PRELIMINARY OFFICIAL STATEMENT DATED _____, 2014

See "RATINGS" herein

NEW ISSUE – BOOK-ENTRY ONLY

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2014 Series A/B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the 2014 Series A/B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2014 Series A/B Bonds. See "TAX MATTERS" herein.

$_____*
City of Gainesville, Florida
Utilities System Revenue Bonds

$_____* 2014 Series A

$_____* 2014 Series B

GRU℠
More than Energy

Dated: Date of Delivery **Due: October 1, as shown on the inside cover page**

The Utilities System Revenue Bonds, 2014 Series A (the "2014 Series A Bonds") and the Utilities System Revenue Bonds, 2014 Series B (the "2014 Series B Bonds" and together with the 2014 Series A Bonds, the "2014 Series A/B Bonds") will be issued as fully registered bonds and, when initially issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2014 Series A/B Bonds. Individual purchases of 2014 Series A/B Bonds will be made in book-entry form only in the principal amount of $5,000 or any integral multiple thereof. See "BOOK-ENTRY ONLY SYSTEM" in APPENDIX A hereto.

The 2014 Series A Bonds are being issued by the City of Gainesville, Florida (the "City") (a) to pay costs of acquisition and construction of certain improvements to the electric system, natural gas system, water system, wastewater system and telecommunications system owned by the City and operated as a single combined public utility more particularly described herein and (b) to pay costs of issuance of the 2014 Series A Bonds. The 2014 Series B Bonds are being issued by the City (a) to refund certain of the City's outstanding Utilities System Revenue Bonds more particularly described herein and (b) to pay costs of issuance of the 2014 Series B Bonds.

The 2014 Series A/B Bonds bear interest from their dated date payable each April 1 and October 1, commencing April 1, 2015.

Certain of the 2014 Series A/B Bonds are subject to redemption prior to maturity as described herein.

MATURITY SCHEDULE – See Inside Cover Page

THE 2014 SERIES A/B BONDS DO NOT CONSTITUTE A GENERAL INDEBTEDNESS OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION OF INDEBTEDNESS. NO HOLDER OF THE 2014 SERIES A/B BONDS WILL HAVE THE RIGHT, DIRECTLY OR INDIRECTLY, TO REQUIRE OR COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE CITY FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2014 SERIES A/B BONDS OR THE MAKING OF ANY PAYMENTS UNDER THE RESOLUTION. THE 2014 SERIES A/B BONDS AND THE OBLIGATIONS EVIDENCED THEREBY DO NOT CONSTITUTE A LIEN ON ANY PROPERTY OF OR IN THE CITY, OTHER THAN THE TRUST ESTATE.

The 2014 Series A/B Bonds are offered when, as and if issued and received by the Underwriters, subject to approval of legality by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the City. Certain legal matters will be passed upon for the City by Nicolle M. Shalley, Esq., City Attorney and by Holland & Knight LLP, Disclosure Counsel to the City, and for the Underwriters by Nixon Peabody, LLP. It is expected that the 2014 Series A/B Bonds in definitive form will be available for delivery to DTC in New York, New York on or about December ___, 2014.

J.P. Morgan

BofA Merrill Lynch **Goldman, Sachs & Co.** **BMO Capital Markets**

December ___, 2014.

* Preliminary, subject to change.

RED HERRING LANGUAGE

This Preliminary Official Statement and the information contained herein are subject to change, completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or solicitation of an offer to buy nor shall there be any sale of the 2014 Series A/B Bonds by any person in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The City 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.

No dealer, broker, salesman or any other person has been authorized by the City of Gainesville, Florida (the "City") to give any information or to make any representations in connection with the 2014 Series A/B 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 City. 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 2014 Series A/B 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 City, The Depository Trust Company, the Underwriters and other sources which are believed to be reliable.

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 2014 Series A/B Bonds are qualified in their entirety by reference to the form thereof included in the aforesaid documents and agreements.

Any statements in this Official Statement involving estimates, assumptions and matters of opinion, whether or not so expressly stated, are intended as such and not as representations of fact, and the City expressly makes no representation that such estimates, assumptions and opinions will be realized or fulfilled. Any information, estimates, assumptions and matters of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof.

THE 2014 SERIES A/B BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE BOND RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE 2014 SERIES A/B BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE 2014 SERIES A/B BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE 2014 SERIES A/B BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2014 SERIES A/B BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE 2014 SERIES A/B BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH, TO THE EXTENT THEY ARE NOT RECITATIONS OF HISTORICAL FACT, CONSTITUTE "FORWARD-LOOKING STATEMENTS." IN THIS RESPECT, THE WORDS "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTENT," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. A NUMBER OF FACTORS AFFECTING THE CITY'S BUSINESS AND FINANCIAL RESULTS COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE STATED IN THE FORWARD-LOOKING STATEMENTS.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE A CONTRACT BETWEEN THE CITY OR THE UNDERWRITERS AND ANY ONE OR MORE OF THE OWNERS OF THE 2014 SERIES A/B BONDS. This Official Statement is being provided to prospective purchasers either in bound printed form ("Original Bound Format") or in electronic format on the following websites: WWW.MUNIOS.COM or WWW.EMMA.MSRB.ORG. This Official Statement should be relied upon only if it is in its original bound format or as printed in its entirety directly from such websites.

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Official Statement

relating to

**$_____*
City of Gainesville, Florida
Utilities System Revenue Bonds**

$_____* 2014 Series A

$_____* 2014 Series B

INTRODUCTORY STATEMENT

General

This Official Statement, which includes the cover page and inside cover page hereof and the appendices attached hereto, provides certain information in connection with the sale by the City of Gainesville, Florida (the "City") of its (a) $_____* Utilities System Revenue Bonds, 2014 Series A (the "2014 Series A Bonds") and (b) $_____* Utilities System Revenue Bonds, 2014 Series B (the "2014 Series B Bonds" and together with the 2014 Series A Bonds, the "2014 Series A/B Bonds"). Definitive copies of all reports and documents not reproduced in this Official Statement may be obtained from the Utilities Administration Building, Post Office Box 147117, STA. A-138, Gainesville, Florida 32614-7117, Attention: Utilities Attorney.

The City, located in Alachua County in north-central Florida (the "County"), is a municipal corporation of the State of Florida (the "State"), organized and existing under the laws of the State including the City's Charter, Chapter 90-394, Laws of Florida, 1990, as amended (the "Charter"). The 2014 Series A/B Bonds are being issued pursuant to the Utilities System Revenue Bond Resolution adopted by the City on June 6, 1983, as amended, supplemented and restated (the "Resolution"), including as supplemented by the Twenty-Sixth Supplemental Utilities System Revenue Bond Resolution, authorizing the 2014 Series A/B Bonds, adopted by the City on December 4, 2014; Chapter 166, Part II, Florida Statutes; and the Charter. U.S. Bank National Association (formerly First Trust of New York, National Association) currently is Trustee, Paying Agent and Bond Registrar under the Resolution.

The 2014 Series A/B Bonds are payable from and secured on a parity with all other bonds issued under the Resolution by a pledge of and lien on the Trust Estate (hereinafter defined). As of October 1, 2014, there were $869,570,000 aggregate principal amount of bonds Outstanding under (and as defined in) the Resolution. The 2014 Series A Bonds are being issued by the City to (a) pay costs of acquisition and construction of certain improvements to the electric system, natural gas system, water system, wastewater system and telecommunications system owned by the City and operated as a single combined public utility (the "System" or "Gainesville Regional Utilities" ("GRU")) and (b) pay costs of issuance of the 2014 Series A Bonds. See "PLAN OF FINANCE – The 2014 Series A Bonds" herein. The 2014 Series B Bonds are being issued by the City to (a) refund certain of the City's outstanding Utilities System Revenue Bonds more particularly described herein, and (b) pay costs of issuance of the 2014 Series B Bonds. See "PLAN OF FINANCE – The 2014 Series B Bonds" herein.

The 2014 Series A/B Bonds constitute "Bonds" within the meaning of the Resolution. The 2014 Series A/B Bonds, the bonds outstanding on the date of this Official Statement and any additional parity bonds which may be issued in the future are referred to herein collectively as the "Bonds."

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* Preliminary, subject to change.

thirteen antenna attachment sites, and associated network equipment. As of September 30, 2014, GRUCom provided broadband data and Internet services to 7,075 residential and commercial customers, as well as public safety radio to all the major public safety agencies in the County. During the fiscal year ending September 30, 2014, GRUCom accounted for approximately 3.1% of gross revenues and approximately 5.2% of net revenues of the System.

Continuing Disclosure

The City has covenanted for the benefit of the owners of the 2014 Series A/B Bonds in a Continuing Disclosure Certificate to comply with certain covenants in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12. See "CONTINUING DISCLOSURE" herein.

Other

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution, except as otherwise indicated herein. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Definitions" in APPENDIX D hereto.

There follows in this Official Statement brief descriptions of the security for the Bonds, the 2014 Series A/B Bonds, the System, the City, the County, the Resolution and certain financial statements. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City or its Financial Advisor.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Official Statement contains forward-looking statements. Forward-looking statements include, among other things, statements concerning sales, customer growth, economic recovery, current and proposed environmental regulations and related estimated expenditures, access to sources of capital, financing activities, start and completion of construction projects, plans for new generation resources, estimated sales and purchases of power and energy, and estimated construction and other expenditures. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "could," "should," "expects," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "estimated," "scheduled," "potential," or "continue" or the negative of these terms or other similar terminology. These forward-looking statements are based largely on the City's current expectations and are subject to a number of risks and uncertainties, some of which are beyond the City's control. There are various factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Accordingly, there can be no assurance that such indicated results will be realized. These factors include:

- the impact of recent and future federal and state regulatory changes or judicial opinions, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry, implementation of the 2005 Energy Policy Act (hereinafter defined), environmental laws and regulations affecting water quality, coal combustion byproducts, and emissions of sulfur dioxide, nitrogen oxides, greenhouse gases ("GHG"), particulate matter and hazardous air pollutants including mercury, financial reform legislation, and also changes in tax and other laws and regulations to which the System is subject, as well as changes in application of existing laws and regulations;

- current and future litigation, regulatory investigations, proceedings, or inquiries;

- the effects, extent, and timing of the entry of additional competition in the markets in which the System operates;

the City's additional financing requirements for the System, see "ADDITIONAL FINANCING REQUIREMENTS" herein.

The 2014 Series B Bonds

The 2014 Series B Bonds will be issued to (a) provide a portion of the funds required to advance refund all or a portion of the City's Utilities System Revenue Bonds, 2005 Series A (the "2005A Refunded Bonds") and current refund all or a portion of the City's Utilities System Revenue Bonds, 2008 Series A (Federally Taxable) (the "2008A Refunded Bonds" and together with the 2005A Refunded Bonds, the "Refunded Bonds"), each as listed in the table below and (b) pay costs of issuance of the 2014 Series B Bonds.

Series[1][2]	Maturity (October 1)	Interest Rate	Amount Refunded[1]	Redemption Price (expressed as a percentage of principal amount)
2005 Series A	2029	4.75%	$12,435,000	100%
2005 Series A	2030	4.75%	350,000	100%
2005 Series A	2036	4.75%	345,000	100%
2008 Series A	2015	4.820%	2,120,000	[2]
2008 Series A	2016	4.920%	2,160,000	[2]
2008 Series A	2017	5.020%	2,160,000	[2]
2008 Series A	2020	5.270%	13,475,000	[2]

(1) Preliminary, subject to change.

(2) In accordance with the terms of the 2008A Refunded Bonds, the 2008A Refunded Bonds of each maturity are subject to redemption prior to maturity at the election of the City, in whole or in part, on any date, at a "make-whole" redemption price determined in the manner set forth therein, which redemption prices are to be determined on the tenth (10^{th}) day (or, if such day is not a business day, the next preceding business day) preceding such redemption date. On November 19, 2014, the Trustee gave notice of redemption to the holders of the 2008A Refunded Bonds on behalf of the City, calling such Bonds for redemption on December 19, 2014. As permitted by the terms of the Resolution and the 2008A Refunded Bonds, such call for redemption is revocable and is conditioned upon the issuance by the City of the 2014 Series B Bonds on or prior to December 19, 2014. As a result of such call for redemption, the redemption prices of the 2008A Refunded Bonds of each maturity will be determined on December 9, 2014

A portion of the proceeds of the 2014 Series B Bonds, together with other available funds of the System, will be deposited in the construction fund and used to pay the redemption price on the 2008A Refunded Bonds on the delivery date of the 2014 Series B Bonds. A portion of the proceeds of the 2014 Series B Bonds, together with other available funds of the System, will be deposited with the Trustee pursuant to an Escrow Deposit Agreement (the "Escrow Deposit Agreement") to be entered into, at or prior to the issuance of the 2014 Series B Bonds, between the City and the Trustee. The amounts deposited with the Trustee under the Escrow Deposit Agreement will be invested in direct obligations of the United States of America ("Government Obligations"). The Government Obligations will mature at such times and in such amounts and will bear interest at such rates as will be sufficient, together with any uninvested cash to be held pursuant to the Escrow Deposit Agreement, to pay when due the principal of and interest on the 2005A Refunded Bonds on and prior to December 19, 2014. The Government Obligations and any moneys deposited with the Trustee pursuant to the Escrow Deposit Agreement will be deposited in an irrevocable escrow account established under the Escrow Deposit Agreement (the "Escrow Account") and pledged to secure the payment of the redemption price of and interest on the 2005A Refunded Bonds. Upon such deposit of Government Obligations and any moneys in the Escrow Account and compliance with other provisions of the Resolution, the 2005A Refunded Bonds will be deemed paid and will cease to be entitled to any lien, benefit or security under the Resolution and all covenants, agreements and obligations of the City to the holders of the 2005A Refunded Bonds shall cease, terminate and become void and be discharged and satisfied.

The accuracy of the mathematical computations of the adequacy of the principal of and interest on the Government Obligations and any moneys to be on deposit in the Escrow Account to provide for the payment

OUTSTANDING DEBT

The following table sets forth the outstanding debt of the City issued for the System as of October 1, 2014.

Outstanding Debt of the City Issued for the System

Description	As of October 1, 2014 Interest Rates	(Unaudited) Due Dates (October 1)	Principal Outstanding
Utilities System Revenue Bonds			
2005 Series A[10]	4.75%	2029-2036	$13,130,000
2005 Series B (federally taxable)	5.14 – 5.31%[1][2]	2015-2021	24,485,000
2005 Series C	Variable[1][3]	2026	28,265,000
2006 Series A	Variable[1][4]	2026	18,410,000
2007 Series A	Variable[1][5]	2036	137,565,000
2008 Series A (federally taxable)[10]	4.82 – 5.27%	2015-2020	52,635,000
2008 Series B	Variable[1][6]	2038	90,000,000
2009 Series A (federally taxable)	3.589%	2015	4,110,000
2009 Series B (federally taxable)	3.589 – 5.655%	2015-2039	156,900,000
2010 Series A (federally taxable)	5.874%	2027-2030	12,930,000
2010 Series B (federally taxable)	6.024%	2034-2040	132,445,000
2010 Series C	5.00 – 5.25%	2015-2034	16,365,000
2012 Series A	2.50 – 5.00%	2021-2028	81,860,000
2012 Series B	Variable[7]	2042	100,470,000
Total Utilities System Revenue Bonds			$869,570,000
Utilities System Commercial Paper Notes			
Series C	Variable[1][8]	[9]	$ 62,000,000
Total Subordinated Bonds			$ 62,000,000

(1) See Note 4 to the audited financial statement of the System for the fiscal year ending September 30, 2013 included as APPENDIX B to this Official Statement for a discussion of the various risks borne by the City relating to interest rate swap transactions.

(2) The City has entered into a floating-to-floating rate interest rate swap transaction (the "2005 Series B Swap Transaction") with respect to a pro rata portion of each of the maturities of the Utilities System Revenue Bonds, 2005 Series B (Federally Taxable) (the "2005 Series B Bonds"). The initial notional amount of the 2005 Series B Swap Transaction was $45,000,000, which corresponded to approximately 73.1% of the principal amount of each maturity of the 2005 Series B Bonds. The term of the 2005 Series B Swap Transaction was identical to the term of the 2005 Series B Bonds, and the notional amount of the 2005 Series B Swap Transaction was scheduled to amortize at the same times and in the same amounts as the pro rata portion of the 2005 Series B Bonds to which it related. The 2005 Series B Swap Transaction is subject to termination by the City or the counterparty at certain times and under certain conditions. During the term of the 2005 Series B Swap Transaction, the City will pay to the counterparty a rate equal to the SIFMA Municipal Swap Index (formerly known as the BMA Municipal Swap Index) and will receive from the counterparty a rate equal to 77.14% of the one-month LIBOR rate. The effect of the 2005 Series B Swap Transaction was to convert synthetically the interest rate on such pro rata portion of the 2005 Series B Bonds from a taxable rate to a tax-exempt rate. The City has designated the 2005 Series B Swap Transaction as a "Qualified Hedging Transaction" within the meaning of the Resolution (see "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Definitions" and "– Provisions Concerning Qualified Hedging Contracts" in APPENDIX D hereto). On August 2, 2012, $31,560,000 of the taxable 2005 Series B Bonds (the "Refunded Taxable 2005 Bonds") were redeemed with proceeds from the issuance of the City's tax-exempt Variable Rate Utilities System Revenue Bonds, 2012 Series B (the "2012 Series B Bonds"). As a result, the 2005 Series B Swap Transaction no longer served as a hedge against the 2005 Series B Bonds. However, since the City had other taxable Bonds outstanding, the City left that portion of the 2005 Series B Swap Transaction allocable to the Refunded Taxable 2005 Bonds outstanding following the issuance of the 2012 Series B Bonds, as a partial hedge against the interest rates to be borne by such other taxable Bonds, although such portion of the 2005 Series B Swap Transaction does not specifically match, in terms of its notional amount and amortization, any particular Series and maturity of such other taxable Bonds.

(footnotes continue on following page)

(footnotes continued from preceding page)

APPENDIX D hereto), so all amounts owed by the City under the Series C CP Notes Swap Transaction are payable from amounts remaining on deposit in the Revenue Fund established pursuant to the Resolution following the payment of, among other things, Operation and Maintenance Expenses, debt service on the Bonds, debt service on Subordinated Indebtedness and required deposits to the Utilities Plant Improvement Fund established pursuant to the Resolution.

(9) The Series C CP Notes will mature no more than 270 days from their date of issuance, but in no event later than October 5, 2022.

(10) All or a portion may be refunded with proceeds of 2014 Series B Bonds. See "PLAN OF FINANCE – The 2014 Series B Bonds" herein.

APPENDIX E hereto shows total debt service requirements on all Bonds Outstanding as of October 1, 2014.

ADDITIONAL FINANCING REQUIREMENTS

The System's current seven -year capital improvement program, as shown in the table below, requires a total of approximately $601,265,000 in capital expenditures and $3,092,000 for issuance costs between 2015 and 2021, inclusive, for total capital improvement program costs of $604,357,000. Such amount is expected to be funded in part from remaining construction funds from previous financings, construction fund interest earnings, Revenues, and approximately $148,600,000 of future additional Bonds and/or Subordinated Indebtedness (including additional commercial paper notes) that the System expects will be issued in fiscal year 2015, 2017 and 2020. The ongoing and planned projects included in the capital improvement program are discussed in further detail herein for the electric, natural gas, water, wastewater and telecommunications systems, respectively.

SECURITY FOR THE 2014 SERIES A/B BONDS

Pledge Under the Resolution

All Bonds issued under the Resolution, including the 2014 Series A/B Bonds, are direct and special obligations of the City payable solely from and secured as to the payment of the principal and premium, if any, and interest thereon, in accordance with their terms and the provisions of the Resolution by (i) proceeds of the sale of the Bonds, (ii) Revenues and (iii) all Funds established by the Resolution (other than the Debt Service Reserve Account in the Debt Service Fund which secures only certain designated Series of Bonds and any fund which may be established pursuant to the Resolution for decommissioning and certain other specified purposes), including the investments and income, if any, thereof (collectively, the "Trust Estate"), and the Trust Estate is pledged and assigned to the Trustee for the benefit of the holders of the Bonds subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

The 2014 Series A/B Bonds do not constitute a general indebtedness or a pledge of the full faith and credit of the City within the meaning of any constitutional or statutory provision or limitation of indebtedness. No holder of the 2014 Series A/B Bonds will have the right, directly or indirectly, to require or compel the exercise of the ad valorem taxing power of the City for the payment of the principal of or interest on the 2014 Series A/B Bonds or the making of any payments under the Resolution. The 2014 Series A/B Bonds and the obligations evidenced thereby do not constitute a lien on any property of or in the City, other than the Trust Estate. The City may issue, pursuant to the Resolution, additional Bonds on a parity basis with the 2014 Series A/B Bonds. See "ADDITIONAL FINANCING REQUIREMENTS" herein for a discussion of the City's present intentions with respect to the issuance of additional Bonds and Subordinated Indebtedness.

Rate Covenant

The City has covenanted in the Resolution that it will at all times use its best efforts to operate the System properly and in an efficient and economical manner and will at all times establish and collect rates, fees and other charges for the use or the sale of the output, capacity or services of the System so that the Revenues of the System are expected to yield Net Revenues which shall be equal to at least 1.25 times the Aggregate Debt Service for the forthcoming twelve-month period. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Rate Covenant" in APPENDIX D hereto.

Additional Bonds; Conditions to Issuance

The City may issue additional Bonds for the purpose of paying all or a portion of the Cost of Acquisition and Construction of the System or for the purpose of refunding outstanding Bonds. All Series of such Bonds will be payable from the same sources and secured on a parity with all other Series of Bonds. Set forth below are certain conditions applicable to the issuance of additional Bonds.

Historical Debt Service Coverage. The issuance of any Series of additional Bonds (except for Refunding Bonds) is conditioned upon the delivery by an Authorized Officer of the City of a certificate to the effect that, for any period of twelve consecutive months within the most recent eighteen months preceding the issuance of Bonds of such Series, as determined from the financial statements of the System, Net Revenues were at least equal to 1.25 times the Aggregate Debt Service during such twelve month period in respect of the then outstanding Bonds.

Projected Debt Service Coverage. The issuance of any Series of additional Bonds (except for Refunding Bonds) is further conditioned upon the delivery by the City of a certificate of an Authorized Officer of the City to the effect that, for each fiscal year in the period beginning with the year in which the additional Series of Bonds is to be issued and ending on the later of the fifth full fiscal year thereafter or the first full fiscal year in which less than 10% of the interest coming due on Bonds estimated by the City to be outstanding is to be paid from Bond proceeds, Net Revenues are estimated to be at least equal

If less than all of the 2014 Series A/B Bonds maturing on and after October 1, 20__ are to be so redeemed, the City may select the series and the maturity or maturities to be redeemed. If less than all of the 2014 Series A/B Bonds of any maturity are to be redeemed, the particular 2014 Series A/B Bonds or portions of such Bonds of such maturity shall be selected by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate. The portion of any 2014 Series A/B Bond of a denomination of more than $5,000 to be redeemed will be in the principal amount of $5,000 or any integral multiple thereof, and in selecting portions of such Bonds for redemption the Trustee will treat each such Bond as representing that number of such Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by $5,000.

Notice of Redemption

The Resolution requires the Trustee to give notice of any redemption of the 2014 Series A/B Bonds not less than 30 days nor more than 60 days prior to the redemption date. Notice of redemption will be given by first-class mail to each holder of the 2014 Series A/B Bonds to be redeemed. The failure of the Trustee to give notice by mail, or any defect in such notice, to the holder of any 2014 Series A/B Bond will not affect the validity of the proceedings for the redemption of any other 2014 Series A/B Bond. Notice having been given in the manner provided in the Resolution, on the redemption date so designated, (a) unless such notice has been revoked or ceases to be in effect in accordance with the terms thereof and (b) if there shall be sufficient moneys available therefor, then the 2014 Series A/B Bonds or portions thereof so called for redemption will become due and payable on such redemption date at the redemption price, plus interest accrued and unpaid to the redemption date. So long as a book-entry system is used for determining ownership of the 2014 Series A/B Bonds, the Trustee shall send the notice of redemption to DTC or its nominee, or its successor, and if less than all of the 2014 Series A Bonds of a maturity or 2014 Series B Bonds of a maturity are to be redeemed, DTC or its successor and Direct Participants and Indirect Participants will determine the particular ownership interests of such 2014 Series A/B Bonds of such maturity to be redeemed. Any failure of DTC or its successor or a Direct Participant or Indirect Participant to do so, or to notify a Beneficial Owner of a 2014 Series A/B Bond of any redemption, will not affect the sufficiency or the validity of the redemption of the 2014 Series A/B Bonds. Neither the City nor the Trustee can make any assurance that DTC, the Direct Participants or the Indirect Participants will distribute such redemption notices to the Beneficial Owners of the 2014 Series A/B Bonds, or that they will do so on a timely basis.

Registration and Transfer; Payment

The 2014 Series A/B Bonds may be transferred only on the books of the City held at the principal corporate trust office of the Trustee, as Bond Registrar. Neither the City nor the Bond Registrar will be required to transfer or exchange 2014 Series A/B Bonds (a) for a period beginning with the applicable Record Date (hereinafter defined) and ending with the next succeeding October 1 or April 1, as applicable, or (b) for a period beginning with a date selected by the Trustee not more than fifteen nor less than ten days prior to a date fixed for the payment of any interest which, at the time, is payable, but has not been punctually paid or duly provided for, and ending with the date fixed for such payment. Interest on any 2014 Series A/B Bonds will be paid to the person in whose name such Bond is registered on the applicable Record Date, which is March 15 for interest due on April 1 and September 15 for interest due on October 1. At such time, if any, as the 2014 Series A/B Bonds no longer shall be subject to the book-entry only system of registration and transfer described in APPENDIX A hereto, interest on the 2014 Series A/B Bonds will be payable by check or draft of the Trustee, as Paying Agent, mailed to the registered owners by first-class mail. At such time, if any, as the 2014 Series A/B Bonds no longer shall be subject to such book-entry only system of registration and transfer, the principal of all 2014 Series A/B Bonds will be payable on the date of maturity or redemption or acceleration thereof upon presentation and surrender at the principal corporate trust office of the Paying Agent.

For so long as a book-entry system is used for determining beneficial ownership of the 2014 Series A/B Bonds, such principal and interest shall be payable to DTC or its nominee. Disbursement of such payments to the Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners of the 2014 Series A/B Bonds is the responsibility of the Direct Participants or the Indirect Participants. See "BOOK-ENTRY ONLY SYSTEM" in APPENDIX A hereto.

the City, and all facilities, except for the City's undivided ownership interest in CR-3, are operated by the City. The System is governed by the City Commission.

The electric system was established in 1912 to provide street lighting and electric service to the downtown area. Continuous expansion of the electric system and its generating capacity has resulted in the electric system serving an average of 93,719 customers in the fiscal year ending September 30, 2014 and having a maximum net summer generating capacity of 532.5 MW.

The natural gas system was acquired from the Gainesville Gas Company in 1990 to provide gas distribution throughout the City. The gas system served an average of 33,780 customers in the fiscal year ending September 30, 2014.

The water and wastewater systems were established in 1891 to provide water and wastewater service to the City. The water and wastewater systems served an average of 70,300 and 63,501 customers, respectively, in the fiscal year ending September 30, 2014. The water system has a nominal capacity of 54 Mgd and the wastewater system has a treatment capacity of 22.4 Mgd AADF.

The telecommunications system, GRUCom, was established in 1995 to provide communication services to the Gainesville area in a manner that would minimize duplication of facilities, maximize interconnectivity, simplify access, and promote the evolution of new technologies and business opportunities. GRUCom operates a state-of-the-art fiber optic network and current product lines include telecommunications transport services, Internet access services, communication tower antenna space leasing services, and public safety radio services.

Management of the System

The daily operations of the System are managed by the General Manager for Utilities. An Interim General Manager was appointed in November 2013 while the City conducts a national search for a General Manager. Which search commenced in October 2014. In addition to the General Manager for Utilities, the System's executive team includes four Assistant General Managers, the Chief Financial Officer and the Utilities Attorney. The four Assistant General Managers consist of: Energy Supply; Energy Delivery; Water and Wastewater Systems; and Customer Support Services. It is anticipated that the interim positions below will be filled shortly after a General Manager is selected.

Ms. Kathy E. Viehe, Interim General Manager for Utilities, joined the System as Communications Director in 1996 and became Assistant General Manager for Customer Support Services in 2007. Ms. Viehe has over 28 years of experience in the utility industry, having worked with Jackson Utility Division (Tennessee), Memphis Light, Gas and Water Division (Tennessee) and Ft. Pierce Utilities Authority (Florida). In her role as Interim General Manager, Ms. Viehe oversees all operations of the combined electric, natural gas, water, wastewater and telecommunications utilities. Principal responsibilities include management for all planning, administration, customer service, engineering, organizational development, construction and operations for all utility responsibility areas in accordance with City policies. Additionally, she oversees the preparation and administration of the annual budget and is responsible for policy development and the implementation of policies adopted by the City Commission. She reports directly to the seven-member City Commission as a Charter Officer. Ms. Viehe currently serves on the Board of Directors for The Energy Authority, Inc. ("TEA"), Colectric Partners, Inc. ("Colectric"), the Florida Reliability Coordinating Council ("FRCC") and the Florida Electric Power Coordinating Group.

Mr. David E. Beaulieu, P.E., Assistant General Manager – Energy Delivery, was appointed in November 1996. Mr. Beaulieu joined the System in 1988 and formerly served as Electric Engineering Manager. Mr. Beaulieu oversees the construction, operation and maintenance of the System's electric transmission and distribution facilities, the natural gas distribution facilities, and is also responsible for operations engineering, system control, substations and relay, electric and gas metering, as well as the telecommunications system.

compliance in all material respects with all such permits, licenses and approvals and with all applicable federal, state and local regulations, codes, standards and laws.

THE ELECTRIC SYSTEM

Service Area

The System provides retail electric service to consumers in the Gainesville urban area which includes the City and the surrounding unincorporated area. Wholesale electric service currently is provided to one wholesale customer, Alachua. See "Energy Sales – *Retail and Wholesale Sales*" below. The electric facilities of the System currently serve approximately 124.5 square miles of the County, and approximately 77% of the population of the County, including the entire City, with the exception of the University of Florida campus, which is served principally by Duke. Electric service is also provided in the unincorporated areas of the County by Duke, Clay Electric Cooperative ("Clay"), Florida Power & Light Company ("FPL"), and Central Florida Electric Cooperative, Inc. The System has a territorial agreement with Clay which establishes a service boundary between the two utilities in the unincorporated areas of the County in order to clearly delineate, for existing and future service, those areas to be served by the System and those areas to be served by Clay. This agreement extends through 2017 and has been approved by the Florida Public Service Commission (the "FPSC").

Customers

The System has experienced relatively slow growth in customers in recent years, with slight decreases in the fiscal years ending September 30, 2010 and September 30, 2011, as population growth slowed following the 2008 recession. The following tabulation shows the average number of electric customers for the fiscal years ending September 30, 2010 through September 30, 2014.

	Fiscal Years ending September 30,				
	2010	**2011**	**2012**	**2013**	**2014**
Retail Customers (Average):					
Residential	82,504	81,900	82,039	82,440	83,117
Commercial and Industrial	10,424	10,372	10,423	10,467	10,602
Total	92,928	92,272	92,462	92,907	93,719

Of the 93,719 customers in the fiscal year ending September 30, 2014, 10,602 commercial and industrial customers provided approximately 56% of revenues from retail energy sales.

Energy Sales

The Energy Authority

TEA is a Georgia nonprofit corporation founded by publicly owned utilities in 1997 to maximize the value of their generation and energy resources in a competitive wholesale market. The System became an equity member of TEA on May 1, 2000. Other equity members include City Utilities of Springfield, Missouri, Cowlitz County Public Utility District, JEA, the Municipal Electric Authority of Georgia ("MEAG Power"), Nebraska Public Power District, South Carolina Public Service Authority, and American Municipal Power. TEA has offices in Jacksonville, Florida and Seattle, Washington and provides power marketing, trading, and risk management services throughout most of the United States. The total resources managed by TEA (including the total capacity owned by TEA equity members and resource management partners) is 29,600 MW. TEA manages a diverse generation portfolio, of which approximately 91% is coal, petroleum coke, nuclear, or hydro power, and the volume of capacity represented has proven advantageous in terms of market presence. TEA's operations include the purchase and sale of power, transmission capacity acquisition and scheduling, natural gas and oil purchase and transportation, and financial trading and hedging under strictly observed risk policies.

Other than for retail load and several pre-existing bi-lateral long-term wholesale power agreements, TEA markets the System's generating resources in real-time, day-ahead, and longer-term power markets up to

Retail and Wholesale Energy Sales

	Fiscal Years ending September 30,				
	2010	**2011**	**2012**	**2013**	**2014**
Energy Sales–MWh:					
Residential	857,436	820,584	753,513	752,131	771,884
General Service, Large Power and Other	993,650	966,969	945,131	937,112	941,578
Firm Wholesale[(1)]	216,521	206,852	193,717	130,990	119,447
Total	2,067,607	1,994,405	1,892,361	1,820,233	1,832,909
Average Annual Use per Customer–kWh:					
Residential	10,452	10,019	9,185	9,123	9,287
General Service, Large Power and Other	95,700	93,229	90,686	89,530	88,811

(1) The System had been in an "all requirements" wholesale sales contract with Seminole Electric Cooperative, Inc. until December 31, 2012. The decrease in Firm Wholesale from 2012 and 2013 is a result of the expiration of the Seminole "all-requirements" contract.

The System had a wholesale electric service contract with Seminole Electric Cooperative, Inc. ("Seminole") to serve a Clay substation adjacent to the west side of the System's service area, which began in 1975 and expired on December 31, 2012. Seminole entered into a transmission agreement with the System that became effective January 1, 2013 for a term of three years. The expiration of the electric "all requirements" contract resulted in a reduction of the System's non-fuel revenues of approximately $1,250,000 in the year ended September 30, 2013, taking into account the additional revenues to be realized by the System under the transmission agreement.

The System has had a wholesale contract with Alachua since 1988, which was renewed on January 1, 2011 for a term of ten years. The contract includes management of Alachua's 263 kW (0.032%) share of the No. 2 nuclear unit, as well as compliance responsibilities of the North American Electric Reliability Corporation, Inc. ("NERC"). During fiscal year ending September 30, 2014, the System sold 119,447 MWh to Alachua and received $9,486,450 in revenues from those sales, which represented approximately 6.5% of total energy sales (excluding interchange sales) and 3.7% of total sales revenues. Pursuant to the System's wholesale contract with Alachua, Alachua has a one-time option to reopen the pricing elements of the wholesale contract five years from July 16, 2010, the effective date of the wholesale contract. Pursuant to the contract, Alachua must notify the system in writing of its intent to reopen the pricing elements of the contract. The written notification requires Alachua to specifically request the new prices, pricing elements or pricing formulas. To date, the System has not been provided written notice requesting the reopening of the contract.

Interchange and Economy Wholesale Sales

Historically, the System has realized significant net revenues from non-firm and/or short-term power sales (up to twelve months in duration) through TEA, largely as a result of the System's low cost coal-fired baseload capacity. The system has a substantially greater percentage of coal-fired baseload capacity than the other electric utilities serving loads in Florida. This baseload capacity has been bolstered further by the acquisition of firm baseload energy resources at the South Energy Center and the Baseline Landfill referred to below. However, the downturn in the System's forecast of load and energy has left the System long in these resources. Currently, the downturn in natural gas prices and loads in Florida have limited the System's ability to realize more than modest net revenues from the interchange and wholesale markets. The following table sets forth historical net revenues from interchange and economy sales.

Energy Supply System

Generating Stations

The System owns generating facilities having a net summer continuous capability of 532.5 MW. In addition, the System has exclusive rights to the capacity and energy from a 102.5 MW plant pursuant to a PPA. Combined PPA entitlements and system owned generation total 635 MW of net dispatchable summer continuous capacity. The System also owns a small share of a retired nuclear generating unit and is entitled to the capacity and non-dispatchable energy from a landfill gas to energy plant of approximately 3.0 MW. These facilities are connected to the Florida Grid and to the System's service territory over 138 kilovolt ("kV") and 230 kV transmission facilities that include three interconnections with Duke and one interconnection with FPL.

See also "Energy Sales – *Interchange and Economy Wholesale Purchases*" above for a discussion of certain power purchases employed to allow the System to assure competitive power costs.

The Generating Facilities are set forth in the following table and described herein.

Existing Generating Facilities		Fuels		Net Summer Capability (MW)
Owned Plant Name	**Unit No.**	**Primary**	**Alternative**	
J.R. Kelly Station				
	Steam Unit 8	Waste Heat	—	37.00
	Combustion Turbine 4	Natural Gas	Distillate Fuel Oil	75.00
Deerhaven Generating Station				
	Steam Unit 2	Bituminous Coal	—	232.00
	Steam Unit 1	Natural Gas	Residual Fuel Oil	75.00
	Combustion Turbine 3	Natural Gas	Distillate Fuel Oil	75.00
	Combustion Turbine 2	Natural Gas	Distillate Fuel Oil	17.50
	Combustion Turbine 1	Natural Gas	Distillate Fuel Oil	17.50
South Energy Center				
	SEC-1	Natural Gas	—	3.50
Crystal River	Steam Unit 3	Nuclear	—	0.00 (retired)
Owned Total				532.50
Plant Entitlement	GREC	Biomass	—	102.50
Total Dispatchable				
Base Landfill		Landfill Gas	—	3.00
Total				638.00

John R. Kelly – The John R. Kelly Station (the "JRK Station") is located in downtown Gainesville. During fiscal year 2013 JRK 7, a steam unit with a net summer capability of 23.2 MW, was retired and JRK

announced that CR-3 would be permanently shut down and retired. The System owns a 1.4079% ownership share of CR-3 equal to 12.102 MW (11.846 MW delivered to the System). Besides its minority ownership position, the System was also entitled to nuclear energy as part of the fuel mix determining the energy price during a five year PPA with PEF for 50 MW, which expired on December 31, 2013. As of September 30, 2013, the System's net investment in CR-3 was approximately $20.7 million, net of proceeds of $2.8 million, which was deemed impaired and written off as an extraordinary item during fiscal year 2013. The System and the other minority owners are responsible for their share of any cost associated with retirement of the license ("decommissioning"), spent fuel management and safe storage, and site restoration in excess of the balance in their respective decommissioning funds. Full site restoration was estimated to be approximately 50 years in the future.

In 2012 the minority owners, including the System, agreed to have the Florida Municipal Power Agency ("FMPA") represent their interests in negotiating a settlement with Duke (then PEF) for damages done due to the premature retirement of CR-3. Duke maintained insurance for property damage and incremental costs of replacement power resulting from prolonged accidental outages from Nuclear Electric Insurance, LTD. ("NEIL"). The System has received its allocated insurance proceeds of $1,308,211, of which $660,951 was credited on invoices.

FMPA has negotiated a settlement with Duke on behalf of itself and the other minority owners and purchasers. The settlement was executed by all parties with an effective date of September 26, 2014. The settlement transfers all of the City's ownership interests in CR-3 and the requisite Decommissioning Fund to Duke. The ownership transfer requires approval by the NRC. Upon NRC approval of ownership transfer, the minority owners would receive certain cash settlements and Duke agrees to be responsible for all future costs and liabilities relating to CR-3 including decommissioning costs. The parties have agreed that GRU will receive a settlement of $9.56 million as a minority owner of CR-3 and $618,534 as a former purchaser of power from CR-3. In October 2014, GRU received reimbursement of $219,706 in operation and maintenance expenses forgiven by the settlement. See "FACTORS AFFECTING THE UTILITY INDUSTRY – Nuclear Decommissioning" herein.

South Energy Center – The South Energy Center (the "South Energy Center") is a combined heat and power facility dedicated to serve a 500,000 square foot, 200-bed teaching hospital with Level I trauma center belonging to UF Health/Shands Teaching Hospital and Clinics ("Shands") at the University of Florida. The South Energy Center provides for all of the hospital's energy needs for electricity, steam, and chilled water. The South Energy Center is also responsible for providing medical gas infrastructure.

The South Energy Center provides the hospital with a highly redundant electric microgrid that is capable of operating either grid-connected or grid-independent to meet 100% of the hospital's needs. The South Energy Center has two grid connections for normal power, and a 4.3 MW on-site combustion turbine to provide full standby power to the hospital and energy center, as well as a 2.25 MW fast start diesel generator to provide code-complaint essential power for the hospital. The combustion turbine is installed in a combined-heat-and-power configuration and is typically run base-loaded to provide export power to the grid and steam to the hospital. All plant systems for electric, chilled water, and steam have high levels of equipment redundancy to minimize the potential of an outage. During 2013, the South Energy Center provided 2.7% of the System's generation.

The South Energy Center is owned and operated by the System, and provides services under a 50-year "cost plus" contract with UF Health. The medical campus has been master planned for 3,000,000 square feet of facilities at build out, the timing of which is contingent upon future economic conditions. In August 2013, Shands advised the System of its commitment to construct an additional hospital tower of similar size next to the existing tower, approximately doubling the loads served by the South Energy Center. The System is evaluating options for serving the additional load. The capital cost of the options under consideration, some of which may provide benefits to the System beyond the loads immediately served by the SEC, is not to exceed $28.5 million construction is scheduled to commence on the new hospital and the System's infrastructure in late 2014.

portfolio and (5) participation in joint procurement programs with other municipal systems to maximize the price benefits of volume purchasing. The flexibility afforded by these actions allows the System to take advantage of changes in relative fuel prices and strategically adjust its use of coal, natural gas or fuel oil to optimize its fuel costs. In fiscal year ending September 30, 2014, net energy for load ("NEL") was served as follows: coal 36.7%; biomass 22.9%; natural gas 22.9%; landfill gas 1.4% and oil less than 0.01%. The remainder of NEL was served by spot purchase power. The System, as both a buyer in the fuel markets and a producer of power, hedges risk and volatility by the use of futures and options. The System's hedging activities are primarily limited to natural gas futures and options. The System's exposure to financial market risk through hedging activity is limited by a written policy and procedure, oversight by a committee of senior division managers, financial control systems, and reporting systems to the General Manager for Utilities.

Coal – The System currently has a long-term transportation contract for coal transportation with CSX Transportation that extends through 2019, and owns a fleet of 116 aluminum rapid-discharge rail cars that are in continuous operation between the DGS and the coal supply regions. Coal inventory at the DGS is normally maintained at approximately 40-50 day supply, based on projected burn, anticipated disruptions in coal supply or rail transportation, or short-term market pricing fluctuations. The System's coal procurement considers both short and long-term fuel supply agreements with reputable coal producers. This strategy allows the System to reduce supply risk, decrease price volatility, insulate customers from short-term price swings, and exert better control over the quality of coal delivered. The strategy also retains opportunities for cost savings through spot purchases, the ability to evaluate new coal sources through test burns, or to take advantage of a producer's excess coal production capacity. Typically, the System maintains 70-75% of its coal supply under long-term (one to three years) contracts and the remainder under short-term (one year or less) contracts. Effective October 2014, the City Commission instituted a policy prohibiting the procurement of coal from mountain top removal (MTR) source unless a 5% savings over deep mined coal is achieved by doing so. The System issued a Request for Proposals for coal and is considering both short term contracts and contract terms up to 2 years. See also "Ratings Triggers and Other Factors That Could Affect the System's Liquidity, Results of Operations or Financial Condition - Coal Supply Agreements" herein.

Natural Gas – Natural gas supply for both the electric system and the natural gas distribution system is transported to the System by FGT under long-term contracts for daily firm pipeline transport capacity. The contracts are priced under transportation tariffs filed with FERC. The System's natural gas supplies are transported from Gulf Coast producing regions in Texas, Louisiana, Mississippi and Alabama. Natural gas volumes greater than the System's firm transportation contract entitlements are supplied either through interruptible transportation capacity or through the use of excess delivered capacity from other suppliers on FGT, as arranged by TEA which has combined purchasing power to ensure capacity. For the fiscal year ending September 30, 2014, the System consumed 4,588,790 million British thermal units ("MMBtu's") of natural gas in electric generation and 2,074,291 MMBtu's for the electric distribution system. The average cost of gas delivered to the System in the fiscal year ending September 30, 2014, was $5.02/MMBtu. The System analyzes, investigates, and participates in opportunities to hedge its natural gas requirements as well as provide greater reliability of supply and transportation for customers. These opportunities include pipeline tariff discussions and negotiations, review of potential liquefied natural gas projects and supply offers, review of potential long-term purchases, natural gas supply baseload contracts, and the purchase and sale of financial NYMEX commodity contracts and options. TEA is a market participant that provides comprehensive energy trading, analysis, strategies and recommendations to the System's Risk Oversight Committee ("ROC"). TEA is responsible for procurement of daily physical volumes and management of pipeline transportation entitlements, as well as the execution of financial hedging transactions on the System's behalf. ROC provides direction and oversight on hedging to TEA. See "Energy Sales – *The Energy Authority*" above.

Oil – At current and projected price levels, the System's oil capable units are not projected to operate on fuel oil except in emergency backup modes. For the fiscal year ending September 30, 2014, fuel oil accounted for less than .01% of net generation. This level of contribution is not projected to change in the near term. When it does become necessary to replenish inventory for any unit, the System seeks to control the costs by purchasing forward supply at fixed prices and timing market entry points to take advantage of favorable pricing trends.

Electric Capital Improvement Program

	Fiscal Years ending September 30,						
	2015	2016	2017	2018	2019	2020	Total
	(dollars in thousands)						
Generation and Control	$37,956	$25,561	$11,953	$12,664	$12,662	$6,144	$106,940
Transmission and Distribution	10,542	11,009	12,891	13,795	13,127	14,850	76,214
Miscellaneous and Contingency	10,359	7,867	8,644	5,213	8,736	8,185	49,004
Total	$58,857	$44,437	$33,488	$31,672	$34,525	$29,179	$232,158

Loads and Resources

A summary of the System's generating resources and firm power purchase agreements compared to historical and projected capacity requirements is provided below:

Fiscal Year	Net Summer System Capability (MW)[1]	Firm Interchange Sales (MW)	Peak Load (MW)[2]	Actual / Projected Planning Reserve Margin	
				MW	Percent
Historical					
2007	611	0	481	130	27
2008	659	0	457	202	44
2009	709	0	465	244	52
2010	710	0	470	240	51
2011	663	0	445	218	49
2012	667	0	415	252	61
2013	657	0	416	241	58
2014	645	0	409	236	58
Projected					
2015	645	0	417	228	56
2016	645	0	422	223	54
2017	645	0	427	218	52
2018	645	0	431	214	50
2019	645	0	434	211	49

(1) Based upon summer ratings. Auxiliary loads associated with additional emission control equipment on Deerhaven 2 reduced capacity by 4 MW in 2009. An upgrade of the Deerhaven 2 steam turbine increased net summer capability to 232 MW. 3 MW of capacity from the Baseline Landfill was added in 2008, and 4.1 MW from the South Energy Center was added in 2009, which was later revised as 3.5 MW. Three 0.64 MW landfill gas to energy units were retired in 2009, a purchase of 50 MW of firm baseload capacity ending December 31, 2013 began in 2008 and another purchase of 25 MW year round, 50 MW summer of firm baseload capacity began in 2009 and ended December 31, 2010. Imported firm capacity has been adjusted for losses in the table above. Additional resources include 4 MW per year solar beginning in 2009, and continuing through 2013, with a coincident capacity factor of 35%, and 3.8 MW from the Baseline Landfill. No additional FIT solar capacity was added in 2014 or 2015 and no additional capacity is assumed for 2016-2018 in these values. The GREC biomass plant became commercially operational on December 17, 2013 and 102.5 MW are included in projected values.

(2) Summer peak forecast historically incorporated the System's aggressive conservation and DSM plan. In 2014, conservation planning was reduced significantly, which lessened the impact on peak loads. The plan continues to include conservation incentive retail rates and distributed renewable resources as with fewer incentive and information programs related to appliance and end use efficiency. The summer peak forecast presented here also includes Alachua all-requirements wholesale contract which is given the same precedence as native load.

Mutual Aid Agreement For Extended Generation Outages

The System has entered into a mutual aid agreement for extended generation outages with seven other consumer-owned generating utilities in north central Florida and Georgia. Participating with the System in this agreement are FMPA, JEA, Lakeland Electric, Orlando Utilities Commission, the City of Tallahassee, and

Center, landfill gas to energy projects, and the purchase of environmental attributes from Photovoltaic ("PV") systems, among other projects. None of these projects were undertaken strictly to offset carbon emissions but were justified on their need to cost-effectively meet other objectives. In March 2007, the City Commission reviewed the results of numerous planning studies and public workshops and the results of a series of market solicitations for additional resources. With the production tax credits for renewable energy, trends in interest rates, the value of depreciation tax credits, and the willingness for major financial interests to assume risks for new technologies, the conventional assumption that "self build" options of conventional technologies are always the least cost was no longer the case for renewable energy. It was also apparent that biomass, which is relatively abundant in the area, had the potential to provide an economic source of power. In view of the community's concerns about climate change, indications of the intent of the state and federal governments to impose renewable portfolio standards and carbon constraints, and the volatility of natural gas prices, the System's staff was instructed to pursue options not involving fossil fuels as a primary fuel source and to pursue a potentially favorable purchased power proposal obtained as part of the solicitation. With the actions taken to date, as described above, and the increased use of natural gas in place of coal, and the economic recession which reduced demand for electricity, the System met the voluntary "Kyoto" goal by the end of 2012. Meeting this goal mitigates future risks associated with potential renewable portfolio standards, fuel price volatility, and carbon constraints. Due to the completion of the biomass project described below, the System will be able to exceed the Kyoto Protocol's target GHG emission rate in the future. See "FACTORS AFFECTING THE UTILITY INDUSTRY – Climate Change" herein.

Solar Feed-In-Tariff

The System became the first utility in the nation to adopt a European-style solar feed-in-tariff ("FIT") in March 2009. Under this tariff, the System agrees to buy 100% of the electricity produced by a PV solar system, which is delivered directly to the System's distribution system. What distinguishes a European-style FIT from any other FIT are the following three factors: (a) the price paid per kWh is designed to allow the owner/operator to earn a profit (the System applied a 5% internal rate of return after taxes to a reference system design); (b) the tariff is fixed over a sufficient period of time by a contract that is designed to promote investment (the System's Tariff provides a twenty-year fixed price purchase power agreement); and (c) the tariff differentiates between different types of projects in terms of the price paid (in the case of the System, there are different tariff rates for building/pavement mount and green field ground mount systems). FIT's can be applied to any form of renewable energy, but the System has chosen to focus on solar due to its widespread availability in the service area. The System acquires all the environmental attributes of the solar energy purchased under the FIT, such as renewable energy credits and carbon offsets. In order to manage the effect of the FIT on the System's purchased power cost, a stop loss criteria of no more than 4 MW per year of solar capacity was instituted. As of October 1, 2013, approximately 16 MW of solar PV capacity has been installed pursuant to the System's FIT, rebate, and net metering programs. The City Commission unfunded the solar FIT program for new agreements for calendar years 2014 and 2015 due to upward rate pressure in the System's electric rates. Beyond calendar year 2015, it is unknown if the City Commission will fund new agreements under the solar FIT program but continues to honor existing agreements.

THE NATURAL GAS SYSTEM

The natural gas system was acquired in January 1990 and since then has met the System's customers' preferences for natural gas as a cooking and heating fuel as well as provided a cost-effective DSM program alternative. The natural gas system consists primarily of underground gas distribution and service lines, six points of delivery or interconnections with FGT, and metering and measuring equipment. Liquid propane ("LP") systems are utilized for new developments that are beyond the existing natural gas distribution network. As the natural gas system is expanded, the LP systems and customer appliances are converted from LP to natural gas. Most of these LP systems are located in areas served by Clay for electric service.

Manufactured Gas Plant

Gainesville's natural gas system originally distributed "blue water gas," which was produced in town by gasification of coal using distillate oil. Although manufactured gas was replaced by pipeline gas in the mid-1950's, coal residuals and spilt fuel contaminated soils at and adjacent to the manufactured gas plant ("MGP") site. When the natural gas system was purchased, the System assumed responsibility for the investigation and remediation of environmental impacts related to the operation of the former MGP. The System has pursued recovery for the MGP from past insurance policies and, to date, has recovered $2.2 million from such policies. Site investigations on properties affected by MGP residuals have been completed and the System has completed limited removal actions. The System has received final approval of its proposed overall "Remedial Action Plan" which will entail the excavation and landfilling of impacted soils at a specially designed facility. This plan will be implemented pursuant to a Brownfield Site Rehabilitation Agreement with the State. Following remediation, the property will be redeveloped by the City as a park that will have stormwater ponds, nature trails, and recreational space, all of which were considered in the remediation plan's design. **[GRU Reviewing]**

The remediation costs incurred through **[September 30, 2013]**, total $27.3 million and the System estimates that total project costs will be approximately $28.0 million. The remaining cost is included in the natural gas capital improvement program. These costs are subject to increases related to rising fuel prices, the discovery of additional soil or groundwater impacts, or changes in cleanup standards. To date, the System has recovered $3.3 million from past insurance policies and after recognizing collection fees paid, a net recovery of $2.2 million has been realized, which will directly reduce the amount to be recovered through customer billings. In the fiscal year ending September 30, 2003, the System implemented a cost recovery factor to fund the remediation. This factor has been applied to retail customers' bills since that time and is subject to change depending on future cleanup costs.

In July of 2014, the utility was awarded a Voluntary Cleanup Tax Credit ("VCTC") in the amount of $500,000. VCTC's are awarded by the Florida Department of Environmental Protection to participants who conduct voluntary cleanup of designated Brownfield Sites. The credits are valid against Florida corporate income tax. Public entities, such as GRU, are able to market VCTC's to corporate entities. Proceeds from the sale of VCTC's are used to reduce the amount to be recovered through the cost recovery factor applied to gas system customers.

Capital Improvement Program

The System's current six-year natural gas capital improvement program requires approximately $35,204,000 in capital expenditures between the fiscal years ending September 30, 2015 through 2020. A breakdown of the categories included in the six-year capital improvement program is outlined below.

Gas Capital Improvement Program

	Fiscal Years ending September 30,						
	2015	2016	2017	2018	2019	2020	Total
	(dollars in thousands)						
Distribution Mains	$1,892	$2,125	$2,433	$2,741	$2,917	$2,837	$14,945
Meters, Services and Regulators	2,679	2,696	2,424	2,598	2,281	2,288	14,966
Miscellaneous and Contingency	1,591	1,035	1,056	512	537	562	5,293
Total	$6,162	$5,856	$5,913	$5,851	$5,735	$5,687	$35,204

THE WATER SYSTEM

The water system currently includes 1,130 miles of water transmission and distribution lines throughout the Gainesville urban area, sixteen water supply wells located in a protected well field, and one treatment plant (the "Murphree Plant") possessing a rated peak day capacity of 54 Mgd. Treatment processes include lime-softening, recarbonation, filtration, chlorination and fluoridation. The Murphree Plant's design allows for

easement provides protection to the System's sixteen existing wells and will accommodate the construction of additional wells. Existing and future wells within the conservation easement are anticipated to yield a minimum of 60 Mgd of water supply to match the long-term future treatment capacity of the Murphree Plant site.

The System's groundwater withdrawals are permitted through the St. Johns River Water Management District ("SJRWMD") and Suwannee River Water Management District ("SRWMD"). The SJRWMD and the SRWMD are currently engaged in developing a water supply plan through 2035. The intent of the water supply planning process is to ensure adequate water supply on a long-term basis while protecting natural resources. Computer groundwater modeling performed to date by the water management districts indicates that there may be future constraints on groundwater supplies. One of the regulatory constraints used by the water management districts and Florida Department of Environmental Protection ("FDEP") to protect water bodies is the "minimum flows and levels" ("MFL") program. The water management districts and the FDEP have developed and are continuing to develop MFL for individual springs, lakes and rivers to ensure that they are not adversely impacted by groundwater withdrawals. The water management districts are developing refined groundwater models to better define and evaluate potential constraints for both water supply planning and the MFL program. The System is participating in both the model development and MFL development efforts. The System is required to comply with existing and future MFLs and with water supply plans which may result in increased costs to the System. The System will comply with its consumptive use permit and meet the System's future water supply needs primarily through a combination of increased water conservation efforts and an increased use of reclaimed water.

The Cabot/Koppers Superfund site, which was declared a superfund site in 1983, is located approximately 2 miles to the southwest of the Murphree Plant. The site includes two properties: the Cabot Carbon area, covering 50 acres on the eastern side of the site and the Koppers area, covering 90 acres on the western side of the site. The site is contaminated from past wood treating facility and charcoal production facilities owned by corporations unrelated to the System. The Environmental Protection Agency placed the site on the National Priorities List in 1984 because of contaminated soil and ground water resulting from facility operations. The presence of protective geologic confining layers over the aquifer has greatly impeded the migration of contamination. However, measures are needed to contain the contamination and clean up the site to ensure that the System's water supply is protected. Although the System is not a potentially responsible party ("PRP") for this site, it has been and intends to continue being highly proactive in protecting Gainesville's water supply. The System has actively participated as a stakeholder working with the EPA and the PRPs for the site (Beazer East, Inc. and Cabot Corporation) to develop remediation plans. The System has assembled a team of experts in the groundwater contamination field to assist and advise the System, and to assist the System in interacting with the EPA and the PRPs to ensure that the appropriate steps are taken. The System regularly tests both the raw and finished water at the well field and there has been no trace of contamination. Based on the System's request, an extensive Floridan aquifer groundwater monitoring network has been constructed at the Koppers portion of the site and is routinely monitored.

In February 2011, the EPA issued a Record of Decision ("ROD") for the Koppers (a previous owner) portion of the site which includes a number of technologies to manage contamination at the site. The ROD includes a multiple barrier approach for containing contamination at the site: (1) areas containing creosote will be treated with two different in situ treatment technologies to immobilize the creosote; (2) a slurry wall will be constructed around the most contaminated areas and (3) contaminated groundwater from the Floridan aquifer below the site is being pumped and treated. The EPA and the PRP for this site have entered into a consent decree which requires the PRP to implement the remediation described in the ROD. The consent decree has been approved by the federal district court. The consent decree does not have a material adverse effect on the System or its financial condition. The System and its expert consultants are continuing to be highly engaged in the design and implementation of the cleanup site.

The remedy that has been employed on the Cabot Corporation's portion of the site has been considered satisfactory. However, at the System's urging, additional investigations are underway at the Cabot Corporation's portion of the Superfund Site to further investigate potential contamination. The System and its consultants will continue to remain active in these investigations.

Customers

The System has experienced a slight increase in customers in recent years as population growth, the most significant factor in customer growth, has slowly begun to improve from weak economic conditions. The following tabulation shows the average number of wastewater customers, including reclaimed water customers, for the fiscal years ending September 30, 2010 through 2014.

	Fiscal Years ending September 30,				
	2010	2011	2012	2013	2014
Customers (Average)	61,999	62,164	62,536	63,001	63,501

The composition of the System's wastewater customers is predominantly residential. Commercial and industrial customers comprised approximately 6.8% of the 63,501 average customers in the fiscal year ending September 30, 2014, and residential customers were the source of 68.4% of all the wastewater system's revenues in the fiscal year ending September 30, 2014.

In 2011, the System executed an agreement with the City of Waldo, Florida ("Waldo") to provide Waldo with wastewater service on a wholesale basis. Waldo currently provides wastewater service to approximately 850 of its residents. However, Waldo's water reclamation facility could not meet required environmental permit limits. Waldo constructed a lift station and force main which collects Waldo's raw wastewater and discharges it to one of the System's existing lift stations. The facilities provide adequate capacity for Waldo to more than double its service population with future growth, which will in turn result in more revenue opportunities for the System.

Treatment

The wastewater system currently includes two major wastewater treatment facilities, the Main Street Water Reclamation Facility (the "MSWRF") and the Kanapaha Water Reclamation Facility (the "KWRF"). Currently, these facilities have a combined capacity of 22.4 Mgd AADF, which is sufficient capacity to meet projected demands through at least 2034. Although these facilities receive flow from adjacent but distinct collection areas, a pump station that allows wastewater to be routed to either the MSWRF or KWRF allows treatment capacity at both facilities to be fully utilized.

The MSWRF has a treatment capacity of 7.5 Mgd AADF and was upgraded in 1992 to include advanced tertiary activated sludge treatment process units. The new facilities included effluent filtration, gravity belt sludge thickeners, and major improvements to plant headworks to control odors and improve plant reliability. Existing sludge treatment facilities are adequate to meet current federal sludge regulations. Effluent from the MSWRF is discharged to the Sweetwater Branch and must meet requirements of the FDEP for discharge to Class III surface waters. The MSRWF is in compliance with its National Pollutant Discharge Elimination System ("NPDES") permit. The MSRWF NPDES permit is a 5-year permit that expires in March 2015. The System applied for renewal of the NPDES permit in September 2014 and expects approval prior to March 2015.

In addition, the MSRWF includes a reclaimed water pumping station and distribution system. The reclaimed water distribution system currently includes a pipeline, which provides reclaimed water to the South Energy Center where it is then used for process cooling and irrigation. See "THE ELECTRIC SYSTEM – Energy Supply System – *Generation Stations – South Energy Center*" herein. This line also provides reclaimed water for pond augmentation and future irrigation at the MGP remediation site (see "THE NATURAL GAS SYSTEM – Manufactured Gas Plant" herein). The line will also provide reclaimed water for other irrigation and cooling uses that develop near the pipeline corridor.

Under the FDEP Total Maximum Daily Load ("TMDL") regulations, FDEP assesses the water quality in water bodies and sets requirements for reduction in pollutant sources. FDEP adopted a TMDL in January 2006 which requires reductions in total nitrogen discharges from the MSWRF and other nitrogen sources. Florida's TMDL regulations allow the FDEP to negotiate basin management plans involving all of the parties affecting the water bodies. The System will achieve its TMDL limits by implementing a cooperative

Wastewater Collection

The wastewater gravity collection system consists of 14,991 manholes with 629 miles of gravity sewer, 50% of which consists of vitrified clay pipe. New facilities under 12 inches in diameter are primarily constructed of PVC pipe, and new facilities 12 inches in diameter and over are primarily constructed of ductile iron pipe. The System maintains three television sealing and inspection units which are routinely employed in inspecting new additions to the System to ensure they meet specifications of the System and in inspecting older lines. The television inspections allow the System to identify segments of piping which have high infiltration and inflow or structural concerns. These pipes are restored through a process known as slip-lining, in which a cured in place fiberglass sleeve is installed in the pipe. The System performs slip-lining using its own crews. In addition, the System routinely utilizes contractors to perform slip-lining of longer segments of piping. As a result, infiltration and inflow to the System are not excessive.

The force main system which routes flow to the treatment plant consists of 165 pump stations and over 139 miles of pipe. Existing lines under 12 inches in diameter are generally constructed of PVC pipe and existing lines 12 inches in diameter and over are generally constructed of ductile iron pipe. For new construction, force mains 16 inches and smaller are generally constructed of PVC with larger force mains constructed of ductile iron or high density polyethylene. The System has instituted a preventative maintenance program to assure long life and efficiency at all pumping stations.

Capital Improvement Program

The System's current six-year wastewater capital improvement program requires approximately $96,730,000 in capital expenditures between the fiscal years ending September 30, 2015 through 2020. A breakdown of the categories included in the six-year capital improvement program is outlined below and reflects the approved program from the fiscal year 2015 budget process.

Wastewater Capital Improvement Program

	Fiscal Years ending September 30,						
	2015	2016	2017	2018	2019	2020	Total
	(dollars in thousands)						
Plant Improvements	$15,224	$6,027	$4,106	$4,550	$4,356	$6,446	$40,709
Reclaimed Water	817	342	451	457	461	5,562	8,090
Collection System	3,607	3,322	5,746	5,368	5,298	7,581	30,922
Miscellaneous and Contingency	3,077	3,065	3,140	2,599	2,655	2,473	17,009
Total	$22,725	$12,756	$13,443	$12,974	$12,770	$22,062	$96,730

THE TELECOMMUNICATIONS SYSTEM

The System has been providing retail telecommunications services since 1995 under the brand "GRUCom." Services provided by GRUCom include data transport services to other local businesses, government entities, local and inter-exchange carriers, and Internet service providers. Additional services provided by GRUCom include tower space leases for wireless personal communications (cellular telephone) providers, public safety radio services for all the major public safety agencies operating in the County and collocation services in the System's central office. GRUCom is licensed by the FPSC as an Alternative Access Vendor and as an Alternative Local Exchange Carrier.

Service Area

GRUCom provides telecommunications and related services to customers located primarily in the Gainesville urban area, but it provides public safety radio services throughout the entire County through interlocal agreements. GRUCom holds telecommunications licenses that allow it to provide telecommunication services throughout the State. GRUCom operates network connections to interface with all major Interexchange

connections, while dial-up customers totaled 258. GRUCom tower space leasing services are used primarily by wireless providers, which include cellular telephone and PCS companies. As of September 30, 2014, GRUCom executed 38 tower leases, for space on twelve of its thirteen antenna attachment sites with eight different lessees, including national and regional cellular service providers.

Public safety radio system customers consist solely of government entities due to restrictions on the use of the frequencies allocated to the System under licenses issued by the FCC. The primary radio system users include: the System, the Gainesville Police Department, the Gainesville Fire Rescue Department, the Gainesville Regional Transit System, the City's Public Works Department, the University of Florida Police Department, the Santa Fe College Police Department, the City of Alachua Police Department, the City of High Springs Police Department, the County's Sheriff's Office, the County's Fire Rescue Operations and the County's Public Works Departments. These users have entered into a service agreement which is valid through 2020, with minimum commitments for the number of users and monthly fees per user established for voice and dispatch subscriber units. The public safety radio system is operated by GRUCom on an enterprise basis, but an interagency Radio Management Board has been established to govern user protocols, monitor system service levels, and review system changes that could increase rates. The public safety radio system was designed to accommodate additional participants, and the contract with each participating agency provides incentives to allow the system to expand. Currently, the public safety radio system is in full operation with 2,991 subscriber units in service.

Description of Facilities

As of September 30, 2014, GRUCom had 448.9 miles of fiber optic cable installed throughout Gainesville and the County. The fiber strand count included in the cable depends on service requirements for the particular area and ranges from 12 to 144 strands. The fiber is installed in a ringed topology consisting of a backbone loop and several subtending rings. Service is provisioned on the network in two ways: for services requiring transmission via Synchronous Optical Network standard protocol, GRUCom has deployed equipment manufactured by Ciena (primarily); and for services requiring transmission via Ethernet standard protocol, GRUCom uses equipment manufactured by Cisco and Telco System. GRUCom is in the process of retiring the Cisco Systems equipment and migrating all Ethernet to the Telco Systems transmission platform. The Telco Systems equipment will enable GRUCom to provide multi-protocol line switching functionality and reduce network infrastructure equipment complexity. The Ethernet protocol provides GRUCom with increased flexibility for managing bandwidth delivered to the customer. The maximum transport speed currently utilized in the fiber optic network is 10 Gbps, which is enough bandwidth to deliver more than 125,000 simultaneous phone calls (as an illustration). Bandwidth on this network is a function of the electronic equipment utilized and, with technologies such as dense wave division multiplexing, expansion of the transport capability of the network is virtually unlimited. To exchange network traffic, GRUCom also is interconnected with other major telecommunications companies serving the Gainesville area.

The public radio system employs a Motorola 800 MHz simulcast system configured with six transmit and receive tower sites including 22 simulcast voice and two additional mutual aid channels.

GRUCom maintains a point-of-presence at the Telx Group, Inc. collocation and interconnection facility located in Atlanta, Georgia (the "Telx Facility"). The Telx Facility provides access to hundreds of leading domestic and international carriers as well as physical connection points to the world's telecommunications networks and internet backbones. Atlanta, Georgia is a major fiber interconnection point from Florida to New York and the Telx Facility sits on top of most of the fiber. GRUCom maintains multiple ultra-high bandwidth backbone transmission interconnections on diverse routes between Gainesville and the Telx Facility to provide highly reliable Internet access to customers in Gainesville. GRUCom is also a member of the Telx Internet Exchange ("TIE"), a separate peering point in the Telx Facility. The TIE allows GRUCom to quickly and easily exchange internet protocol ("IP") traffic directly with over 60 of the world's largest Internet Service Providers ("ISPs"), Content Providers, Gaming Providers and Enterprises, including companies such as Google, Netflix, Apple, McAfee Akami, Hurricane Electric (a major Internet service), Sprint, Level 3 and several other Internet service providers. TIE participants can route IP traffic efficiently, providing faster, more reliable and lower-latency internet or voice over internet protocol ("VoIP") access to their customers, by bypassing intermediate router points so that Internet traffic may have direct access to destination networks.

retail electric rates. Such proceedings have been completed and the results currently are reflected in the System's policies and electric rate structure.

The City Commission's sole authority to set the level of the rates and charges of the System is constrained by the Resolution to set rates that comply with the rate covenant in the Resolution. See "SECURITY FOR THE 2014 SERIES A/B BONDS – Rate Covenant" herein. Future projected revenue requirement changes provided in this Official Statement have been developed by the System's staff based on the most recent forecasts and operation projections available.

Electric System

Each of the System's various rates for electric service consists of a "base rate" component and a "fuel and purchased power rate" component. The base rates are evaluated annually and adjusted as required to fund projected revenue requirements for each fiscal year. The fuel and purchased power adjustment clause provides for increases or decreases in the charge for electric energy to cover increases or decreases in the cost of fuel and purchased power to the extent such cost varies from a predetermined base of 6.5 mills per kWh. The current fuel and purchased power adjustment formula is a one-month forward-looking projected formula which is based on a true-up of the prior month's actual fuel costs valued on a last-in, first-out (LIFO) accounting basis, including purchased power, and the upcoming month's estimates of fuel and purchased power costs.

The table below presents electric system base rate revenue, fuel and purchased power adjustment revenue and total bill changes since 2010 and Management's most recent projections of future base rate revenue, fuel and purchased power adjustment revenue and total bill changes. The percentage changes shown do not represent the percentage change in the base rate revenue, fuel and purchased power adjustment revenue or total bill for any particular customer classification or customer. Rather, they represent the aggregate amount required to fund changes in projected non-fuel and fuel and purchased power revenue requirements for the electric system.

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Public streets in Gainesville and in portions of the unincorporated areas of the County within the System's service territory are lit by streetlights served by the System, which bills the appropriate jurisdiction for payment. Currently, the City of Gainesville General Fund (the "General Fund") pays for streetlights in Gainesville. Pursuant to a 1990 agreement, the General Fund reimburses the Board of County Commissioners of the County to, in effect, pay for the streetlights in such portions of the unincorporated areas served by the System.

Rates and Charges for Electric Service

The electric rates, which became effective October 1, 2014, are provided below by class of service. Though the rates are functionally unbundled, they are presented to the customer for billing purposes in a rebundled format.

Residential Standard Rate

Customer charge, per month	$12.75
First 250 kWh, Total charge per kWh	$ 0.031
251 – 750 kWh, Total charge per kWh	$ 0.042
All kWh per month over 750, Total charge per kWh	$ 0.084

Non-Residential General Service Non-Demand Rates (before Business Partners Program discounts, if applicable)

Customers in this class have not established a demand of 50 kW or greater. Charges for electric service are:

Customer charge, per month	$29.50
First 1,500 kWh per month, Total charge per kWh	$ 0.069
All kWh per month over 1,500, Total charge per kWh	$ 0.100

Non-Residential General Service Demand Rates (before Business Partners Program discounts, if applicable)

Customers in this class have established a demand of between 50 and 1,000 kW. Charges for electric service are:

Customer charge, per month	$100.00
Total Demand charge, per kW	$ 8.50
Total Energy charge, per kWh	$ 0.040

Non-Residential Large Power Rates (before Business Partners Program discounts, if applicable)

Customers in this class have established a demand of 1,000 kW or greater. Charges for electric service are:

Customer charge, per month	$350.00
Total Demand charge, per kW	$8.50
Total Energy charge, per kWh	$0.036

Customers in all classes are charged a fuel and purchased power adjustment. Chapter 203, Florida Statutes, imposes a tax at the rate of 2.56% on the gross receipts received by a distribution company for utility services that it delivers to retail consumers in the state of Florida and requires that the distribution company report and remit its Florida Gross Receipts tax to the Florida Department of Revenue on a monthly basis. All

classification or customer. Rather, they represent the aggregate amount required to fund changes in projected non-fuel and purchased gas revenue requirements for the natural gas system.

Natural Gas System
Base Rate Revenue,
Purchased Gas Adjustment and Total Bill Changes

	Percentage Base Rate Revenue Increase/(Decrease)[1]	Percentage Purchased Gas Adjustment Revenue Increase/(Decrease)	Total Bill Increase/(Decrease)[2]
Historical			
October 1, 2010	2.25%[3]	11.30%	0.45%
October 1, 2011	0.00[4]	(6.78)	1.90
October 1, 2012	0.00	(13.04)	(5.03)
October 1, 2013	0.85	0.00	0.61
October 1, 2014	4.25[5]	15.00	7.93
Projected[6]			
October 1, 2015	4.25	5.0	4.43
October 1, 2016	4.25	5.0	4.43
October 1, 2017	1.00	5.0	1.97
October 1, 2018	0.00	5.0	1.25
October 1, 2019	0.00	5.0	1.30

(1) Change in overall non-fuel revenues collected from all retail customer classes from billing elements, including monthly service charges and energy usage charges (therms). Fuel revenue requirements are collected as a uniform charge on all therms of energy used. Increases or decreases are applied to billing elements to reflect the most recent cost of service studies and to yield the overall revenue requirement. A separate charge for remediation of the MGP site was implemented in 2002. For additional information on the MGP site, see "THE NATURAL GAS SYSTEM – Manufactured Gas Plant" herein.

(2) Based on monthly residential customer bill at 25 therms.

(3) In addition to the base rate increase indicated in the table, the rate for the separate charge for remediation of the MGP site was increased from $0.037 to $0.0434 per therm.

(4) No base rate increase occurred, but the rate for the separate charge for remediation of the MGP site was increased from $0.0434 to $0.0505 per therm.

(5) In addition to the base rate increase indicated in the table, the rate for the separate charge for remediation of the MGP site was increased from $0.0505 to $0.0556.

(6) All changes in the System's revenue requirements are subject to approval by the City Commission, which usually occurs in conjunction with its approval of the System's annual budget.

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Comparison with Other Utilities

The System's average natural gas charges in effect for the month of are compared to those for eleven other municipal and private natural gas companies in the following table. The System's gas rates are among the lowest in the State.

Comparison of Monthly Natural Gas Bills[1]

	Residential 25 therms	General Firm 300 therms	Interruptible 30,000 therms
Gainesville Regional Utilities	$35.19	$304.18	$21,993.00
Okaloosa Gas District	$40.38	$332.71	$24,840.99
Tallahassee	$43.30	$438.25	$24,139.98
City of Sunrise[2]	$43.71	$369.84	
Pensacola	$47.88	$481.69	$27,961.40
Central Florida Gas	$49.18	$339.39	$20,486.67
Kissimmee[3]	$49.66	$402.23	$31,250.70
Lakeland[3]	$49.66	$402.23	$31,250.70
Orlando[3]	$49.66	$402.23	$31,250.70
Tampa[3]	$49.66	$402.23	$31,250.70
Ft. Pierce	$50.97	$378.37	$28,354.19
Clearwater[4]	$51.25	$520.00	$34,150.00

Source: Prepared by the Finance Department of the System based upon published base rates and charges for the time period given with fuel costs provided by personal contact with utility representatives unless otherwise published.

(1) Rates in effect for October 2014 applied to noted billing volume (excludes all taxes). Sorted in ascending order by residential charges.
(2) Sunrise does not offer an interruptible service.
(3) Service provided by People's Gas.
(4) Clearwater values from June 2014, October values not available.

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The table below presents wastewater system base rate revenue and total bill changes since 2010 and Management's most recent projections of future base rate revenue and total bill changes. The percentage increases shown do not represent the percentage change in the base rate revenue or total bill for any particular customer classification or customer. Rather, they represent the aggregate amount required to fund increases in projected revenue requirements for the wastewater system.

Wastewater System
Base Rate Revenue and Total Bill Changes

	Percentage Base Rate Revenue Increase[1]	Total Bill Increase[2]
Historical		
October 1, 2010	3.50%	4.92%
October 1, 2011	4.40	5.44
October 1, 2012	3.00	4.58
October 1, 2013	2.40	1.77
October 1, 2014	4.85	4.00
Projected[3]		
October 1, 2015	4.85	4.85
October 1, 2016	4.85	4.85
October 1, 2017	0.00	0.00
October 1, 2018	0.00	0.00
October 1, 2019	0.00	0.00

(1) Change in overall revenue requirements collected from all retail customer classes from billing elements, including monthly customer service charges and wastewater usage charges (as a function of water usage). Increases are applied to billing elements to reflect the most recent cost of service study and to yield the overall revenue requirement.
(2) Based on monthly residential customer bill at 7,000 gallons.
(3) All changes in the System's rates are subject to approval by the City Commission, which usually occurs in conjunction with its approval of the System's annual budget.

Rates and Charges for Water and Wastewater Services

Total water and wastewater system revenues are derived from two basic types of charges which reflect costs: (a) monthly service charges and (b) connection charges. The present rate and charges schedule, together with other revenues for the water and wastewater systems, provides sufficient funds to meet all operation and maintenance expenses, prorated debt service, and internally generated capital expense. The connection charges are designed to provide for the capital costs associated with water and wastewater system expansion. Growth in retail revenues due to projected customer growth provides for all other increased costs.

Residential customers are subject to inverted block rates. Under this structure, usage of 0 to 6,000 gallons represents the first tier, under which customers are charged a flat billing rate. Usage greater than 6,000 gallons but less than 20,000 gallons represents the second tier. All usage of 20,000 gallons and above represents the third tier, under which customers are billed at a rate 64% greater than the second tier. The third tier was established to recover capital impacts on the water system by high-volume users. Prior to October 1, 2011, the first tier represented 0 to 9,000 gallons and the second tier represented over 9,000 to 24,000 gallons. From October 1, 2011 to September 30, 2013, the first tier represented 0-7,000 gallons and the second tier represented over 7,000 gallons but less than 20,000 gallons.

The City Commission adopted a new Multi-Family water rate as part of the fiscal year 2015 budget. The pricing for the rate is equivalent to that of the second tier of the three tier residential rate. The increase is being phased in over two years, projected to be completed during the fiscal year 2016 budget approval process.

Current Monthly Charges For Water and Wastewater Services

Water Rates:	
Residential	
Customer Billing Charge	$9.20 per month
Consumption Rate:	
First 6,000 gallons	$2.35 per 1,000 gallons
Over 6,000 to less than 20,000 gallons	$3.75 per 1,000 gallons
20,000 or more gallons	$6.00 per 1,000 gallons
Commercial	
Customer Billing Charge	$9.20 per month
Consumption Rate	$3.85 per 1,000 gallons
University of Florida	
Customer Billing Charge	$9.20 per month
Consumption Rate:	
On-campus facilities	$2.22 per 1,000 gallons
Off-campus facilities	$2.64 per 1,000 gallons
City of Alachua[1]	
Customer Billing Charge	$9.20 per month
Consumption Rate	$1.62 per 1,000 gallons
Wastewater Rates:	
Residential and Commercial	
Customer Billing Charge	$8.40 per month
All Usage[2]	$6.05 per 1,000 gallons

(1) The System provides wholesale water service to Alachua for resale to a residential subdivision.

(2) Wastewater rates apply to all metered water consumption up to a specified maximum. The residential maximum is established for each customer based upon its winter (December or January) maximum water consumption. The non-residential maximum is 95% of metered water use.

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Comparison of Total Monthly Cost of Electric, Gas, Water and Wastewater Services for Residential Customers in Selected Florida Locales

The following table shows comparisons of the total monthly cost for a "basket" of electric, gas, water and wastewater services for residential customers in selected Florida locales for the month of, based upon (a) actual average annual usage by the System's residential customers by category of service during the fiscal year ending September 30, 2014 and (b) standard industry benchmarks for average annual usage by residential customers.

Comparison of Monthly Utility Costs[1]

	Based Upon Actual Average Annual Usage by Residential Customers of the System[2]	Based Upon Standard Industry Usage Benchmarks[3]
Lakeland	$181.82	$217.61
Orlando	184.39	$220.81
Kissimmee	186.06	$222.39
Vero Beach	191.56	$231.50
Tampa	191.88	$239.01
Ocala	191.94	$226.96
Tallahassee	194.38	$236.08
Jacksonville	196.39	$233.10
Gainesville Regional Utilities	**197.85**	**$252.09**
Clay County	198.22	$236.21
Pensacola	202.35	$250.87
Ft. Pierce	212.68	$261.58

Source: Prepared by the Finance Department of the System based upon (a) in the case of electric and gas service, published base rates and charges for the time period given, with fuel costs provided by personal contact with utility representatives of the applicable System unless otherwise published and (b) in the case of water and wastewater service, published rates and charges and/or personal contact with utility representatives.

(1) Based upon rates in effect for February 2014 by the actual providers of the specified services in the indicated locales, applied to the noted billing units. Excludes public utility taxes, sales taxes, surcharges, and franchise fees.

(2) Monthly costs of service have been calculated based upon actual average annual usage by residential customers of the System during the fiscal year ending September 30, 2014, as follows: for electric service: 760 kWh; for natural gas service: 25 therms; for water service: 6,000 gallons of metered water; and for wastewater service: 5,000 gallons of wastewater treated.

(3) Monthly costs of service have been calculated based upon standard industry benchmarks for average annual usage by residential customers, as follows: for electric service: 1,000 kWh; for natural gas service: 25 therms; for water service: 7,000 gallons of metered water; and for wastewater service: 7,000 gallons of wastewater treated.

Since the System's rates for electric, water and wastewater service are designed to encourage conservation, actual average usage of those utility services by residential customers of the System are lower than the standard industry benchmarks for average annual usage by residential customers that typically are used for rate comparison purposes. As a result, the total monthly cost of electric, gas, water and wastewater service for residential customers of the System, calculated based upon actual average usage by such customers during the fiscal year ending September 30, 2014, compares favorably to what the total monthly cost of such services would have been, calculated based upon such standard industry benchmarks.

utility industry, economic growth of the community, labor contracts, population, weather, and other matters, the nature and effect of which cannot at present be determined. The figures for fiscal year 2014 are unaudited and subject to adjustment upon the completion of the audit.

For the electric system, base rate revenue requirements were increased by 1.72% for the fiscal year ending September 30, 2012, were unchanged for the fiscal year ending September 30, 2013 and decreased by 5.6% for the fiscal year ending September 30, 2014. While the System has experienced upward rate pressure due to lower than anticipated sales, increased efficiencies and cost controls have kept the overall customer bill increases, including fuel, in line with inflation. For the fiscal years ending September 30, 2012 and September 30, 2013, the electric system withdrew approximately $1.1 million and $4.3 million, respectively, from the Rate Stabilization Fund. For the fiscal year ending September 30, 2014, the system is projected to contribute $4.6 million to the Rate Stabilization Fund.

Energy sales (in MWh) to retail customers decreased 1.6% per year from the fiscal year ending September 30, 2010 to the fiscal year ending September 30, 2014. The number of electric customers increased at an average annual rate of 0.4% between the fiscal years ending September 30, 2010 and September 30, 2014. Energy Sales to the City of Alachua also decreased 1.9% per year during this period. The decrease in energy sales to both retail and wholesale customers is primarily a function of high sales in 2010 resulting from a cold winter.

Native load fuel cost decreased by approximately $2.4 million from the fiscal year ending September 30, 2012 to the fiscal year ending September 30, 2013. From the fiscal year ending September 30, 2013 to the fiscal year ending September 30, 2014, the cost increased by approximately $45.0 million. This increase in native load fuel cost is primarily due to the integration of the non-fuel energy charge and fixed O&M charge associated with the GREC PPA effective December 17, 2013. Fuel and purchased power adjustment revenues decreased by 2.3% from the fiscal year ending September 30, 2012 to the fiscal year ending September 30, 2013 and increased by 46% from the fiscal year ending September 30, 2013 to the fiscal year ending September 30, 2014. $9.4 million of this increase in fuel and purchased power adjustment revenue was drawn from the "fuel adjustment levelization balance" reserve during fiscal year ending September 30, 2014. Net revenues from electric interchange sales increased by approximately $0.8 million between the fiscal year ending September 30, 2012 and the fiscal year ending September 30, 2013. From the fiscal year ending September 30, 2013 to the fiscal year ending September 30, 2014, these revenues increased by approximately $0.6 million. The fluctuation in electric interchange sales was attributable to several factors, including decreased demand and economic pricing conditions within the interchange market from the availability of excess marketable generation. Certain fixed capacity costs associated with transmission of interchange activity were netted against revenues in fiscal year 2012 that further eroded net revenues from interchange sales.

From the fiscal year ending September 30, 2010 to the fiscal year ending September 30, 2014, natural gas sales decreased by 1.9% per year. The number of gas customers increased at an annual rate of approximately 0.40% between fiscal years ending September 30, 2010 and September 30, 2014.

Natural gas fuel costs decreased by approximately 8.0% from the fiscal year ending September 30, 2012 to the fiscal year ending September 30, 2013, and increased by approximately 14.3% from the fiscal year ending September 30, 2013 to the fiscal year ending September 30, 2014. This fluctuation in gas cost is reflective of the natural gas commodity market prices during the same timeframe. Since these costs are passed along to customers as part of a purchased gas adjustment charge each month, any natural gas cost increases or decreases are offset by purchased gas adjustment revenues. The base rate revenue requirement for the natural gas system remained unchanged for the fiscal years ending September 30, 2012 and September 30, 2013, with a nominal increase of 0.85% for the fiscal year ending September 30, 2014. For the fiscal years ending September 30, 2012 and September 30, 2013, the natural gas system withdrew approximately $1.48 million and $580,000, respectively, from the Rate Stabilization Fund. For the fiscal year ending September 30, 2014, the natural gas system is projected to withdraw approximately $270,000 from the Rate Stabilization Fund. In order to recover costs associated with the remediation of soil contamination caused by the operation of an MGP, the City established a per therm charge as part of the gas system's customer rate in the fiscal year ending September 30, 2003. The estimated remaining cost to be recovered is approximately $17.0 million. See "THE NATURAL

changes in rates, fuel and purchased power and other operating costs, environmental regulation, increased competition in the electric utility industry, economic growth of the community, labor contracts, population, weather, and other matters, the nature and effect of which cannot at present be determined. Net Revenues take into account amounts transferred to or from the Rate Stabilization Fund as permitted by the Resolution. The amounts of these transfers were as follows:

[Update for 2014]

Transfers from (to) the Rate Stabilization Fund
Fiscal Years ending September 30,
(dollars in thousands)

	2012	2013	Balance at September 30, 2013(1)
Electric	1,069	$4,307	$45,144
Gas	1,476	580	5,425
Water	(656)	(48)	1,206
Wastewater	(380)	(1,128)	3,796
GRUCom	2,955	1,656	584
Total	4,464	$5,367	$56,155

(1) Includes amounts on hand plus amounts to be deposited or withdrawn that were accrued as of September 30, 2013.

See also "Management's Discussion and Analysis" in APPENDIX B hereto. In addition, for a discussion of derivative transactions entered into by the System, see Note 4 to the financial statements of the System set forth in APPENDIX B attached hereto.

Transfers to General Fund

The transfers to the General Fund made in the fiscal years ending September 30, 2011 through 2013 (as determined in accordance with the formulas described above) were as follows:

[Update for 2014]

	Transfers to General Fund	
Fiscal Years ending September 30,	Amount	% Increase/(Decrease)
2011	$35,232,540	2.5
2012	$36,004,958	2.2
2013	$36,656,458	1.8

	Transfers to General Fund	
Fiscal Years ending September 30,	Amount	% Increase/(Decrease)
2014	$37,200,000(1)	1.5
2015	$34,892,425	(6.2)
2016	$35,690,560	1.62
2017	$36,246,918	1.6
2018	$36,811,620	1.6

(1) Year ending September 30, 2014 was the last year of a four year agreement regarding General Fund Transfer calculation methodology, whereby the agreed upon value was compared to prior formulaic calculation and a gain/loss sharing was applied.

On April 17, 2014, the City Commission passed Resolution No. 130852, which established a General Fund transfer formula for the System for fiscal years 2015 through fiscal year 2019. Effective October 1, 2014, the General Fund transfer formula is the base amount of the transfer at a level equal to the dollar amount of the fiscal year 2014 transfer that would have been generated by the formula in effect for the period fiscal year 2000 through fiscal year 2010, but the base amount will be increased by 1.5% per year over the period fiscal year 2015 through fiscal year 2019. From this amount, the actual amount of ad valorem revenue received each year by the

The natural gas system has been subjected to competition due to the deregulation that has occurred in that industry since the early 1990's. A consequence of this deregulation for municipal gas utilities in Florida is that "end-users" are allowed to secure and purchase their gas requirements directly from gas producers, thereby "bypassing" the monopoly producer/pipeline systems. The System's rate structures largely avoid this concern. The System passes fuel costs directly through its purchased gas adjustment, and rates applicable for transportation of system by-pass are allowed to earn a return on distribution infrastructure, which is the sole basis for the System's revenue requirements. Thus, a customer electing to bypass the System simply substitutes its ability to buy gas for the System's ability to buy gas. The sole example of bypass experienced by the System to date was in the case of service to Duke;s cogeneration plant at the University of Florida wherein the amount of non-fuel revenue realized from the customer was virtually unchanged by its decision to contract for its own gas supply. Several strategies are being implemented to gain a competitive advantage for the System in natural gas sales growth. Two very significant competitive advantages are the System's position of having among the lowest gas rates in the State, and the environmental benefits of natural gas for certain appliance end uses. Appliance and distribution system construction rebates, in combination with temporary LP distribution systems, are employed to rapidly and flexibly accommodate new development. These LP systems and appliances are converted to natural gas when gas pipeline extensions become feasible. Rebates are also used to assist customers in overcoming the short-term economic obstacles of converting existing electric appliances to natural gas in order to allow them to obtain long-term financial, convenience, and environmental benefits, both inside and outside the System's electrical service territory. The System has franchises to provide retail natural gas services to several nearby cities in the County. See "THE NATURAL GAS SYSTEM – Service Area" herein for a discussion of the status of the System's franchise agreement to provide natural gas service in Alachua.

Private wells, septic tanks, and privately owned water utilities are the traditional alternatives for water and wastewater utility services and serve small populations where service from centralized facilities is less practical or desirable. Comprehensive planning in the City and the surrounding unincorporated areas strongly discourages urban sprawl, and the System's incumbent status, competitive rates and environmental record have resulted in a very favorable competitive position, with sustained high levels of market capture from population growth.

GRUCom operates in the fully deregulated and competitive telecommunications environment. Management has taken a very targeted approach to this enterprise, seeking opportunities that maximize GRUCom's competitive advantages, which include high bandwidth fiber optic-based facilities, protocols not readily available in the traditional telco system, such as gigabit Ethernet available antenna towers and tall structures (from the System's microwave SCADA system and water tanks), experience in public safety operations, and close working relationships with the development industry. Rather than a mass-market approach, GRUCom is primarily a business-to-business company working with established carriers, major institutions, and users of high volume bandwidth for voice, data and Internet applications. In the last several years, Florida was one of several states in which incumbent telecommunication carriers launched legislation designed to impede municipal involvement in telecommunications. The attempt in Florida did not have negative consequences on the System.

GRUCom has continued to maintain a competitive position by developing new services and expanding its market. The System currently is co-locating telecommunication service provider facilities at its central office. These include web site host servers, Internet service providers, for example, who are willing to lease access to space, redundant and uninterruptible power, and excellent fiber access at beneficial rates. The demand for these services has outstripped supply in the community and the System is evaluating options for further expanding their availability, which will also enhance local economic development.

The System currently is pursuing opportunities related to several large development projects occurring in the service territory to diversify revenues while investing in energy efficient systems, as was successfully pursued in the South Energy Center. Due to the existing knowledge, experience, infrastructure and resources within the System's core utilities, it has a competitive advantage as it focuses on chilled water services, and emergency backup power opportunities.

Liquidity Support for GRU's Variable Rate Bonds

GRU has entered into separate standby bond purchase agreements with certain commercial banks in order to provide liquidity support in connection with tenders for purchase of the 2005 Series C Bonds, the 2006 Series A Bonds, the 2007 Series A Bonds, the 2008 Series B Bonds and the 2012 Series B Bonds (collectively the "Liquidity Supported Bonds"). The following details the Liquidity Supported Bonds, the bank providing the liquidity support and the termination date of the current facility:

Series	Bank	Expiration
2005C	Union Bank, N.A.	December 21, 2015
2006A	Union Bank, N.A.	December 21, 2015
2007A	State Street Bank and Trust Company	March 1, 2018
2008B	Bank of Montreal	July 7, 2017
2012B	JP Morgan Chase Bank, National Association	December 31, 2014*

* Replacement of existing liquidity Facility is ongoing and is expected to be completed by no later than December 31, 2014.

The standby bond purchase agreements relating to the Liquidity Supported Bonds provide that any Liquidity Supported Bond that is purchased by the applicable bank pursuant to its standby bond purchase agreement may be tendered or deemed tendered to GRU for payment upon the occurrence of certain "events of default" with respect to GRU under such standby bond purchase agreement. Upon any such tender or deemed tender, the Liquidity Supported Bond so tendered or deemed tendered will be due and payable immediately.

The standby bond purchase agreements relating to the 2005 Series C Bonds and the 2006 Series A Bonds, respectively, provide that it is an "event of default" on the part of GRU thereunder if any rating on the 2005 Series C Bonds or the 2006 Series A Bonds, as the case may be, or any parity debt, without taking into account third-party credit enhancement, falls below "A2" by Moody's, "A" by S&P or "A" by Fitch or is withdrawn or suspended (other than any withdrawal or suspension that is taken for non-credit related reasons). The standby bond purchase agreement relating to the 2007 Series A Bonds provides that it is an "event of default" on the part of GRU thereunder if the ratings on the 2007 Series A Bonds, without taking into account third-party credit enhancement, fall below "Baa3" by Moody's and "BBB-" by S&P or are withdrawn or suspended. The standby bond purchase agreement relating to the 2008 Series B Bonds provides that it is an "event of default" on the part of GRU thereunder if any rating on the 2008 Series B Bonds or any Parity Debt, without taking into account third-party credit enhancement, falls below "Baa3" by Moody's, "BBB-" by S&P or "BBB" by Fitch or is withdrawn or suspended (other than any withdrawal or suspension that is taken for non-credit related reasons). The standby bond purchase agreement relating to the 2012 Series B Bonds provides that it is an "event of default" on the part of GRU thereunder if the ratings on the 2012 Series B Bonds, without giving effect to any third-party credit enhancement, fall below "A" by Fitch, "A2" by Moody's or "A" by S&P or are withdrawn or suspended for credit-related reasons. Replacement of standby bond purchase agreement relating to the 2012 Series B Bonds is ongoing and is expected to be completed by no later than December 31, 2014. Any Liquidity Supported Bond purchased by the applicable bank under a standby bond purchase agreement will bear interest at the rate per annum set forth in such standby bond purchase agreement, which rate may be significantly higher than market rates of interest borne by such Bonds when held by investors.

Liquidity Support for GRU's Commercial Paper Program

GRU also has entered into separate credit agreements with certain commercial banks in order to provide liquidity support for the CP Notes. If, on any date on which a CP Note of a particular series matures, GRU is not able to issue additional CP Notes of such series to pay such maturing CP Note, subject to the satisfaction of certain conditions, the applicable bank is obligated to honor a drawing under its credit agreement in an amount sufficient to pay such maturing CP Note. The credit agreements for the Series C CP Notes and the Series D

including interest rate swap transactions, to be recorded on the balance sheet. Changes in fair value for effective derivative instruments are recorded as a deferred inflow or outflow, while changes in fair value for ineffective derivative instruments are recorded as investment income. This is a significant change from previous practice, which required the fair value of derivative instruments to be disclosed in the footnotes to the financial statements.

As more fully described in footnote (3) to the table under the heading "OUTSTANDING DEBT" herein, the City entered into the 2005 Series C Swap Transaction in order to fix synthetically, subject to the "basis risk" described in such footnote, the interest rate on the 2005 Series C Bonds. Since the Refunded Tax-Exempt 2005 Bonds were refunded through the issuance of the variable rate 2012 Series B Bonds, the City left that portion of the 2005 Series C Swap Transaction allocable to the Refunded Tax-Exempt 2005 Bonds outstanding following the issuance of the 2012 Series B Bonds, as a partial hedge against the interest rates to be borne by the 2012 Series B Bonds, although such portion of the 2005 Series C Swap Transaction does not specifically match, in terms of its notional amount and amortization, the 2012 Series B Bonds. In addition, as more fully described in footnote (4) to the table under the heading "OUTSTANDING DEBT" herein, the City entered into the 2006 Series A Swap Transaction in order to fix synthetically, subject to the "basis risk" described in such footnote, the interest rate on the 2006 Series A Bonds. Since the Refunded Tax-Exempt 2006 Bonds were refunded through the issuance of the variable rate 2012 Series B Bonds, the City left that portion of the 2006 Series A Swap Transaction allocable to the Refunded Tax-Exempt 2006 Bonds outstanding following the issuance of the 2012 Series B Bonds, as a partial hedge against the interest rates to be borne by the 2012 Series B Bonds, although such portion of the 2006 Series A Swap Transaction does not specifically match, in terms of its notional amount and amortization, the 2012 Series B Bonds.

See Note 4 to the audited financial statement of the System for the fiscal year ending September 30, 2013 included as APPENDIX B to this Official Statement for a discussion of the various risks borne by the City relating to interest rate swap transactions.

Coal Supply Agreements

[The System's coal supply agreement with Alpha Coal Sales Co., LLC ("Alpha Coal") contains provisions entitling Alpha Coal to exercise certain rights based upon the System's creditworthiness. Under the terms of the coal supply agreement, Alpha Coal, has the right to require the System to provide additional collateral as security for its obligations under the agreement if the System receives a senior unsecured or corporate credit rating below investment grade (a rating of "BBB-" by S&P or an equivalent rating from other public rating agencies). Such additional collateral may be in the form of cash, qualifying letters of credit or other security reasonably acceptable to Alpha Coal. Failure of the System to provide additional collateral under any such agreement will constitute an event of default thereunder, and Alpha Coal has the right to terminate such agreement if the default is not adequately cured. Additionally, Alpha Coal also has the right to require payment from the System in cash at least three business days in advance of loading until the System provides Alpha Coal with adequate security. If such payment is not received, Alpha Coal may withhold or suspend delivery of its coal.

In the event that the System's coal supply agreement is suspended or terminated, the System would have to acquire coal at market rates, which rates could be in excess of the rates that are provided for in its agreement with Alpha Coal. In addition, if a coal supply agreement is terminated, the System may be required to make a termination payment to the applicable seller that would be based upon then current market prices for coal, which payment could be substantial. Unless extended, the agreement with Alpha Coal expires by its terms on _____, 20__. See also "THE ELECTRIC SYSTEM - Energy Supply System - *Power Purchase Arrangements - Fuel Supply – Coal*" herein.] [Update after RFP at end of November]

Power Purchase Agreements

The PPA with GREC contains provisions entitling GREC to exercise certain rights based upon the System's creditworthiness.

services by requiring changes in the operation of existing facilities as well as changes in the location, design, construction and operation of new facilities (including both facilities that are owned and operated by the System as well as facilities that are owned and operated by others (including, particularly, GREC), from which the System purchases output, services, commodities and other materials). There is no assurance that the facilities in operation, under construction or contemplated will always remain subject to the regulations currently in effect or will always be in compliance with future regulations. Compliance with applicable regulations could result in increases in the costs of construction and/or operation of affected facilities, including associated costs such as transmission and transportation, as well as limitations on the operation of such facilities. Failure to comply with regulatory requirements could result in reduced operating levels or the complete shutdown of those facilities not in compliance as well as the imposition of civil and criminal penalties.

Increasing concerns about climate change and the effects of GHGs on the environment have resulted in EPA proposing on June 2, 2014 carbon regulations for existing power plants. Because of how recently the proposed rules for existing units were issued by the EPA they could change significantly before becoming final. Therefore, management is unable to predict what impact such regulations will have on the System or the costs associated therewith. See "THE ELECTRIC SYSTEM – Future Power Supply" herein.

Air Emissions

The Clean Air Act

The Clean Air Act regulates emissions of air pollutants, establishes national air quality standards for major pollutants, and requires permitting of both new and existing sources of air pollution. Among the provisions of the Clean Air Act that affect the System's operations are (1) the acid rain program, which requires nationwide reductions of SO_2 and NO_X from existing and new fossil-fueled electric generating plants, (2) provisions related to toxic or hazardous pollutants, (3) requirements to address regional haze, and (4) requirements to address effects on ambient air quality standards from transport of fine particulate matter and ozone (Clean Air Interstate Rule, Clean Air Transport Rule, Cross State Air Pollution Rule).

The Clean Air Act also requires persons constructing new major air pollution sources or implementing significant modifications to existing air pollution sources to obtain a permit prior to such construction or modifications. Significant modifications include operational changes that increase the emissions expected from an air pollution source above specified thresholds. In order to obtain a permit for these purposes, the owner or operator of the affected facility must undergo a "new source review," which requires the identification and implementation of Best Available Control Technology ("BACT") for all regulated air pollutants and an analysis of the ambient air quality impacts of a facility. In 2009, the EPA announced plans to actively pursue new source review enforcement actions against electric utilities for making such changes to their coal-fired power plants without completing new source review. Under Section 114 of the Clean Air Act, the EPA has the authority to request from any person who owns or operates an emission source, information and records about operation, maintenance, emissions, and other data relating to such source for the purpose of developing regulatory programs, determining if a violation occurred (such as the failure to undergo new source review), or carrying out other statutory responsibilities.

The Clean Air Interstate Rule (CAIR)

In March 2005, the EPA issued CAIR, which requires reductions of overall NO_X and SO_2 emissions. CAIR is a two-phase cap and trade program under which utilities have several options for complying with the emissions cap, including installation of emission controls, purchasing allowances or switching fuels. The System's DGS and JRK Station are subject to CAIR. Significant capital and operating and maintenance expenditures have been incurred to meet the 2009 and 2010 CAIR compliance dates for Phase I of the NO_X and SO_2 emission caps, respectively. The System installed an SCR, a dry circulating scrubber system, and a fabric filter system at DH 2, all of which went on-line May 1, 2009.

On July 11, 2008, a three judge panel of the United States Court of Appeals for the District of Columbia Circuit (the "D.C. Circuit Court") in *North Carolina v. Environmental Protection Agency*, 531 F.3d 896 ("*North*

- May 1, 2015: Phase 1 begins for ozone-season NOx trading program. Existing units must begin monitoring and reporting NOx emissions.
- December 1, 2015 (and each Dec. 1 thereafter): Date by which sources must demonstrate compliance with ozone-season NOx trading program (i.e., allowance transfer deadline).
- May 1, 2017: Phase 2 (2017 and beyond) begins for ozone-season NOx trading program. Assurance provisions in effect.

Mercury and Air Toxics Standards (MATS)

On December 16, 2011, the EPA promulgated a rule to reduce emissions of toxic air pollutants from power plants. Specifically, these mercury and air toxics standards or MATS for power plants will reduce emissions from new and existing coal- and oil-fired electric utility steam generating units ("EGUs"). The EPA also signed revisions to the new source performance standards for fossil fuel-fired EGUs. Such revisions revised the standards that new coal- and oil-fired power plants must meet for particulate matter, SO_2 and NO_X.

A review of existing emissions data confirms the System's compliance with all of the new standards without the installation of additional pollution control equipment.

Effluent Limitation Guidelines

In November 2010, the EPA agreed to propose the power plant Effluent Limitation Guidelines ("ELGs") for coal-fired steam electric plants by July 23, 2012, and finalize the guidelines in May 2014. The ELGs were last revised in 1982. The EPA is considering more stringent limits for new metals and parameters for individual wastewater streams generated by steam electric power plants, with emphasis on coal-fired power plants. The EPA will evaluate the technologies and costs to remove those metals and identify the Best Available Technology ("BAT") to affect their control in coal-fired power plant effluent. After a number of delays in issuing the proposed ELG rule, EPA issued a draft rule on June 7, 2013 and accepted comments on the rule until September 20, 2013. The agency is under a consent decree to take final action by May 22, 2014. Under the proposed approach, new requirements for existing power plants would be phased in between 2017 and 2022 and would leverage flexibilities as necessary. The City continues to evaluate the potential impact of the rule on the utility.

Regional Haze

On June 15, 2005, the EPA issued the Clean Air Visibility Rule, amending its 1999 regional haze rule, which had established timelines for states to improve visibility in national parks and wilderness areas throughout the United States. Under the amended rule, certain types of older sources may be required to install best available retrofit technology ("BART"). Some of the effects of the amended rule could be requirements for newer and cleaner technologies and additional controls for particulate matter, SO_2 and NO_X emissions from utility sources. The states were to develop their regional haze implementation plans by December 2007, identifying the facilities that will have to reduce emissions and then set emissions limits for those facilities. However, states have not met that schedule and on January 15, 2009, the EPA published a notice finding that 37 states, the District of Columbia and the Virgin Islands failed to submit all or a portion of their regional haze implementation plans. The EPA's notice initiates a two-year period during which each jurisdiction must submit a haze implementation plan or become subject to a Federal Implementation Plan issued by the EPA that would set the basic program requirements. See "THE ELECTRIC SYSTEM – Energy Supply System – *Generating Stations – Deerhaven*" herein for a description of the actions that have been taken by the System to install additional emission control equipment at DH 2 and reduce SO_2 and NO_X emissions that potentially contribute to regional haze.

Recently, emissions modeling was completed for DH 1 to determine its impact on visibility in the Class I areas within 300 km of the DGS. Results of this modeling confirmed that DH 1 had impacts on the applicable Class I areas below the 0.5 deciview threshold and therefore is exempt from the BART program associated with the regional haze program.

sources will become subject to PSD requirements for their GHG emissions if the construction or modification results in a net increase in the overall mass of GHG emissions exceeding 75,000 tons per year on a CO_2e basis. New and modified major sources required to obtain a PSD permit would be required to conduct a BACT review for their GHG emissions. With respect to Title V requirements, as of January 2, 2011, sources that are required to have Title V permits for non-GHG pollutants will be required to address GHGs as part of their Title V permitting. The 75,000 tons per year CO_2e applicability threshold does not apply, so when any source applies for, renews, or revises a Title V permit, the Clean Air Act requirements for monitoring, recordkeeping and reporting will be included. On June 26, 2012, the United States Court of Appeals for the D.C. Circuit Court upheld the Endangerment Finding and the Tailpipe Rule and found that the petitioners did not have standing to challenge the Timing and Tailoring Rules. The court dismissed all petitions for review of the Timing and Tailoring Rules for lack of jurisdiction and denied the petitions for review of the Endangerment Finding and the Tailpipe Rule.

On October 15, 2013, following a December 2012 denial of rehearing en banc, the United States Supreme Court granted six of nine petitions for *certiorari*, agreeing to review the single issue of whether the EPA acted within its authority under the Clean Air Act when it determined that its regulation of GHG emissions from motor vehicles triggered permitting requirements for stationary sources that emit GHGs (*Utility Air Regulatory Group v. Environmental Protection Agency*, Case No. 12-1146). Petitioners filed briefs in support of their petitions in December 2013. They argued that EPA's automatic trigger interpretation was impermissible because EPA could have avoided the results by interpreting the PSD provisions as applying only to certain pollutants that do not include GHGs, or by reading section 166 of the CAA as the only mechanism for adding pollutants to the PSD program. In addition, petitioners argued that EPA's tailored regulation of greenhouse gases under the PSD program would be an unconstitutional delegation of authority because the CAA provides no intelligible principle for such an exercise of discretionary power. They also requested that the Supreme Court revisit *Massachusetts v. EPA* and possibly overrule it if it requires coverage of greenhouse gases under the PSD program.

Respondents, EPA, and several other states filed response briefs on January 21, 2014. Respondents argued that EPA's position that GHG emissions are automatically covered by the PSD program as a result of their regulation under other parts of the CAA is consistent with the statute and EPA's longstanding interpretation of the statute. Respondents asserted, moreover, that EPA's interpretation is consistent with the Supreme Court's decisions in *Massachusetts v. EPA* that GHGs are air pollutants under the CAA and its decision in *AEP v. Connecticut*, that the CAA displaces federal common law with respect to greenhouse gas emissions from stationary sources.

The Supreme Court heard oral arguments on February 24, 2014. On June 23, 2014, the Supreme Court issued its opinion in the case, holding that EPA's automatic trigger interpretation in the Tailoring Rule that triggered certain permitting requirements for stationary sources based solely on GHG emissions was invalid. The Court also held, however, that regulation of GHG emissions under PSD permits and Title V for facilities constituting major sources for other pollutants under the Clean Air Act, including most electric generating facilities, is permissible. The System does not expect that the result of this case will provide relief from the Tailoring Rule for any of its planned or existing facilities. However, this decision is not likely to forestall all further legal challenges to EPA regulation of greenhouse gas emissions from stationary sources. For example, as discussed further below, EPA proposed new source performance standards limiting GHG emissions from fossil fuel-fired electric utility generating units that will likely see challenges of its own.

On October 30, 2009, the EPA published the final rule for mandatory monitoring and annual reporting of GHG emissions from various categories of facilities including fossil fuel suppliers, industrial gas suppliers, direct GHG emitters (such as electric generating facilities and industrial processes), and manufacturers of heavy-duty and off-road vehicles and engines. This rule does not require controls or limits on emissions, but requires data collection beginning January 1, 2010. The System's costs of compliance with these new regulations are not fully known at this time. The requirements for monitoring, reporting and record keeping with respect to GHG emissions from existing units should not have a material adverse effect, based on the System's understanding of the rules at this time. The System timely submitted its 2010 and 2011 annual reports of GHG emissions. The

requirements applicable to such wastes. Under this option, coal ash would be subject to technical and permitting requirements from the point of generation to final disposal. Generators, transporters, and treatment, storage and disposal facilities would be subject to federal requirements and permits. The EPA is considering imposing disposal facility requirements such as liners, groundwater monitoring, fugitive dust controls, financial assurance, corrective action, closure of units, and post-closure care. This first option also proposes requirements for dam safety and stability for surface impoundments, land disposal restrictions, treatment standards for coal ash, and a prohibition on the disposal of treated coal ash below the natural water table. The first option would not apply to certain beneficial reuses of coal ash.

Under the second proposed regulatory option, the EPA would regulate the disposal of coal ash under Subtitle D of RCRA, the regulatory program for non-hazardous solid wastes. Under this option, the EPA is considering issuing national minimum criteria to ensure the safe disposal of coal ash, which would subject disposal units to location standards, composite liner requirements, groundwater monitoring and corrective action standards for releases, closure and post-closure care requirements, and requirements to address the stability of surface impoundments. Existing surface impoundments would not have to close or install composite liners and could continue to operate for their useful life. The second option would not regulate the generation, storage, or treatment of coal ash prior to disposal, and no federal permits would be required.

The proposed rule also states that the EPA is considering listing coal ash as a hazardous substance under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA," which is commonly known as "Superfund"), and includes proposals for alternative methods to adjust the statutory reportable quantity for coal ash. The extension of CERCLA to coal ash could significantly increase the System's liability for cleanup of past and future coal ash disposal.

On January 29, 2014, the Environmental Protection Agency agreed to finalize the first-ever federal regulations for the disposal of coal ash by December 19, 2014, according to a settlement in a lawsuit brought by environmental and public health groups and a Native American tribe. The settlement does not dictate the content of the final regulation, but it confirms that the agency will finalize a rule by a date certain after years of delay. The System is therefore unable to determine the effects of this proposed rule at this time. **[Review in December]**

In August of 2012, the Process Water Ponds at the DGS, which receive some fly and bottom ash, were inspected by a contractor at the request of the EPA. This effort was part of a federal initiative to inspect CCR impoundments following a dike failure at a Tennessee Valley Authority facility in 2008. A final report was issued on June 2, 2014. The report includes a specific condition rating for the coal combustion residual ("CCR") management units and recommendations and actions that the contractor for the EPA recommended be undertaken to ensure the stability of the CCR impoundments located at the DGS. GRU submitted to the EPA a work scope response to the recommendations which was accepted by the Agency on October 29, 2014.

Additionally, numerous monitoring wells, in place since initial construction, provide assurance of the containment, or structural stability of the ponds. The results of routine groundwater sampling are submitted to the FDEP. Fly ash from the coal combustion process is typically transported from the site for beneficial commercial uses. Currently, beneficial use of flue gas scrubber by-product is limited; therefore, the majority is deposited in the onsite landfill. The System adheres to a best management practices plan for ash and by-product handling deposited in the onsite landfill. The System adheres to a best management practices plan for ash and by-product handling.

Storage Tanks

The System is required to demonstrate financial responsibility for the costs of corrective actions and compensation of third-parties for bodily injury and property damage arising from releases of petroleum products and hazardous substances from certain underground and above-ground storage tank systems. The System has eleven fuel oil storage tanks. The South Energy Center has two underground distillate (No. 2) oil tanks, the JRK Station has four above-ground distillate oil tanks and two above-ground No. 6 oil tanks, and the DGS has one

groundwater quality impacts exist in the area where residual number 6 Fuel Oil is present as a non-aqueous phase liquid.

In August 2013, the System submitted a no further action proposal to the FDEP requesting that the site be granted a no further action status based on an evaluation of the soil and groundwater data with respect to site conditions and operations. The System is currently responding to comments raised by the FDEP.

See "THE NATURAL GAS SYSTEM – Manufactured Gas Plant" and "THE WATER SYSTEM – Water Treatment and Supply" herein for a discussion of other remediation issues.

Water Use Restrictions

Pursuant to Florida law, a water management district in Florida may mandate restrictions on water use for non-essential purposes when it determines such restrictions are necessary. The restrictions may either be temporary or permanent. The SJRWMD has mandated permanent district-wide restrictions on residential and commercial landscape irrigation. The restrictions limit irrigation to no more than two days per week during Daylight Savings Time, and one day per week during Eastern Standard Time. The restrictions apply to centralized potable water as provided by the System as well as private wells. All irrigation between the hours of 10:00 a.m. and 4:00 p.m. is prohibited.

In addition, in April 2010, the County adopted, and the City subsequently opted into, an Irrigation Ordinance that codified the above-referenced water restrictions which promote and encourage water conservation. County personnel enforce this ordinance, which further assists in reducing water use and thereby extending the System's water supply.

The SJRWMD and the SRWMD each have promulgated regulations referred to as "Year-Round Water Conservation Measures," for the purpose of increasing long-term water use efficiency through regulatory means. In addition, the SJRWMD and the SRWMD each have promulgated regulations referred to as a "Water Shortage Plan," for the purpose of allocating and conserving the water resource during periods of water shortage and maintaining a uniform approach towards water use restrictions. Each Water Shortage Plan sets forth the framework for imposing restrictions on water use for non-essential purposes when deemed necessary by the applicable water management district. On August 7, 2012, in order to assist the SJRWMD and the SRWMD in the implementation and enforcement of such Water Conservation Measures and such Water Shortage Plans, the Board of County Commissioners of the County enacted an ordinance creating year-round water conservation measures and water shortage regulations (the "County Water Use Ordinance"), thereby making such Water Conservation Measures and such Water Shortage Plans applicable to the unincorporated areas of the County. On December 20, 2012, the City Commission adopted a resolution to opt into the County's "year round water conservation measures" and "water shortage regulations" ordinances in order to give the Alachua County Environmental Protection Department the authority to enforce water shortage orders and water shortage emergencies within the City.

Wholesale and Retail Electric Restructuring

Energy Policy Act of 1992

The Energy Policy Act of 1992 (the "1992 Energy Policy Act") made fundamental changes in the federal regulation of the electric utility industry, particularly in the area of transmission access. The purpose of these changes, in part, was to bring about increased wholesale electric competition. In particular, the 1992 Energy Policy Act provided FERC with the authority, upon application by an electric utility, federal power marketing agency, or other power generator, to require a transmitting utility to provide transmission services to the applicant essentially on a cost-of-service basis. Municipally-owned electric utilities are "transmitting utilities" for purposes of these provisions of the 1992 Energy Policy Act. At this time, FERC does not have the authority to require "retail wheeling," under which a retail customer of one utility could obtain power from another utility or non-utility power generator.

The 2005 Energy Policy Act added several new standards to PURPA and required each electric system covered by each standard to make a determination as to whether or not to adopt that standard. These standards addressed net metering for distributed generation, time differentiated electric rates, advanced metering technologies, diverse fuel supplies, and efficient electric generation. After the appropriate public involvement process, the System has adopted voluntary time of use rates for all rate categories, net metering (mostly used for solar prior to implementing the solar FIT), and determined that formally adopting the remaining standards were either not cost-effective or would not affect the System's already significant commitments to price signals to promote energy conservation, fuel diversity, and highly efficient generation resources.

The 2005 Energy Policy Act empowered FERC to enforce mandatory compliance with the Bulk Electric System reliability standards. FERC delegated policy enforcement and standard development to NERC who, in turn, delegated regional enforcement and monitoring to the FRCC in the State to become the ERO monitoring the System's compliance. The System is a "registered entity" with NERC and FRCC under the following eleven functional categories and must comply with all standards applicable to those categories:

- Balancing Authority
- Distribution Provider
- Generation Owner
- Generation Operator
- Interchange Authority
- Load Serving Entity
- Planning Authority
- Resource Planner
- Transmission Owner
- Transmission Operator
- Transmission Planner

Electric utilities registered as a Balancing Authority or Transmission Operator are required to undergo an on-site audit for compliance with the reliability standards once every three years. The System is registered as both a Balancing Authority and a Transmission Operator and is therefore subject to the 3-year on-site audit cycle. From December 12, 2011 through December 15, 2011, FRCC compliance auditors conducted an on-site audit for compliance with the standards and requirements associated with the System's functions within the Florida bulk power system as listed above. FRCC found no violations pursuant to this audit. GRU's next on-site reliability compliance audit will be in December of 2014.

The 2005 Energy Policy Act also provides for tax incentives that further encourage production, conservation and the use of technology to stabilize energy prices and protect the environment. Landfill gas is clearly designated as a renewable resource for Renewable Energy Production Incentive ("REPI") funding, which is to the System's benefit. The System intends to explore the opportunities for financial assistance from the funds appropriated in the 2005 Energy Policy Act for energy conservation, renewable energy, and clean coal technology.

It is not possible at this time to predict all final forms and possible effects of all the consequent rulemaking and programs that that will be enacted to implement the 2005 Energy Policy Act.

corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel with respect to the 2014 Series A/B Bonds is set forth in APPENDIX F hereto.

To the extent the issue price of the 2014 Series A/B Bonds of any maturity of either Series is less than the amount to be paid at maturity of such 2014 Series A/B Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2014 Series A/B Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2014 Series A/B Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of the 2014 Series A/B Bonds of a particular Series and maturity is the first price at which a substantial amount of such Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to the 2014 Series A/B Bonds of any Series and maturity accrues daily over the term to maturity of such 2014 Series A/B Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2014 Series A/B Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2014 Series A/B Bonds. Beneficial Owners of the 2014 Series A/B Bonds should consult their own tax advisors with respect to the tax consequences of ownership of the 2014 Series A/B Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2014 Series A/B Bonds in the original offering to the public at the first price at which a substantial amount of the 2014 Series A/B Bonds of the same Series and maturity is sold to the public.

2014 Series A/B Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2014 Series A/B Bonds. The City has made certain representations and has covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2014 Series A/B Bonds will not be included in federal gross income. (See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Special Provisions Relating to 2014 A/B Bonds" in APPENDIX D hereto.) Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2014 Series A/B Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2014 Series A/B Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the 2014 Series A/B Bonds may adversely affect the value of, or the tax status of interest on, the 2014 Series A/B Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2014 Series A/B Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the 2014 Series A/B Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the 2014 Series A/B Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL will purchase 2014 Series A/B Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Certificate to be executed by the City simultaneously with the delivery of the 2014 Series A/B Bonds (the "Continuing Disclosure Certificate"), the City will covenant for the benefit of the Holders and the "Beneficial Owners" (as defined in the Continuing Disclosure Certificate) of the 2014 Series A/B Bonds to provide certain financial information and operating data relating to the System by not later than April 30, commencing with the report for the fiscal year ending September 30, 2014 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events with respect to the 2014 Series A/B Bonds (each, an "Event Notice"). The Annual Report and each Event Notice will be filed by or on behalf of the City with the Municipal Securities Rulemaking Board (the "MSRB"). Until otherwise designated by the MSRB or the United States Securities and Exchange Commission (the "SEC"), filings with the MSRB are to be made through the MSRB's Electronic Municipal Market Access ("EMMA") website, currently located at http://emma.msrb.org. The specific nature of the information to be contained in the Annual Report and the Event Notices is set forth in the form of the Continuing Disclosure Certificate attached hereto as APPENDIX G. These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5) (the "Rule").

As will be provided in the Continuing Disclosure Certificate, if the City fails to comply with any provision of the Continuing Disclosure Certificate, the remedies of any Holder or "Beneficial Owner" of the 2014 Series A/B Bonds will be limited to taking such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under the Continuing Disclosure Certificate. "Beneficial Owner" will be defined in the Continuing Disclosure Certificate to mean any person holding a beneficial ownership interest in 2014 Series A/B Bonds through nominees or depositories (including any person holding such interest through the book-entry only system of The Depository Trust Company ("DTC")). IF ANY PERSON SEEKS TO CAUSE THE CITY TO COMPLY WITH ITS OBLIGATIONS UNDER THE CONTINUING DISCLOSURE CERTIFICATE, IT WILL BE THE RESPONSIBILITY OF SUCH PERSON TO DEMONSTRATE THAT IT IS A "BENEFICIAL OWNER" WITHIN THE MEANING OF THE CONTINUING DISCLOSURE CERTIFICATE.

As described in APPENDIX A hereto, upon initial issuance, the 2014 Series A/B Bonds will be issued in book-entry only form through the facilities of DTC, and the ownership of one fully registered 2014 Series A/B Bond for each maturity of each series, in the aggregate principal amount thereof, will be registered in the name of Cede & Co., as nominee for DTC. For a description of DTC's current procedures with respect to the enforcement of bondholders' rights, see "BOOK-ENTRY ONLY SYSTEM" in APPENDIX A hereto.

With respect to the 2014 Series A/B Bonds, no party other than the City is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the Rule. In the past five years, the City has never failed in any material respect to comply with any prior agreements to provide continuing disclosure information pursuant to the Rule. However, the City entered into a continuing disclosure agreement in connection with its issuance of its Guaranteed Entitlement Revenue Refunding Bonds, Series 2004 (the "Series 2004 Bonds"). The Series 2004 Bonds were issued to finance general projects within the City of Gainesville and are unrelated to the Bonds issued under the Resolution. The City as part of its diligence identified in November 2014 that it had inadvertently failed to include a table as part of its annual filing. Upon realizing such failure, the City filed the missing information with the MSRB on **[November __, 2014]** and intends to include such table in its future filings so long as the Series 2004 Bonds remain outstanding. While the City does not believe that such failure to include the subject table in its annual filing to be a material failure to comply with any prior agreements to provide continuing disclosure

thereof. In the event, however, that this action is determined adversely to the System, Management believes that such determination will not have a material adverse effect on the financial condition of the System.

At the March 13, 2014, Regional Utilities Committee (the "RUC") meeting, a citizen (the "Citizen") questioned, among other things, the legality of the City's application of the State's gross receipts tax (the "Gross Receipts Tax"), the City's Public Service Tax and the City's surcharge on GRU customers outside of the City limits (the "City Surcharge"). GRU collects and remits the Gross Receipts Tax to the State and collects and remits the Public Service Tax to the City. The City Surcharge on water, wastewater and gas services is deposited in the GRU enterprise fund and becomes revenue that is subject to the transfer formula established under the transfer agreement between the City and GRU described under "MANAGEMENT DISCUSSION OF SYSTEM OPERATIONS – Transfer to General Fund" herein. The City Surcharge on electric utility services is retained as revenue of the electric system. In addition to allegations regarding the Gross Receipts Tax remitted to the State, the Citizen has claimed that GRU's application of the Public Service Tax and the City Surcharge to (i) the Gross Receipts Tax portion of total charges on a customer's bill and (ii) the electric, water and gas charges on a customer's bill that constitute a base customer charge as opposed to a consumption charge (the "Customer Charges"), are each unlawful (collectively, the "Alleged Overcharges"). The Citizen, an attorney representing himself and several other utility customers (the "Claimants") filed refund requests of the Alleged Overcharges. To date, the refund requests reviewed by GRU staff have been denied. Pursuant to Section 166.235, Florida Statutes, the Claimants having exhausted the administrative process for seeking a refund of the Public Service Taxes paid, may now file a legal action in court. To date, the City has not been served in any such legal action. Although no court action has been filed, the System is unable to determine at this time whether any such action may be filed in the future by the Claimants or others related to the Alleged Overcharges. In addition, the Citizen has filed a complaint with the Florida Attorney General's volunteer program "Seniors vs. Crime" ("SVC") regarding the collection of the Public Service Tax (SVC Case File #AL00395). In correspondence from the SVC to GRU, the SVC has stated that GRU should consider refunding approximately $10.4 million in alleged over collected Public Service Tax.

GRU has represented to the City that it believes that the manner in which GRU interprets and applies the Gross Receipts Tax law, the Public Service Tax law and the City Ordinance pursuant to which the City Surcharge is levied, is consistent with utility practices throughout the State and has been carried out in good faith reliance on the interpretation of existing laws. It cannot be determined what the outcome of any legal action, if filed, would be or the effect on (i) future collections by the City of the Public Service Tax if certain charges for services were no longer taxable or (ii) future or previous transfers to the City from GRU if certain charges for services were no longer subject to the City Surcharge. However, the City does not believe any outcome would adversely affect the City's ability to pay debt service on the Bonds.

In addition to the actions discussed in the preceding paragraphs, the System is party to various federal, state and local claims, proceedings and lawsuits for damages claimed to result from the operation of the System. Management does not believe that, individually or in the aggregate, these cases will materially adversely affect the Net Revenues of the System or materially adversely impair the business, operations, or financial condition of the System.

APPROVAL OF LEGAL PROCEEDINGS

The validity of the 2014 Series A/B Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the City. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX F hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the City by Nicolle M. Shalley, Esq., Gainesville, Florida, City Attorney and Holland & Knight LLP, Lakeland, Florida, Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriters by Nixon Peabody LLP, Counsel to the Underwriters.

payment of the 2014 Series A/B Bonds and the rights and obligations of the owners thereof and to each such statute, report or instrument.

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 2014 Series A/B 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 City. At the time of delivery of the 2014 Series A/B Bonds, the City will furnish a certificate to the effect that nothing has come to its attention which would lead it to believe that the Official Statement (other than information herein related to DTC, the book-entry only system of registration as to which no opinion shall be expressed), as of its date, 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.

The execution and delivery of this Official Statement have been duly authorized by the City.

CITY OF GAINESVILLE, FLORIDA

By _____

Interim General Manager for Utilities

APPENDIX A

BOOK-ENTRY ONLY SYSTEM

The 2014 A/B Bonds will be available only in book-entry form. DTC will act as the initial securities depository for the 2014 A/B Bonds. The 2014 A/B 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 bond certificate for each series will be issued for each maturity of the 2014 A/B Bonds, in the aggregate principal amount thereof, 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 bond 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" and together with Direct Participants, the "DTC 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.

Purchases of 2014 A/B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such 2014 A/B Bonds on DTC's records. The ownership interest of each actual purchaser of each 2014 A/B 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 2014 A/B Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2014 A/B Bonds, except in the event that use of the book-entry system for the 2014 A/B Bonds is discontinued.

SO LONG AS CEDE & CO. (OR ANY OTHER NOMINEE REQUESTED BY DTC) IS THE REGISTERED OWNER OF THE 2014 A/B BONDS AS NOMINEE FOR DTC, REFERENCES HEREIN TO THE HOLDERS OR REGISTERED OWNERS OR OWNERS OF THE 2014 A/ BONDS SHALL MEAN CEDE & CO. (OR SUCH OTHER NOMINEE), AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS.

To facilitate subsequent transfers, all 2014 A/B 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

subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent; 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.

As long as the book-entry system is used for the 2014 A/B Bonds, the City or the Trustee, as applicable, will give or cause to be given any notice of redemption or any other notices required to be given to Holders of 2014 A/B Bonds only to DTC. Any failure of DTC to advise any Direct Participant, or of any Direct Participant to notify any Indirect Participant, or of any Direct or Indirect Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the 2014 A/B Bonds called for such redemption, or of any other action premised on such notice.

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. Beneficial Owners of 2014 A/B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2014 A/B Bonds such as redemptions, defaults, and proposed amendments to the Resolution. For example, Beneficial Owners of 2014 A/B Bonds may wish to ascertain that the nominee holding the 2014 A/B Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

As long as the book-entry system is used for the 2014 A/B Bonds, redemption notices shall be sent only to DTC. If less than all of the 2014 A/B Bonds of a particular maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the 2014 A/B Bonds of such maturity to be redeemed.

NEITHER THE CITY NOR THE TRUSTEE NOR THE BOND REGISTRAR NOR THE PAYING AGENT NOR THE UNDERWRITERS (OTHER THAN IN THEIR CAPACITY, IF ANY, AS DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS) WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES, WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS.

For every transfer and exchange of a beneficial ownership in the 2014 A/B Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Discontinuation of the Book-Entry Only System. DTC may discontinue providing its services as depository with respect to the 2014 A/B Bonds at any time by giving reasonable notice to the City or the Trustee. In addition, if the City determines that (i) DTC is unable to discharge its responsibilities with respect to the 2014 A/B Bonds, or (ii) continuation of the system of book-entry only transfers through DTC is not in the best interests of the Beneficial Owners of the 2014 A/B Bonds or of the City, the City may, upon satisfaction of the applicable procedures of DTC with respect thereto, terminate the services of DTC with respect to the 2014 A/B Bonds. Upon the resignation of DTC or determination by the City that DTC is unable to discharge its responsibilities, the City may, within ninety days, appoint a successor depository. If no such successor is appointed or the City determines to discontinue the book-entry only system, 2014 A/B Bond certificates will be printed and delivered. Transfers and exchanges of 2014 A/B Bonds shall thereafter be made as provided in the Resolution.

APPENDIX B
AUDITED FINANCIAL STATEMENTS

APPENDIX C

GENERAL INFORMATION REGARDING THE CITY OF GAINESVILLE AND ALACHUA COUNTY

Location

The City of Gainesville, Florida (the "City") is the county seat and population center of Alachua County. It is located in north-central Florida approximately 75 miles southwest of Jacksonville and approximately 110 miles northwest of Orlando, and midway between the Gulf and Atlantic Coasts.

Organization and Administration

The City was founded in 1854 and incorporated in 1869. The City Commission currently consists of seven members. Four are elected from single member districts and three are elected Citywide. In March 1998, the residents of Gainesville elected their first directly elected Mayor since 1927. Previously, mayors were elected from among the commission. The Mayor retains the same power as held in the prior Mayor-Commission form of government. The City Charter prohibits consecutive service on the Commission for more than two three-year terms.

The City Commission appoints a General Manager for Utilities who is responsible for the overall administration of the utilities system.

The City provides a full range of municipal services, including: police and fire protection; comprehensive land use planning and zoning services; code enforcement and neighborhood improvement; streets and drainage construction and maintenance; traffic engineering services; refuse and recycling services through a franchised operator; recreation and parks; cultural and nature services; and necessary administrative services to support these activities. Additionally, the City owns a regional transit system, a municipal airport, a 72 par championship golf course, and the Gainesville Regional Utilities System.

Population

As of April 2010, the United States Census Bureau reported the City's population to have been 124,354, while Alachua County's population was 247,336 and Florida's population was 18,801,310. The Bureau of Economic and Business Research ("BEBR") at the University of Florida ("UF") estimated a 2014 population of 250,730 in the County. As of April 2014, an estimated 125,661 persons resided within the City limits. The following tables depict official historical population growth of the City, Alachua County and the State of Florida.

	Unemployment Rates
Gainesville MSA (local)	4.9%
Florida (state)	6.1
United States (national)	5.9

GAINESVILLE MSA TOTAL NON-AGRICULTURAL EMPLOYMENT (JANUARY 1, 2013)

Industry	Percentage of Workforce
Construction	4.5%
Manufacturing	4.0
Trade	12.2
Information	1.6
Financial & Real Estate Activities	5.3
Professional & Business Services	4.2
Educational Services	12.7
Health Care	20.0
Leisure & Hospitality	10.6
Science & Technology	5.1
Other Services	5.3
Government	14.5

Source: U.S. Bureau of Census.

GAINESVILLE MSA TEN LARGEST EMPLOYERS (SEPTEMBER 30, 2013)

Firm	Product/Business	Employees
University of Florida	Education	12,780
UF Health	Health Care	12,000
Alachua County School Board	Education	4,200
Alachua Veterans Affairs Medical Center	Health Care	3,500
City of Gainesville	Municipal Government	2,270
Publix Supermarkets	Grocer	2,160
North Florida Regional Medical Center	Health Care	2,100
Gator Dining Services	Food Services	1,200
Nationwide Insurance Company	Insurance	950
Wal-Mart Stores	Retail	910

Source: Gainesville Area Chamber of Commerce.

Educational Activity

UF is a major, public, comprehensive, land-grant, research university. It is Florida's largest university, the nation's fourth largest, and one of only 17 public, land-grant universities that belongs to the Association of American Universities. The UF campus covers 2,000 acres and includes more than 900 buildings. UF enrolls approximately 50,000 students annually, has 16 colleges and more than 150

The Employees' Plan is a contributory defined benefit pension plan that covers all permanent employees of the City, including GRU, except certain personnel who elected to participate in the Defined Contribution Plan (which is described below) and who were grandfathered into that plan, and police officers and firefighters who participate in the Consolidated Plan. The Employees' Plan provides retirement and death benefits to plan members and beneficiaries. The costs of administering the plan, like other plan costs, are captured within the plan itself and financed through contribution and investment income, as appropriate. This plan and any amendments were enacted through an ordinance of the Commission. In October 2002, the Board of Trustees approved allowing participants to buy back City years of service at its actuarial valuation. The contribution requirements of plan members and the City are established and may be amended by an ordinance enacted by the Commission. Employees' Plan members are required to contribute 5.0% of their annual covered salary. The City is required to contribute at an actuarially determined rate which equals 14.92% of covered payroll for the fiscal year ending September 30, 2015. The total contributions by GRU, including amortization of prior service costs, were $6.2 million and $5.4 million for the years ended September 30, 2013 and 2012, respectively.

The Consolidated Plan is a contributory defined benefit pension plan that covers City sworn police officers and firefighters. The Consolidated Plan provides retirement and death benefits to plan members and beneficiaries. This plan and any amendments were enacted through an ordinance by the Commission. The contribution requirements of plan members and the City are established and may be amended by an ordinance enacted by the Commission. Consolidated Plan members are required to contribute 7.50% of their annual covered salary for police and 9.00% of their annual covered salary for fire. The City is required to contribute at an actuarially determined rate for the fiscal year ended September 30, 2015 which equals 14.33% of covered payroll for police and 17.32% of covered payroll for fire. In addition, State contributions, which totaled $1,170,024 in the fiscal year ended September 30, 2013, are also made to the plan on behalf of the City.

See the notes portion of "APPENDIX B – Audited Financial Statements" for further discussion of the City's defined benefit pension plans.

Retiree Health Care Plan

The City has established the Retiree Health Care Plan, providing for the payment of a portion of the health care insurance premiums for eligible retired employees. The RHCP is a single-employer defined benefit healthcare plan administered by the City which provides medical insurance benefits to eligible retirees and their beneficiaries. The RHCP has approximately 1,034 retirees, spouses and dependents receiving benefits and approximately 1,723 active participants. Of that total, 1,342 are not yet eligible to receive benefits. Ordinance No. 991457 of the City assigned the authority to establish and amend benefit provisions to the Commission. The cost of providing these benefits to GRU retirees was $0.2 million for the fiscal years September 30, 2013 and 2012.

The City has chosen to self-insure the Retiree Health Care Plan, rather than purchasing insurance from an insurance carrier. "Self insurance" means that the City funds retiree medical plan expenses with money deposited into the retiree health insurance fund on a periodic basis based on actuarial estimates. On an annual basis, the health insurance premiums are calculated by the City and through an actuarial calculation. The bi-weekly contributions to the Retiree Health Care Plan are determined on a percentage of covered payroll basis. Pursuant to the Retiree Health Care Plan, deposits are made to the retiree health insurance fund established by the City and, together with premium payments made by retirees, gifts to the fund accepted by the City and earnings deposited into the fund, are disbursed only for the payment of premiums for retiree health insurance, retiree health care claim costs and costs associated with managing, administering and operating the fund.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

This Appendix contains a summary of certain provisions of the Resolution. Summaries of certain definitions contained in the Resolution are set forth below. Other terms defined in the Resolution for which summary definitions are not set forth are indicated by capitalization. The summary does not purport to be a complete description of the terms of the Resolution and, accordingly, is qualified by reference thereto and subject to the full text thereof. Copies of the Resolution may be obtained from the City or its Financial Advisor.

Definitions

The following are summaries of certain definitions in the Resolution:

Accreted Value means, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the periodic date specified in the Supplemental Resolution authorizing such Capital Appreciation Bond on which interest on such Bond is to be compounded (hereinafter in this definition, a "Periodic Compounding Date") next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Capital Appreciation Bonds set forth in the Supplemental Resolution authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Accreted Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in the Supplemental Resolution authorizing such Capital Appreciation Bonds, Accreted Value accrues in equal daily amounts on the basis of a year of twelve 30-day months.

Accrued Aggregate Debt Service means, as of any date of calculation, an amount equal to the sum of (a) the amounts of accrued Debt Service with respect to all Series of Bonds, calculating the accrued Debt Service with respect to each Series at an amount equal to the sum of (i) interest on the Bonds of such Series accrued and unpaid and to accrue to the end of the then current calendar month, and (ii) Principal Installments due and unpaid and that portion of the Principal Installments for such Series next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such calendar month; *provided, however*, that (i) there shall be excluded from the calculation of Accrued Aggregate Debt Service any Principal Installments which are Refundable Principal Installments, (ii) the principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds shall be included in the calculation of Accrued Aggregate Debt Service at the times and in the manner provided in the Resolution and (iii) if the calculation of the Debt Service Reserve Requirement for any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund takes into account Accrued Aggregate Debt Service, then, for purposes of such calculation, Accrued Aggregate Debt Service shall be calculated only with respect to the Bonds of the Series secured thereby and (b) the amounts of accrued Debt Service with respect to all Parity Hedging Contract Obligations.

Act means the Charter of the City, being Chapter 90-394, Laws of Florida, 1990, as amended, and other applicable provisions of law which, together with the Resolution, authorizes the City to issue its Bonds.

Compounding Date succeeding the date of original issuance) and the Appreciated Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in the Supplemental Resolution authorizing such Deferred Income Bond, Appreciated Value accrues in equal daily amounts on the basis of a year of twelve 30-day months and (ii) as of any date of computation on and after the Current Interest Commencement Date, the Appreciated Value on the Current Interest Commencement Date.

Bond or *Bonds* means any bonds, notes or other evidences of indebtedness, as the case may be, authenticated and delivered under and Outstanding pursuant to the Resolution (including Parity Commercial Paper Notes, Parity Medium-Term Notes and Parity Reimbursement Obligations) but shall not mean Parity Hedging Contract Obligations or Subordinated Indebtedness.

Capital Appreciation Bonds means any Bonds issued under the Resolution as to which interest is (i) compounded periodically on dates specified in the Supplemental Resolution authorizing such Capital Appreciation Bonds belong and (ii) payable only at the maturity, earlier redemption or other payment thereof pursuant to the Resolution or the Supplemental Resolution authorizing such Bonds.

Certified Interest Rate means, with respect to Commercial Paper Notes, Medium-Term Notes or the Variable Rate Bonds of a particular Series maturing on a particular date, the interest rate set forth in a certificate of an Authorized Officer of the City executed on or prior to the date of the initial issuance of such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds of such Series, as the case may be, which interest rate shall be (i) in the case of Variable Rate Bonds, the rate of interest such Variable Rate Bonds would bear (based on the Bond Buyer Revenue Bond Index) if, assuming the same maturity date, terms and provisions (other than interest rate) as the proposed Variable Rate Bonds of such maturity, and on the basis of the City's credit ratings with respect to the Bonds (other than Bonds for which credit enhancement is provided by a third party), such proposed Variable Rate Bonds of such maturity were issued at a fixed interest rate or (ii) in the case of Commercial Paper Notes or Medium-Term Notes, the rate of interest such Commercial Paper Notes or Medium-Term Notes would bear (based on the Bond Buyer Revenue Bond Index) if such Notes were issued as Bonds bearing a fixed interest rate. If at such time of issuance of such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds of a particular Series, the Bond Buyer Revenue Bond Index is no longer published, the City shall use a comparable published index accepted by the municipal bond market

Commercial Paper Note shall mean any Bond which (a) has a maturity date which is not more than 397 days after the date of issuance thereof and (b) is designated as a Commercial Paper Note in the Supplemental Resolution of the City authorizing such Bond.

Commercial Paper Payment Plan means, with respect to any Series of Commercial Paper Notes and as of any time, the then current Commercial Paper Payment Plan for such notes contained in a certificate of an Authorized Officer of the City delivered on or prior to the date of the first issuance of such Commercial Paper Notes and setting forth the sources of funds expected to be utilized by the City to pay the principal of and interest on such Commercial Paper Notes or any subsequent certificate of an Authorized Officer of the City thereafter executed to reflect changes, if any, in the expectations of the City with respect to the sources of funds to be utilized to pay principal of and interest on such Commercial Paper Notes; *provided, however*, that if any Commercial Paper Payment Plan provides for the refunding of any Commercial Paper Note with proceeds of (a) Bonds other than Commercial Paper Notes or Medium-Term Notes or (b) Subordinated Indebtedness, in either such case, that the City intends to pay from Revenues, the principal of such Commercial Paper Note shall, for purposes of the Commercial Paper Payment Plan, be assumed to come due over a period commencing with the due date of the Commercial Paper Note and ending not later than the later of (x) the 30th anniversary of the first issuance of Commercial Paper Notes of such Series or (y) the 10th anniversary of the due date of the Commercial Paper Note to be refunded, in installments such that the principal and interest payable on

prior to the maturity date for such Bonds) after which interest accruing on such Bonds shall be payable periodically on dates specified in such Supplemental Resolution, with the first such payment date being the first such periodic date immediately succeeding such Current Interest Commencement Date.

Debt Service for any period means, as of any date of calculation (a) with respect to any Series of Bonds, an amount equal to the sum of (i) interest accruing during such period on Bonds of such Series, except to the extent that such interest is to be paid from deposits into the Debt Service Account in the Debt Service Fund made from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of the City (including amounts, if any, transferred thereto from the Construction Fund) and (ii) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, (x) in the case of Bonds other than Parity Reimbursement Obligations, if (1) there shall be no such preceding Principal Installment due date or (2) such preceding Principal Installment due date is more than one year prior to the due date of such Principal Installment, then, from a date one year preceding the due date of such Principal Installment or from the date of issuance of the Bonds of such Series, whichever date is later, and (y) in the case of Parity Reimbursement Obligations, in accordance with the terms thereof and the Supplemental Resolution authorizing such Parity Reimbursement Obligations), except to the extent that such Principal Installment is paid or to be paid from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of the City and (b) with respect to each Parity Hedging Contract Obligation, an amount equal to the sum of all amounts owed thereunder by the City during such period. Such interest and Principal Installments for such Series of Bonds shall be calculated on the assumption that (x) no Bonds (except for Option Bonds actually tendered for payment prior to the stated maturity thereof and paid, or to be paid, from Revenues) of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof, (y) the principal amount of Option Bonds tendered for payment before the stated maturity thereof and paid, or to be paid, from Revenues, shall be deemed to accrue on the date required to be paid pursuant to such tender and (z) the principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds shall be included in the calculation of Debt Service at the times and in the manner provided in the Resolution; *provided, however*, that if the calculation of the Debt Service Reserve Requirement for any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund takes into account Debt Service, then, for purposes of such calculation, Debt Service shall be calculated only with respect to the Bonds of the Series secured thereby. If the City has in connection with any such Bonds entered into a Qualified Hedging Contract which provides that, in respect of a notional amount equal to the Outstanding principal amount of such Bonds, the City is to pay to a Qualified Hedging Contract Provider an amount determined based upon a variable rate of interest and the Qualified Hedging Contract Provider is to pay to the City an amount determined based upon a fixed rate of interest equal to the rate or rates at which such Bonds bear interest, it will be assumed that such Bonds bear interest at the variable rate of interest to be paid by the City. If the City has in connection with any Variable Rate Bonds, Parity Commercial Paper Notes or Parity Medium-Term Notes entered into a Qualified Hedging Contract which provides that, in respect of a notional amount equal to the Outstanding principal amount of the Variable Rate Bonds, Parity Commercial Paper Notes or Parity Medium-Term Notes, the City is to pay to a Qualified Hedging Contract Provider an amount determined based upon a fixed rate of interest and the Qualified Hedging Contract Provider is to pay to the City an amount determined based upon a variable rate of interest equal or comparable to the rate at which such Variable Rate Bonds, Parity Commercial Paper Notes or Parity Medium-Term Notes bear interest, it will be assumed that such Variable Rate Bonds, Parity Commercial Paper Notes or Parity Medium-Term Notes bear interest at the fixed rate of interest to be paid by the City.

Debt Service Reserve Requirement means with respect to each subaccount, if any, in the Debt Service Reserve Account, the amount specified in the Supplemental Resolution pursuant to which such subaccount shall be established; *provided, however*, that if at any time the City at its option shall have

in either of its two highest rating categories, for comparable types of debt obligations so long as such securities evidence ownership of the right to payments of principal and/or interest on obligations described in clauses (a) and (b) hereof or obligations described in the foregoing clause (c), in any such case, which shall not be subject to redemption prior to their maturity other than at the option of the holder thereof or as to which an irrevocable notice of redemption of such obligations on a specified redemption date has been given and such obligations are not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof,

(e) deposits in interest-bearing time deposits or certificates of deposit which shall not be subject to redemption or repayment prior to their maturity or due date other than at the option of the depositor or holder thereof or as to which an irrevocable notice of redemption or repayment of such time deposits or certificates of deposit on a specified redemption or repayment date has been given and such time deposits or certificates of deposit are not otherwise subject to redemption or repayment prior to such specified date other than at the option of the depositor or holder thereof, and which are fully secured by obligations described in clause (a) or clause (b) hereof to the extent not insured by the Federal Deposit Insurance Corporation, and

(f) upon compliance with the provisions of the Resolution, such securities (I) as are described in clause (a) of this definition and (II) as are described in clause (d) hereof so long as such securities evidence ownership of the right to payments of principal and/or interest on obligations described in clause (a) hereof, in each case, which are subject to redemption prior to maturity at the option of the issuer thereof on a specified date or dates.

Deferred Income Bonds means any Bonds issued under the Resolution as to which interest accruing prior to the Current Interest Commencement Date is (i) compounded periodically on dates specified in the Supplemental Resolution authorizing such Deferred Income Bonds and (ii) payable only at the maturity, earlier redemption or other payment thereof pursuant to the Resolution or the Supplemental Resolution authorizing such Bonds.

Investment Securities means and includes all securities, obligations or investments that, at the time, shall be permitted by Florida law for investment of the City's funds.

Medium-Term Note means any Bond which (a) has a maturity date which is more than 365 days, but not more than 15 years, after the date of issuance thereof and (b) is designated as a Medium-Term Note in the Supplemental Resolution of the City authorizing such Bond.

Medium-Term Note Payment Plan means, with respect to any installment of Medium-Term Notes and as of any time, the then current Medium-Term Note Payment Plan for such notes contained in a certificate of an Authorized Officer of the City delivered on or prior to the date of the first issuance of such Medium-Term Notes and setting forth the sources of funds expected to be utilized by the City to pay the principal of and interest on such Medium-Term Notes or any subsequent certificate of an Authorized Officer of the City thereafter executed to reflect changes, if any, in the expectations of the City with respect to the sources of funds to be utilized to pay principal of and interest on such Medium-Term Notes; *provided, however*, that if any Medium-Term Note Payment Plan provides for the refunding of any Medium-Term Note with proceeds of (a) Bonds other than Commercial Paper Notes or Medium-Term Notes or (b) Subordinated Bonds, in either such case, that the City intends to pay from Revenues, the principal of such Medium-Term Note shall, for purposes of the Medium-Term Note Payment Plan, be assumed to come due over a period commencing with the due date of the Medium-Term Note and ending not later than the later of (x) the 30th anniversary of the first issuance of Medium-Term Notes of such Series or (y) the 10th anniversary of the due date of the Medium-Term Note to be refunded, in installments such that the principal and interest payable on such Medium-Term Note in each Fiscal Year

Commercial Paper Notes or Medium-Term Notes, such intent shall have been expressed in the Supplemental Resolution authorizing such Series of Bonds, (ii) in the case of Commercial Paper Notes, such intent shall be expressed in the then current Commercial Paper Payment Plan for such Commercial Paper Notes and (iii) in the case of Medium-Term Notes, such intent shall be expressed in the then current Medium-Term Note Payment Plan for such Medium-Term Notes; and provided further that any such Principal Installment, other than Principal Installments for Commercial Paper Notes and Medium-Term Notes, shall be a Refundable Principal Installment only through the penultimate day of the month preceding the month in which such Principal Installment comes due or such earlier time as the City no longer intends to pay such Principal Installment with moneys which are not Revenues and with respect to Bonds that are Commercial Paper Notes or Medium-Term Notes, any Commercial Paper Note or Medium-Term Note shall cease to be a Refundable Principal Installment at such time, if any, as shall be provided in the Commercial Paper Payment Plan or Medium-Term Note Payment Plan, as the case may be, applicable thereto.

Reserve Deposit, in respect of the Bonds of any of Additionally Secured Series, means an amount which shall be deposited monthly into the subaccount in the Debt Service Reserve Account in the Debt Service Fund established with respect to the Bonds of such Additionally Secured Series equal to the product of a fraction, the numerator of which shall be one and the denominator of which shall equal the number of months (which shall be not greater than sixty (60) months), designated by the City in the Supplemental Resolution authorizing the issuance of the Bonds of such Additionally Secured Series, in which the Reserve Deposit for the Bonds of such Additionally Secured Series is to be paid, times, the excess (if any) of the Debt Service Reserve Requirement on such date on all Additionally Secured Series of Bonds secured by such subaccount Outstanding including such Additionally Secured Series of Bonds, over the Debt Service Reserve Requirement on all Additionally Secured Series of Bonds secured by such subaccount excluding such Additionally Secured Series of Bonds, such excess to be reduced by (i) the amount, if any, by which the amount on deposit in the separate subaccount in the Debt Service Reserve Account on the date of issuance of such Series of Bonds exceeds the Debt Service Reserve Requirement on all Additionally Secured Series of Bonds secured by such subaccount excluding such Additionally Secured Series of Bonds being issued, and (ii) the amount of proceeds of the Bonds of such Additionally Secured Series being issued or other funds, if any, deposited in such subaccount in the Debt Service Reserve Account on the date of issuance of the Additionally Secured Series of Bonds being issued; *provided, however*, that the Reserve Deposit may be reduced whenever any additional deposit allocable to the Reserve Deposits for such Additionally Secured Series is made into the separate subaccount in the Debt Service Reserve Account.

Resolution means the Utilities System Revenue Bond Resolution adopted by the City on June 6, 1983, as heretofore amended, restated and supplemented, including as amended and restated by the Amended and Restated Resolution, and as the same hereafter may be further amended and supplemented in accordance with the terms thereof.

Revenues mean, to the extent accrued to or received by the System or any board or agency in control of the management and operation of the System, (i) all rates, fees, rentals, other charges, and other income properly allocable to the System, resulting from the ownership and operation of the System, excluding customer deposits and any other deposits subject to refund until such deposits have become the property of the City, (ii) the proceeds of any insurance covering business interruption loss relating to the System, and (iii) interest earned on any moneys or securities held pursuant to the Resolution and paid or to be paid into the Revenue Fund; *provided, however*, Revenues shall not include payments made to the City by a Qualified Hedging Contract Provider pursuant to a Parity Hedging Contract Obligation that are deposited into the Debt Service Account in the Debt Service Fund.

System means the entire combined and consolidated electric system, water system, wastewater system, natural gas system and telecommunications system of the City, now existing and hereafter

Pursuant to the Resolution, all Revenues of the System are deposited into the Revenue Fund as soon as practicable and in any event within ten days after receipt. Each month the City is to pay from the Revenue Fund amounts necessary to meet Operation and Maintenance Expenses for such month. Payments owed by the City with respect to any Credit Obligations shall constitute Operation and Maintenance Expenses only if the City files with the Trustee, at the time the City enters into the contract relating to such Credit Obligation, a certificate of an Authorized Officer of the City to the effect that, if such Credit Obligation is so paid, estimated Net Revenues for each Fiscal Year beginning with the year in which the Credit Obligation becomes effective and ending with the later of the fifth full Fiscal Year thereafter or the first full Fiscal Year in which less than 10% of the interest coming due on Bonds estimated to be Outstanding is paid from Bond proceeds, are at least equal to 1.25 times the Aggregate Debt Service for such Fiscal Year.

Following the payment of Operation and Maintenance Expenses, the Resolution provides that monies in the Revenue Fund shall be applied (such application to be made in such a manner so as to assure good funds in such Funds and Accounts on the last business day of each calendar month), to the extent available, in the following manner and in the following order of priority:

(1) *To the Rate Stabilization Fund*, the amount, if any, budgeted for deposit into such Fund, in accordance with the then current Annual Budget or as otherwise determined by the City. The City may also from time to time withdraw amounts currently on deposit in the Rate Stabilization Fund and (i) transfer such amounts to any other Fund or Account established under the Resolution, (ii) use such amounts to purchase or redeem Bonds and/or Subordinated Indebtedness; *provided, however*, that in the case of the purchase of Bonds and/or Subordinated Indebtedness, the Bonds and/or Subordinated Indebtedness shall be purchased at a price not to exceed the Redemption Price which would be applicable if the Bonds and/or Subordinated Indebtedness were redeemed at the time of the intended purchase or as soon thereafter as such Bonds and/or Subordinated Indebtedness shall be subject to redemption, or (iii) use such amounts to otherwise provide for the payment of and/or Subordinated Indebtedness Bonds.

(2) *To the Debt Service Account and the Debt Service Reserve Account in the Debt Service Fund*, (i) for credit to the Debt Service Account, (a) the amount, if any, required so that the balance in said Account shall equal the Accrued Aggregate Debt Service as of the last day of the then current month, (b) payments received by the City from a Qualified Hedging Contract Provider pursuant to a Parity Hedging Contract Obligation and (c) the amount, if any, required so the City can pay all obligations payable out of the Debt Service Account in the current month; provided that, for the purposes of computing the amount to be deposited in said Account, there shall be excluded from the balance in said Account the amount, if any, set aside in said Account from the proceeds of Bonds (including amounts, if any, transferred thereto from the Construction Fund) for the payment of interest on Bonds less the amount of such proceeds to be applied in accordance with the Resolution to the payment of interest accrued and unpaid and to accrue on Bonds to the last day of the then current calendar month; and (ii) for credit to each separate subaccount in the Debt Service Reserve Account, the amount, if any, required so that the balance in each such subaccount shall equal the Debt Service Reserve Requirement related thereto including any amount required to be credited to any separate subaccount in the Debt Service Reserve Account to satisfy any Reserve Deposits, established for any Additionally Secured Series of Bonds as of the last day of the then current month (or, if the amount on deposit in the Revenue Fund shall not be sufficient to make the deposits required to be made pursuant to this clause (ii) with respect to all of the separate subaccounts in the Debt Service Reserve Account, then such amount on deposit in the Revenue Fund shall be applied ratably, in proportion to the amount necessary for deposit into each such subaccount).

Account shall fall below that required as above provided, the City shall within twelve months either (i) replace such surety bond, insurance policy, letter of credit or other similar obligation with a surety bond, insurance policy, letter of credit or other similar obligation which shall meet the above provided requirements or (ii) deposit into such separate subaccount in the Debt Service Reserve Account sufficient funds, or a combination of such alternatives, as shall provide that the amount in the separate subaccount in such Debt Service Reserve Account equals the Debt Service Reserve Requirement related thereto.

(3) *To the Subordinated Indebtedness Fund*, the amounts required to pay principal or sinking fund installments of and premiums, if any, and interest on each issue of Subordinated Indebtedness of the City and reserves therefor as required by the Supplemental Resolution authorizing such Subordinated Indebtedness. At any time and from time to time the City may deposit in the Subordinated Indebtedness Fund for the payment of the principal or sinking fund installments of and interest and premium on each issue of Subordinated Indebtedness amounts received from the proceeds of additional issues of Subordinated Indebtedness or amounts received from any other source. However, if at any time there is a deficiency in the Debt Service Account or in any separate subaccount in the Debt Service Reserve Account and the available funds in the Utilities Plant Improvement Fund are insufficient to cure such deficiency, the Trustee will transfer from the Subordinated Indebtedness Fund the amount necessary to cure such deficiency.

(4) *To the Utilities Plant Improvement Fund*, the amount determined by the City to be appropriate for deposit into this Fund; *provided*, that for each Fiscal Year deposits into this Fund will be at least equal to one-half (1/2) of the Net Revenues including interest income, but excluding other non-operating revenues and expenses, during the immediately preceding Fiscal Year, less the sum of (i) Aggregate Debt Service during the immediately preceding Fiscal Year and (ii) interest and principal paid during the immediately preceding Fiscal Year with respect to all Subordinated Indebtedness payable out of Revenues under the Resolution. Amounts deposited in the Utilities Plant Improvement Fund will be applied to (i) payments into the Debt Service Account or into any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund; (ii) payments for the cost of extensions, enlargements or additions to, or the replacement of capital assets of the System and emergency repairs thereto; (iii) payments into the Subordinated Indebtedness Fund; (iv) purchasing or redeeming Bonds and/or Subordinated Indebtedness; or (v) otherwise to provide for the payment of Bonds and/or Subordinated Indebtedness. If at any time amounts on deposit in the Utilities Plant Improvement Fund are determined by the City to be in excess of the requirements thereof, and other moneys are not available for the payment of Operation and Maintenance Expenses, then such excess may be used for the payment of Operation and Maintenance Expenses.

If at any time the amount in the Debt Service Account is deficient or the amount in any separate subaccount in the Debt Service Reserve Account is less than the Debt Service Reserve Requirement, then the City will transfer from the Utilities Plant Improvement Fund to the Trustee for deposit in said Accounts the amount necessary to make up such deficiency.

If at any time the amounts in the Subordinated Indebtedness Fund are deficient and the amounts on deposit in the Debt Service Account and in each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund equal the current requirements for such Accounts and such amounts are not required for payment of Operation and Maintenance Expenses, then the City will transfer from the Utilities Plant Improvement Fund to the Trustee for deposit in the Subordinated Indebtedness Fund the amount necessary to make up such deficiency.

Additional Bonds, Conditions to Issuance

The City may issue additional Bonds for the purpose of paying all or a portion of the Cost of Acquisition and Construction of the System or for the purpose of refunding outstanding Bonds. All Series of such Bonds will be payable from the same sources and secured on a parity with all other Series of Bonds. Set forth below are certain conditions applicable to the issuance of additional Bonds (other than Parity Obligations or Reimbursement Obligations).

Historical Debt Service Coverage. The issuance of any Series of additional Bonds (except for refunding Bonds) is conditioned upon the delivery by the City of a certificate to the effect that, for any period of 12 consecutive months within the 18 months preceding the issuance of Bonds of such Series, Net Revenues were at least equal to 1.25 times the Aggregate Debt Service during such period in respect to the then outstanding Bonds.

Projected Debt Service Coverage. The issuance of any Series of additional Bonds (except for refunding Bonds) is further conditioned upon the delivery by the City of a certificate to the effect that, for each Fiscal Year in the period beginning with the year in which the additional Series of Bonds is to be issued and ending on the later of the fifth full Fiscal Year thereafter or the first full Fiscal Year in which less than 10% of the interest coming due on Bonds then to be outstanding is to be paid from Bond proceeds, Net Revenues are estimated to be at least equal to 1.40 times the Aggregate Debt Service for each such Fiscal Year.

No Default. In addition, additional Bonds (except for refunding Bonds) may be issued only if the City certifies that no Event of Default exists under the Resolution or that any such event of default will be cured through application of the proceeds of such Bonds.

Subordinated Indebtedness

The City may issue Subordinated Indebtedness payable out of and secured by amounts in the Subordinated Indebtedness Fund without compliance with any of the conditions for the issuance of additional Bonds. References herein and in the Resolution to Bonds do not include Subordinated Indebtedness.

Issuance of Other Indebtedness

The Resolution does not restrict the issuance by the City of other indebtedness to finance facilities which are not a part of the System. Such indebtedness may be secured by a mortgage of the facility so financed or a pledge of the revenues therefrom. No such indebtedness may be payable out of or secured by the Trust Estate.

Rate Covenant

Under the Resolution, the City has covenanted that it will at all times establish and collect rates, fees and charges for the use or sale of the output, capacity or service of the System which, together with other available Revenues, are reasonably expected to yield Net Revenues equal to at least 1.25 times the Aggregate Debt Service for the forthcoming 12-month period and, in any event, as required, together with other available funds, to pay or discharge all other indebtedness, charges and liens payable out of Revenues under the Resolution; *provided, however*, that any Principal Installment which is a Refundable Principal Installment may be excluded from Aggregate Debt Service for purposes of the foregoing but only to the extent that the City intends to pay such Principal Installment from sources other than Revenues.

Additional Utility Functions

The City may expand the utility functions of the System as they exist on the date of the Resolution as permitted by the proviso contained in the definition of "System" only if the City files with the Trustee a certified copy of resolutions of the Commission to the effect that, based upon such certificates and opinions of its Consulting Engineers, independent certified public accountants, bond counsel, financial advisors or other appropriate advisors as the Commission shall deem necessary or appropriate, the addition of such utility functions (a) will not impair the ability of the City to comply during the current or any future Fiscal Year with the provisions of the Resolution, including specifically the rate covenant, and (b) will not materially adversely affect the rights of the holders of the Bonds. Pursuant to such provisions of the Resolution, (1) in 1990 the City filed with the Trustee a certified copy of a resolution of the Commission to such effect in connection with the acquisition by the City of the assets of the natural gas system and (2) in 1995 the City filed with the Trustee a certified copy of a resolution of the Commission to such effect in connection with the telecommunications system. Accordingly, the properties, assets and other rights of the natural gas system and the telecommunications system constitute a part of the System for all purposes of the Resolution, and all references in the Resolution to the "System" are deemed to include such properties, assets and other rights.

Amendment of Resolution

Without the consent of the Bondholders or the Trustee, the City may adopt a Supplemental Resolution which (i) closes the Resolution against, or provides additional conditions to, the issuance of Bonds or other evidences of indebtedness; (ii) adds covenants and agreements of the City; (iii) adds limitations and restrictions to be observed by the City; (iv) authorizes Bonds of an additional Series; (v) confirms any security interest, pledge or assignment of the Revenues or of any other moneys, securities or funds; (vi) makes any modification which is to be effective only after all Bonds of each Series Outstanding as of the date of the adoption of such Supplemental Resolution cease to be Outstanding; (vii) authorizes Subordinated Indebtedness or Parity Hedging Contract Obligations; (viii) appoints the Co-Trustee; (ix) provides for the issuance, execution, delivery, authentication, payment, registration, transfer and exchange of Bonds in coupon form payable to bearer or in uncertificated form; and (x) if and to the extent authorized in a Supplemental Resolution authorizing an Additionally Secured Series of Bonds, specifies the qualifications of any provider of an obligation similar to a surety bond, insurance policy or letter of credit for deposit into the particular subaccount in the Debt Service Reserve Account securing the Bonds of such Additionally Secured Series.

The Resolution may be amended, with the consent of the Trustee but without the consent of Bondholders, (i) to cure any ambiguity, supply any omission or correct any defect or inconsistent provision in the Resolution; (ii) to insert provisions clarifying the Resolution; or (iii) to make any other modification or amendment of the Resolution which the Trustee, in its sole discretion, determines will not have a material adverse effect on the interests of Bondholders.

For so long as any of the Prior Bonds shall be Outstanding under the Resolution, the following provision shall be applicable to amendments to the Resolution that require the consent of the holders of the Bonds:

> The Resolution and the rights and obligations of the City and of the holders of the Bonds may be amended by a Supplemental Resolution with the written consent of the holders of a majority in principal amount in each case of (i) all Bonds then Outstanding, and (ii) in case less then all of the Series of Outstanding Bonds are affected, the Bonds of each Series so affected, and (iii) in case the modification or amendment changes the terms of any Sinking Fund Installment, the Bonds of the particular Series and maturity entitled to the benefit of the Sinking Fund Installment. No such modification or amendment may (A) permit a change in the terms of

definition above were not redeemed at the option of the issuer prior to the maturity date thereof and on the assumption that such Defeasance Securities would be redeemed by the issuer thereof at its option on each date on which such option could be exercised and that as of such date or dates interest ceased to accrue on such Defeasance Securities and that the proceeds of such redemption would not be reinvested by the Trustee.

In the event that Defeasance Securities described in clause (f) are deposited with the Trustee, then any notice of redemption to be given by the Trustee and any set of instructions relating to a notice of redemption given to the Trustee may provide, at the option of the City, that any redemption date or dates in respect of all or any portion of the Bonds to be redeemed on such date or dates may at the option of the City be changed to any other permissible redemption date or dates and that redemption dates may be established for any Bonds deemed to have been paid in accordance with the defeasance provisions of the Resolution upon their maturity date or dates at any time prior to the actual giving of any applicable notice of redemption in the event that all or any portion of such Defeasance Securities have been called for redemption or have been redeemed by the issuer thereof prior to the maturity date thereof.

Events of Default; Remedies

Events of default under the Resolution include (i) failure to pay the principal or Redemption Price of any Bond when due; (ii) failure to pay any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment when due; (iii) failure to comply with the requirements of the rate covenant unless the City promptly takes certain remedial action; (iv) failure by the City to perform or observe any other covenants, agreements, or conditions contained in the Resolution or the Bonds; and (v) certain events of bankruptcy or insolvency. Upon the happening of any such Event of Default the Trustee or the holders of not less than 25% in principal amount of the Bonds then Outstanding may declare the principal of and accrued interest on the Bonds due and payable (subject to a rescission of such declaration upon the curing of such default before the Bonds have matured).

Unless and until an event of default is remedied, the Trustee may proceed, and upon written request of the holders of not less than 25% in principal amount of the Bonds Outstanding must proceed, to protect and enforce its rights and the rights of the holders of the Bonds under the Resolution by a suit or suits in equity or at law (which may include a suit for the specific performance of any covenant contained in the Resolution) or in the enforcement of any other legal or equitable rights as the Trustee deems most effectual to enforce any of its rights or to perform any of its duties under the Resolution.

During the continuance of an event of default under the Resolution, the Trustee is to apply all moneys, securities, funds and Revenues received by the Trustee (other than amounts on deposit in any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund) as follows and in the following order: (i) charges, expenses and liabilities of the Trustee, the Co-Trustee, any Paying Agents, the Depositaries and the Bond Registrar; (ii) reasonable and necessary Operation and Maintenance Expenses and reasonable renewals, repairs and replacements of the System necessary in the judgment of the Trustee to prevent a loss of Revenues; and (iii) to the interest and principal or Redemption Price due on the Bonds.

No Bondholder has any right to institute any suit, action or proceeding for the enforcement of any provision of the Resolution or the execution of any trust under the Resolution or for any remedy under the Resolution, unless (1) such Bondholder previously has given the Trustee written notice of the Event of Default, (2) the holders of at least 25% in principal amount of the Bonds then Outstanding have filed a written request with the Trustee and have afforded the Trustee a reasonable opportunity to exercise its powers or institute such suit, action or proceeding, (3) there has been offered by such holders to the Trustee adequate security and indemnity against its costs, expenses and liability to be incurred and (4) the Trustee has refused to comply with such request within 60 days after receipt of such notice, request and

change or modify any of the rights or obligations of any Fiduciary without its written assent thereto and (ii) giving any approval or consent, exercising any remedies or taking any other action in accordance with the provisions of the Resolution.

Reimbursement Obligations

One or more Series of Reimbursement Obligations may be issued concurrently with the issuance of the Bonds of a Series authorized pursuant to the provisions of the Resolution for which Credit Enhancement or liquidity support is being provided with respect to such Bonds (or a maturity or maturities or interest rate within a maturity thereof) by a third-party. Such Reimbursement Obligations shall be issued for the purpose of evidencing the City's obligation to repay any advances or loans made to, or on behalf of, the City in connection with such Credit Enhancement or liquidity support; *provided, however*, that the stated maximum principal amount of any such Series of Reimbursement Obligations shall not exceed the aggregate principal amount of the Bonds with respect to which such Credit Enhancement or liquidity support is being provided, and such number of days' interest thereon as the City shall determine prior to the issuance thereof, but not in excess of 366 days' interest thereon, computed at the maximum interest rate applicable thereto; and *provided, further*, that principal amortization requirements shall be equal to the amortization requirements of the related Bonds, without acceleration. Any Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related Bonds, may be secured by a pledge and assignment of the Trust Estate on a parity with the pledge and assignment created to secure the Bonds (a "Parity Reimbursement Obligation"), but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration, or may be secured by a pledge and assignment of the Subordinated Indebtedness Fund which pledge and assignment shall be subordinate in all respects to the pledge of the Trust Estate created by the Resolution in favor of the Bonds and Parity Hedging Contract Obligations but on a parity with the pledge and lien securing Subordinated Indebtedness (a "Subordinated Reimbursement Obligation"), as determined by the City. Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification or other obligations to any provider of Credit Enhancement, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds, which payments shall be Subordinated Reimbursement Obligations.

Special Provisions Relating to Capital Appreciation Bonds

For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, or (ii) receiving payment of a Capital Appreciation Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default or (iii) computing the principal amount of Bonds held by the registered owner of a Capital Appreciation Bond in giving to the City or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

Special Provisions Relating to Deferred Income Bonds

For the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed prior to maturity, or (ii) receiving payment of a Deferred Income Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default or (iii) computing the principal amount of Bonds held by the registered owner of a Deferred Income Bond in giving to the City or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever, the principal amount of a Deferred Income Bond shall be deemed to be its then current Appreciated Value.

Special Provisions Relating to 2014 A/B Bonds

In the Twenty-Sixth Supplemental Utilities System Revenue Bond Resolution, the City has covenanted as follows:

"**Tax Covenants.** 1. The City covenants that it shall not take any action or inaction, or fail to take any action, or permit any action to be taken on its behalf or cause or permit any circumstance within its control to arise or continue, if any such action or inaction would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the 2014 A/B Bonds under Section 103 of the Internal Revenue Code of 1986 and the applicable Treasury Regulations promulgated thereunder. Without limiting the generality of the foregoing, the City covenants that it will comply with the instructions and requirements of the Tax Certificate to be executed and delivered on the date of issuance of the 2014 A/B Bonds concerning certain matters pertaining to the use of proceeds of the 2014 A/B Bonds, including any and all exhibits attached thereto (the 'Tax Certificate'). This covenant shall survive payment in full or defeasance of the 2014 A/B Bonds.

2. In the event that at any time the City is of the opinion that for purposes of this Section it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee under the Resolution, the City shall so instruct the Trustee in writing as to the specific actions to be taken, and the Trustee shall take such actions as specified in such instructions.

3. Notwithstanding any provisions of this Section, if the City shall provide to the Trustee an Opinion of Counsel of an attorney or firm of attorneys of nationally recognized standing in matters pertaining to the federal income tax treatment of interest on bonds issued by states and their political subdivisions to the effect that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest on the 2014 A/B Bonds, the City and the Trustee may conclusively rely on such opinion in complying with the requirements of this Section and of the Tax Certificate, and the covenants hereunder shall be deemed to be modified to that extent.

4. Notwithstanding any other provision of the Resolution to the contrary, (a) upon the City's failure to observe or refusal to comply with the above covenants, the Holders of the 2014 A/B Bonds, or the Trustee acting on their behalf, shall be entitled to the rights and remedies provided to Bondholders under the Resolution, other than the right (which is hereby abrogated solely in regard to the City's failure to observe or refusal to comply with the covenants of this Section) to declare the principal of all 2014 A/B Bonds then outstanding, and the interest accrued thereon, to be due and payable and (b) neither the Holders of the Bonds of any Series other than the 2014 A/B Bonds, nor the Trustee acting on their behalf, shall be entitled to exercise any right or remedy provided to Bondholders under the Resolution based upon the City's failure to observe, or refusal to comply with, the above covenants."

DEBT SERVICE REQUIREMENTS ON OUTSTANDING BONDS
(GIVING EFFECT TO ISSUANCE OF 2014 SERIES A AND B BONDS)[1]
(ACCRUAL BASIS)

Period Ending September 30,	Total Debt Service on Bonds Outstanding Prior to Issuance of 2014 Series A Bonds Series B Bonds)[2]	Less: Debt Service on 2014 Series A Refunded Bonds[2]	Plus: Debt Service on 2014 Series A Bonds			Total Debt Service on Bonds to be Outstanding After Issuance of 2014 Series A Bonds[2]
			Principal	Interest	Total	
2015	$ 57,100,081	$ –	$ –	$ –	$ –	$ –
2016	56,991,332	–	–	–	–	–
2017	56,790,959	–	–	–	–	–
2018	62,784,574	–	–	–	–	–
2019	62,743,623	–	–	–	–	–
2020	62,583,895	–	–	–	–	–
2021	58,637,606	–	–	–	–	–
2022	58,537,666	–	–	–	–	–
2023	58,416,681	–	–	–	–	–
2024	58,251,305	–	–	–	–	–
2025	57,233,229	–	–	–	–	–
2026	56,579,564	–	–	–	–	–
2027	57,524,518	–	–	–	–	–
2028	57,140,307	–	–	–	–	–
2029	57,017,846	–	–	–	–	–
2030	56,638,771	–	–	–	–	–
2031	56,567,290	–	–	–	–	–
2032	56,371,630	–	–	–	–	–
2033	57,932,959	–	–	–	–	–
2034	57,804,376	–	–	–	–	–
2035	57,686,450	–	–	–	–	–
2036	54,349,781	–	–	–	–	–
2037	54,061,801	–	–	–	–	–
2038	53,395,422	–	–	–	–	–
2039	52,700,767	–	–	–	–	–
2040	51,772,449	–	–	–	–	–
2041	17,254,900	–	–	–	–	–
2042	17,278,888	–	–	–	–	–
	$ 1,522,148,670	$ –	$ –	$ –	$ –	$ –

(footnotes on following page)

APPENDIX F
PROPOSED FORM OF OPINION OF BOND COUNSEL

issue additional Bonds under the Resolution on the terms and conditions and for the purposes stated therein. Under the provisions of the Resolution, all Outstanding Bonds and all Parity Hedging Contract Obligations shall rank equally as to security and payment from the Trust Estate.

In such connection, we have reviewed a certified copy of the Resolution, the Tax Certificate executed and delivered by the City on the date hereof in connection with the issuance of the 2014 Series A and B Bonds (the "Tax Certificate"), an opinion of the City Attorney of the City, certificates of the City, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the 2014 Series A and B Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, including matters essential to the exclusion of interest on the 2014 Series A and B Bonds from gross income for federal income tax purposes, and of the legal conclusions contained in the opinions, referred to in the third paragraph hereof (except that we have not relied on any such legal conclusions that are to the same effect as the opinions set forth herein). Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2014 Series A and B Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the 2014 Series A and B Bonds, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations of the State of Florida. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement of the City, dated December __, 2014, relating to the 2014 Series A and B Bonds or other offering material relating to the 2014 Series A and B Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

at which a substantial amount of the Bonds of such Series and maturity is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers).

Except as stated in paragraphs 4 and 5 hereof, we express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2014 Series A and B Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

CONTINUING DISCLOSURE CERTIFICATE

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon the delivery of the 2014 A/B Bonds, the City proposes to enter into a Continuing Disclosure Certificate with respect to the 2014 A/B Bonds in substantially the following form:

CONTINUING DISCLOSURE CERTIFICATE
RELATING TO
CITY OF GAINESVILLE, FLORIDA
UTILITIES SYSTEM REVENUE BONDS,
2014 SERIES A AND B

WHEREAS, the City Commission (the "Commission") of the City of Gainesville, Florida (the "City") heretofore has authorized the issuance of the City's $_____ Utilities System Revenue Bonds, 2014 Series A and B (collectively, the "Bonds") pursuant to the Utilities System Revenue Bond Resolution duly adopted by the City on June 6, 1983, as heretofore amended, restated and supplemented (the "Resolution"), including as supplemented by the Twenty-Sixth Supplemental Utilities System Revenue Bond Resolution thereto authorizing the Bonds adopted by the City on December 4, 2014; and

WHEREAS, by resolution adopted by the Commission on December 4, 2014, the Commission has found and determined that it is necessary, in connection with the authorization and sale of the Bonds, and in order to assist the Participating Underwriters (hereinafter defined) in complying with the Rule (hereinafter defined), that the City agree to provide certain continuing disclosure information with respect to its combined electric, natural gas, water, wastewater and telecommunications utilities system (as more particularly defined in the Resolution, the "System") and the Bonds; and

WHEREAS, the execution and delivery of this Disclosure Certificate has been authorized by the Commission;

NOW, THEREFORE, the City hereby agrees as follows:

SECTION 1. 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 in this Disclosure Certificate, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" shall mean the City's audited financial statements for the System for its most recent fiscal year, prepared in accordance with the accounting principles described in Note 1 to the City's audited financial statements set forth in Appendix B to the Final Official Statement (or such other accounting principles as may be applicable to the City in the future pursuant to applicable law).

"Beneficial Owner" shall mean any person holding a beneficial ownership interest in Bonds through nominees or depositories (including any person holding such interest through the book-entry-only system of The Depository Trust Company).

"Disclosure Certificate" shall mean this certificate, as the same may be amended or supplemented from time to time in accordance with the provisions hereof.

(b) If the City shall have appointed a Dissemination Agent hereunder, not later than seven (7) days prior to each Final Submission Date (each such date being referred to herein as a "Preliminary Submission Date"), the City shall provide the Annual Report to such Dissemination Agent. If by a Preliminary Submission Date, the Dissemination Agent, if any, has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with subsection (a).

(c) If the City or the Dissemination Agent (if any), as the case may be, has not furnished an Annual Report to the MSRB by a Final Submission Date, the City or the Dissemination Agent, as applicable, shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A to this Disclosure Certificate.

(d) The City (or, in the event that the City shall appoint a Dissemination Agent hereunder, the Dissemination Agent) shall file the Annual Report with the MSRB on or before the Final Submission Date. In addition, if the City shall have appointed a Dissemination Agent hereunder, the Dissemination Agent shall file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

(i) The Audited Financial Statements. If any Audited Financial Statements are not available by the Final Submission Date, the Annual Report shall contain unaudited financial statements for the System in a format similar to the audited financial statements most recently prepared for the System and such Audited Financial Statements shall be filed in the same manner as the Annual Report when and if they become available.

(ii) Updated versions of the financial information and operating data contained in the Final Official Statement under the following captions:

a. "ADDITIONAL FINANCING REQUIREMENTS";

b. "THE ELECTRIC SYSTEM – Customers", "– Energy Sales", "– Energy Supply System" and "– Capital Improvement Program";

c. "THE NATURAL GAS SYSTEM – Customers", "– Natural Gas Supply" and "– Capital Improvement Program";

d. "THE WATER SYSTEM – Customers", "– Water Treatment and Supply" and "– Capital Improvement Program";

e. "THE WASTEWATER SYSTEM – Customers", "– Treatment" and "– Capital Improvement Program";

f. "THE TELECOMMUNICATIONS SYSTEM – Customers" and "– Capital Improvement Program";

g. "RATES"; and

h. "SUMMARY OF COMBINED NET REVENUES."

Any or all of the items listed above may be included by specific reference to other documents, including annual reports of the City or official statements relating to debt or other securities issues of the City or

4. Release, substitution or sale of property securing repayment of the Bonds;

5. Non-payment related defaults;

6. 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; or

7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Upon the occurrence of a Listed Event described in Section 5(a), or upon the occurrence of a Listed Event described in Section 5(b) which the City determines would be material under applicable federal securities laws, the City shall, or shall cause the Dissemination Agent to, within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 6. Format of Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. In addition, in the event that the Rule shall be amended, modified or repealed such that compliance by the City with its obligations under this Disclosure Certificate no longer shall be required in any or all respects, then the City's obligations under this Disclosure Certificate shall terminate to a like extent.

SECTION 8. Dissemination Agent. The City 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.

SECTION 9. Amendment; Waiver.

The City reserves the right to amend the provisions of this Disclosure Certificate as may be necessary or appropriate to achieve its compliance with any applicable federal securities law or rule, to cure any ambiguity, inconsistency or formal defect or omission, and to address any change in circumstances arising from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted by the City. Any such amendment shall be made only in a manner consistent with the Rule and any amendments and interpretations thereof by the SEC. Additionally, compliance with any provision of this Disclosure Certificate may be waived. Any such amendment or waiver will not be effective unless this Disclosure Certificate (as amended or taking into account such waiver) would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any applicable amendments to or official interpretations of the Rule, as well as any change in circumstances, and until the City shall have received either (i) a written opinion of bond counsel or other qualified independent special counsel selected by the City that is nationally recognized in the area of Federal Securities laws that the amendment or waiver would not materially impair the interests of holders or beneficial owners of the Bonds, or (ii) the written consent to the amendment or waiver of the holders of at least a majority of the principal amount of the

SECTION 15. Governing Law. This Disclosure Certificate shall be deemed to be a contract made under the Rule and the laws of the State of Florida, and for all purposes shall be construed and interpreted in accordance with, and its validity governed by, the Rule and the laws of such State.

Dated: _____, 2014

CITY OF GAINESVILLE, FLORIDA

By:_____
General Manager for Utilities

Approved as to Form and Legality

_____
City Attorney

Item #140524
EXHIBIT E
12/4/14

OH&S DRAFT
NOVEMBER 20, 2014

ESCROW DEPOSIT AGREEMENT
RELATING TO 2014 SERIES B BONDS

THIS ESCROW DEPOSIT AGREEMENT RELATING TO 2014 SERIES B BONDS, dated as of December 1, 2014, by and between THE CITY OF GAINESVILLE, FLORIDA (the "City") and U.S. BANK NATIONAL ASSOCIATION (the "Trustee"), as Trustee under the City's Utilities System Revenue Bond Resolution adopted on June 6, 1983, as amended, restated and supplemented (the "Resolution");

W I T N E S S E T H:

WHEREAS, the City has previously authorized and issued its Utilities System Revenue Bonds, 2005 Series A (the "2005 Series A Bonds");

WHEREAS, the City has determined that it is in the best interests of the City to issue its $_____ Utilities System Revenue Bonds, 2014 Series B (the "2014 Series B Bonds") pursuant to the Twenty-Sixth Supplemental Utilities System Revenue Bond Resolution adopted by the City on December 4, 2014 (the "Twenty-Sixth Supplemental Resolution") for the purpose, among others, of providing a portion of the funds required to refund the 2005 Series A Bonds of the maturities and in the respective principal amounts set forth in the following table (collectively, the "Refunded Bonds"):

Series	Maturity (October 1)	Interest Rate	Amount Refunded	CUSIP
2005 Series A	2029	4.75%	$12,435,000	362848 NA7
2005 Series A	2030	4.75	350,000	362848 NB5
2005 Series A	2036	4.75	345,000	362848 ND1

WHEREAS, the City has determined that it is in the best interests of the City to provide for the payment of the redemption price of and interest on the Refunded Bonds so that such Refunded Bonds shall cease to be entitled to any lien, benefit or security under the Resolution, and all covenants, agreements and obligations of the City to the holders of the Refunded Bonds shall cease, terminate and become void and be discharged and satisfied, by irrevocably depositing with the Trustee moneys, as permitted by Section 1201 of the Resolution, which will be used to purchase certain Defeasance Securities (as defined in Section 2(b) hereof) as permitted by Section 1201 of the Resolution, the principal of and the interest on which when due, together with certain uninvested moneys held in the Escrow Account (hereinafter defined), will be sufficient to pay the redemption price of the Refunded Bonds on the redemption date therefor and the interest to become due on such Refunded Bonds on and prior to such redemption date;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the City and the Trustee agree as follows:

SECTION 1. Deposit of Moneys. The City hereby deposits with the Trustee (i) $_____, representing a portion of the net proceeds of the 2014 Series B Bonds and (ii) $_____ of excess moneys from the Debt Service Account in the Debt Service Fund established under the Resolution, to be held in irrevocable escrow by the Trustee separate and apart from other funds of the City and the Trustee and to be applied solely as provided in this Agreement. The moneys described in clauses (i) and (ii) of the preceding sentence are sufficient to purchase the Defeasance Securities described in Schedule A hereto, and the aggregate principal amount of the Defeasance Securities described in Schedule A hereto, together with all interest due or to become due on such Defeasance Securities and uninvested cash, will be sufficient to pay when due the redemption price of the Refunded Bonds on the redemption date therefor and to pay interest as and when due on such Bonds on and prior to such redemption date.

SECTION 2. Use and Investment of Moneys. (a) The Trustee acknowledges receipt of the moneys described in Section 1 and agrees:

(i) immediately to invest $_____ of the amounts described in the first sentence of Section 1 hereof in the Defeasance Securities set forth in Schedule A hereto and to deposit such Defeasance Securities in the account established and held by the Trustee pursuant to this Agreement (the "Escrow Account"); and

(ii) immediately to deposit the remaining $____ of the amounts described in the first sentence of Section 1 hereof in the Escrow Account and to hold such amount in cash uninvested.

(b) As used herein, the term "Defeasance Securities" shall mean and include only direct obligations of the United States of America and direct obligations the principal of and interest on which are guaranteed as to full and timely payment by the United States of America, none of which permit prepayment or redemption prior to maturity at the option of the obligor, but shall not include investments in a "money market mutual fund" or a "unit investment trust".

SECTION 3. Payment of Refunded Bonds. (a) **Payment.** As the principal of the Defeasance Securities set forth in Schedule A hereto shall mature and be paid, and the investment income and earnings thereon are paid, the Trustee shall transfer from the Escrow Account to the paying agent for the Refunded Bonds amounts sufficient to pay, on October 1, 2015, a redemption price of 100% of the principal amount of the Refunded Bonds and the interest to become due on such Bonds on and prior to October 1, 2015.

(b) **Ending Balance.** All moneys remaining on deposit in the Escrow Account on October 1, 2015, after giving effect to the payment to be made on such date described in Section 3(a), shall, pursuant to the provisions of paragraph 3 of Section 1201 of the Resolution, be paid to the City by the Trustee, free and clear of any trust, lien or pledge securing the Refunded Bonds or otherwise existing under this Agreement or the Resolution.

(c) **Unclaimed Moneys.** Any moneys which remain unclaimed for six years after October 1, 2015 shall, at the written request of the City, be repaid by the Trustee to the City; *provided, however*, that the Trustee shall first publish a notice as more fully described in paragraph 9 of Section 1201 of the Resolution that said moneys remain unclaimed.

(d) **Priority of Payments.** The holders of the Refunded Bonds shall have a first lien on the moneys and Defeasance Securities in the Escrow Account until such moneys and Defeasance Securities are used and applied as provided in this Agreement.

(e) **Termination of Obligation.** As provided in Section 1201 of the Resolution, upon deposit of the moneys set forth in Section 1 hereof with the Trustee pursuant to the provisions of Section 1 hereof and the simultaneous purchase of the Defeasance Securities as provided in clause (i) of Section 2(a) hereof, the holders of the Refunded Bonds shall cease to be entitled to any lien, benefit or security under the Resolution, and all covenants, agreements and obligations of the City to the holders of the Refunded Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

SECTION 4. Performance of Duties. The Trustee agrees to perform the duties set forth herein.

SECTION 5. Reinvestment. Except as provided in Section 2, Section 3 and Section 8 hereof, the Trustee shall have no power or duty to invest any funds held under this Agreement or to sell, transfer or otherwise dispose of the moneys or Defeasance Securities held hereunder.

SECTION 6. Indemnity. The City, to the extent permitted by law, hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Trustee and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Trustee at any time (whether or not also indemnified against the same by the City or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment of the Escrow Account, the acceptance of the moneys and securities deposited therein, the purchase of the Defeasance Securities, the retention of the Defeasance Securities or the proceeds thereof and any payment, transfer or other application of moneys or securities by the Trustee in accordance with the provisions of this Agreement; *provided, however*, that the City shall not be required to indemnify the Trustee against the Trustee's own negligence or misconduct or the negligence or misconduct of the Trustee's respective successors, assigns, agents, employees and servants or any material default by the Trustee under the terms of this Agreement. For purposes of the preceding sentence and the fourth sentence of Section 7 hereof, a "material default" by the Trustee shall mean and include only those defaults by the Trustee of its duties and responsibilities under the terms of this Agreement that relate to the acceptance, receipt, investment (it being understood that the Trustee shall have no responsibility or liability for the performance of any investment), retention and application of moneys or obligations by the Trustee in accordance with the provisions of this Agreement at the times and in the manner provided herein. In no event shall the City or the Trustee be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this section. The indemnities contained in this section shall survive the termination of this Agreement.

SECTION 7. Responsibilities of Trustee. The Trustee and its respective successors, assigns, agents, employees and servants shall not be held to any personal liability whatsoever, in tort, contract or otherwise, in connection with the execution and delivery of this Agreement, the

establishment of the Escrow Account, the acceptance of the moneys or securities deposited therein, the purchase of the Defeasance Securities, the retention of the Defeasance Securities or the proceeds thereof, the sufficiency of the Defeasance Securities and uninvested moneys to accomplish the defeasance of the Refunded Bonds or any payment, transfer or other application of moneys or obligations by the Trustee in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Trustee made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the City, and the Trustee assumes no responsibility for the correctness thereof. The Trustee makes no representation as to the sufficiency of the Defeasance Securities and uninvested moneys to accomplish the defeasance of the Refunded Bonds or to the validity of this Agreement as to the City and, except as otherwise provided herein, the Trustee shall incur no liability in respect thereof. The Trustee shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence or willful misconduct or any material default by the Trustee under the terms of this Agreement, and the duties and obligations of the Trustee shall be determined by the express provisions of this Agreement. The Trustee may consult with counsel, who may or may not be counsel to the City, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an Authorized Officer of the City (as such term is defined in the Resolution).

In the event of the Trustee's failure to account for any of the Defeasance Securities or moneys received by it, said Defeasance Securities or moneys shall become the property of the City in trust for the holders of the Refunded Bonds, as herein provided, and if for any improper reason such Defeasance Securities or moneys are not applied as herein provided, an appropriate portion of the assets of the Trustee shall be impressed with a trust for the amount thereof until the required application shall be made.

SECTION 8. Substitution of Defeasance Securities. At the written request of the City and upon compliance with the conditions hereinafter set forth, the Trustee shall have the power to sell, transfer, request the redemption of or otherwise dispose of some or all of the Defeasance Securities in the Escrow Account and to substitute therefor other Defeasance Securities. The foregoing may be effected only if: (i) the substitution of Defeasance Securities for the substituted Defeasance Securities occurs simultaneously; (ii) the amounts of and dates on which the anticipated transfers from the Escrow Account to the paying agents for the payment of the redemption price of and interest on the Refunded Bonds will not be diminished or postponed thereby; (iii) the Trustee shall receive the unqualified opinion of nationally recognized municipal bond attorneys to the effect that such disposition and substitution would not cause any of the Refunded Bonds or the 2014 Series B Bonds to be an "arbitrage bond" within the meaning of Section 148(a) of the Internal Revenue Code of 1986, as amended, and the respective regulations thereunder in effect on the date of such disposition and substitution and applicable to obligations issued on the respective issue dates of the 2014 Series B Bonds and the Refunded Bonds and that the conditions of this Section 8 as to the disposition and substitution have been satisfied; and (iv) the Trustee shall receive from an independent certified public accountant or other nationally recognized escrow verifier a certification that, immediately after such transaction, the principal of and interest on the Defeasance Securities in the Escrow Account will, together with other cash

on deposit in the Escrow Account available for such purpose, and without reinvestment thereof, be sufficient to pay, when due, the redemption price of and interest on the Refunded Bonds. Any amounts received from the disposition and substitution of Defeasance Securities pursuant to this Section 8 to the extent such amounts will not be required, in accordance with the Resolution and this Agreement, at any time for the payment when due of the redemption price of or interest on the Refunded Bonds shall be paid to the City as received by the Trustee free and clear of any trust, lien, pledge or assignment securing the Refunded Bonds or otherwise existing under this Agreement or the Resolution. Prior to any such payment to the City, the Trustee shall receive from an independent certified public accountant or other nationally recognized escrow verifier a certification that the amount so paid will not be required, in accordance with the Resolution and this Agreement, for the payment of the redemption price of or interest on the Refunded Bonds. Any Defeasance Securities substituted must mature on or prior to the debt service payment date when such funds are needed.

SECTION 9. Amendments. This Agreement is made for the benefit of the City and the holders from time to time of the Refunded Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such holders, the Trustee and the City; *provided, however*, that the City and the Trustee may, without the consent of, or notice to, such holders, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such holders, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Trustee for the benefit of the holders of the Refunded Bonds, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Trustee; (iii) to include under this Agreement additional funds, securities or properties; and (iv) to make any changes required in connection with an upgrading of the rating on the Refunded Bonds by Moody's Investors Service ("Moody's") and/or Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and/or Fitch Ratings ("Fitch") as a result of the defeasance thereof as provided herein. Prior to entering into any such amendment or agreement, the Trustee shall give notice of such amendment or agreement to Moody's and/or S&P and/or Fitch, as the case may be, but only if such rating agency shall have upgraded its rating on the Refunded Bonds as a result of the defeasance thereof as provided herein, which notice shall be accompanied by a copy of the proposed amendment or agreement. Prior to entering into an amendment or agreement relating to clause (ii) or clause (iv) above, if Moody's and/or S&P and/or Fitch shall have upgraded its rating on the Refunded Bonds as a result of the defeasance thereof as provided herein, the Trustee shall receive notice in writing from Moody's and/or S&P and/or Fitch, as the case may be, to the effect that such amendment or agreement will not, by itself, result in the withdrawal or reduction of the ratings on the Refunded Bonds assigned by Moody's and/or S&P and/or Fitch, as the case may be. The Trustee shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized municipal bond attorneys with respect to compliance with this Section 9, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the holders of the Refunded Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section 9.

SECTION 10. Term. This Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either (i) the date upon which the Refunded Bonds have been paid in accordance with this Agreement or (ii) the date upon which no unclaimed moneys remain on deposit with the Trustee pursuant to Section 3(c) of this Agreement.

SECTION 11. Compensation. The Trustee's acts hereunder shall constitute services rendered under the Resolution for purposes of Section 905 thereof; *provided, however*, that under no circumstances shall the Trustee be entitled to any lien whatsoever on any moneys or obligations in the Escrow Account for the payment of fees and expenses for services rendered by the Trustee under this Agreement. The provisions of this section shall survive the termination of this Agreement.

SECTION 12. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the City or the Trustee to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement. In such event, if Moody's and/or S&P and/or Fitch shall have upgraded its rating on the Refunded Bonds as a result of the defeasance thereof as provided herein, then the Trustee thereafter promptly shall give notice in writing thereof to Moody's and/or S&P and/or Fitch, as the case may be.

SECTION 13. Notices to Moody's, S&P and/or Fitch. All notices required to be given to Moody's and/or S&P and/or Fitch hereunder shall be sent by first-class mail (postage prepaid), telecopier or other written electronic means or delivered to the address specified below.

Moody's Investors Service
7 World Trade Center at 250 Greenwich Street
New York, New York 10007
Attn: Public Finance Ratings
Desk/Refunded Bonds
Telecopier: (212) 553-4791

Standard & Poor's
55 Water Street
New York, New York 10041
Attn: Muni Ratings Desk
Telecopier: (212) 438-2124

Fitch Ratings
One State Street Plaza
New York, New York 10004
Telecopier: (212) 480-4435

The Trustee's agreement to provide notices to Moody's and/or S&P and/or Fitch hereunder is made as a matter of courtesy and accommodation only and the Trustee shall not be liable to any person for any failure to provide any such notice.

SECTION 14. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

SECTION 15. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF FLORIDA.

SECTION 16. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Agreement, shall be a legal holiday or a day on which banking institutions in the city in which is located the principal office of the Trustee are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Agreement, and no interest shall accrue for the period after such nominal date.

SECTION 17. Assignment. This Agreement shall not be assigned by the Trustee or any successor thereto without the prior written consent of the City.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

CITY OF GAINESVILLE, FLORIDA

By_____
Interim Chief Financial Officer, Utilities

Approved as to Form and Legality

By_____
City Attorney

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By_____
Name: Jean Clarke
Title: Vice President

SCHEDULE A

Defeasance Securities

Security	Maturity	Principal Amount	Interest Rate	Purchase Price

Total..... $