

RESOLUTION NO. 03-56

A RESOLUTION SUPPLEMENTING RESOLUTION NO. 03-55 OF THE CITY OF MARCO ISLAND, FLORIDA; AUTHORIZING AND APPROVING THE NEGOTIATED SALE OF NOT TO EXCEED \$105,000,000 CITY OF MARCO ISLAND, FLORIDA UTILITY SYSTEM REVENUE BONDS, SERIES 2003 TO REIMBURSE OR FINANCE THE COST OF THE ACQUISITION THE MARCO ISLAND SYSTEM FROM FLORIDA WATER SERVICES CORPORATION AND THE MAKING OF CERTAIN ADDITIONS, EXTENSIONS AND IMPROVEMENTS THERETO AND TO PAY THE COST AND EXPENSES RELATING TO THE ISSUANCE OF THE BONDS, ALL SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS CONTAINED HEREIN AND SUBJECT TO THE TERMS AND CONDITIONS OF A PURCHASE CONTRACT; APPROVING THE FORMS OF AND AUTHORIZING THE EXECUTION OF SUCH PURCHASE CONTRACT, A CONTINUING DISCLOSURE CERTIFICATE, AND A REGISTRAR AND PAYING AGENT AGREEMENT; DELEGATING TO THE CHAIRMAN THE AUTHORITY TO AWARD THE SALE OF THE SERIES 2003 BONDS TO PRAGER, SEALY & CO., LLC, BANC OF AMERICA SECURITIES LLC AND RAYMOND JAMES & ASSOCIATES, INC., PURSUANT TO A NEGOTIATED SALE AND SUBJECT TO THE CONDITIONS AND TERMS SET FORTH HEREIN AND IN THE PURCHASE CONTRACT; APPROVING THE FORM OF, AND RATIFYING THE APPROVAL OF AN INSURANCE COMMITMENT AND A RESERVE FUND INSURANCE POLICY COMMITMENT, AND THE AUTHORIZATION BY THE CITY MANAGER OF THE DISTRIBUTION OF, A PRELIMINARY OFFICIAL STATEMENT AND APPROVING THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT; APPOINTING THE PAYING AGENT AND REGISTRAR; PROVIDING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Council (the "City Council") of the City of Marco Island, Florida (the "Issuer") has, by Resolution No. 03-55 adopted on September 29, 2003 (the "Master Resolution" and, as supplemented hereby, the "Resolution"), authorized the issuance of not to exceed \$105,000,000 City of Marco Island, Florida Utility System Revenue Bonds, Series 2003 (the "Series 2003 Bonds") to finance the cost of the acquisition of the Marco Island System from Florida Water Services Corporation and to make certain additions, extensions and improvements thereto (the "2003 Project"), to pay the premium of a municipal bond insurance policy applicable to the Series 2003 Bonds, to pay the premium of a reserve fund insurance policy to be deposited to the Reserve Fund, and to pay the costs and expenses, including legal, accounting, engineering, underwriting and financial advisory fees and expenses, and other fees and expenses relating to the issuance of the Series 2003 Bonds; and

WHEREAS, the City Council has, by Resolution adopted Resolution No. 03-35 on June 2, 2003 (the "Reimbursement Resolution"), expressed its intention to be reimbursed from proceeds

of a future tax-exempt financing for capital expenditures relating to such purposes described above and such Reimbursement Resolution was intended to constitute a "declaration of official intent" within the meaning of Section 1.150-2 of the Income Tax Regulations which were promulgated pursuant to the Code; and

WHEREAS, the Issuer has determined it to be in its best interests and to serve a paramount public purpose to provide in this Resolution for the issuance of the Series 2003 Bonds for the purpose of financing the 2003 Project, and this Resolution shall constitute a Supplemental Resolution for purposes of the Master Resolution; and

WHEREAS, Prager, Sealy & Co., LLC, Banc of America Securities LLC and Raymond James & Associates, Inc. (collectively, the "Underwriters") have indicated that they are willing to enter into the hereinafter defined Purchase Contract with the Issuer pursuant to which the Underwriters will agree to purchase the Series 2003 Bonds; and

WHEREAS, due to the present volatility of the market for tax-exempt public obligations such as the Series 2003 Bonds, the need to access such market very quickly, the willingness of the Underwriters to purchase the Series 2003 Bonds at interest rates favorable to the Issuer, and the critical importance of timing of the sale of the Series 2003 Bonds, the Issuer has determined to sell the Series 2003 Bonds through a negotiated sale to the Underwriters, and it is hereby determined that it is in the best interest of the public and the Issuer to delegate to the Chairman the authority to fix the final details of the Series 2003 Bonds and accept the offer of the Underwriters to purchase the Series 2003 Bonds at a negotiated sale pursuant to the terms of a Purchase Contract, the form of which is attached hereto as Exhibit A (the "Purchase Contract"), if certain conditions set forth in the Resolution are satisfied; and

WHEREAS, prior to acceptance by the Issuer of the offer of the Underwriters to purchase the Series 2003 Bonds, the Underwriters will provide the Issuer with all applicable disclosure information required by Section 218.385, Florida Statutes, to be attached to, or otherwise included as part of, the Purchase Contract; and

WHEREAS, the Series 2003 Bonds will be secured by a lien on the Pledged Revenues and, as of the date hereof, the Pledged Revenues are not pledged or encumbered in any manner, and upon issuance of the Series 2003 Bonds, the lien of the holders of the Series 2003 Bonds will be the senior lien on the Pledged Revenues; and

WHEREAS, the timely payment of the principal of and the interest on the Series 2003 Bonds shall also be secured by a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") to be issued by MBIA Insurance Corporation, a stock insurance company incorporated under the laws of the State of New York, or any successor thereto (the "Insurer" with respect to the Series 2003 Bonds) pursuant to the commitment to provide such Financial Guaranty Insurance Policy, a copy of which is attached hereto as Exhibit B (the "Insurance Commitment"); and

WHEREAS, upon the issuance of the Series 2003 Bonds, the Issuer will cause to be deposited into the Reserve Fund a Reserve Fund Insurance Policy issued by the Insurer in an amount equal to the Reserve Requirement and the premium for such Reserve Fund Insurance Policy will be paid from the proceeds of the Series 2003 Bonds, all pursuant to the commitment to provide such Reserve Fund Insurance Policy, a copy of which is attached hereto as Exhibit C (the "Reserve Fund Insurance Policy Commitment"); and

WHEREAS, it is in the best financial interest of the Issuer that the Issuer accept the Insurance Commitment and the Reserve Fund Insurance Policy Commitment; and

WHEREAS, as a condition to its issuance of the Bond Insurance Policy and the Reserve Fund Insurance Policy, the Insurer has required that the Issuer agree to certain conditions relating to the Series 2003 Bonds, including the making of certain covenants set forth herein; and

WHEREAS, in connection with the offering and sale of the Series 2003 Bonds, the Issuer desires to approve the distribution of the Preliminary Official Statement, a form of which is attached hereto as Exhibit D, and delegate to the Chairman the authority to deem the Preliminary Official Statement "final" for purposes of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") and to execute and deliver a final Official Statement with respect to the Series 2003 Bonds (the "Official Statement"); and

WHEREAS, the Issuer desires to appoint a paying agent with respect to the Series 2003 Bonds and authorize the execution and delivery of a Registrar and Paying Agent Agreement, a form of which is attached hereto as Exhibit E (the "Registrar and Paying Agent Agreement"); and

WHEREAS, in connection with its continuing disclosure obligations under the Rule, the Issuer desires to approve the form of, and authorize the execution and delivery of, a Continuing Disclosure Certificate, a form of which is attached hereto as Exhibit F (the "Continuing Disclosure Certificate"); and

WHEREAS, all capitalized terms not otherwise defined herein shall have the meaning set forth in the Master Resolution.

NOW THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MARCO ISLAND, FLORIDA, AS FOLLOWS:

SECTION 1. Approval of Issuance of Series 2003 Bonds; Terms of Series 2003 Bonds. The Series 2003 Bonds are hereby authorized to be issued subject to the terms and conditions set forth herein. The Issuer hereby delegates to the Chairman the authority to determine the final terms of the Series 2003 Bonds, including (i) the dated date, (ii) the principal amount and

whether the Series 2003 Bonds shall be issued as Serial Bonds and/or Term Bonds, (iii) the maturity dates and amounts, (iv) the interest rates, prices and yields, and Interest Dates, (v) the optional redemption features, if any, (vi) the Amortization Installments and other mandatory redemption features, if any, (vii) the sale date and the delivery date, (viii) all other details of the Series 2003 Bonds, and to take such further action as shall be required for carrying out the purposes of this Resolution all with respect to the Series 2003 Bonds.

The proceeds of the Series 2003 Bonds, shall be applied in accordance with Section 17 of the Master Resolution and as provided in a certificate of the Chairman, City Manager or Finance Director delivered upon issuance and delivery of the Series 2003 Bonds. All covenants contained in the Master Resolution with respect to the Bonds shall be applicable to the Series 2003 Bonds.

SECTION 2. Award of Sale of the Series 2003 Bonds; Execution of Purchase Contract. Due to the willingness of the Underwriters to purchase the Series 2003 Bonds at interest rates favorable to the Issuer, the present volatility of the market for tax-exempt public obligations such as the Series 2003 Bonds and the critical importance of timing of the sale of the Series 2003 Bonds, the Issuer hereby approves the negotiated sale of the Series 2003 Bonds to the Underwriters and delegates to the Chairman the authority to accept the offer of the Underwriters to purchase the Series 2003 Bonds and to execute and deliver, on behalf of the Issuer, the Purchase Contract, in the form attached hereto as Exhibit A, which form is hereby approved; provided, however, that the Chairman shall not have the authority to execute and deliver the Purchase Contract, unless the Chairman shall have received from the Underwriters (i) all applicable disclosure information required by Section 218.385, Florida Statutes, and (ii) such other information as the Chairman shall deem necessary, upon the advice of the Financial Advisor, which demonstrates to the Chairman that (A) the aggregate principal amount of the Series 2003 Bonds is not in excess of \$105,000,000, (B) the final maturity of the Series 2003 Bonds is not later than October 1, 2033, (C) the underwriting discount is not greater than 1.0% of the original principal amount of the Series 2003 Bonds, and (D) the true interest cost rate on the Series 2003 Bonds is not greater than 5.50%.

All actions of the Chairman taken pursuant to the authority contained in Sections 1 and 2 of this Resolution shall be evidenced by the execution and delivery of the Purchase Contract, which shall be filed with the City Clerk. The execution and delivery of the Purchase Contract shall constitute complete evidence of the actions of the Chairman and shall constitute the action of the Issuer. Subject to satisfaction of the conditions in this Section 2, the Chairman is hereby authorized and directed to execute and deliver, the City Clerk is hereby authorized to attest under seal, and the City Attorney is hereby authorized to approve as to form, the Purchase Contract. The execution and delivery thereof in the manner described in the preceding sentence shall constitute complete approval of such Purchase Contract by the Issuer, including any changes to the form attached hereto as Exhibit A, and shall be deemed to be a part of this instrument as fully and to the same extent as if incorporated verbatim herein.

SECTION 3. Acceptance of Insurance Commitment; Bond Insurance Policy Covenants and Agreements. The Bond Insurance Policy, which guarantees the payment of principal and interest on the Series 2003 Bonds, is hereby authorized to be purchased from the Insurer in accordance with the Insurance Commitment attached hereto as Exhibit B, and payment for such insurance is hereby authorized from the proceeds of the Series 2003 Bonds. The Chairman, City Manager or Finance Director is hereby authorized to execute such Insurance Commitment. The provisions of the Insurance Commitment are hereby incorporated by reference. To the extent of any inconsistency between the provisions of the Insurance Commitment and provisions otherwise contained in the Resolution, the provisions of the Resolution shall prevail. A statement of insurance is hereby authorized to be printed on or attached to the Series 2003 Bonds for the benefit and information of the Series 2003 Bondholders.

So long as the Series 2003 Bonds are Outstanding and insured by the Insurer, the Issuer hereby makes the following covenants and agreements for the benefit of the Insurer:

1. Permitted Investments. For purposes of the Resolution, Permitted Investments shall mean:

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

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

1. U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
2. Farmers Home Administration (FmHA)
Certificates of beneficial ownership
3. Federal Financing Bank
4. Federal Housing Administration Debentures (FHA)
5. General Services Administration
Participation certificates
6. Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA - guaranteed mortgage-backed bonds
GNMA - guaranteed pass-through obligations
(not acceptable for certain cash-flow sensitive issues.)

7. U.S. Maritime Administration
Guaranteed Title XI financing
8. U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures - U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

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

1. Federal Home Loan Bank System
Senior debt obligations
2. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
Participation Certificates
Senior debt obligations
3. Federal National Mortgage Association (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations
4. Student Loan Marketing Association (SLMA or "Sallie Mae")
Senior debt obligations
5. Resolution Funding Corp. (REFCORP) obligations
6. Farm Credit System
Consolidated systemwide bonds and notes

D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2.

E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

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

G. Investment Agreements, including GIC's, Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to the Insurer (Investment Agreement criteria is available upon request).

H. Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P.

I. Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

J. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P.

K. Repurchase Agreements for 30 days or less must follow the following criteria: Repurchase Agreements which exceed 30 days must be acceptable to the Insurer (criteria available upon request).

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

1. Repos must be between the municipal entity and a dealer bank or securities firm

a. Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by Standard & Poor's Corporation and Moody's Investor Services, or

b. Banks rated "A" or above by Standard & Poor's Corporation and Moody's Investor Services.

2. The written repo contract must include the following:

a. Securities which are acceptable for transfer are:

(1) Direct U.S. governments, or

(2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)

b. The term of the repo may be up to 30 days

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

d. Valuation of Collateral

(1) The securities must be valued weekly, marked-to-market at current market price plus accrued interest

(a) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the

value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

3. Legal opinion which must be delivered to the municipal entity:

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

Additional Notes

(i) There is no list of permitted investments for non-indentured funds. Your own credit judgment and the relevant circumstances (e.g., amount of investment and timing of investment) should dictate what is permissible.

(ii) Any state administered pool investment fund in which the Issuer is statutorily permitted or required to invest will be deemed a permitted investment.

(iii) DSRF investments should be valued at fair market value and marked to market at least once per year. DSRF investments may not have maturities extending beyond 5 years, except for Investment Agreements approved by the Insurer.

2. Acquired Obligations. For purposes of the Resolution, Acquired Obligations shall only include the following:

A. Cash

B. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – "SLGs")

C. Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities

D. Resolution Funding Corp. (REFCORP): Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.

E. Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P. If, however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.

F. Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.

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

Direct obligations or fully guaranteed certificates of beneficial ownership

b. Farmers Home Administration (FmHA)

Certificates of beneficial ownership

c. Federal Financing Bank

d. General Services Administration

Participation certificates

e. U.S. Maritime Administration

Guaranteed Title XI financing

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

Project Notes

Local Authority Bonds

New Communities Debentures - U.S. government guaranteed debentures

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

The Insurer shall be provided with an opinion of counsel acceptable to the Insurer that the Obligations have been legally defeased and that the escrow agreement establishing such defeasance operates to legally defease the Obligations within the meaning of the Indenture and the Supplemental Indenture relating to the Obligations. In addition, the Insurer will be entitled to receive (i) 15 business days notice of any advance refunding of the Obligations and (ii) an accountant's report with respect to the sufficiency of the amounts deposited in escrow to defease the Obligations.

3. Agents.

A. Paying Agent must be a commercial bank with trust powers.

B. Any remarketing agent must have trust powers if they are responsible for holding moneys or receiving bonds. If the remarketing agent is removed, resigns or is unable to perform its duties, the Paying Agent must assume the responsibilities of remarketing agent until a substitute acceptable to the Insurer is appointed.

4. Payments to Insurer.

A. In the event that, on the second Business Day, and again on the Business Day, prior to the payment date on the Series 2003 Bonds, the Paying Agent has not received sufficient moneys to pay all principal of and interest on the Series 2003 Bonds due on the second following or following, as the case may be, Business Day, the Paying Agent shall immediately notify the Insurer or its designee on the same Business Day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

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

C. In addition, if the Paying Agent has notice that any Bondholder has been required to disgorge payments of principal or interest on the Series 2003 Bonds to a trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Paying Agent shall notify the Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

D. The Paying Agent is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Holders of the Series 2003 Bonds as follows:

1. If and to the extent there is a deficiency in amounts required to pay interest on the Series 2003 Bonds, the Paying Agent shall (a) execute and deliver to U.S. Bank Trust National Association, or its successors under the Policy (the "Insurance Paying Agent"), in form satisfactory to the Insurance Paying Agent, an instrument appointing the Insurer as agent for such Holders in any legal proceeding related to the payment of such interest and an assignment to the Insurer of the claims for interest to which such deficiency relates and which are paid by the Insurer, (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Policy payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (c) disburse the same to such respective Holders; and

2. If and to the extent of a deficiency in amounts required to pay principal of the Series 2003 Bonds, the Paying Agent shall (a) execute and deliver to the Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument appointing the Insurer as agent for such Holder in any legal proceeding relating to the payment of such principal and an assignment to the Insurer of any of the Obligation surrendered to the Insurance Paying Agent of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Paying Agent and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Policy payment therefor from the Insurance Paying Agent, and (c) disburse the same to such Holders.

E. Payments with respect to claims for interest on and principal of Series 2003 Bonds disbursed by the Paying Agent from proceeds of the Policy shall not be considered to discharge the obligation of the Issuer with respect to such Series 2003 Bonds, and the Insurer shall become the owner of such unpaid Obligation and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

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

1. They recognize that to the extent the Insurer makes payments, directly or indirectly (as by paying through the Paying Agent), on account of principal of or interest on the Series 2003 Bonds, the Insurer will be subrogated to the rights of such Holders to receive the amount of such principal and interest from the Issuer, with interest thereon as provided and solely from the sources stated in this Resolution and the Series 2003 Bonds; and

2. They will accordingly pay to the Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Financial Guaranty Insurance Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in this Resolution and the Series 2003 Bonds, but only from the sources and in the manner provided herein for the payment of principal

of and interest on the Series 2003 Bonds to Holders, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

G. In connection with the issuance of Additional Parity Obligations, the Issuer shall deliver to the Insurer a copy of the disclosure document, if any, circulated with respect to such additional Series 2003 Bonds.

H. Copies of any amendments made to the documents executed in connection with the issuance of the Series 2003 Bonds which are consented to by the Insurer shall be sent to Standard & Poor's Corporation.

I. The Insurer shall receive notice of the resignation or removal of the Paying Agent and the appointment of a successor thereto.

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

Notices: Any notice that is required to be given to a Holder of the Series 2003 Bonds or to the Paying Agent pursuant to the Resolution shall also be provided to the Insurer. All notices required to be given to the Insurer under the Resolution shall be in writing and shall be sent by registered or certified mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504 Attention: Surveillance.

K. The Issuer agrees to reimburse the Insurer immediately and unconditionally upon demand, to the extent permitted by law, for all reasonable expenses, including attorneys' fees and expenses, incurred by the Insurer in connection with (i) the enforcement by the Insurer of the Issuer's Series 2003 Bonds, or the preservation or defense of any rights of the Insurer, under this Resolution and any other document executed in connection with the issuance of the Series 2003 Bonds, and (ii) any consent, amendment, waiver or other action with respect to the Resolution or any related document, whether or not granted or approved, together with interest on all such expenses from and including the date incurred to the date of payment at Citibank's Prime Rate plus 3% or the maximum interest rate permitted by law, whichever is less. In addition, the Insurer reserves the right to charge a fee in connection with its review of any such consent, amendment or waiver, whether or not granted or approved .

L. The Issuer agrees not to use Insurer's name in any public document including, without limitation, a press release or presentation, announcement or forum without Insurer's prior consent. In the event that the Issuer is advised by counsel that it has a legal obligation to disclose the Insurer's name in any press release, public announcement or other public document, the Issuer shall provide the Insurers with at least three (3) business days' prior written notice of its intent to use the Insurer's name together with a copy of the proposed use of the Insurer's name and of any description of a transaction with the Insurers and shall obtain the Insurer's prior consent as to the form and substance of the proposed use of the Insurer's name and any such description.

M. The Issuer shall not enter into any agreement nor shall it consent to or participate in any

arrangement pursuant to which Bonds are tendered or purchased for any purpose other than the redemption and cancellation or legal defeasance of such Bonds with the prior written consent of the Insurers.

N. Any Variable Rate Bonds shall have a stated maximum rate of interest.

SECTION 4. Series 2003 Bonds Secured by Reserve Fund; Acceptance of Reserve Fund Insurance Policy Commitment; Reserve Fund Insurance Policy Covenants and Agreements. The Series 2003 Bonds shall be secured by the Reserve Fund on a parity with any Additional Parity Obligations which by their terms are secured thereby. Upon issuance and delivery of the Series 2003 Bonds, a debt service reserve fund surety bond constituting a Reserve Fund Insurance Policy shall be issued by the Insurer and deposited to the Reserve Fund to satisfy the Reserve Requirement. The Reserve Fund Insurance Policy is hereby authorized to be purchased from the Insurer in accordance with the Reserve Fund Insurance Policy Commitment attached hereto as Exhibit C, and payment for such Reserve Fund Insurance Policy is hereby authorized from the proceeds of the Series 2003 Bonds. The Chairman, City Manager or Finance Director is hereby authorized to execute such Reserve Fund Insurance Policy Commitment. The provisions of the Reserve Fund Insurance Policy Commitment are hereby incorporated by reference. To the extent of any inconsistency between the provisions of the Reserve Fund Insurance Policy Commitment and provisions otherwise contained in the Resolution, the provisions of the Resolution shall prevail.

The form of a reimbursement agreement attached to such Reserve Fund Insurance Policy Commitment (the "Reserve Fund Insurance Policy Agreement") is hereby approved by the Issuer, and the Issuer hereby authorizes the Chairman to execute and deliver, the City Clerk to attest under seal, and the City Attorney to approve as to form the Reserve Fund Insurance Policy Agreement in the name of and on behalf of the Issuer. The execution and delivery thereof in the manner described in the preceding sentence shall constitute complete approval of the Reserve Fund Insurance Policy Agreement by the Issuer, and all of the provisions of which shall be deemed to be a part of this instrument as fully and to the same extent as if incorporated verbatim herein.

So long as the Reserve Fund Insurance Policy is in effect relating to any Series of Bonds, the following provisions shall apply:

1. Payment to Insurer Prior to Defeasance of Series 2003 Bonds. The Insurer must be paid all amounts owed to it under the terms of the Reserve Fund Insurance Policy Agreement or any other documents prior to the Series 2003 Bonds being deemed paid for purposes of Section 24 of the Master Resolution.

2. Available Amounts. It will be the responsibility of the Paying Agent to maintain adequate records, verified with the Insurer, as to the amount available to be drawn any given

time under the Reserve Fund Insurance Policy and as to amounts paid and owing to the Insurer under the terms of the Reserve Fund Insurance Policy Agreement.

3. No Optional Redemption or Distribution of Funds. There may be no optional redemption of Series 2003 Bonds or distribution of funds to the Issuer unless all amounts owed to the Insurer under the terms of the Reserve Fund Insurance Policy Agreement or any other documents have been paid.

SECTION 5. Approval of Distribution of Preliminary Official Statement and Authorization of Final Official Statement. The preparation and distribution of the Preliminary Official Statement relating to the Series 2003 Bonds, in the form attached hereto as Exhibit D, is hereby approved and authorized, as is the use thereof by the Underwriters in connection with the sale of the Series 2003 Bonds. The Chairman, the City Manager or the Finance Director is hereby authorized to execute and deliver a certificate of the Issuer which deems such Preliminary Official Statement "final" within the contemplation of the Rule. The distribution of the final Official Statement relating to the Series 2003 Bonds is hereby authorized, and the execution of such Official Statement by the Chairman, the City Manager and the Finance Director is hereby authorized, which execution and delivery shall constitute complete evidence of the approval of such final Official Statement by the Issuer.

SECTION 6. Appointment of Registrar and Paying Agent; Authorization of Execution and Delivery of Registrar and Paying Agent Agreement. Wells Fargo Bank, National Association is hereby appointed Registrar and Paying Agent relating to the Series 2003 Bonds. The Registrar and Paying Agent Agreement, in the form attached hereto as Exhibit E, is hereby approved and authorized. The Chairman is hereby authorized and directed to execute and deliver, the City Clerk is hereby authorized to attest under seal, and the City Attorney is hereby authorized to approve as to form, the Registrar and Paying Agent Agreement. The execution and delivery thereof in the manner described in the preceding sentence shall constitute complete approval of such Registrar and Paying Agent Agreement by the Issuer, including any changes to the form being approved, and shall be deemed to be a part of this instrument as fully and to the same extent as if incorporated verbatim herein.

SECTION 7. Continuing Disclosure. The Issuer hereby covenants and agrees that, in order to assist the Underwriters in complying with the continuing disclosure requirements of the Rule with respect to the Series 2003 Bonds, it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, the form of which is attached hereto as Exhibit E, to be executed by the Issuer prior to the time the Issuer delivers the Series 2003 Bonds to the Underwriters, as it may be amended from time to time in accordance with the terms thereof.

The Issuer hereby approves the Continuing Disclosure Certificate, in the form attached hereto. The Chairman is hereby authorized and directed to execute and deliver, the City Clerk is hereby authorized to attest under seal, and the City Attorney is hereby authorized to approve

as to form, the Continuing Disclosure Certificate. The execution and delivery thereof in the manner described in the preceding sentence shall constitute complete approval of such Continuing Disclosure Certificate by the Issuer, including any changes to the form being approved, and shall be deemed to be a part of this instrument as fully and to the same extent as if incorporated verbatim herein.

Notwithstanding any other provision of this Resolution, failure of the Issuer to comply with such Continuing Disclosure Certificate shall not be considered an Event of Default under the Resolution. However, the Continuing Disclosure Certificate shall be enforceable by the Series 2003 Bondholders in the event that the Issuer fails to cure a breach thereunder within a reasonable time after written notice from a Series 2003 Bondholder to the Issuer that a breach exists. Any rights of the Series 2003 Bondholders to enforce the provisions of the Continuing Disclosure Certificate shall be on behalf of all Series 2003 Bondholders and shall be limited to a right to obtain specific performance of the Issuer's obligations thereunder.

SECTION 8. General Authority. The Chairman, the City Manager, the City Clerk, the Finance Director, the City Attorney or any other appropriate officers of the Issuer are hereby authorized and directed to execute any and all certifications or other instruments or documents required by the Resolution, the Purchase Contract or any other document referred to above as a prerequisite or precondition to the issuance of the Series 2003 Bonds and any such representation made therein shall be deemed to be made on behalf of the Issuer. All action taken to date by the officers of the Issuer in furtherance of the issuance of the Series 2003 Bonds is hereby approved, confirmed and ratified.

SECTION 9. No Third Party Beneficiaries. Except as may be expressly described herein or in a Supplemental Resolution, nothing in this Resolution, or in the Series 2003 Bonds, expressed or implied, is intended or shall be construed to confer upon anyone of another entity other than the Issuer, the Holders and the Insurer with respect to the Series 2003 Bonds, any right, remedy or claim, legal or equitable, under and by reason of this resolution or any provision hereof, or of the Series 2003 Bonds, all provisions hereof and thereof being intended to be and being for the sole and exclusive benefit of the Issuer, the Holders from time to time and the Insurer with respect to the Series 2003 Bonds.

SECTION 10. Severability. If any one or more of the covenants, agreements or provisions of the 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 the Resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof, thereof or of the Series 2003 Bonds issued under the Resolution.

SECTION 11. No Personal Liability. Neither the members of the City Council, nor any officials or employees of the Issuer, nor any person executing the Series 2003 Bonds shall be personally liable therefor or be subject to any personal liability or accountability by reason of the issuance thereof.

[Remainder of this page intentionally left blank]

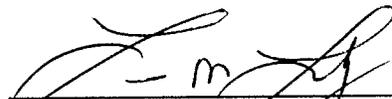
SECTION 12. Repeal Of Inconsistent Instruments. All prior resolutions of the Issuer inconsistent with the provisions of the Resolution are hereby repealed to the extent of such conflict and, except as otherwise repealed hereby, shall remain in full force and effect.

SECTION 13. Effective Date. This Resolution shall take effect immediately upon its adoption

Passed in open and regular session through roll call vote by the City Council of the City of Marco Island, Florida this 6th day of October, 2003.

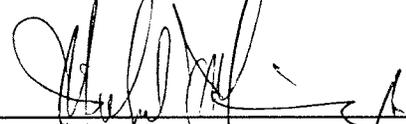
(SEAL)

ATTEST:



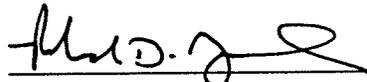
Laura M. Litzan, City Clerk

CITY OF MARCO ISLAND, FLORIDA

By: 

Michael F. Minozzi, Jr., Chairman

Approved as to Form:



Richard D. Yovanovich, City Attorney