.77	7.39	
Elected Officers - County	32.78	9.09	
Deferred Retirement Option	10.54	4.33	

Source: The State of Florida Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2013.

The chart below shows the funding progress for the FRS which presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Schedule of Funding Progress  
for the Florida Retirement System<sup>(1)</sup>**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded ML (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c) <sup>(2)</sup>	UAAL As % of Covered Payroll (b-a)/c
7/1/08	\$130,720,547	\$124,087,214	\$(6,633,333)	105.35%	\$26,891,340	(24.67)%
7/1/09 <sup>(3)</sup>	118,764,692	136,375,597	17,610,905	87.09	26,573,196	66.27
7/1/10 <sup>(4)</sup>	120,929,666	139,652,377	18,722,711	86.59	25,765,362	72.67
7/1/11	126,078,053	145,034,475	18,956,422	86.93	25,686,138	73.80
7/1/12	127,891,781	148,049,596	20,157,815	86.38	24,491,371	82.31
7/1/13	131,680,615	154,125,953	22,445,338	85.44	24,568,642	91.36

<sup>(1)</sup> Calculations are based on GASB 27 requirements including traditional funding of DROP.

<sup>(2)</sup> For the plan year beginning on the Actuarial Valuation Date shown, includes payroll for members in DROP, Teachers' Retirement System and Institute of Food and Agricultural Sciences.

<sup>(3)</sup> As reported in July 1, 2009 actuarial valuation report, before impact of House Bill 479 (2009).

<sup>(4)</sup> As reported in July 1, 2010 actuarial valuation report, before impact of Senate Bill 2100 (2011).

Source: The Florida Retirement System, Pension Plan & Other State-Administered Systems, Annual Report: July 1, 2012 – June 30, 2013.

The information presented in the above schedule was determined as part of the actuarial valuations performed at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

### Florida Retirement System Assumptions

Valuation Date	July 1, 2013
Actuarial Cost Method	Entry Age (Ultimate Entry Age Calculation Approach)
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	Weighted Average of 28 Years <sup>(1)</sup>
Asset Valuation Method	5-year Smoothed Method
Actuarial Assumptions:	
Investment Rate of Return	7.75%
Projected Salary Increases	5.85% <sup>(2)</sup>
Includes Inflation at	3.00%
Cost-of-Living Adjustments	3.00% <sup>(3)</sup>

<sup>(1)</sup> Used for GASB Statement 27 reporting purposes.

<sup>(2)</sup> Includes individual salary growth of 4.00% plus an age-graded merit scale defined by gender and employment class.

<sup>(3)</sup> Cost-of-Living Adjustments granted only for pre-July 1, 2011 service.

Source: The Florida Retirement System, Pension Plan & Other State-Administered Systems, Annual Report: July 1, 2012 – June 30, 2013.

The chart below shows the contribution by the County to the FRS for the past six fiscal years:

#### Schedule of County Contributions to the Florida Retirement System

Year Ended <u>September 30</u>	Annual Required <u>Contribution</u>
2011	\$23,573,210
2012	14,275,173
2013	16,737,147

Source: Brevard County, Florida Comprehensive Annual Financial Reports for the Fiscal Year ended September 30, 2013.

#### Legislation Relating to FRS

The Florida Legislature passed Senate Bill 2100 ("SB 2100") during its 2011 session and was signed by Governor Rick Scott on May 20, 2011. SB 2100 makes significant changes to the FRS with respect to employee contributions and employer contributions, among other items. Effective July 1, 2011, all members of FRS were required to contribute 3% of their gross compensation toward their retirement. In addition, the legislation reduced the required employer contribution rates for each membership class and subclass of the FRS. Additionally, the bill eliminated the cost of living adjustment for all FRS employees for service earned on or after July 1, 2011, although the bill does contemplate reinstatement of the adjustment in 2016 under certain circumstances.

SB 2100 makes other changes to the FRS that only apply to employees who initially enroll on or after July 1, 2011, including: (1) the average final compensation upon which retirement benefits are calculated are based on the eight highest (formerly five highest) fiscal years of compensation prior to retirement; (2) the DROP is maintained but the interest accrual rate is reduced from 6.5% to 1.3%; (3) the normal retirement age is increased from 62 to 65; and (4) the years of creditable service is increased from 30 to 33 and the vesting period is increased to eight years (formerly six).

During the Florida Legislature's 2013 session, the Florida Legislature passed Senate Bill 1810 ("SB 1810"). SB 1810 establishes the contribution rates paid by employers participating in the FRS. These rates are intended to fund the full normal cost and amortization of the unfunded actuarial liability of the FRS. The FRS will receive approximately \$885 million of additional revenues on an annual basis beginning July 1, 2013. SB 1810 also increases the contributions paid by employers participating in the retiree health insurance subsidy program. The Retiree Health Insurance Trust Fund will receive roughly \$42 million of additional revenues on an annual basis beginning July 1, 2013. SB 1810 was signed into law by the Governor and became effective July 1, 2013. The new rates include the additional amount that employers must contribute to the Retiree Health Insurance Trust Fund and such amounts are included in the County's budget.

In the Florida Legislature's 2014 session, Senate Bill 1114 ("SB 1114") has been introduced. SB 1114 establishes a cash balance retirement plan for employees participating in FRS. The cash balance plan features individual employee accounts that are guaranteed a minimum retirement benefit. The cash balance plan includes features of both the FRS Pension Plan and the FRS Investment Plan. The SBA is responsible for administering the cash balance plan. The cash balance accounts would be funded by employee and employer contributions based on a percentage of monthly compensation, a guaranteed 2% interest on the account balance and 75% of any investment returns over 2%. Employees hired after July 1, 2015, may choose the cash balance plan or existing FRS Investment Plan, and could revise that decision by making a second election. Only Special Risk employees would be able to choose the FRS Pension Plan. Employees under the cash balance plan are vested after completing five years of service. Existing employees may choose to move between the FRS Pension Plan, the FRS Investment Plan or the cash balance plan. Upon retirement, employees may choose to receive the total of the cash balance account as a lump-sum distribution, direct rollover retirement account distribution, periodic distributions or a combination thereof.

Senate Bill 2506 ("SB 2506") has also been introduced in the Florida Legislature's 2014 session. SB 2506 establishes the contribution rates paid by employers participating in the FRS beginning July 1, 2014. These rates are intended to fund the full normal cost and amortization of the UAL of the FRS. These increased contribution rates will provide an additional \$131.5 million of revenue on an annual basis beginning July 1, 2014.

### **Other Post Employment Benefits**

Plan Description. The Board administers a single employer defined benefit healthcare plan (the "Plan"). The Plan provides health care benefits including medical coverage and prescription drug benefits to both active and eligible retired employees and their dependents. Florida Statutes require local governments to offer the same health and hospitalization insurance coverage to retirees and their eligible dependents as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. For the retired employees and their eligible dependents, the cost of any such continued participation may be paid by the employer or by the retired employees. Full time

employees of the Board and Charter Officers are eligible to participate in the Plan. Employees who are active participants in the plan at the time of retirement and are either age 62 with completion of six years of service or have 30 years of service are also eligible to participate. The Plan does not issue a publicly available financial report.

The Board may amend the plan design, with changes to the benefits, premiums and/or levels of participant contribution at any time. On at least an annual basis and prior to the enrollment process, the Board approves the rates for the coming year for the retiree, employee and County contributions.

The Clerk of the Circuit Court's medical plan was administered by a private insurance company. The Clerk's Net OPEB obligation has been estimated since the actuarial report was not completed.

As of September 30, 2013, the membership of the County and Clerk's medical plan consisted of:

	<u>County</u>	<u>Clerk</u>
Active Employees	3,529	223
Retirees, Spouses and Beneficiaries	<u>1,189</u>	<u>22</u>
Total	4,718	245

**Funding Policy.** The maximum employer contribution target is 56% of the annual premium cost of the plan. The annual premium costs are between \$8,346 and \$14,290 for retirees and spouses under age 65 and between \$5,155 and \$8,625 for retirees and spouses over age 65. Employees hired prior to January 1, 2006, are eligible to receive 100% of the earned percentage of benefits for their lifetime upon attainment of age 62 and completion of 6 years of service or upon completing 30 years of service, if earlier. Employees hired on or after January 1, 2006 are eligible to receive a graduated earned percentage of benefits upon retirement based on years of service.

**Annual OPEB Costs and Net OPEB Obligation.** The County's annual other postemployment benefit (OPEB) cost is calculated based on the required contribution of the employer (ARC). The ARC is actuarially determined in accordance with standards set in accepted accounting standards and represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize past unfunded liabilities over thirty years. The Brevard County governing body has elected not to completely fund the ARC.

The following table shows the actuarial determined components of the obligations as of September 30, 2011 through September 30, 2013 based on the Plan provisions:

	<u>September 30, 2011</u>	<u>September 30, 2012</u>	<u>September 30, 2013</u>
Annual Required Contribution	\$6,316,479	\$7,903,015	\$6,252,988
Interest on Net OPEB Contribution	895,062	507,546	503,634
Adjustment to Annual Required Contribution	<u>(800,306)</u>	<u>(824,532)</u>	<u>(900,568)</u>
Annual OPEB Cost (Expense)	\$6,411,235	\$7,586,029	\$5,856,054
Contributions Made	<u>(4,221,901)</u>	<u>(4,140,014)</u>	<u>(4,462,711)</u>
Increase in Net OPEB Obligation	\$2,189,334	\$3,446,015	\$1,393,343
Net OPEB Obligation – Beginning of Year	<u>19,248,621</u>	<u>21,437,955</u>	<u>24,883,970</u>
Net OPEB Obligation – End of Year	\$21,437,955	\$24,883,970	\$26,277,313

Source: Brevard County, Florida Comprehensive Annual Financial Reports for the Fiscal Year ended September 30, 2013.

Funded Status and Funding Progress. The contributions made for the 2011, 2012 and 2013 fiscal years were 65.9%, 54.6% and 76.2% respectively of the annual OPEB cost. As of the October 1, 2012 actuarial valuation date, the actuarial accrued liability for benefits was \$110,847,862, all of which was unfunded. The annual payroll of active employees covered by the OPEB plan was \$172,955,409 and the ratio of the VAAL to the covered payroll was 64.1%.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability – Projected Unit Credit	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/01/2007	\$0.00	\$136,333,419	136,333,419	0.0%	\$188,328,613	72.4%
10/01/2008	0.00	136,333,419	136,333,419	0.0	184,571,358	73.9
10/01/2009	0.00	93,372,773	93,372,773	0.0	178,802,238	52.2
10/01/2010	0.00	95,645,627	95,645,627	0.0	168,549,917	56.7
10/01/2011	0.00	110,382,010	110,382,010	0.0	168,325,000	65.5
10/01/2012	0.00	110,847,862	110,847,862	0.00	172,955,409	64.1

Source: Brevard County, Florida Comprehensive Annual Financial Reports for the Fiscal Year ended September 30, 2013.

Actuarial Methods and Assumptions. The actual methods and assumptions are:

Actuarial Cost Method	Projected unit credit
Amortization method	Level percent of compensation
Amortization period (closed)	30 years
Investment rate of return	2.00%
Projected annual salaries increase	1.50%
Healthcare cost trend rate	7.67 for fiscal year 2013, decreasing to a rate of 5% for the 2021 fiscal year
Inflation rate	1.50%

Source: Brevard County, Florida Comprehensive Annual Financial Reports for the Fiscal Year ended September 30, 2013.

**APPENDIX B**

**FORM OF THE RESOLUTION**

**APPENDIX C**

**AUDITED FINANCIAL STATEMENTS FOR THE  
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**APPENDIX D**

**FINANCIAL FEASIBILITY REPORT**

**APPENDIX E**

**CONSULTING ENGINEER'S REPORT**

**APPENDIX F**

**FORM OF OPINION OF BOND COUNSEL**

**APPENDIX G**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

**APPENDIX H**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

**EXHIBIT C**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

**CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Brevard County, Florida (the "Issuer") in connection with the issuance of its \$\_\_\_\_\_ Water and Wastewater Utility Revenue Bonds, Series 2014 (the "Bonds"). The Bonds are being issued pursuant to the Resolution No. \_\_\_\_\_ adopted by the Board of County Commissioners of the County (the "Board") on September 9, 2014, as amended and supplemented from time to time (the "Resolution").

SECTION 1. PURPOSE OF THE DISCLOSURE CERTIFICATE. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and Beneficial Owners (defined below) of the Bonds and in order to assist the Participating Underwriters in complying with the continuing disclosure requirements of the Rule (defined below).

SECTION 2. DEFINITIONS. In addition to the definitions set forth in the Resolution which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined herein, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access web portal of the MSRB, located at <http://www.emma.msrb.org>.

"Event of Bankruptcy" shall be considered to have occurred when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Obligated Person" shall mean any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity or credit facilities).

"Participating Underwriters" shall mean the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each entity authorized and approved by the Securities and Exchange Commission from time to time to act as a repository for purposes of complying with the Rule. As of the date hereof, the Repository recognized by the Securities and Exchange Commission for such purpose is the MSRB, which currently accepts continuing disclosure submissions through EMMA.

"Rule" shall mean the continuing disclosure requirements of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Florida.

### SECTION 3. PROVISION OF ANNUAL REPORTS.

(a) The Issuer shall, or shall cause the Dissemination Agent to, by not later than April 30th following the end of the prior fiscal year, beginning with the fiscal year ending September 30, 2014 with respect to the report for the 2013-2014 fiscal year, provide to any Repository, in electronic format as prescribed by such Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date provided, further, in such event unaudited financial statements are required to be delivered as part of the Annual Report in accordance with Section 4(a) below. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5.

(b) If on the fifteenth (15th) day prior to the annual filing date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Issuer shall either (i) provide the Dissemination Agent with an electronic copy of the Annual Report no later than two (2) business days prior to the annual filing date, or (ii) instruct the Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Agreement, state the date by which the Annual Report for such year will be provided and instruct the Dissemination Agent that a failure to file has occurred and to immediately send a notice to the Repository in substantially the form attached as Exhibit A, accompanied by a cover sheet completed by the Dissemination Agent in the form set forth in Exhibit B.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of any Repository;

(ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing any Repository to which it was provided; and

(iii) if the Dissemination Agent has not received an Annual Report by 6:00 p.m. Eastern time on the annual filing date (or, if such annual filing date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a failure to file shall have occurred and the Issuer irrevocably directs the Dissemination Agent to immediately send a notice to the Repository in substantially the form attached as Exhibit A without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Dissemination Agent in the form set forth in Exhibit B.

SECTION 4. CONTENT OF ANNUAL REPORTS. The Issuer's Annual Report shall contain or include by reference the following:

(a) the audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement dated \_\_\_\_\_, 2014 (the "Official Statement"), and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; and

(b) updates of the historical financial and operating data set forth in the Official Statement in tables under the captions:

[To Come]

The information provided under Section 4(b) may be included by specific reference to documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the Repository's Internet Web site or filed with the Securities and Exchange Commission.

The Issuer reserves the right to modify from time to time the specific types of information provided in its Annual Report or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Issuer; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule.

SECTION 5. REPORTING OF SIGNIFICANT EVENTS.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds. Such notice shall be given in a timely manner not in excess of ten (10) business days after the occurrence of the event, with the exception of the event described in number 15 below, which notice shall be given in a timely manner:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;

3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. modifications to rights of the holders of the Bonds, if material;
8. Bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the Bonds, if material;
11. ratings changes;
12. an Event of Bankruptcy or similar event of an Obligated Person;
13. the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. appointment of a successor or additional trustee or the change of name of a trustee, if material; and
15. notice of any failure on the part of the Issuer to meet the requirements of Section 3 hereof.

(b) The notice required to be given in paragraph 5(a) above shall be filed with any Repository, in electronic format as prescribed by such Repository.

SECTION 6. IDENTIFYING INFORMATION. In accordance with the Rule, all disclosure filings submitted in pursuant to this Disclosure Certificate to any Repository must be accompanied by identifying information as prescribed by the Repository. Such information may include, but not be limited to:

- (a) the category of information being provided;
- (b) the period covered by any annual financial information, financial statement or other financial information or operation data;

- (c) the issues or specific securities to which such documents are related (including CUSIPs, issuer name, state, issue description/securities name, dated date, maturity date, and/or coupon rate);
- (d) the name of any Obligated Person other than the Issuer;
- (e) the name and date of the document being submitted; and
- (f) contact information for the submitter.

SECTION 7. TERMINATION OF REPORTING OBLIGATION. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds, so long as there is no remaining liability of the Issuer, or if the Rule is repealed or no longer in effect. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 8. DISSEMINATION AGENT. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

SECTION 9. AMENDMENT; WAIVER. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the holders or Beneficial Owners of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of holders or Beneficial Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or Beneficial Owners of the Bonds.

Notwithstanding the foregoing, the Issuer shall have the right to adopt amendments to this Disclosure Certificate necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed

in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. ADDITIONAL INFORMATION. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. DEFAULT. The continuing disclosure obligations of the Issuer set forth herein constitute a contract with the holders of the Bonds. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate; provided, however, the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with the provisions of this Disclosure Certificate shall be an action to compel performance. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution.

SECTION 12. DUTIES, IMMUNITIES AND LIABILITIES OF DISSEMINATION AGENT. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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SECTION 13. BENEFICIARIES. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated as of 9-4, 2014

(SEAL)

BREVARD COUNTY, FLORIDA

By: May Bohn Lewis  
Chair, Board of  
County Commissioners

Attested and Countersigned:

By: Scott Ellis  
Scott Ellis, Clerk

**EXHIBIT A**

**NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT**

Issuer: \_\_\_\_\_

Obligated Person: \_\_\_\_\_

Name(s) of Bond Issue(s): \_\_\_\_\_

Date(s) of Issuance: \_\_\_\_\_

Date(s) of Disclosure Agreement: \_\_\_\_\_

CUSIP Number: \_\_\_\_\_

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate. [The Issuer has notified the Dissemination Agent that it anticipates that the Annual Report will be filed by\_\_\_\_\_].

Dated: \_\_\_\_\_

[Issuer]

\_\_\_\_\_

cc: