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**CITY OF GAINESVILLE, FLORIDA**

**Not to Exceed  
\$70,000,000  
Variable Rate Utilities System Revenue Bonds,  
2019 Series C**

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**THIRTY-FIRST SUPPLEMENTAL UTILITIES SYSTEM  
REVENUE BOND RESOLUTION 180818**

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**Adopted March 21, 2019**

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**THIRTY-FIRST SUPPLEMENTAL UTILITIES SYSTEM  
REVENUE BOND RESOLUTION**

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF GAINESVILLE, FLORIDA FOR THE PURPOSE OF AUTHORIZING THE ISSUANCE, SALE, EXECUTION AND DELIVERY OF NOT TO EXCEED \$70,000,000 OF THE CITY OF GAINESVILLE, FLORIDA VARIABLE RATE UTILITIES SYSTEM REVENUE BONDS, 2019 SERIES C, IN ORDER TO PROVIDE MONEYS FOR REFUNDING CERTAIN OUTSTANDING UTILITY SYSTEM DEBT, COST OF ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS TO THE UTILITY SYSTEM AND TO PAY THE COSTS OF ISSUANCE THEREOF, AND DELEGATING THE AUTHORITY TO DETERMINE CERTAIN MATTERS IN CONNECTION THEREWITH; APPROVING THE NEGOTIATED SALE OF THE 2019 SERIES C BONDS AND APPROVING THE FORM, AND AUTHORIZING THE EXECUTION AND DELIVERY, OF A PURCHASE CONTRACT WITH RESPECT THERETO, AND DELEGATING THE AUTHORITY TO DETERMINE CERTAIN MATTERS IN CONNECTION THEREWITH; APPROVING THE FORM, AND AUTHORIZING THE EXECUTION AND DELIVERY, OF A REIMBURSEMENT AGREEMENT WITH RESPECT TO THE 2019 SERIES C BONDS; APPROVING THE FORM, AND AUTHORIZING THE EXECUTION AND DELIVERY, OF A CONTINUING DISCLOSURE AGREEMENT WITH RESPECT TO THE 2019 SERIES C BONDS; AUTHORIZING THE PREPARATION, EXECUTION AND DELIVERY OF AN OFFICIAL STATEMENT WITH RESPECT TO THE 2019 SERIES C BONDS; AUTHORIZING THE AUTHENTICATION AND DELIVERY OF THE 2019 SERIES C BONDS; AUTHORIZING CERTAIN CITY OFFICIALS TO TAKE ALL OTHER ACTIONS DEEMED NECESSARY OR ADVISABLE IN CONNECTION WITH THE ISSUANCE, SALE AND DELIVERY OF THE 2019 SERIES C BONDS; PROVIDING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE DATE.

**BE IT RESOLVED** by the City Commission of the City of Gainesville, Florida (the "City") as follows:

**ARTICLE I  
DEFINITIONS AND STATUTORY AUTHORITY**

**SECTION 1.01**     **Supplemental Resolution.**     This Thirty-First Supplemental Resolution is supplemental to Resolution No. 170395 incorporating by reference the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on September 21, 2017, as amended and supplemented (the "Master Resolution"). The Master Resolution as supplemented is hereinafter referred to as the "Bond Resolution."

**SECTION 1.02**     **Definitions.**     1. Except as provided herein all terms which are defined in Section 101 of the Master Resolution shall have the same meanings, respectively, in this Thirty-First Supplemental Resolution as such terms are given in said Section 101 of the Master Resolution.

2. In this Thirty-First Supplemental Resolution:

"**Agent Bank**" shall mean (a) in the case of any Liquidity Facility or Credit Facility to which only one Liquidity Provider or Credit Facility Issuer, respectively, is a party, such Liquidity Provider or Credit Facility respectively, and (b) in the case of any Liquidity Facility or Credit Facility to which more than one Liquidity Provider and/or Credit Facility Issuer, respectively, is a party, the agent appointed to act thereunder on behalf of the Liquidity Providers and/or Credit Facility Issuers that are parties thereto.

"**Alternate Credit Facility**" shall mean any letter of credit, insurance policy, surety bond, revolving credit agreement or other credit enhancement or support facility for the payment of the principal or Redemption Price of, and interest on, the 2019 Series C Bonds and as to which the conditions set forth in paragraph 3 of Section 7.06 shall be satisfied.

"**Auction**" shall mean each periodic implementation of the Auction Procedures.

"**Auction Agent**" shall mean each firm appointed by the City from time to time as the auctioneer for the 2019 Series C Bonds while bearing interest at the Auction Mode Rate and that is designated by an Authorized Officer of the City as constituting an "Auction Agent" hereunder at the time of such appointment.

"**Auction Agreement**" shall mean an agreement between the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures to be specified in Exhibit A with respect to the 2019 Series C Bonds while bearing interest at the Auction Mode Rate, as such agreement may from time to time be amended or supplemented, and that is designated by an Authorized Officer of the City as constituting an "Auction Agreement" hereunder at the time of the execution and delivery thereof.

"**Auction Date**" shall mean any date on which an Auction shall be conducted with respect to the 2019 Series C Bonds, which dates shall be determined as provided in Exhibit A.

"**Auction Mode**" shall mean the Interest Mode during which the 2019 Series C Bonds bear interest at Auction Mode Rates.

"**Auction Mode Rate**" shall mean the interest rate applicable to the 2019 Series C Bonds during the Auction Mode, to be determined as provided in clause (a) of Section 3.03 and in Exhibit A.

"**Auction Period**" shall mean such period during which each Auction Rate shall be in effect, as shall be provided in Exhibit A, which period shall begin on a Business Day and end on a day which is followed by a Business Day.

"**Auction Procedures**" shall mean the procedures for conducting Auctions for 2019 Series C Bonds during the Auction Mode to be set forth in Exhibit A.

"**Authorized Denominations**" shall mean (i) for the 2019 Series C Bonds bearing interest at a Daily Rate, a Weekly Rate or a Flexible Rate, \$100,000 or any integral multiple of \$5,000 in excess thereof; (ii) for the 2019 Series C Bonds bearing interest at an Auction Mode Rate, \$25,000

or any integral multiple thereof; and (iii) for the 2019 Series C Bonds bearing interest at a Term Rate or a Fixed Rate, \$5,000 or any integral multiple thereof.

**"Authorized Officer"** or **"Authorized Officers"** means the "Authorized Officers of the City" as defined in the Bond Resolution.

**"Bank Rate"** means the rate at which the 2019 Series C Bank Bonds bear interest, from time to time, as determined in accordance with the provision of the Liquidity Facility Agreement or Reimbursement Agreement or other similar agreement entered into between the City and the Liquidity Provider or Credit Facility Issuer, as applicable, but in no event in excess of the Maximum Rate.

**"Beneficial Owner"** shall have the meaning ascribed to that term in Section 2.05(3).

**"Book-Entry Only 2019 Series C Bond"** shall mean any 2019 Series C Bond that is restricted to being registered in the registration books kept by the Bond Registrar in the name of the Securities Depository therefor.

**"Broker-Dealer"** shall mean any entity that is permitted by law to perform the functions required of a Broker-Dealer to be described in Exhibit A, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the City, that is a party to a Broker-Dealer Agreement with the City and the Auction Agent and that is designated by an Authorized Officer of the City as constituting a "Broker-Dealer" hereunder at the time of such selection.

**"Broker-Dealer Agreement"** shall mean an agreement among the Auction Agent, the City and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures to be described in Exhibit A, as such agreement may from time to time be amended or supplemented, and that is designated by an Authorized Officer of the City as constituting an "Auction Agreement" hereunder at the time of the execution and delivery thereof.

**"Business Day"** shall mean any day, other than a Saturday or Sunday, on which (a) the principal office of the City is open for business during its normal business hours, (b) if the 2019 Series C Bonds are in an Interest Mode other than the Auction Mode or the Fixed Mode, the principal corporate trust office of the Tender Agent, the principal office of the Remarketing Agent and the lending office of the Agent Bank under the Liquidity Facility or Credit Facility, as applicable, are open for business during their respective normal business hours, and (c) if the 2019 Series C Bonds are in the Auction Mode, the principal corporate trust office of the Auction Agent and the principal office of each Broker-Dealer are open for business during their respective normal business hours. For purposes of this definition, the principal office or lending office of an Agent Bank shall be that office of such Agent Bank at which demands for payment under the related Credit Facility or Liquidity Facility, as applicable are to be presented.

**"Cede"** shall have the meaning given to such term in Section 2.05(3) hereof.

**"Chief Financial Officer"** shall mean the Chief Financial Officer for Utilities, including any interim officer.

**"City"** shall mean the City of Gainesville, Florida.

"**City Attorney**" shall mean the City Attorney, the Utilities Attorney or such other assistant City Attorney as designated by the City Attorney.

"**Clerk**" shall mean the Clerk of the City Commission, any Deputy Clerk of the City Commission or any Acting Clerk of the City Commission.

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

"**Continuing Disclosure Certificate**" shall mean the Continuing Disclosure Certificate to be executed in connection with the issuance of the 2019 Series C Bonds.

"**Credit Facility**" shall mean (a) the Initial Letter of Credit and (b) upon the effectiveness thereof as provided in subsection 3 of Section 7.06, each Alternate Credit Facility, if any. Notwithstanding any other provision of this Thirty-First Supplemental Resolution, any Credit Facility may be the same instrument as any Liquidity Facility, so long as such instrument satisfies the requirements set forth herein for both a Credit Facility and a Liquidity Facility.

"**Credit Facility Issuer(s)**" shall mean, with respect to a particular Credit Facility, the Person(s) that is (or are) the issuer(s) or provider(s) of such Credit Facility.

"**Daily Mode**" shall mean the Interest Mode during which the 2019 Series C Bonds bear interest at Daily Rates.

"**Daily Rate**" shall mean the interest rate applicable to the 2019 Series C Bonds during the Daily Mode, determined as provided in clause (b) of Section 3.03.

"**Delivery Date**" shall mean the date of the initial issuance and delivery of the 2019 Series C Bonds.

"**Differential Interest Amount**" shall have the meaning assigned thereto in Section 5.01(3).

"**DTC**" shall have the meaning given to such term in Section 2.05(2) hereof.

"**Eligible Account**" shall mean an account that is either (a) maintained with a federal or state-chartered depository institution or trust company; or (b) maintained with the corporate trust department of a federal depository institution or state-chartered depository institution subject to regulations regarding fiduciary funds on deposit similar to Title 12 of the U.S. Code of Federal Regulations, Section 9.10(b), which, in either case, has corporate trust powers and is acting in its fiduciary capacity.

"**Eligible Moneys**" means any one or more of the following:

1. Moneys deposited in the Debt Service Fund that have been continuously on deposit with the Trustee for a period of at least 367 days during which no petition in bankruptcy (or other bankruptcy or similar proceedings) is pending or has been filed by or against the City under the United States Bankruptcy Code, as now or hereafter in effect, or other applicable state or

federal bankruptcy, insolvency, reorganization or similar law for the relief of debtors, as now or hereafter in effect;

2. Moneys from draws on the Letter of Credit;
3. Any other moneys or securities, if there is delivered to the Trustee an Opinion of Counsel from legal counsel nationally recognized for having expertise in bankruptcy matters (who, for purposes of such opinion, may assume that no bondowner is an "insider," as defined in the United States Bankruptcy Code) to the effect that the use of such moneys or securities to pay the principal or purchase price of, or premium, if any, or interest on the 2019 Series C Bonds would not constitute a voidable preferential payment in the event of the occurrence of the filing of a petition in bankruptcy (or other commencement of bankruptcy or similar proceedings) by or against the City under the United States Bankruptcy Code, or other applicable state or federal bankruptcy, insolvency, reorganization or similar law for the relief of debtors, as now or hereafter in effect; and
4. Proceeds from a Series of Bonds issued to refund the 2019 Series C Bonds; and
5. Any investment income from the above.

**"Exhibit A"** shall mean such Exhibit A as shall be added hereto as a result of the adoption of a Supplemental Resolution in accordance with the provisions of clause (iv) of the first sentence of Section 8.05(1) in connection with the conversion of the 2019 Series C Bonds to the Auction Mode, as the same may be amended from time to time in accordance with the provisions thereof. Such Exhibit A shall contain such provisions relating to the Auction Mode as the City shall determine, including, without limitation, procedures relating to the determination of Auction Dates and Auction Periods, the conduct of Auctions and the determination of the Auction Mode Rate. In such event, Exhibit A shall constitute a part of this Thirty-First Supplemental Resolution for all purposes hereof and of the Bond Resolution.

**"Facility Expiration Date"** shall mean the date upon which the Liquidity Facility or Credit Facility, as applicable, is stated to expire or terminate by its terms, as such date may be extended from time to time, either by extension or renewal of such Liquidity Facility or Credit Facility.

**"Facility Requirement"** shall mean, at such time (if any) of the 2019 Series C Bonds are in an Interest Mode other than an Auction Mode or the Fixed Mode, an amount equal to the principal amount of the Outstanding 2019 Series C Bonds (other than 2019 Series C Bank Bonds), plus (a) if the 2019 Series C Bonds shall be in a Daily Mode or a Weekly Mode, 35 days' interest thereon, each computed at a rate per annum equal to the Maximum Rate and on the basis of a 365-day year and (b) if the 2019 Series C Bonds shall be in the Flexible Mode, the Term Mode, the Auction Mode or the Fixed Mode, an amount determined necessary or desirable by the City.

**"Fitch"** shall mean Fitch Ratings and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

**"Fixed Mode"** shall mean the Interest Mode during which the 2019 Series C Bonds bear interest at the Fixed Rate.

**"Fixed Rate"** shall mean the interest rate applicable to the 2019 Series C Bonds during the Fixed Mode, determined as provided in clause (e) of Section 3.03.

**"Flexible Mode"** shall mean the Interest Mode during which the 2019 Series C Bonds bear interest at Flexible Rates.

**"Flexible Rate"** shall mean the interest rate applicable to the 2019 Series C Bonds during the Flexible Mode, determined as provided in clause (d) of Section 3.03.

**"General Manager"** shall mean the General Manager for Utilities, as designated by the City from time to time.

**"Initial Letter of Credit"** shall mean the Letter of Credit issued by the Initial Letter of Credit Issuer in favor of the Trustee to secure the payment of the principal or Redemption Price of, and interest on, the 2019 Series C Bonds when due and the Purchase Price of 2019 Series C Bonds that are tendered or deemed tendered for purchase and not remarketed, as the same may be amended, restated or supplemented from time to time. The Initial Letter of Credit shall be and constitute both a "Credit Facility" and a "Liquidity Facility" for the 2019 Series C Bonds within the meaning of this Thirty-First Supplemental Resolution.

**"Initial Letter of Credit Issuer"** shall mean Bank of America, N.A., in its capacity as the issuer of the Initial Letter of Credit.

**"Initial Reimbursement Agreement"** shall mean the Letter of Credit Reimbursement Agreement between the City and the Initial Letter of Credit Issuer, as the same may be amended, restated or supplemented from time to time in accordance with the terms thereof.

**"Interest Accrual Period"** shall mean the period from and including each Interest Payment Date to but excluding the next Interest Payment Date. The initial Interest Accrual Period for the 2019 Series C Bonds shall begin on (and include) the Delivery Date. The final Interest Accrual Period for any 2019 Series C Bond shall end on the day next preceding the maturity or redemption date of such 2019 Series C Bond.

**"Interest Mode"** shall mean a period of time relating to the frequency with which the interest rate on the 2019 Series C Bonds is determined pursuant to Section 3.03. An Interest Mode may be the Auction Mode, the Daily Mode, the Weekly Mode, the Flexible Mode, the Term Mode or the Fixed Mode.

**"Interest Payment Date"** shall mean, with respect to each 2019 Series C Bond, (a) each date on which the 2019 Series C Bonds shall be subject to mandatory tender for purchase pursuant to clause (c) of Section 3.06; (b) except as to any 2019 Series C Bank Bond, (i) as to 2019 Series C Bonds in the Auction Mode, the various dates on which interest shall be payable on the 2019 Series C Bonds, which dates shall be set forth in Exhibit A hereto; (ii) as to 2019 Series C Bonds in the Daily Mode or the Weekly Mode, the first Business Day of each calendar month; (iii) as to 2019 Series C Bonds in the Flexible Mode, the first Business Day following the end of each Interest Period with respect thereto; and (iv) as to 2019 Series C Bonds in the Term Mode or the Fixed

Mode, semi-annually on each April 1 and October 1 commencing on the first April 1 or October 1 occurring after the conversion to such Interest Mode; *provided, however*, that if such first date occurs less than three (3) months after such conversion, said first Interest Payment Date shall be on the second such date following such conversion; (c) as to any 2019 Series C Bank Bond, unless otherwise provided in the Liquidity Facility Agreement or Reimbursement Agreement or applicable Liquidity Facility or Credit Facility, each date determined pursuant to paragraph 2 of Section 5.02; and (d) the maturity or redemption date thereof.

**"Interest Period"** shall mean the period from and including a Rate Adjustment Date to but excluding the next succeeding Rate Adjustment Date (if any); *provided, however*, that (a) the first Interest Period for the 2019 Series C Bonds shall be the period from and including the Delivery Date to but excluding the first Rate Adjustment Date and (b) the final Interest Period for any 2019 Series C Bond shall be the period from and including the last Rate Adjustment Date preceding the maturity or redemption date of such 2019 Series C Bond to but excluding such maturity or redemption date.

**"Letter of Credit"** shall mean (i) the Initial Letter of Credit and (ii) any other unconditional, irrevocable, direct-pay letter of credit or similar facility issued by one or more Credit Facility Issuers, delivered to the Trustee to provide for the payment of the principal or Redemption Price of, and interest on, the 2019 Series C Bonds when due and the Purchase Price of Series 2019 Series C Bonds that are tendered or deemed tendered for purchase and not remarketed, as the same may be amended, restated and supplemented from time to time.

**"Letter of Credit Issuer(s)"** shall mean, with respect to a particular Letter of Credit, the Person(s) that is (or are) the issuer(s) of such Letter of Credit.

**"Liquidity Facility"** shall mean (a) the Initial Letter of Credit, (b) any standby bond purchase agreement, revolving credit agreement, letter of credit, surety bond or other agreement or instrument under which any Person undertakes to make loans or provide funds to purchase 2019 Series C Bonds upon the tender (or deemed tender) thereof for purchase and as to which the conditions set forth in paragraph 2 of Section 4.02 shall be satisfied, and (c) upon the effectiveness thereof as provided in subsection 2 of Section 4.02, each Substitute Liquidity Facility. Notwithstanding any other provision of this Thirty-First Supplemental Resolution, any Liquidity Facility may be the same instrument as any Credit Facility, so long as such instrument satisfies the requirements set forth herein for both a Liquidity Facility and a Credit Facility.

**"Liquidity Facility Agreement"** shall mean (a) for so long as the Initial Letter of Credit shall be in effect, the Initial Reimbursement Agreement and (b) upon the effectiveness of any Substitute Liquidity Facility as provided in subsection 2 of Section 4.02, the agreement pursuant to which such Substitute Liquidity Facility shall be issued or provided, in each such case, as the same may be amended or supplemented from time to time.

**"Liquidity Provider"** or **"Liquidity Providers"** shall mean, as the context may require, the Person(s) that is (or are) the issuer(s) or provider(s) of a particular Liquidity Facility.

**"Liquidity Provider Purchase Date"** shall mean, with respect to each 2019 Series C Bond purchased by the Liquidity Provider(s) (or any nominee or nominees thereof) pursuant to clause (b) of paragraph 1 of Section 3.11, the date of such purchase.

**"Market Rate"** shall mean any interest rate determined in accordance with the procedures set forth in clause (f) of Section 3.03.

**"Maximum Rate"** shall mean the lesser of (i) the maximum rate permitted by law and (ii) twelve percent (12%) per annum, or such higher rate as shall be approved by the City if (a) an Opinion of Bond Counsel shall have been delivered to the Notice Parties to the effect that any such change in the Maximum Rate (i) is authorized or permitted by the Bond Resolution and the Act and (ii) will not cause the interest on the 2019 Series C Bonds to become includable in gross income for federal income tax purposes and (b) if the 2019 Series C Bonds shall be in the Daily Mode or the Weekly Mode, the Credit Facility and/or Liquidity Facility is modified (if necessary) so that its stated amount or the aggregate commitment of the Liquidity Provider(s) and/or Credit Facility Provider thereunder, as the case may be, is increased to give effect to the increased Maximum Rate.

**"Mayor"** shall mean the Mayor or Mayor-Commissioner Pro Tempore.

**"Mode Adjustment Date"** shall mean any date on which the Interest Mode or Interest Period to which the 2019 Series C Bonds are subject is to be changed to another Interest Mode or Interest Period, as the case may be, determined as provided in clause (a)(i) of Section 3.01.

**"Moody's"** shall mean Moody's Investors Service and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

**"Notice Parties"** shall mean (a) the City, (b) the Trustee, (c) the Paying Agent for the 2019 Series C Bonds, (d) the Bond Registrar, (e) if the 2019 Series C Bonds are in an Interest Mode other than the Auction Mode or the Fixed Mode, the Remarketing Agent, the Tender Agent and the Agent Bank and (f) if the 2019 Series C Bonds are in the Auction Mode, the Auction Agent and each Broker-Dealer.

**"Officer's Certificate"** shall mean a certificate of an Authorized Officer of the City.

**"Official Statement"** shall mean the Official Statement of the City relating to the 2019 Series C Bonds referred to in Section 10.04 hereof.

**"Opinion of Bond Counsel"** means an opinion in writing signed by an attorney or firm of attorneys selected by the City of nationally recognized standing in matters pertaining to the federal income tax treatment of interest on bonds issued by states and their political subdivisions.

**"Person"** shall mean an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

**"Purchase Contract"** shall mean the Bond Purchase Contract to be entered into between the City and the Underwriter in connection with the sale of the 2019 Series C Bonds.

**"Purchase Date"** shall mean a Business Day on which 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) are to be purchased upon optional or mandatory tender or deemed tender thereof pursuant to the terms hereof.

**"Purchase Price"** shall mean an amount equal to 100% of the principal amount of any 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) tendered or deemed tendered or remarketed pursuant to this Thirty-First Supplemental Resolution plus accrued and unpaid interest, if any, at the 2019 Series C Bond Rate or Rates in effect for the period from and including the first day of the then current Interest Accrual Period through and including the day immediately preceding the Purchase Date or the date of remarketing, as the case may be, unless, in the case of 2019 Series C Bonds in the Term Mode, the date of remarketing is on or after the Record Date for the next succeeding Interest Payment Date for the 2019 Series C Bonds (other than 2019 Series C Bank Bonds) and on or prior to such Interest Payment Date, in which case the accrued and unpaid interest on such 2019 Series C Bonds being remarketed on such date shall not be paid as part of the Purchase Price.

**"Quarterly Payment Date"** shall mean the last Business Day of each March, June, September and December.

**"Rate Adjustment Date"** shall mean the day on which each Auction Mode Rate, Daily Rate, Weekly Rate, Flexible Rate, Term Rate or Fixed Rate on a 2019 Series C Bond shall become effective as provided in Section 3.03.

**"Rate Determination Date"** shall mean the time and date as of which an interest rate for the 2019 Series C Bonds shall be determined, which date shall be determined (a) in the case of any Interest Mode other than the Auction Mode, as provided in Section 3.03 and (b) in the case of the Auction Mode, as shall be provided in Exhibit A.

**"Rating Agency"** shall mean Fitch if the 2019 Series C Bonds are then rated by Fitch, Moody's if the 2019 Series C Bonds are then rated by Moody's, and S&P if the 2019 Series C Bonds are then rated by S&P, in each case, at the request of the City.

**"Rebate Amount"** means the excess of the future value, as of a computation date, of all receipts on nonpurpose investments (as defined in Section 1.148-3 of the Income Tax Regulations) over the future value, as of that date, of all payments on nonpurpose investments, but shall not include any amount exempted by Section 148(f) of the Code from payment to the United States.

**"Record Date"** shall mean (a) except as provided in clause (b) below, (i) with respect to an Interest Payment Date for 2019 Series C Bonds in the Term Mode or the Fixed Mode, the close of business on the fifteenth day (whether or not a Business Day) of the next preceding calendar month; and (ii) with respect to an Interest Payment Date for 2019 Series C Bonds in the Auction Mode, the Daily Mode, the Weekly Mode or the Flexible Mode and 2019 Series C Bank Bonds, the close of business on the Business Day immediately preceding such Interest Payment Date; and (b) in the case of any Interest Payment Date described in clause (a) of the definition thereof, the close of business on the Business Day immediately preceding such Interest Payment Date.

**"Refunded Bonds"** means all or a portion 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 refunded

with a portion of the proceeds of the 2019 Series C Bonds and designated in accordance with Section 2.03 hereof.

**"Reimbursement Agreement"** shall mean (a) initially, the Initial Reimbursement Agreement and (b) any other loan agreement or reimbursement agreement that provides for the reimbursement by the City to the Credit Facility Issuer(s) of amounts paid under an Alternate Credit Facility, in each such case, as the same may be amended or supplemented from time to time.

**"Remarketing Agent"** shall mean each firm appointed by the City from time to time as the Remarketing Agent for the 2019 Series C Bonds and that is party to a Remarketing Agreement.

**"Remarketing Agreement"** shall mean the Remarketing Agreement to be entered into between the City and Merrill Lynch, Pierce, Fenner & Smith, Incorporated, in substantially the form attached as Exhibit H hereto, as amended from time to time, or such other remarketing agreement(s) as may be entered into by the City from time to time in replacement that is (or are) designated by an Authorized Officer of the City as constituting a "Remarketing Agreement" hereunder at the time of the execution and delivery thereof.

**"Rule 15c2-12"** shall mean Rule 15c2-12, as amended, promulgated by the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

**"S&P"** shall mean Standard & Poor's Ratings Services, a Standard and Poor's Financial Services LLC business, and its successors and assigns, and, if such business shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

**"SIFMA Index"** shall mean an index based upon the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specific criteria established by the Securities Industry and Financial Markets Association (formerly known as The Bond Market Association) and effective for a particular Rate Determination Date; *provided, however*, that if such index ceases to be published, it shall be replaced for the foregoing purposes by the most comparable published index designated by the Remarketing Agent or, in the absence of such designation, any other dealer bank or broker-dealer competent in such matters and chosen by the City.

**"Substitute Liquidity Facility"** shall mean any standby bond purchase agreement (other than the Liquidity Facility then in effect), revolving credit agreement, letter of credit, surety bond or other agreement or instrument under which any Person undertakes to make loans or provide funds to purchase 2019 Series C Bonds upon the tender (or deemed tender) thereof for purchase and as to which the conditions set forth in paragraph 2 of Section 4.02 shall be satisfied.

**"Substitution Date"** shall mean the Business Day on which the City (a) causes a new Credit Facility Issuer or Credit Facility Issuers to be substituted for one or more of the Credit Facility Issuers that is (or are) a party to the Credit Facility (if any) then in effect, (b) substitutes the Credit Facility (if any) then in effect with an Alternate Credit Facility, which Business Day shall be not later than the fifth Business Day immediately preceding the Facility Expiration Date for such Credit Facility then in effect, (c) causes a new Liquidity Provider or Liquidity Providers to be substituted for one or more of the Liquidity Providers that is (or are) a party to the Liquidity

Facility then in effect or (d) substitutes the Liquidity Facility then in effect with a Substitute Liquidity Facility, which Business Day shall be not later than the fifth Business Day immediately preceding the Facility Expiration Date for such Liquidity Facility then in effect; any date specified as a Substitution Date in a notice of mandatory tender mailed to Holders of 2019 Series C Bonds pursuant to subsection 2 of Section 3.08 shall be treated as a Substitution Date for purposes of this Thirty-First Supplemental Resolution even if the substitution of the new Credit Facility Issuer(s), the Alternate Credit Facility, the new Liquidity Provider(s) or the Substitute Liquidity Facility, as the case may be, fails to occur.

**"Tender Agency Agreement"** shall mean the Tender Agency Agreement Relating to Variable Rate Utilities System Revenue Bonds, 2019 Series C to be entered into between the City and U.S. Bank National Association, in substantially the form attached as Exhibit H hereto, as amended from time to time, or such other tender agency agreement(s) as may be entered into by the City from time to time in replacement thereof and that is (or are) designated by an Authorized Officer of the City as constituting a "Tender Agency Agreement" hereunder at the time of the execution and delivery thereof.

**"Tender Agent"** shall mean each firm appointed by the City from time to time as the Tender Agent for the 2019 Series C Bonds and that is party to a Tender Agency Agreement.

**"Term Mode"** shall mean the Interest Mode during which the 2019 Series C Bonds bear interest at Term Rates.

**"Term Rate"** shall mean the interest rate applicable to the 2019 Series C Bonds during the Term Mode, determined as provided in clause (e) of Section 3.03.

**"Thirty-First Supplemental Resolution"** shall mean this Thirty-First Supplemental Utilities System Revenue Bond Resolution, supplemental to the Master Resolution, as from time to time amended or supplemented in accordance with the terms of the Master Resolution.

**"2005 Series C Bonds"** means the City's Variable Rate Utilities System Revenue Bonds, 2005 Series C.

**"2006 Series A Bonds"** means City's Variable Rate Utilities System Revenue Bonds, 2006 Series A.

**"2007 Series A Bonds"** means City's Variable Rate Utilities System Revenue Bonds, 2007 Series A.

**"2008 Series B Bonds"** means City's Variable Rate Utilities System Revenue Bonds, 2008 Series B.

**"2012 Series B Bonds"** means City's Variable Rate Utilities System Revenue Bonds, 2012 Series B.

**"2019 Series C Bank Bond"** shall mean any 2019 Series C Bond (or portion thereof or beneficial ownership interest therein) purchased by the Liquidity Provider(s) (or a nominee or nominees thereof) pursuant to clause (b) of paragraph 1 of Section 3.11; *provided, however*, that any such 2019 Series C Bond shall cease to be a 2019 Series C Bank Bond on the date on which

such 2019 Series C Bond shall be delivered to a purchaser identified by the Remarketing Agent (or, to the extent permitted by the Liquidity Facility, the date on which the Liquidity Provider(s) elect not to sell such 2019 Series C Bond to a purchaser identified by the Remarketing Agent in accordance with paragraph 3 of Section 5.01).

**"2019 Series C Bank Bond Purchase Date"** shall mean, with respect to each 2019 Series C Bond purchased by the Liquidity Provider(s) (or any nominee or nominees thereof) pursuant to clause (b) of subsection 1 of Section 3.11, the date of such purchase.

**"2019 Series C Bond Letter of Credit Proceeds Fund"** shall mean the fund by that name created and established pursuant to Section 8.01 and held by the Trustee separate and apart from any funds, accounts or subaccounts under the Bond Resolution and which shall not constitute a fund or an account for purposes of the Bond Resolution.

**"2019 Series C Bond Liquidity Proceeds Account"** shall mean the account by that name created and established in the 2019 Series C Bond Purchase Fund in Section 6.01.

**"2019 Series C Bond Purchase Fund"** shall mean the fund by that name created and established pursuant to Section 6.01 and held by the Tender Agent separate and apart from any funds, accounts or subaccounts under the Bond Resolution and which shall not constitute a fund or an account for purposes of the Bond Resolution.

**"2019 Series C Bond Rate"** shall mean the interest rate on 2019 Series C Bonds, determined pursuant to Section 3.03, but shall not include the interest rate on any 2019 Series C Bank Bonds.

**"2019 Series C Bond Remarketing Proceeds Account"** shall mean the account by that name created and established in the 2019 Series C Bond Purchase Fund in Section 6.01.

**"2019 Series C Bonds"** shall mean the Series of Refunding Bonds created and issued pursuant to Section 2.01 hereof and designated therein as the "Variable Rate Utilities System Revenue Bonds, 2019 Series C."

**"2019 Series C Project"** means the acquisition, construction, and equipping of the capital projects described on Exhibit B attached hereto, together with such other Cost of Acquisition and Construction related thereto, including reimbursement thereof.

**"Underwriter"** shall mean Merrill Lynch, Pierce Fenner & Smith, Incorporated, as the underwriter referred to in the Purchase Contract.

**"Untendered 2019 Series C Bonds"** shall have the meaning assigned to such term in Section 3.12.

**"Weekly Mode"** shall mean the Interest Mode during which the 2019 Series C Bonds bear interest at Weekly Rates.

**"Weekly Rate"** shall mean the interest rate applicable to the 2019 Series C Bonds during the Weekly Mode, determined as provided in clause (c) of Section 3.03.

Unless the context shall clearly indicate some other meaning, all terms used in this Thirty-First Supplemental Resolution, including Exhibit A, that shall be defined in Exhibit A shall for all purposes of this Thirty-First Supplemental Resolution, including Exhibit A, have the same respective meanings as such terms are given in Exhibit A.

**SECTION 1.03**      **Authority for this Thirty-First Supplemental Resolution.** This Thirty-First Supplemental Resolution is adopted (i) pursuant to the provisions of the Act and (ii) in accordance with Article II and Article X of the Master Resolution.

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

1. Pursuant to the Master Resolution, the City may issue Bonds from time to time for the purpose, among others, of paying all or a portion of the Cost of Acquisition and Construction of the 2019 Series C Project, refunding the Refunded Bonds and paying costs of issuance related thereto.

2. Pursuant to the Master Resolution, the City may issue Refunding Bonds for the purpose of refunding the Refunded Bonds and paying costs of issuance related thereto.

3. The City deems it necessary and in its best interest to issue and sell the 2019 Series C Bonds for the purpose of providing funds for the payment of all or a portion of the Cost of Acquisition and Construction of the 2019 Series C Project, refunding the Refunded Bonds and paying costs of issuance related thereto.

4. Because of the characteristics of the 2019 Series C Bonds, prevailing and anticipated volatile market conditions, and savings and benefits to be realized from an expeditious sale of the 2019 Series C Bonds, and taking into account the advice of PFM Financial Advisors LLC, the financial advisor to the City (the "Financial Advisor"), assuming the offer shall be made within the parameters for the terms of the 2019 Series C Bonds hereinafter described, it shall be in the best interest of the City to accept the offer of the Underwriter to purchase the 2019 Series C Bonds at a negotiated sale upon the terms and conditions outlined herein.

5. The City desires to delegate the award and sale of the 2019 Series C Bonds and certain other matters hereunder to the General Manager or the Chief Financial Officer or such other Authorized Officer within the parameters set forth in this Resolution.

## **ARTICLE II** **AUTHORIZATION OF 2019 SERIES C BONDS**

**SECTION 2.01**      **Principal Amount, Designation of Series and Description of 2019 Series C Bonds.** Pursuant to the provisions of the Master Resolution, a Series of Refunding Bonds is hereby authorized in an aggregate principal amount not to exceed \$70,000,000. Such Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "Variable Rate Utilities System Revenue Bonds, 2019 Series C". The actual aggregate principal amount of the 2019 Series C Bonds to be issued shall be determined by the General Manager for Utilities of the City, or his designee or such other Authorized Officer, on or prior to the Delivery Date as the amount necessary to accomplish the purposes for which the 2019 Series C Bonds are being issued set forth in Section 2.02 hereof, such determination to be set forth in the certificate referred to in paragraph 2 of Section 2.03 hereof. The 2019 Series C Bonds shall be

and constitute "Variable Rate Bonds," as such term is defined in Section 101 of the Master Resolution. For so long as any 2019 Series C Bond (or portion thereof or beneficial ownership interest therein) shall be a 2019 Series C Bank Bond, such 2019 Series C Bond (or portion thereof or beneficial ownership interest therein) shall be and constitute an "Option Bond," as such term is defined in Section 101 of the Master Resolution and shall be subject to Section 5.04 hereof.

**SECTION 2.02**      **Purpose.**    The 2019 Series C Bonds are being issued for the purposes of (1) providing for the payment of a portion of the Cost of Acquisition and Construction of the 2019 Series C Project, (2) providing for the refunding of the Refunded Bonds, including necessary reserves and deposits related thereto, and (3) paying costs of issuance related to the 2019 Series C Bonds.

**SECTION 2.03**      **Maturity and Interest; Certain Determinations with Respect to the 2019 Series C Bonds.** 1. The 2019 Series C Bonds shall bear interest from the Delivery Date at the interest rate determined for each Interest Period pursuant to Section 3.03; *provided, however,* that each 2019 Series C Bank Bond shall bear interest as provided in Section 5.02.

Interest on each 2019 Series C Bond accruing during each Interest Accrual Period shall be payable on the Interest Payment Date immediately following the end of such Interest Accrual Period, to the Person in whose name such 2019 Series C Bond is registered at the Record Date therefor; *provided, however,* that the Holder of a 2019 Series C Bond other than the Liquidity Provider(s) (or the nominee(s) thereof) shall be paid interest thereon for an Interest Accrual Period only in the amount that would have accrued thereon at the 2019 Series C Bond Rate or Rates in effect during such Interest Accrual Period, regardless of whether or not such 2019 Series C Bond was a 2019 Series C Bank Bond during any portion of such Interest Accrual Period.

Interest accrued at the Auction Mode Rate for an Auction Period of 180 days or less shall (unless otherwise provided in Exhibit A) be computed on the basis of a 360-day year and actual days elapsed, interest accrued at the Daily Rate, the Weekly Rate, the Flexible Rate shall be computed on the basis of a 365- or 366-day year, as applicable, for actual days elapsed, interest accrued at the Bank Rate, unless otherwise provided in the Liquidity Facility, shall be computed on the basis of a 360 day year for actual days elapsed, and interest accrued at the Auction Mode Rate for an Auction Period of more than 180 days, the Term Rate or the Fixed Rate shall (unless otherwise provided in Exhibit A) be computed on the basis of a 360-day year comprised of twelve 30-day months.

Notwithstanding anything to the contrary contained herein, in no event shall any Auction Mode Rate, Daily Rate, Weekly Rate, Flexible Rate, Term Rate or Fixed Rate exceed the Maximum Rate.

2.      On or prior to the Delivery Date, the General Manager for Utilities of the City, or his designee or such other Authorized Officer, shall execute and deliver a certificate setting forth the following determinations with respect to the 2019 Series C Bonds:

(a)      the Maturity Date which date shall be no later than October 1, 2049 and the aggregate principal amount of the 2019 Series C Bonds shall not exceed \$70,000,000;

(b) the due dates and amounts of the Sinking Fund Installments, if any, for the 2019 Series C Bonds; *provided, however*, that each Sinking Fund Installment due date shall fall upon an April 1 or an October 1;

(c) the initial Interest Mode for the 2019 Series C Bonds, which shall be either the Daily Mode or the Weekly Mode;

(d) (i) the respective maturities and principal amounts (or portion(s) thereof or Sinking Fund Installments), if any, 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 that constitute the Refunded Bonds, which maturities and amounts shall be based upon advice of the Financial Advisor as to which of such Bonds to be refunded would provide the most financial flexibility to the System;

(e) the principal amount of the 2019 Series C Bonds to be used for the 2019 Series C Project which amount shall not exceed \$10,000,000; and

(f) the purchase price for the 2019 Series C Bonds to be paid by the Underwriter pursuant to the Purchase Contract, which shall be equal to the principal amount of the 2019 Series C Bonds less the amount of the Underwriter's discount to be set forth in the Purchase Contract; *provided, however*, that the purchase price for the 2019 Series C Bonds to be paid by the Underwriter pursuant to the Purchase Contract shall not be less than 98% of the original principal amount thereof.

**SECTION 2.04 Denominations, Dates, Numbers and Letters.** The 2019 Series C Bonds shall be issued in fully registered form in the Authorized Denominations. Each 2019 Series C Bond shall be dated the date of its authentication except that all 2019 Series C Bonds issued prior to the first Interest Payment Date shall be dated the Delivery Date.

Unless an Authorized Officer of the City shall otherwise direct, the 2019 Series C Bonds will be numbered from 1001 upward preceded by the letter "RC" prefixed to the number.

**SECTION 2.05 Designation of the 2019 Series C Bonds as Book Entry Bonds; Appointment of Securities Depository for the 2019 Series C Bonds.**

1. Except as provided in paragraph 3. below, the 2019 Series C Bonds are hereby authorized to be and shall be issued as Book Entry Bonds within the meaning of and subject to Section 309 of the Master Resolution.

2. The Depository Trust Company, New York, New York ("DTC") is hereby appointed as the initial Securities Depository for the 2019 Series C Bonds.

3. The 2019 Series C Bonds shall be issued initially in the form of a single, fully registered Bond in the amount of the 2019 Series C Bonds, registered in the name of Cede & Co. ("Cede"), as nominee of DTC, which will act as securities depository for the 2019 Series C Bonds and so long as the 2019 Series C Bonds are held in book-entry-only form, Cede & Co. shall be considered the registered owner for all purposes hereof. On original issue, the 2019 Series C Bonds shall be deposited with DTC, which shall be responsible for maintaining a book-entry-only system for recording the ownership interest of its participants ("DTC Participants") and other institutions that clear through or maintain a custodial relationship with DTC Participants, either

directly or indirectly ("Indirect Participants"). The DTC Participants and Indirect Participants will be responsible for maintaining records with respect to the beneficial ownership interests of individual purchasers of interests in all or any portion of the 2019 Series C Bonds ("Beneficial Owners" or "beneficial owners"). Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions of the Bond Resolution, the word "Cede" in this Thirty-First Supplemental Resolution shall refer to such new nominee of DTC. So long as any of the 2019 Series C Bonds is registered in the name of Cede, as nominee of DTC in its capacity as Securities Depository for the 2019 Series C Bonds, all payments with respect to the principal or Redemption Price of, and interest on and Purchase Price of such 2019 Series C Bond and all notices with respect to such 2019 Series C Bond shall be made or given to DTC as provided in the procedures of DTC as in effect from time to time.

The principal of, interest thereon and any redemption premium on the 2019 Series C Bonds shall be payable directly to Cede & Co. in care of DTC. Disbursal of such amounts to DTC Participants shall be the responsibility of DTC. Payments by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to Beneficial Owners shall be the responsibility of DTC Participants and Indirect Participants and not of the City, DTC, the Trustee, the Paying Agent, the Registrar or the Tender Agent.

During the period for which Cede & Co. is registered owner of the 2019 Series C Bonds, any notice to be provided to any registered owner will be provided to Cede & Co. DTC shall be responsible for notice to DTC Participants and DTC Participants shall be responsible for notice to Indirect Participants, and DTC Participants and Indirect Participants shall be responsible for notice to individual purchasers of beneficial interests.

Notwithstanding anything to the contrary herein, during such time as DTC, or its successor is the Securities Depository, only DTC (or its successor), through its nominee, can give notice of optional tenders and exercise any other rights with respect to the 2019 Series C Bonds and neither the City nor any other Notice Parties will be required to take notice of or respond to any communications or demands from any DTC Participant, Indirect Participant or Beneficial Owner.

4. (a) DTC may determine to discontinue providing its services as Securities Depository for the 2019 Series C Bonds at any time by giving reasonable notice thereof to the City or the Trustee. Upon the discontinuance of the services of DTC as Securities Depository for the 2019 Series C Bonds pursuant to the preceding sentence, the City may within 90 days thereafter appoint a substitute securities depository which, in the opinion of the City, is willing and able to undertake the functions of Securities Depository under the Master Resolution upon reasonable and customary terms. If no such successor can be found within such period, the 2019 Series C Bonds no longer shall be restricted to being registered in the registration books kept by the Bond Registrar in the name of a Securities Depository.

(b) In the event that the 2019 Series C Bonds no longer shall be restricted to being registered in the registration books kept by the Bond Registrar in the name of a Securities Depository as provided in subparagraph (a) of this paragraph 4, (i) the City shall execute and the Bond Registrar shall authenticate and deliver, upon presentation and surrender of the 2019 Series C Bonds, Bond certificates as requested by the Securities Depository therefor of like Series, aggregate principal amount, maturity and interest rate, in Authorized Denominations, to the

identifiable beneficial owners in replacement of such beneficial owners' beneficial ownership interests in such 2019 Series C Bonds and (ii) the Bond Registrar shall notify the Paying Agents that the 2019 Series C Bonds no longer are restricted to being registered in the registration books kept by the Bond Registrar in the name of a Securities Depository.

5. Notwithstanding any provision herein to the contrary, so long as the book-entry-only system of transfers provided for in this Section shall remain in effect with respect to the 2019 Series C Bonds, (a) every transfer of such 2019 Series C Bonds made in accordance with the Auction Procedures, (b) every remarketing of such 2019 Series C Bonds (or portions thereof) by the Remarketing Agent and (c) all purchases and transfers of such 2019 Series C Bonds (or portions thereof) by the Tender Agent shall be conducted in accordance with such system.

6. So long as the 2019 Series C Bonds are issued pursuant to this Section 2.05 the City, the Trustee, the Tender Agent, the Paying Agent and the Registrar may treat DTC as, and deem DTC to be, the absolute owner of the 2019 Series C Bonds for all purposes whatsoever, including without limitation:

(A) the payment of the principal of, interest on, premium if any, and Purchase Price of the 2019 Series C Bonds;

(B) giving notices of prepayment, tender and other matters with respect to the 2019 Series C Bonds;

(C) registering transfer with respect to the 2019 Series C Bonds; and

(D) the selection of 2019 Series C Bonds for prepayment.

7. Notwithstanding anything in this Thirty-First Supplemental Resolution to the contrary, the City acknowledges that it is familiar with the procedures set forth in DTC Notice 3381-08, dated April 4, 2008, respecting "Variable Rate Demand Obligations ("VRDO") Failed Remarketings and Issuance of Bank Bonds," as amended by DTC Notice number B3488-08, dated May 15, 2008 (collectively, the "DTC April 4 Notice") which must be followed in the event that any of the 2019 Series C Bonds that are tendered for purchase become 2019 Series C Bank Bonds. Prior to, and if necessary, after, the issuance of the 2019 Series C Bonds, the City will, or will cause the Trustee, Tender Agent or Remarketing Agent to, apply for one or more CUSIP numbers for potential 2019 Series C Bank Bonds so that such CUSIP numbers will be available, as required by DTC, if any of the 2019 Series C Bonds become 2019 Series C Bank Bonds. By acceptance of their appointment as such hereunder, the Trustee and the Tender Agent agree that if any of the 2019 Series C Bonds become 2019 Series C Bank Bonds, they will follow the DTC procedures set forth in the DTC April 4 Notice, as the same may be amended from time to time, including the withdrawal from DTC of any 2019 Series C Bonds that have become 2019 Series C Bank Bonds and the simultaneous deposit with DTC of the 2019 Series C Bank Bonds, as identified by new CUSIP numbers to be held in the DTC accounts of the Agent Bank.

## **SECTION 2.06      Redemption Prices and Terms.**

1. The 2019 Series C Bonds shall be subject to redemption prior to maturity as provided in Article IV of the Master Resolution by operation of the Debt Service Fund from mandatory Sinking Fund Installments, on the respective dates and in the respective amounts set

forth in the certificate referred to in paragraph 2(b) of Section 2.03, at a Redemption Price of 100% of the principal amount thereof, together with accrued interest, if any, to the redemption date.

2. In addition, the 2019 Series C Bonds shall be subject to redemption at the election of the City as follows, in whole or in part, at a Redemption Price of 100% of the principal amount thereof together with accrued interest, if any, to the redemption date:

(a) if the 2019 Series C Bonds are in the Auction Mode, unless otherwise provided in Exhibit A, on any Interest Payment Date immediately following the end of an Auction Period;

(b) if the 2019 Series C Bonds are in the Daily or Weekly Mode, on any Business Day; and

(c) if the 2019 Series C Bonds are in the Flexible or Term Mode, on any Rate Adjustment Date for the 2019 Series C Bonds to be redeemed.

3. In addition, if the 2019 Series C Bonds are in the Term Mode or the Fixed Mode, the 2019 Series C Bonds shall be subject to redemption at the option of the City on any date prior to their stated maturity, in whole or in part:

(a) unless clause (b) below applies, during any Interest Period therefor, on any day, but only after the fifth (5th) anniversary of the first day of such Interest Period, at a Redemption Price equal to 100% of the principal amount thereof; or

(b) during any Interest Period therefor, on any alternate dates and at any alternate prices stated in an Officer's Certificate delivered to the Notice Parties prior to the Rate Determination Date for such Interest Period and accompanied by an Opinion of Bond Counsel to the effect that such substitution of such alternate dates and prices will not adversely affect the exclusion of interest on any 2019 Series C Bond from the gross income of the owner thereof for federal income tax purposes;

together, in each case, with accrued interest, if any, to the redemption date.

4. Notwithstanding anything to the contrary contained herein or in the Master Resolution, in the event that any 2019 Series C Bond in the Auction, Daily, Weekly or Flexible Mode shall become subject to redemption, notice of such redemption shall be given, in the manner provided in Section 405 of the Master Resolution, not less than 15 days before the redemption date.

5. Notwithstanding anything to the contrary contained herein or in the Bond Resolution, in the event that any 2019 Series C Bond is to be redeemed in part, the portion of such 2019 Series C Bond not so redeemed shall be in an Authorized Denomination.

6. Notwithstanding anything to the contrary contained herein or in the Bond Resolution, in the event of any redemption of less than all of the 2019 Series C Bonds, 2019 Series C Bank Bonds shall be redeemed first, prior to the selection of any other 2019 Series C Bonds for redemption.

7. Notwithstanding anything to the contrary contained in this Thirty-First Supplemental Resolution, 2019 Series C Bank Bonds shall be subject to redemption, at the election of the City, in whole or in part at any time at a Redemption Price equal to the principal amount thereof, plus accrued interest thereon to the date of redemption (computed at the Bank Rate or Rates in effect from time to time). Any such redemption shall take place five (5) Business Days after the City shall have given the Agent Bank, the Trustee, the Bond Registrar, the Paying Agent, the Tender Agent and the Remarketing Agent notice thereof, specifying the 2019 Series C Bank Bonds or portions thereof to be so redeemed on such date, unless the Agent Bank shall consent to an earlier redemption date.

8. During the period the Letter of Credit or any Alternate Credit Facility consisting of a direct-pay letter of credit is in effect, there may be no optional prepayment of 2019 Series C Bonds or defeasance of the 2019 Series C Bonds pursuant to Section 1201 of the Bond Resolution with money other than Eligible Moneys and 2019 Series C Bank Bonds may not be defeased pursuant to Section 1201 of the Bond Resolution. In accordance with Section 7.03 hereof, the Trustee shall first draw on the Letter of Credit or such Alternate Credit Facility for such prepayment if such Letter of Credit or such Alternate Credit Facility is then in effect.

**SECTION 2.07 Additional Redemption Provisions for 2019 Series C Bank Bonds.** For purposes of this Section 2.07, each portion of the 2019 Series C Bonds that becomes a 2019 Series C Bank Bond as a result of a purchase on a distinct Liquidity Provider Purchase Date will be deemed to constitute a separate 2019 Series C Bank Bond (referred to as a "Separate 2019 Series C Bank Bond"). Each Separate 2019 Series C Bank Bond shall be subject to mandatory redemption through Sinking Fund Installments as follows: Each Separate 2019 Series C Bank Bond Outstanding shall be redeemed during the period commencing with a date which is 180 days after the Liquidity Provider Purchase Date (or, if the purchase was made in the circumstances referred to in clause (c)(vii) or (viii) of Section 3.06, on the date that is 180 days after the Liquidity Provider Purchase Date) applicable to such Separate 2019 Series C Bank Bond (the "Term-Out Date") and extending to the earlier of (a) the date that is the fifth anniversary of such Liquidity Provider Purchase Date or (b) the maturity date of the 2019 Series C Bonds, in ten equal semi-annual installments of principal, payable on the Term-Out Date and at the end of each six-month period thereafter. In order to provide for such retirement, there are hereby established Sinking Fund Installments with respect to each such Separate 2019 Series C Bank Bond, which Sinking Fund Installments shall be due in semi-annual installments, on the Term-Out Date applicable to such Separate 2019 Series C Bank Bond and at the end of each six-month period thereafter with respect to each such Separate 2019 Series C Bank Bond. For purposes of the two preceding sentences, each semi-annual payment date or due date, as the case may be, hereunder shall be the date that numerically corresponds with the Term-Out Date or, if there is no such numerically corresponding date in the applicable month, on the last day of such month (or, if such day is not a Business Day, the next succeeding Business Day). The Agent Bank shall determine the amount of principal due on each Separate 2019 Series C Bank Bond on each payment date and shall notify the Trustee and the Issuer of such amount at least three (3) Business Day prior to such payment date. The Redemption Price shall be the principal amount of the 2019 Series C Bank Bonds to be redeemed plus accrued interest thereon to the date of redemption. In the event that the principal amount of 2019 Series C Bank Bonds to be redeemed on any such redemption date is not equal to an Authorized Denomination, the principal amount of 2019 Series C Bank Bonds to be redeemed shall be rounded to the next higher Authorized Denomination. In accordance with the provisions of Section 511 of the Master Resolution, 2019 Series C Bank Bonds optionally redeemed by the

City shall be applied against the next succeeding Sinking Fund Installment(s) pursuant to this Section 2.07. When 2019 Series C Bonds are redeemed pursuant to paragraph 1 of Section 2.06 hereof, as provided elsewhere herein, 2019 Series C Bank Bonds shall be redeemed first, and in that event, the amount of 2019 Series C Bonds redeemed shall be applied against the next succeeding Sinking Fund Installments under this Section 2.07 in the order of the due dates thereof.

Notwithstanding anything to contrary contained herein or in the Bond Resolution, in connection with the delivery of any Substitute Liquidity Facility permitted pursuant to paragraph 2 of Section 4.02, the foregoing redemption provisions may be amended by the City in any respect so long as the City shall receive an Opinion of Bond Counsel to the effect that such amendment (a) is authorized or permitted by the Bond Resolution and the Act and (b) will not cause the interest on the 2019 Series C Bonds to become includable in gross income for federal income tax purposes.

**SECTION 2.08**      **Place of Payment and Paying Agents.** Except as provided in subsection 5 of Section 309 of the Master Resolution and paragraph 3 of Section 2.05 hereof, the principal and Redemption Price of the 2019 Series C Bonds will be payable at the principal corporate trust office of U.S. Bank National Association in the City of New York, New York, and such institution is hereby appointed Paying Agent for the 2019 Series C Bonds. Except as provided in subsection 5 of Section 309 of the Master Resolution and paragraph 3 of Section 2.05 hereof, the principal and Redemption Price of the 2019 Series C Bonds also shall be payable at any other place which may be provided for such payment by the appointment of any other Paying Agent or Paying Agents as permitted by the Bond Resolution. Except as provided in paragraph 3 of Section 2.05 hereof, interest on the 2019 Series C Bonds shall be paid (i) by check payable to the order of the persons entitled thereto and mailed by first class mail, postage prepaid, to the addresses of such persons as they shall appear on the books of the City kept at the office of the Bond Registrar, (ii) in the case of all 2019 Series C Bank Bonds, by wire transfer of immediately available funds at such wire address as the Agent Bank shall specify or (iii) in the case of 2019 Series C Bonds subject to the Auction Mode, the Flexible Mode, the Daily Mode or the Weekly Mode, by wire transfer in immediately available funds to any owner of 2019 Series C Bonds in the denomination of \$1,000,000 or any Authorized Denomination in excess of such amount at such wire transfer address as such owner shall specify if such owner shall provide written notice to the Paying Agent not less than five (5) days prior to the Record Date relating to such Interest Payment Date in which request for wire transfer payment is made and the wire transfer address is specified.

**SECTION 2.09**      **Application of Proceeds of 2019 Series C Bonds.** In accordance with subsection (7) of paragraph 1 of Section 202, paragraph 2 of Section 203 and paragraph 3 of Section 204 of the Master Resolution, the net proceeds of the 2019 Series C Bonds, to the extent permitted under the Code and not otherwise provided by the City by a certificate of the General Manager or Chief Financial Officer or such other Authorized Officer, delivered at or prior to the Delivery Date, together with certain legally available funds of the City, if any, shall be applied in the following manner:

(A) An amount sufficient to pay costs of issuance of the 2019 Series C Bonds shall be deposited to the 2019C Project Account created pursuant to Section 2.10 hereof and applied to pay such costs (which any of such costs may be paid directly by the Underwriter).

(B) The amount necessary to pay the principal amount of Refunded Bonds, together with accrued interest to their respective maturity dates shall be transferred to the paying agent for

the payment of such Refunded Bonds on their redemption date or earlier maturity date in accordance with Section 2.11 hereof.

(C) The remaining proceeds shall be deposited into the 2019C Project Account hereafter created and shall be used to pay the Cost of Acquisition and Construction of the 2019 Series C Project, including by reimbursement in accordance with the provisions of Section 503 of the Master Resolution and Section 2.10 below.

**SECTION 2.10**      **2019 Project Account.** There is hereby created and established in the Construction Fund an account to be held by the City to be designated the "2019C Project Account" (the "2019C Project Account"). The 2019C Project Account shall be kept separate and apart from all other funds and accounts of the City and the moneys on deposit therein shall be withdrawn, used and applied by the City solely for the payment of the Cost of Acquisition and Construction related to the 2019 Series C Project and the costs of issuance of the 2019 Series C Bonds.

Any funds on deposit in the 2019C Project Account that, in the opinion of the City, are not immediately necessary for expenditure, as herein provided, may be invested and reinvested in Investments Securities in accordance with Section 603 of the Master Resolution. All income derived from investment of funds in the 2019C Project Account shall be deposited therein and shall be used for the payment of the Cost of Acquisition and Construction related to the 2019 Series C Project.

Any liquidated damages or settlement payments received by the City as a result of the breach by any contractor, subcontractor or supplier working on or supplying goods related to the 2019 Series C Project of any representation, warranty or performance guaranty shall be deposited 2019C Project Account and shall be used to pay costs associated with the respective project.

Upon completion of the 2019 Series C Project, notwithstanding anything in the Bond Resolution to the contrary, any amounts then remaining in the 2019C Project Account and not reserved by the City for the payment of any remaining Cost of Acquisition and Construction related to the 2019 Series C Project may be deposited into the Debt Service Account and used to pay debt service on the 2019 Series C Bonds next coming due, or to purchase or redeem 2019 Series C Bonds in the manner that the 2019 Series C Bonds are permitted to be purchased or redeemed under the terms of the Bond Resolution and this Thirty-First Supplemental Resolution, or may be used for any other lawful purpose to the extent the City receives an Opinion of Bond Counsel that such use shall not, in and of itself, cause interest on the 2019 Series C Bonds to be includable in gross income for federal income tax purposes.

**SECTION 2.11**      **Election for Redemption of the Refunded Bonds.** The City hereby elects and directs the Trustee to redeem, on the Delivery Date, the Refunded Bonds, at the applicable Redemption Prices therefor, together with accrued interest (if any) to the Delivery Date, or such later date as determined by an Authorized Officer upon the advice of the Financial Advisor.

**SECTION 2.12**      **Tax Covenants.** It is the intention of the City and all parties under its control that the interest on the 2019 Series C Bonds issued hereunder be and remain excluded from gross income for federal income tax purposes and to this end the City hereby represents to and covenants with each of the holders of the 2019 Series C Bonds issued hereunder that it will

comply with the requirements applicable to it contained in Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Code to the extent necessary to preserve the exclusion of interest on the 2019 Series C Bonds issued hereunder from gross income for federal income tax purposes. Specifically, without intending to limit in any way the generality of the foregoing, the City covenants and agrees:

(A) to the extent required by the Code, to make or cause to be made all necessary determinations and calculations of the Rebate Amount and required payments of the Rebate Amount;

(B) to set aside sufficient moneys from the Revenues to timely pay the Rebate Amount to the United States of America;

(C) to pay, at the times and to the extent required under the Code, the Rebate Amount to the United States of America from the funds described in (B) above;

(D) to maintain and retain all records pertaining to the Rebate Amount with respect to the 2019 Series C Bonds issued hereunder and required payments of the Rebate Amount with respect to the 2019 Series C Bonds for at least six years after the final maturity of the 2019 Series C Bonds or such other period as shall be necessary to comply with the Code;

(E) to refrain from taking any action that would cause the 2019 Series C Bonds issued hereunder to become arbitrage bonds under Section 148 of the Code; and

(F) to refrain from using proceeds of the 2019 Series C Bonds issued hereunder in a manner that would cause the 2019 Series C Bonds or any of them to be classified as private activity bonds under Sections 141(a) and/or 141(d) of the Code.

The City understands that the foregoing covenants impose continuing obligations of the City that will exist as long as the requirements of Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Code are applicable to the 2019 Series C Bonds.

Notwithstanding any other provision of the Bond Resolution, the obligation of the City to pay the Rebate Amount to the United States of America and to comply with the other requirements of this Section shall survive the defeasance or payment in full of the 2019 Series C Bonds.

Notwithstanding any other provision of the Bond Resolution to the contrary, (a) upon the City's failure to observe or refusal to comply with the above covenants, the Holders of the 2019 Series C Bonds, or the Trustee acting on their behalf, shall be entitled to the rights and remedies provided to Bondholders under the Bond 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 2019 Series C 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 2019 Series C Bonds, nor the Trustee acting on their behalf, shall be entitled to exercise any right or remedy provided to Bondholders under the Bond Resolution based upon the City's failure to observe, or refusal to comply with, the above covenants.

**SECTION 2.13**      **Issuance of 2019 Series C Bonds in Lieu of Those Deemed Purchased.** At such time as any 2019 Series C Bond shall be deemed to have been tendered and

sold as provided in this Thirty-First Supplemental Resolution, the City may issue a new Bond or Bonds in lieu thereof pursuant to Section 307 of the Master Resolution and the 2019 Series C Bond that is deemed purchased shall no longer be Outstanding.

**ARTICLE III**  
**INTEREST MODES; DETERMINATION OF INTEREST RATES**  
**FOR 2019 SERIES C BONDS; TENDER AND PURCHASE OF 2019 SERIES C BONDS**

**SECTION 3.01**      **Determination of Interest Modes.**      Interest Modes may be determined as follows:

(a)      **By the City.** If the 2019 Series C Bonds shall be in any Interest Mode other than the Fixed Mode, the City may, subject to clause (b) of this Section, designate a different Interest Mode or the Term Mode with an Interest Period of different duration (and, if such new Interest Mode is the Term Mode, designate the duration of the initial Interest Period thereof) for the 2019 Series C Bonds by an Officer's Certificate delivered to the other Notice Parties not less than 45 days, if the 2019 Series C Bonds are then in the Flexible Mode or Term Mode, and not less than seven (7) Business Days if the 2019 Series C Bonds are then in the Auction Mode and otherwise not less than 30 days, prior to the first day of such new Interest Mode or changed Interest Period, as the case may be (unless such shorter period of time prior thereto shall be acceptable to (1) if the 2019 Series C Bonds are then in the Auction Mode, the Auction Agent and each Broker-Dealer or (2) if the 2019 Series C Bonds are then in an Interest Mode other than the Auction Mode, the Tender Agent), stating:

(i)      **Effective Date:** the first day of the newly designated Interest Mode or Interest Period for the 2019 Series C Bonds (referred to herein as the " "), which shall be (A) if the Interest Mode then in effect for the 2019 Series C Bonds is the Auction Mode with an Auction Period other than a daily Auction Period, the second Interest Payment Date following the final Auction Date, (B) if the Interest Mode then in effect for the 2019 Series C Bonds is the Auction Mode with a daily Auction Period, the Daily Mode or the Weekly Mode, an Interest Payment Date, (C) if the Interest Mode then in effect for the 2019 Series C Bonds is the Term Mode, any day following requisite notice on which the 2019 Series C Bonds could be redeemed at the option of the City pursuant to paragraph 2 or 3 of Section 2.06 at a Redemption Price of 100% of the principal amount thereof, plus accrued interest, if any, thereon, and (D) if the Interest Mode then in effect for the 2019 Series C Bonds is the Flexible Mode, the latest Interest Payment Date for all Interest Periods thereon then in effect or any Business Day thereafter,

(ii)      **Designation:** that the City has determined that, effective on such Mode Adjustment Date, the Auction Mode, the Daily Mode, the Weekly Mode, the Flexible Mode, the Term Mode, a successive Term Mode with an Interest Period of different duration, or the Fixed Mode, as the case may be, shall take effect for the 2019 Series C Bonds, and

(iii)      **Auction Period or Interest Period:** if (A) the designated Interest Mode is the Auction Mode, the duration of the Auction Period to be in effect upon the effectiveness of such Auction Mode, which Auction Period shall be any of the Auction Periods referred to in, or permitted by, Exhibit A, or (B) the designated Interest Mode is

the Term Mode, the duration of the initial Interest Period thereof, which Interest Period shall end on the last calendar day of any March or September specified in such Officer's Certificate.

Upon (X) receipt by the other Notice Parties of such Officer's Certificate, (Y) receipt by the Tender Agent of the items referred to in paragraph 2 of Section 4.02, if applicable and (Z) the giving of the notice provided in clause (b) of Section 3.04, the Interest Mode or Interest Period, as the case may be, for the 2019 Series C Bonds shall, subject to clause (b) of this Section and Section 3.02, automatically be converted on the Mode Adjustment Date specified in such Officer's Certificate to the specified Interest Mode or Interest Period, as the case may be, without further act, unless (1) if the designated Interest Mode is any Interest Mode other than the Auction Mode, the Tender Agent or (2) if the designated Interest Mode is the Auction Mode, the Auction Agent and each Broker-Dealer shall have received, prior to the mailing of notice thereof pursuant to clause (b) of Section 3.04, an Officer's Certificate electing not to effect such conversion. The Tender Agent (if the new Interest Mode is any Interest Mode other than the Auction Mode) or the Auction Agent (if the new Interest Mode is the Auction Mode) shall promptly notify the other Notice Parties in writing of the conversion of the 2019 Series C Bonds to a new Interest Mode or Interest Period.

(b) **Limitations on Determinations.** No change to any Interest Mode or in the Interest Period for any Term Mode shall be made for the 2019 Series C Bonds by an Officer's Certificate pursuant to clause (a) of this Section, unless:

(i) **Opinion of Bond Counsel:** such Officer's Certificate is accompanied by, and in addition there is delivered to the Tender Agent (if any), the Agent Bank (if any) and the Remarketing Agent (if any) on the first day of such Interest Mode or Interest Period, as the case may be, an Opinion of Bond Counsel to the effect that such change in the Interest Mode or Interest Period, as the case may be, will not adversely affect the exclusion of interest on any 2019 Series C Bond from gross income for federal income tax purposes and is authorized by applicable law,

(ii) **Consent of Agent Bank:** if the Liquidity Facility is to remain in effect following the change in Interest Mode or Interest Period, such Officer's Certificate shall be accompanied by a written consent of the Agent Bank (if any) to such change in Interest Mode or Interest Period,

(iii) **Facility Requirement:** except in the case of a change to the Auction Mode or the Fixed Mode, the Liquidity Facility and Credit Facility, as applicable shall be in an amount at least equal to the Facility Requirement applicable to the Interest Mode to become effective,

(iv) **Qualified Interest Period:** if the Interest Mode to become effective for the 2019 Series C Bonds is the Term Mode, the duration of the first Interest Period thereof designated by such Officer's Certificate is in accordance with the provisions of Section 3.02,

(v) **Book-Entry System:** if the Interest Mode to become effective for the 2019 Series C Bonds is the Auction Mode, the 2019 Series C Bonds shall, on the Mode Adjustment Date, be a Book-Entry Only 2019 Series C Bond, and

(vi) **Interest Mode and Period.** All 2019 Series C Bonds shall be in the same Interest Mode and have the same Interest Rate Period.

(c) **Restoration of Positions.** If, after notice to any Person of any change in the Interest Mode or Interest Period for the 2019 Series C Bonds, such change may not be effected on the Mode Adjustment Date specified therefor in the Officer's Certificate designating such change because of any failure to satisfy the conditions of clause (b) of this Section, then the 2019 Series C Bonds shall remain in the Interest Mode which they are then in or remain subject to the same Interest Period as then is applicable, as the case may be; *provided, however,* that if the proposed change was from the Term Mode to any other Interest Mode and the City causes to be delivered to the Tender Agent and the Remarketing Agent an Opinion of Bond Counsel to the effect that such change in Interest Mode will not adversely affect the exclusion of interest on any 2019 Series C Bond from gross income for federal income tax purposes and is authorized by applicable law, then, so long as the Liquidity Facility or Credit Facility then in effect (taking into account any amendments being made thereto in connection therewith) shall satisfy the Facility Requirement for the Weekly Mode, the 2019 Series C Bonds shall be changed to the Weekly Mode. In any such event, the 2019 Series C Bonds shall be subject to mandatory tender as and to the extent provided in clause (c)(iii) of Section 3.06.

**SECTION 3.02 Duration of Interest Modes and Interest Periods.** The duration of Interest Modes and Interest Periods will be as follows:

(a) **Interest Modes.** Each Interest Mode for the 2019 Series C Bonds other than the Fixed Mode shall extend through the day prior to the effective date of any other Interest Mode for the 2019 Series C Bonds established in accordance with Section 3.01. Any Fixed Mode for the 2019 Series C Bonds shall extend to the stated maturity date of the 2019 Series C Bonds.

(b) **Interest Periods Generally.** No Interest Period for any 2019 Series C Bond (or portion thereof) during the Flexible Mode or the Term Mode shall extend beyond (1) the fifth (5th) Business Day preceding the Facility Expiration Date or (2) the day prior to the effective date of any other Interest Mode for the 2019 Series C Bonds to become effective pursuant to the prior Officer's Certificate given in accordance with clause (a) of Section 3.01.

(c) **Interest Periods During Auction Mode.** Each Interest Period for each 2019 Series C Bond (or beneficial ownership interest therein) while in the Auction Mode shall be the same as each Auction Period with respect thereto, which Auction Periods shall be determined in the manner to be provided in Exhibit A.

(d) **Interest Periods During Flexible Mode.** The Interest Period for each 2019 Series C Bond (or beneficial ownership interest therein) while in the Flexible Mode shall be the period determined by the Remarketing Agent, on or before the Rate Adjustment Date therefor, to be the Interest Period which, in its judgment, will produce the greatest likelihood of the lowest overall debt service costs on the 2019 Series C Bonds prior to the maturity thereof, given prevailing market conditions. The Remarketing Agent may determine different Interest Periods for different

2019 Series C Bonds (or beneficial ownership interests therein) on or before the same Rate Adjustment Date. Each Interest Period for any 2019 Series C Bond (or beneficial ownership interest therein) while in the Flexible Mode shall commence on the first day of such Flexible Mode for such 2019 Series C Bond (or beneficial ownership interest therein) or on the day immediately succeeding the immediately preceding Interest Period for such 2019 Series C Bond (or beneficial ownership interest therein) during such Flexible Mode, shall end on a day preceding a Business Day, and shall be not less than one nor more than 270 days in length. No Interest Period for any 2019 Series C Bond (or beneficial ownership interest therein) while in the Flexible Mode shall end later than the day preceding any redemption date described in paragraph 1 of Section 2.06, unless the principal amount of 2019 Series C Bonds (or beneficial ownership interests therein) with an Interest Period which ends on or prior to such preceding day is at least equal to the principal amount of 2019 Series C Bonds to be redeemed on such redemption date pursuant to said paragraph 1 of Section 2.06.

(e) **Interest Period During Term Mode.** Each Interest Period for any 2019 Series C Bond (or beneficial ownership interest therein) while in the Term Mode shall commence on the Mode Adjustment Date with respect thereto or on the day immediately succeeding the immediately preceding Interest Period for such 2019 Series C Bond during such Term Mode. The initial Interest Period of each Term Mode for the 2019 Series C Bonds shall end on the last calendar day of any March or September specified in the Officer's Certificate designating such Interest Mode pursuant to clause (a) of Section 3.01 which occurs at least one year after the effective date of such Interest Mode. Each successive Interest Period during such Term Mode shall end on the day immediately preceding the anniversary of the last Interest Payment Date for interest accrued in the immediately preceding Interest Period which occurs the same number of 12-month periods after the first day of such successive Interest Period as the number of 12-month periods or portions thereof during the initial Interest Period in such Term Mode, unless changed by Officer's Certificate pursuant to Section 3.01.

**SECTION 3.03 Determination of Interest Rates; Effectiveness Thereof.** The various interest rates for the 2019 Series C Bonds will be determined as follows, and shall be effective for the periods described below:

(a) **Auction Mode Rate.** During each Auction Mode for 2019 Series C Bonds, the Auction Mode Rates to be in effect from time to time shall be determined by the Auction Agent and notice thereof shall be given in the manner to be provided in Exhibit A, and each such Auction Mode Rate shall be effective for the Auction Period to which such Auction Mode Rate relates; *provided, however*, that in the event of a change to the Auction Mode from another Interest Mode, the Auction Mode Rate for the Auction Period commencing on the Mode Adjustment Date applicable thereto shall be determined by such Broker-Dealer as shall be specified by the City as the lowest rate which, in the judgment of such Broker-Dealer, is necessary to enable the 2019 Series C Bonds (or beneficial ownership interests therein) to be remarketed on such Mode Adjustment Date at a price (without regard to accrued interest) equal to 100% of the principal amount thereof.

(b) **Daily Rate.** During each Daily Mode for 2019 Series C Bonds, by 11:00 a.m., New York City time, on each Business Day, the Remarketing Agent shall determine the Daily Rate for the 2019 Series C Bonds by determining, in the manner described in clause (f) of this Section, the Market Rate therefor on such day, which Daily Rate shall be effective for the

Interest Period beginning on such Business Day and ending on the day preceding the next succeeding Business Day.

(c) **Weekly Rate.** During each Weekly Mode for the 2019 Series C Bonds, by 5:00 p.m., New York City time, on the last Business Day for the Remarketing Agent before the commencement of such Weekly Mode and before each succeeding Wednesday (or such other day as may be specified by the Remarketing Agent after notice to the Tender Agent and the Holders of the 2019 Series C Bonds) thereafter during such Weekly Mode, the Remarketing Agent shall determine the Weekly Rate for the 2019 Series C Bonds by determining, in the manner described in clause (f) of this Section, the Market Rate therefor on such day, which Weekly Rate shall be effective for the Interest Period beginning on Wednesday of such week and ending on the next succeeding Tuesday.

(d) **Flexible Rate.** By not later than 12:30 p.m., New York City time, on or before the first Business Day for the Remarketing Agent in each Interest Period for each 2019 Series C Bond (or beneficial ownership interest therein) which is in the Flexible Mode, the Remarketing Agent shall determine the Flexible Rate for such 2019 Series C Bond (or beneficial ownership interest therein), in each case by determining, in the manner described in clause (f) of this Section, the Market Rate therefor on such day, which Flexible Rate shall be effective for such Interest Period.

(e) **Term Rate; Fixed Rate.** On any date designated by the Remarketing Agent which is not more than 35 days preceding nor later than the last Business Day for the Remarketing Agent preceding each Interest Period for 2019 Series C Bonds during which such 2019 Series C Bonds are in the Term Mode or the Fixed Mode, the Remarketing Agent shall determine the Term Rate or the Fixed Rate, as the case may be, for the 2019 Series C Bonds by determining, in the manner described in clause (f) of this Section, the Market Rate therefor on such day, which Term Rate or Fixed Rate, as the case may be, shall be effective for such Interest Period.

(f) **Procedure for Market Rate Determination.** The Remarketing Agent shall make each determination of the Market Rate for any 2019 Series C Bond (or beneficial ownership interest therein) pursuant to this Section by determining in its judgment the minimum interest rate necessary to be borne by such 2019 Series C Bond (or beneficial ownership interest therein) for the relevant Interest Period to enable the Remarketing Agent to remarket such 2019 Series C Bond (or beneficial ownership interest therein) on the Rate Adjustment Date therefor at a price (without regard to accrued interest) equal to 100% of the principal amount thereof; *provided, however*, that in no event shall any rate so determined exceed the Maximum Rate.

If there shall be no Remarketing Agent to establish a Daily Rate for any Business Day, then the Daily Rate with respect to 2019 Series C Bond in the Daily Mode for such Business Day shall be the Maximum Rate. If there shall be a Remarketing Agent and for any reason it fails to establish a Daily Rate for any Business Day for such 2019 Series C Bond in the Daily Mode, the Daily Rate for such Business Day shall be the same as the Daily Rate for the immediately preceding day and such rate shall continue until the earlier of (A) the date on which the Remarketing Agent determines a new Daily Rate or (B) the seventh day succeeding the first such day on which such Daily Rate is not determined by the Remarketing Agent. In the event that the Daily Rate shall be held to be invalid or unenforceable by a court of law, or the Remarketing Agent fails to determine a new Daily Rate for a period of seven days as described in clause (B) of the immediately preceding

sentence (for any reason other than there not having been a Remarketing Agent), the interest rate for such Business Day shall be the interest rate per annum equal to 110% of the SIFMA Index, or if such index is no longer available, 85% of the interest rate on 30 day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal as reported for each Business Day (and for the immediately preceding Business Day for each day which is not a Business Day) until such Daily Rate is again validly determined by such Remarketing Agent.

If there shall be no Remarketing Agent to establish a Weekly Rate for any week, then the Weekly Rate with respect to 2019 Series C Bond in the Weekly Mode for such week shall be the Maximum Rate. If there shall be a Remarketing Agent and it fails to establish a Weekly Rate for any week then the Weekly Rate with respect to for such 2019 Series C Bond in the Weekly Mode for such week shall be the same as the immediately preceding Weekly Rate if such Weekly Rate was determined by the Remarketing Agent. If the immediately preceding Weekly Rate was not determined by the Remarketing Agent (for any reason other than there not having been a Remarketing Agent), or if the Weekly Rate determined by the Remarketing Agent is held to be invalid or unenforceable by a court of law, then the Weekly Rate for such week, as determined by the Remarketing Agent, shall be equal to 110% of the SIFMA Index, or if such index is no longer available, 85% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal on the day such Weekly Rate would otherwise be determined as provided herein for such Interest Period.

If the 2019 Series C Bonds are in an Interest Mode other than a Daily Mode or a Weekly Mode, if for any reason the Remarketing Agent fails to determine the Market Rate for any 2019 Series C Bond on a Rate Determination Date, or any Market Rate for any 2019 Series C Bond determined by the Remarketing Agent on a Rate Determination Date is determined by a court of competent jurisdiction to be invalid or unenforceable, then, commencing on such Rate Determination Date or the date with respect to which such court's determination shall be effective, as the case may be, such 2019 Series C Bond shall bear interest at a rate equal to one hundred percent (100%) of the SIFMA Index most recently announced on or prior to each Rate Determination Date until the next Rate Adjustment Date, provided, however, that in no event shall any such rate exceed the Maximum Rate.

**SECTION 3.04**      **Notice of Interest Rates and Interest Modes.** Notice of interest rates and Interest Modes will be given as follows:

(a)      **Notice to the Broker-Dealers, the Tender Agent, the Trustee and the City.**  
If the 2019 Series C Bonds shall be in the Auction Mode, the Auction Agent shall give notice to the City and the Trustee of each Auction Mode Rate determined pursuant to Exhibit A at the time and in the manner to be provided in Exhibit A. If the 2019 Series C Bonds shall be in any Interest Mode other than the Auction Mode, the Remarketing Agent shall give notice to the Tender Agent, the Trustee and the City, at the times determined pursuant to the next sentence, of each interest rate determination made by it pursuant to Section 3.03 and of each determination of the duration of an Interest Period for any 2019 Series C Bond in the Flexible Mode made by it pursuant to clause (d) of Section 3.02, which notice shall be in writing (including by facsimile or other electronic means) or may be by telephone, promptly confirmed in writing (including by facsimile or other electronic means). Such notice shall be given (i) if the 2019 Series C Bonds shall be in the Daily Mode, at the option of the Remarketing Agent therefor, either (A) on each Business Day,

as to the rate determined on such Business Day or (B) on (1) each Friday, as to each rate determined during the week ending on such Friday and (2) the last day of such Interest Period, as to each rate determined during the week in which such last day occurs and (ii) if the 2019 Series C Bonds shall be in the Weekly Mode, the Flexible Mode, the Term Mode or the Fixed Mode, on each day on which such rate is determined, as to the interest rate and, in the case of the Flexible Mode, the Interest Period so determined. In lieu of any notice in writing as aforesaid, the Remarketing Agent may make such information available to the Tender Agent, the Trustee and the City (as applicable) by any readily available electronic means (e.g., by posting such information on the Internet); *provided, however*, that the Remarketing Agent shall have given the Tender Agent, the Trustee and/or the City, as applicable, at least five days' prior written notice of its intention to make such information available in such manner.

(b) **Notice to Holders of 2019 Series C Bonds of Interest Modes or Interest Periods.** Not less than 15 days, if the 2019 Series C Bonds are in the Daily Mode or Weekly Mode, not less than 20 days if the 2019 Series C Bonds are in the Auction Mode, and not less than 30 days, if the 2019 Series C Bonds are in any other Interest Mode, and, in any such case, not more than 60 days, prior to (1) the effective date of a change in the Rate Determination Date for 2019 Series C Bonds in the Weekly Mode, as provided in clause (c) of Section 3.03, (2) any Mode Adjustment Date or (3) the first day of any new Interest Period for 2019 Series C Bonds in the Term Mode, the Tender Agent shall give notice to the Auction Agent (if any), the Broker-Dealers (if any), the Remarketing Agent (if any), the Agent Bank (if any), and the Holders of the 2019 Series C Bonds, stating:

(i) that the interest rate on the 2019 Series C Bonds will be converted to the Auction Mode, the Daily Mode, the Weekly Mode, the Flexible Mode, the Term Mode or the Fixed Mode, or that the duration of the Interest Period or the Rate Determination Date for such 2019 Series C Bond then in effect will be altered, as the case may be, and

(ii) the other information required by paragraph 2 of Section 3.08.

The Tender Agent shall provide a copy of each notice from the Tender Agent given pursuant to this clause (b) to each transferee, if any, of a 2019 Series C Bond to be converted to a new Interest Mode or to an Interest Period of different duration in the Term Mode that is authenticated by it on or after the date of such notice and prior to the effective date of the Interest Mode or Interest Period described therein.

(c) **Notice to Owners of 2019 Series C Bonds of Interest Rates.** The Remarketing Agent shall provide the rate of interest constituting the Daily Rate, the Weekly Rate or the Flexible Rate for the 2019 Series C Bonds, and the Tender Agent shall provide the rate of interest constituting the Term Rate or the Fixed Rate for the 2019 Series C Bonds, from time to time to each owner thereof who requests such information, by telephone or in writing (including by facsimile or other electronic means).

While in the Daily Mode or Weekly Mode, the Tender Agent shall provide to the City and the Trustee and, upon written request, to any Holder of a 2019 Series C Bond to whom such interest is due the interest rates in effect since the preceding Interest Accrual Period therefor.

**SECTION 3.05**      **Effect of Determinations.** Each designation of an Interest Mode made pursuant to Section 3.01, each determination of the duration of an Interest Period made pursuant to Section 3.02, and each determination of an Auction Mode Rate, a Daily Rate, a Weekly Rate, a Flexible Rate, a Term Rate or a Fixed Rate made pursuant to Section 3.03 shall be conclusive and binding upon (a) the City, (b) the Trustee, (c) the Auction Agent and the Broker-Dealers (if the 2019 Series C Bonds shall be in the Auction Mode), (d) the Tender Agent, the Remarketing Agent, the Agent Bank, the Liquidity Provider(s) (if any) and the Credit Facility Issuer(s) (if any) (if the 2019 Series C Bonds shall be in an Interest Mode other than the Auction Mode) and (e) the Holders of the 2019 Series C Bonds, and neither the City nor the Trustee nor the Auction Agent nor the Broker-Dealers nor the Tender Agent nor the Remarketing Agent shall have any liability to any such Person for any such determination, whether due to any error in judgment, failure to consider any information, opinion or other resource, or otherwise.

**SECTION 3.06**      **Purchase of 2019 Series C Bonds.** The Tender Agent shall effect the purchase of 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein in a principal amount equal to, and leaving untendered, an Authorized Denomination) from any Person at the Purchase Price therefor, payable in immediately available funds by the close of business on the applicable Purchase Date, but solely from and to the extent of the funds described in Section 3.10, for the account of the Persons described in paragraph 1 of Section 3.11:

(a)      **Daily Mode Tender Option:** while the 2019 Series C Bonds are in the Daily Mode, upon delivery (or deemed tender pursuant to Section 3.12) for purchase of such 2019 Series C Bonds at the option of the Holder thereof on any Business Day, endorsed in blank (or accompanied by a bond power executed in blank) to the extent of the portion to be purchased, at the office of the Tender Agent by 12:00 p.m., New York City time, on such Business Day, if notice of such tender shall have been given to the Tender Agent in strict compliance with the provisions of Section 3.07, and

(b)      **Weekly Mode Tender Option:** while the 2019 Series C Bonds are in the Weekly Mode, upon delivery (or deemed tender pursuant to Section 3.12) for purchase of such 2019 Series C Bonds at the option of the Holder thereof (or, if the 2019 Series C Bonds shall be a Book-Entry Only 2019 Series C Bond, at the option of the beneficial owner thereof) on any Business Day, endorsed in blank (or accompanied by a bond power executed in blank) to the extent of the portion to be purchased, at the office of the Tender Agent by 12:00 p.m., New York City time, on such Business Day, if notice of such tender shall have been given to the Tender Agent in strict compliance with the provisions of Section 3.07, and

(c)      **Mandatory Tender:** upon tender (or deemed tender pursuant to Section 3.12) for purchase of such 2019 Series C Bonds as required by paragraph 1 of Section 3.08:

(i)      **Expiration of Liquidity Facility or Credit Facility:** on the fifth (5th) Business Day prior to the Facility Expiration Date,

(ii)      **Substitution of Liquidity Facility or Credit Facility:** on the Substitution Date; *provided, however*, that if the City shall have delivered to the Notice Parties, by not later than the Business Day prior to the date on which the Tender Agent is required to give notice of such mandatory tender pursuant to paragraph 2 of Section 3.08, written evidence from each Rating Agency then rating the 2019 Series C Bonds to the

effect that such Rating Agency has reviewed the proposed Substitute Liquidity Facility or the substitution of one or more banks for one or more of the Liquidity Providers that are party to the Liquidity Facility then in effect, the proposed Alternate Credit Facility or the substitution of one or more Credit Facility Issuers for one or more of the Credit Facility Issuers that are party to the Credit Facility then in effect, as the case may be, and that such substitution will not result in a withdrawal, suspension or reduction in such Rating Agency's ratings on the 2019 Series C Bonds, then the 2019 Series C Bonds shall not be subject to mandatory tender for purchase on the Substitution Date,

(iii) **Interest Mode or Interest Period Changes:** on any Mode Adjustment Date designated by an Officer's Certificate pursuant to clause (a) of Section 3.01, whether or not such change to a new Interest Mode or Interest Period, as applicable, is effected,

(iv) **Rate Adjustment Dates:** on each Rate Adjustment Date while the 2019 Series C Bonds are in (A) the Flexible Mode or (B) the Term Mode,

(v) **City Option in Term Mode:** on any day while the 2019 Series C Bonds are in the Term Mode, upon delivery of an Officer's Certificate, if such 2019 Series C Bonds may then be redeemed at the option of the City pursuant to paragraph 2 or 3 of Section 2.06 at a Redemption Price of 100% of the principal amount thereof, plus accrued interest, if any, thereon; *provided, however*, that such Officer's Certificate shall be accompanied by the written consent of the Agent Bank to the 2019 Series C Bonds being so subject to mandatory tender on such date,

(vi) **Amendment to this Thirty-First Supplemental Resolution or the Bond Resolution:** on (A) any Business Day while the 2019 Series C Bonds are in the Daily Mode or Weekly Mode, (B) any Rate Adjustment Date while the 2019 Series C Bonds are in the Flexible Mode, or (C) any Business Day on which the 2019 Series C Bonds may then be redeemed at the option of the City pursuant to paragraph 2 or 3 of Section 2.06 at a Redemption Price of 100% of the principal amount thereof, plus accrued interest, if any, thereon while the 2019 Series C Bonds are in the Term Mode, in any such case, that is at least fifteen (15) days following delivery to the Notice Parties of an Officer's Certificate to the effect that the City is causing the 2019 Series C Bonds to become subject to mandatory tender in order to enable any Supplemental Resolution amending this Thirty-First Supplemental Resolution or the Bond Resolution to take effect pursuant to paragraph 2 of Section 11.05; *provided, however*, that such Officer's Certificate shall be accompanied by (X) the written consent of the Agent Bank to the 2019 Series C Bonds being so subject to mandatory tender on such date and (Y) an Opinion of Bond Counsel to the effect that such amendments are authorized or permitted by the Bond Resolution and will not cause the interest on the 2019 Series C Bonds to become includable in gross income for federal income tax purposes,

(vii) **Liquidity Facility Default:** on the fifteenth (15th) day (or if such day shall not be a Business Day, on the next preceding Business Day) after receipt by the Tender Agent of notice from the Agent Bank to the effect that an "event of default" (or similar event) on the part of the City has occurred and is continuing under the Liquidity Facility that entitles the Liquidity Provider(s) party thereto to terminate the Liquidity

Facility (or the commitment thereunder of the Liquidity Provider(s) to purchase 2019 Series C Bonds) following the honoring by the Liquidity Provider(s) of a final demand for payment thereunder to purchase all of the 2019 Series C Bonds upon the resultant mandatory tender for purchase thereof and directing the mandatory tender thereof,

(viii) **Credit Facility Default:** on the fifteenth (15th) day (or if such day shall not be a Business Day, on the next preceding Business Day) after receipt by the Tender Agent therefor of notice from the Agent Bank therefor to the effect that an "event of default" (or similar provision) on the part of the City has occurred and is continuing under the Credit Facility therefor, and directing such Tender Agent to make a draw or request for funding, as the case may be, under such Credit Facility to effect a mandatory tender of all of the 2019 Series C Bonds of such series, and

(ix) **Upon Purchase in Lieu of Prepayment:** The 2019 Series C Bonds shall, upon the written consent of the Liquidity Provider, be subject to mandatory tender for purchase if in accordance with Section 2.06 hereof the City gives written direction to the Tender Agent not less than ten (10) days prior to a prepayment date under Sections 2.06 herein (other than scheduled Sinking Fund Installments), to purchase the 2019 Series C Bonds rather than redeem them on such date and such purchase shall be made on the date the 2019 Series C Bonds are otherwise scheduled to be redeemed and upon such purchase such 2019 Series C Bonds shall not be required to be cancelled by the Trustee.

**SECTION 3.07 Optional Tender of 2019 Series C Bonds for Purchase.** Notice (which notice shall be irrevocable and effective upon receipt) of the tender of any 2019 Series C Bond (or portion thereof) for purchase pursuant to clause (a) or (b) of Section 3.06 shall be delivered by the Holder (or, if the 2019 Series C Bonds are Book-Entry Only 2019 Series C Bonds, by the Beneficial Owner through its DTC Participant in the Securities Depository) to the Tender Agent at its notice addresses and shall be in form satisfactory to the Tender Agent and shall specify the principal amount (or portion thereof) of such 2019 Series C Bond so to be purchased, the Purchase Date therefor, and the name of the Holder thereof (or, if such 2019 Series C Bond is a Book-Entry Only 2019 Series C Bond, the name and number of the account to which such beneficial ownership interest in the 2019 Series C Bonds is credited by the Securities Depository) and shall be given by the Holder thereof or such Holder's attorney-in-fact duly authorized in writing or, if such 2019 Series C Bond is a Book-Entry Only 2019 Series C Bond, by the beneficial owner thereof or such owner's attorney-in-fact duly authorized in writing, to:

(a) **Daily Mode:** the Tender Agent by 11:00 a.m., New York City time, on such Purchase Date, if such 2019 Series C Bond is in the Daily Mode, by telephone, facsimile or other electronic means, and

(b) **Weekly Mode:** the Tender Agent by 5:00 p.m., New York City time, on a Business Day which is at least seven calendar days prior to such Purchase Date, if such 2019 Series C Bond is in the Weekly Mode, in writing (including by facsimile or other electronic means).

Holders (or, if the 2019 Series C Bonds are Book-Entry Only 2019 Series C Bonds, the Beneficial Owner) of 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) that have elected to require purchase as provided above will be deemed, by such election, to have agreed irrevocably to sell the 2019 Series C Bonds (or portions thereof or beneficial

ownership interests therein) to any purchaser determined in accordance with the provisions of Section 3.10 and paragraph 1 of Section 3.11, on the Purchase Date at the Purchase Price therefor, and will be required to deliver (or cause to be delivered) such tendered 2019 Series C Bonds (or portions thereof) to the office of the Tender Agent by 12:00 p.m., New York City time, on the Purchase Date, endorsed in blank (or accompanied by a bond power executed in blank).

The delivery of such optional tender notice shall automatically constitute (A) an irrevocable offer to sell the 2019 Series C Bonds or beneficial interest (or portion thereof) to which the notice relates on the purchase date at the Purchase Price, (B) an irrevocable authorization and instruction to the Tender Agent to effect transfer of such 2019 Series C Bonds (or portion thereof) upon payment of the purchase price to the Paying Agent on the purchase date, (C) an agreement of such owner (or beneficial owner through its participation in the Securities Depository) to make arrangements to deliver and transfer such 2019 Series C Bonds or beneficial interest being tendered, with all necessary endorsements for transfer and signature guarantees, by delivery to the Paying Agent at its designated payment office in accordance with the terms of this Thirty-First Supplemental Resolution, on the purchase date, or by causing its Direct Participant to transfer its interest in the 2019 Series C Bonds equal to such beneficial owner's interest on the records of the Securities Depository to the participant account of the Paying Agent or its agent with the Securities Depository, and (D) an acknowledgment that such owner will have no further rights with respect to such 2019 Series C Bonds (or portion thereof) upon payment of the Purchase Price thereof to the Paying Agent on the purchase date, except for the right of such owner to receive such Purchase Price upon delivery of such 2019 Series C Bonds to the Paying Agent, and that after the purchase date such owner will hold any undelivered bond certificate as agent for the Paying Agent.

Promptly upon receipt of such notice in respect of 2019 Series C Bonds (or portions thereof), the Tender Agent shall give notice by telephone, promptly confirmed in writing (including by facsimile or other electronic means) to the City, the Remarketing Agent and the Agent Bank, specifying the principal amount of the 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) so tendered for purchase and the Purchase Date for such 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein).

The determination of the Tender Agent as to whether a notice of tender has been properly delivered pursuant to the foregoing shall be conclusive and binding upon the Holders.

While the 2019 Series C Bonds are Book-Entry Only 2019 Series C Bonds, on the same date as delivery of the notice described above, a Beneficial Owner shall also require its DTC Participant in the Securities Depository to deliver to the Securities Depository a notice irrevocably instructing it to transfer on the registration books of the Securities Depository the beneficial ownership interests in the 2019 Series C Bond being tendered to the account of the Tender Agent, for settlement on the purchase date as described in clause (3) above on a "free delivery" basis, with a copy of such notice delivered to the Paying Agent on the same date.

So long as any Liquidity Facility, which is not a Letter of Credit, is in effect with the respect to the 2019 Series C Bonds, notwithstanding anything to the contrary herein, so long as the 2019 Series C Bonds are rated by S&P, if the long term rating of the 2019 Series C Bonds is reduced to below "BBB-" by S&P, the right of holders to tender 2019 Series C Bonds for remarketing shall be suspended until such time as the long term rating on such 2019 Series C Bonds is at least "BBB-" by S&P.

**SECTION 3.08 Mandatory Tender of 2019 Series C Bonds for Purchase.** 1.

*Mandatory Tender.* Each Holder of a 2019 Series C Bond (or portion thereof or beneficial ownership interest therein) upon notice given by the Tender Agent pursuant to paragraph 2 of this Section 3.08 and, if in the Flexible Mode or the Term Mode, on each Rate Adjustment Date therefor, shall tender, and in any event shall be deemed to have tendered, to the Tender Agent as agent for the Persons which purchase the same pursuant to Section 3.10 and paragraph 1 of Section 3.11, such 2019 Series C Bond (or portion thereof or beneficial ownership interest therein) as shall become subject to mandatory tender for purchase pursuant to clause (c) of Section 3.06.

Holders (or, if applicable, beneficial owners) of 2019 Series C Bonds (or beneficial ownership interests therein) will be deemed to have agreed irrevocably to sell 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) subject to mandatory tender for purchase to any purchaser determined in accordance with the provisions of Section 3.10 and paragraph 1 of Section 3.11, on the date fixed for purchase at the Purchase Price therefor, and will be required to deliver (or cause to be delivered) such tendered 2019 Series C Bonds (or portions thereof) to the office of the Tender Agent by 12:00 p.m., New York City time, on the Purchase Date, endorsed in blank (or accompanied by a bond power executed in blank).

2. **Notice.** The Tender Agent shall give notice of each Purchase Date for 2019 Series C Bonds described in clause (c) of Section 3.06 (except clauses (c)(iv)(A) and (c)(vii) thereof) to the City, the Agent Bank, the Remarketing Agent and each Holder of 2019 Series C Bonds by mail, first-class postage prepaid, not less than 15 days, if such 2019 Series C Bonds are in the Daily or Weekly Mode, not less than 30 days, if such 2019 Series C Bonds are in the Term or Flexible Mode, and in either case not more than 60 days preceding such Purchase Date. The Tender Agent shall give notice of any Purchase Date for 2019 Series C Bonds described in clause (c)(vii) of Section 3.06 to the City, the Agent Bank, the Remarketing Agent and each Holder of 2019 Series C Bonds by mail, first-class postage prepaid, as promptly as practicable following receipt by it of the notice from the Agent Bank referred to in said clause (c)(vii). Each such notice shall state:

(a) the date of such Purchase Date,

(b) that each 2019 Series C Bond (or portion thereof) not tendered for purchase pursuant to clause (c) of Section 3.06 by 12:00 p.m., New York City time, on such Purchase Date shall be deemed to have been tendered for purchase on such Purchase Date at the Purchase Price therefor, and that, if due provision is made for the payment of such Purchase Price on such Purchase Date, such Holder shall not be entitled to any payment (including any interest accrued subsequent thereto) in respect of such 2019 Series C Bond (or portion thereof) other than the Purchase Price for such 2019 Series C Bond (or portion thereof) and, unless such Purchase Price shall include accrued interest thereon to such Purchase Date, such accrued interest,

(c) the time and place for the tender of such 2019 Series C Bond (or portion thereof) and the then current name and address of the Tender Agent, and

(d) if applicable, the matters described in clause (b) of Section 3.04.

**SECTION 3.09 Remarketing of 2019 Series C Bonds.** 1. The Remarketing Agent shall offer for sale for the account of the respective owners thereof and use its best efforts to sell an aggregate principal amount of 2019 Series C Bonds equal to the aggregate principal amount of

2019 Series C Bonds which are required to be tendered for purchase pursuant to Section 3.06 hereof, at a price equal to the Purchase Price thereof, on the Purchase Date of such 2019 Series C Bonds or as soon thereafter as possible, without selling any such 2019 Series C Bonds at a discount or a premium; provided, however, the Remarketing Agent shall not remarket 2019 Series C Bonds (x) to the City, or (y) upon a mandatory tender pursuant to Section 3.06(c)(i) or (vii), or unless consented to by the Agent Bank, under Section 3.06(c)(viii).

2. By not later than 12:00 p.m., New York City time, on each Purchase Date for 2019 Series C Bonds, the Remarketing Agent shall give the Tender Agent notice by telephone, facsimile or other electronic means of the principal amount of such 2019 Series C Bonds tendered for purchase or deemed tendered on such Purchase Date that the Remarketing Agent has been able to remarket by such time.

3. If the Remarketing Agent is able to sell all or any portion of the 2019 Series C Bonds described in paragraph 1 of this Section at the price described in such paragraph, the Remarketing Agent shall cause the proceeds of the sale of such 2019 Series C Bonds to be transferred to the Tender Agent, by 12:15 p.m., New York City time, on such Purchase Date, in immediately available funds, for deposit in the 2019 Series C Bond Remarketing Proceeds Account in the 2019 Series C Bond Purchase Fund.

**SECTION 3.10**      **Purchase of Tendered 2019 Series C Bonds.** The Tender Agent shall apply the money in the 2019 Series C Bond Purchase Fund on and after each Purchase Date to pay the Purchase Price of 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) tendered pursuant to Section 3.06 from the following sources in the following order of priority:

(a) first, from proceeds of the remarketing of such 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) deposited to the 2019 Series C Bond Remarketing Proceeds Account in the 2019 Series C Bond Purchase Fund on such Purchase Date, and

(b) second, from amounts drawn under or derived from the Liquidity Facility pursuant to Section 4.01 and deposited to the 2019 Series C Bond Liquidity Proceeds Account in the 2019 Series C Bond Purchase Fund on such Purchase Date.

Upon tender for purchase of any 2019 Series C Bond (or portion thereof) on the Purchase Date therefor or of any Untendered 2019 Series C Bond on or after the Purchase Date therefor in accordance with Section 3.06, endorsed in blank (or accompanied by a bond power executed in blank) to the extent of the portion to be purchased, the Tender Agent shall pay to the Holder of such 2019 Series C Bond (or portion thereof) or such Untendered 2019 Series C Bond the Purchase Price therefor on behalf of the purchaser thereof specified in paragraph 1 of Section 3.11 from funds available for such purchase held in the applicable account in the 2019 Series C Bond Purchase Fund.

Upon tender for purchase or deemed tender for purchase of any beneficial ownership interest in a Book-Entry Only 2019 Series C Bond to be purchased in accordance with Section 3.06, the Tender Agent shall pay to the Securities Depository, for credit to the account to which such beneficial ownership interest is credited, the Purchase Price therefor on behalf of the

purchaser thereof specified in paragraph 1 of Section 3.11 from funds available for such purchase held in the applicable account in the 2019 Series C Bond Purchase Fund, in each such case, by 5:00 p.m., New York City time, on the date of such payment.

The Tender Agent shall hold all money delivered to it hereunder and deposited (or required to be deposited) to the applicable account in the 2019 Series C Bond Purchase Fund for the purchase of 2019 Series C Bonds (or portions thereof) in trust solely for the benefit of the respective Persons which shall have so delivered such money until the 2019 Series C Bonds (or portions thereof) purchased with such money are delivered pursuant to paragraph 2 of Section 3.11 and, thereafter, for the benefit of the Persons to whom such money is to be paid hereunder, in each such case, by 5:00 p.m., New York City time, on the date of such payment.

Except with respect to a 2019 Series C Bank Bond in accordance with the Liquidity Facility Agreement or Reimbursement Agreement and Section 5.04 hereof, the City shall not be obligated to provide funds for the payment of the Purchase Price of 2019 Series C Bonds upon any tender.

**SECTION 3.11 Disposition of Tendered 2019 Series C Bonds.** 1. **Purchasers of Tendered 2019 Series C Bonds.** 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) tendered or deemed tendered pursuant to Section 3.06, the Purchase Price for which has been paid pursuant to Section 3.10, shall be purchased:

(a) by the Persons to whom such 2019 Series C Bonds (or portions thereof) have been remarketed, to the extent the Purchase Price for such 2019 Series C Bonds has been paid pursuant to clause (a) of the first paragraph of Section 3.10; and

(b) by the Tender Agent, as custodian, to the extent the Purchase Price therefor is paid from amounts drawn under or derived from the Liquidity Facility pursuant to clause (b) of the first paragraph of Section 3.10.

2. **Delivery of Purchased 2019 Series C Bonds.** Whenever any 2019 Series C Bond (or portion thereof), other than a beneficial ownership interest in a Book-Entry Only 2019 Series C Bond, tendered or deemed tendered pursuant to Section 3.06 is purchased pursuant to Section 3.10 and paragraph 1 of this Section 3.11, the City shall execute, and the Tender Agent shall authenticate and deliver, in the name of the Person deemed to have purchased the same or its designee, one or more new 2019 Series C Bonds of any Authorized Denomination and of a like aggregate principal amount. Whenever any beneficial ownership interest in a Book-Entry Only 2019 Series C Bond tendered or deemed tendered pursuant to Section 3.06 is purchased pursuant to Section 3.10 and paragraph 1 of this Section 3.11, the Tender Agent shall cause such beneficial ownership interest to be credited to the account at the Securities Depository of (a) the Liquidity Provider(s) or any nominee or nominees thereof, as pledgee, in the case of beneficial ownership interests purchased by the Tender Agent with amounts drawn under or derived from the Liquidity Facility, and (b) otherwise, the Person deemed to have purchased the same or any nominee thereof specified by such Person, subject in each instance to Section 2.06 herein. Notwithstanding anything in this paragraph 2 to the contrary, no 2019 Series C Bond (or portion thereof) shall be released by the Tender Agent (and the Tender Agent shall not cause the transfer of the beneficial ownership of any Book-Entry Only 2019 Series C Bond to any Person) if (x) such 2019 Series C Bond (or portion thereof or beneficial ownership interest therein) was purchased with funds drawn under or derived from the Liquidity Facility, and (y) the limit of the obligations of the Liquidity

Provider(s) thereunder was thereby reduced, until the limit of the obligations of the Liquidity Provider(s) under the Liquidity Facility has been reinstated to an amount equal to the Facility Requirement.

3. **Tendered 2019 Series C Bonds to be Held in Trust.** The Tender Agent shall hold all 2019 Series C Bonds or portions thereof (or beneficial interests therein) delivered to it hereunder in trust solely for the benefit of the respective Persons who have so delivered such 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) until money representing the Purchase Price of such 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) shall have been delivered to or for the account of or to the order of such Persons.

4. **Agency; No Extinguishment.** In carrying out its responsibilities with respect to the purchase of 2019 Series C Bonds under Sections 3.06 through 3.12, the Tender Agent shall be acting solely as the agent of the Holders or owners from time to time of the 2019 Series C Bonds tendered or deemed tendered pursuant to Section 3.06 and of the Persons purchasing the same pursuant to Section 3.10 and paragraph 1 of Section 3.11, respectively. No delivery of 2019 Series C Bonds to the Tender Agent or purchase of 2019 Series C Bonds by the Tender Agent pursuant to Sections 3.06 through 3.12 shall constitute a redemption of 2019 Series C Bonds or other extinguishment of the debt evidenced thereby.

**SECTION 3.12 Untendered 2019 Series C Bonds; Book-Entry Only 2019 Series C Bonds.** Any 2019 Series C Bond (or portion thereof):

(a) for which notice of tender thereof on any Purchase Date is given in accordance with Section 3.07, but which is not tendered for purchase by the applicable time, on such Purchase Date, or

(b) which is required to be but which is not tendered for purchase by 12:00 p.m., New York City time, on any Purchase Date determined pursuant to clause (c) of Section 3.06 (such 2019 Series C Bonds (or portions thereof) being referred to herein as "Untendered 2019 Series C Bonds") shall, upon deposit in the applicable account in the 2019 Series C Bond Purchase Fund of an amount sufficient to pay the Purchase Price of such 2019 Series C Bond (or portion thereof) on such Purchase Date, be deemed to have been tendered and sold on such Purchase Date to the Person specified in paragraph 1 of Section 3.11, and thereafter (1) the Person who has failed to deliver such 2019 Series C Bond (or portion thereof) shall not be entitled to any payment (including any interest accrued subsequent to such Purchase Date) in respect thereof other than the Purchase Price for such 2019 Series C Bond (or portion thereof) and, unless such Purchase Price shall include accrued interest thereon to such Purchase Date, such accrued interest, and such Untendered 2019 Series C Bond shall no longer be entitled to the benefit of the Bond Resolution, except for the purpose of payment of the Purchase Price therefor and such accrued interest, if any, and (2) the City shall execute, and the Registrar shall authenticate and deliver, in the name of the Person specified in paragraph 1 of Section 3.11, one or more new 2019 Series C Bonds of any Authorized Denomination and of a like aggregate principal amount.

To the extent permitted pursuant to the procedures of the Securities Depository, any beneficial ownership interest in a Book-Entry Only 2019 Series C Bond for which notice of tender thereof on any Purchase Date is given in accordance with Section 3.07 or which is required to be

tendered for purchase pursuant to paragraph 1 of Section 3.08 shall be deemed tendered to the Tender Agent endorsed in blank when the Securities Depository or any direct or indirect participant in its depository system which owns such beneficial ownership interest as nominee for the beneficial owner thereof shall have received sufficient instructions from the Person to whose account at the Securities Depository or participant such beneficial ownership interest is credited to transfer such beneficial ownership interest to the account of the Tender Agent and such transfer is effected, and payment of the Purchase Price of such beneficial ownership interest shall be deemed to be made when the Tender Agent gives sufficient instructions to (while maintaining sufficient funds at or delivering such funds to) the Securities Depository or such participant to credit such Purchase Price to the account of such Person at the Securities Depository or such participant.

**ARTICLE IV**  
**LIQUIDITY FACILITY; DRAWINGS THEREUNDER;**  
**SUBSTITUTE LIQUIDITY FACILITIES**

**SECTION 4.01      Drawings to Make Payments of Purchase Price.** 1. The Tender Agent shall present all drafts, demands and other documents and give such notices and do all such other acts as may be required by the Liquidity Facility (in the manner and to the extent therein permitted and by the time required thereby) to cause a draw on or request for funding under, as applicable, the Liquidity Facility in an amount sufficient to purchase at the Purchase Price, on each Purchase Date, all 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) (other than any 2019 Series C Bonds registered in the name of or held for the benefit of the City) (i) that are required to be purchased pursuant to Sections 3.06 through 3.12 on such Purchase Date and (ii) for which the Purchase Price thereof has not been paid (as provided by Section 3.12 or otherwise) or deposited in immediately available funds to the 2019 Series C Bond Remarketing Proceeds Account in the 2019 Series C Bond Purchase Fund from the proceeds of the remarketing of such 2019 Series C Bonds by 12:15 p.m., New York City time, on such Purchase Date.

2. On each Purchase Date, the Tender Agent shall give notice to the City by telephone, promptly confirmed in writing (including by facsimile or other electronic means) specifying the Purchase Price of the 2019 Series C Bonds to be purchased pursuant to or with funds drawn or claimed under the Liquidity Facility on such date. All funds drawn or claimed under the Liquidity Facility by the Tender Agent to pay the Purchase Price of 2019 Series C Bonds shall be credited to the 2019 Series C Bond Liquidity Proceeds Account in the 2019 Series C Bond Purchase Fund and applied in accordance with this Thirty-First Supplemental Resolution.

**SECTION 4.02      Extension of Term of Liquidity Facility; Substitution of Liquidity Facilities; Surrender of Liquidity Facility.** 1. If, at any time, the City shall obtain a renewal or extension of the Liquidity Facility then in effect (or a written commitment which evidences such renewal or extension) on substantially the same terms, unless the Agent Bank already shall have given notice thereof, the City shall promptly give notice to the other Notice Parties of such renewal or extension, and the Tender Agent shall promptly give notice thereof to the Holders of the 2019 Series C Bonds. Any such renewal or extension shall not constitute substitution of a Liquidity Facility.

2. At any time prior to the giving by the Tender Agent, pursuant to paragraph 2 of Section 3.08, of notice of the mandatory tender of the 2019 Series C Bonds as a result of the

expiration of the Liquidity Facility then in effect, the City may deliver to the Tender Agent a Substitute Liquidity Facility supporting the 2019 Series C Bonds in an amount at least equal to the Facility Requirement, which Substitute Liquidity Facility shall be accompanied by (i) an Opinion of Bond Counsel to the effect that the substitution of such Substitute Liquidity Facility for the Liquidity Facility then in effect is authorized or permitted by the Bond Resolution and will not cause the interest on the 2019 Series C Bonds to become includable in gross income for federal income tax purposes of the Owners thereof, (ii) either (A) written evidence from each Rating Agency then rating the 2019 Series C Bonds to the effect that such Rating Agency has reviewed the proposed Substitute Liquidity Facility and stating the ratings of the 2019 Series C Bonds after substitution of such Substitute Liquidity Facility or (B) a statement of an Authorized Officer of the City that no ratings have been obtained, (iii) if such Substitute Liquidity Facility is other than a Letter of Credit issued by a domestic commercial bank, an opinion of counsel to the effect that no registration of the 2019 Series C Bonds or such Substitute Liquidity Facility is required under the Securities Act of 1933, as amended, (iv) an opinion of counsel satisfactory to an Authorized Officer of the City to the effect that such Substitute Liquidity Facility is a valid and enforceable obligation of the issuer or provider thereof, and (v) all information required to give (X) notice of mandatory tender for purchase of the 2019 Series C Bonds if required by paragraph 2 of Section 3.08 or (Y) the notice required by paragraph 4 of this Section 4.02, if applicable. In such event, the Tender Agent shall accept such Substitute Liquidity Facility, which shall become effective with respect to the 2019 Series C Bonds on the Substitution Date therefor. Promptly following such Substitution Date, the Tender Agent shall surrender the Liquidity Facility so substituted to the Agent Bank with respect to such Liquidity Facility, for cancellation in accordance with its terms, or shall deliver any document necessary to terminate such Liquidity Facility.

Notwithstanding anything to the contrary contained herein, if, on any Substitution Date, (a) a Substitute Liquidity Facility is being substituted for the Liquidity Facility then in effect, (b) any 2019 Series C Bonds (or portions thereof or beneficial interests therein) shall be subject to tender for purchase and (c) the Tender Agent shall not have received remarketing proceeds in an amount sufficient to pay the Purchase Price of all 2019 Series C Bonds (or portions thereof or beneficial interests therein) so subject to tender for purchase, then the Tender Agent shall make a draw on or request for funding under, as applicable, such Liquidity Facility then in effect in order to obtain funds for the purchase of such 2019 Series C Bonds (or portions thereof or beneficial interests therein) so subject to tender for purchase as to which it shall not have received proceeds of the remarketing thereof.

3. Notwithstanding any other provision of the Bond Resolution or this Thirty-First Supplemental Resolution, the City may determine to deliver more than one Liquidity Facility pursuant to paragraph 2 of this Section 4.02. In such event, (a) the City shall take such actions (including, without limitation, obtaining such additional CUSIP number(s) for the 2019 Series C Bonds) as shall be necessary to identify separately the 2019 Series C Bonds (or beneficial ownership interests therein) to be supported by each such Liquidity Facility and (b) each such Liquidity Facility shall be in a stated amount, or the aggregate commitment of the Liquidity Provider(s) thereunder shall be, at least equal to the Facility Requirement calculated with respect to the particular portion of the 2019 Series C Bonds supported thereby. In the event more than one Liquidity Facility shall be delivered as aforesaid (a) each such Liquidity Facility shall be applicable only to the particular 2019 Series C Bonds to which such Liquidity Facility relates, determined as aforesaid, (b) any reference herein to "the Agent Bank" or the "the Liquidity Provider(s)" shall be deemed to refer to the appropriate Agent Bank or the appropriate Liquidity Provider(s) or all such

Agent Banks or Liquidity Providers, as the case may be, as the context may require and (c) any reference herein to "the Liquidity Facility" shall be deemed to refer to the Liquidity Facility to which the appropriate Agent Bank and/or the appropriate Liquidity Provider(s) is (or are) a party, or all such Liquidity Facilities, as the context may require.

4. In the event that the 2019 Series C Bonds shall be in the Daily Mode or the Weekly Mode, if, in connection with the substitution of one or more banks for one or more of the Liquidity Providers that are party to the Liquidity Facility then in effect or the substitution of a Substitute Liquidity Facility for the Liquidity Facility then in effect, as the case may be, the 2019 Series C Bonds shall not be subject to mandatory tender for purchase on a Substitution Date, as provided in the proviso contained in clause (c)(ii) of Section 3.06, the Tender Agent shall give notice as hereinafter provided to the Holders of the 2019 Series C Bonds by mail, first-class, postage prepaid, not less than 15 and not more than 60 days preceding the Substitution Date of such substitution. Such notice shall (a) state the Substitution Date on which such substitution is expected to become effective; (b) contain a description of (i) the new bank(s) or (ii) such Substitute Liquidity Facility and the Liquidity Provider(s) that is (or are) the issuer or provider thereof, as the case may be; and (c) state that if any Holder of a 2019 Series C Bond (or, if such 2019 Series C Bond is a Book-Entry Only 2019 Series C Bond, any beneficial owner thereof) does not desire to continue to hold such 2019 Series C Bond (or beneficial ownership interest therein) following such substitution, such Holder (or beneficial owner) must give notice of the tender of such 2019 Series C Bond (or beneficial ownership interest therein) by the time and in the manner provided in Section 3.07. In addition, the Tender Agent shall provide a copy of such notice to each transferee, if any, of a 2019 Series C Bond that is authenticated by it on or after the date of the giving of such notice and prior to such Substitution Date.

5. In the event that the 2019 Series C Bonds shall be in the Daily Mode, the Weekly Mode or the Flexible Mode, if, in connection with the substitution of one or more banks for one or more of the Liquidity Providers that are party to the Liquidity Facility then in effect or the substitution of a Substitute Liquidity Facility for the Liquidity Facility then in effect, as the case may be, the Remarketing Agent shall remarket any 2019 Series C Bond (or portion thereof or beneficial interest therein) prior to such Substitution Date, the Remarketing Agent shall advise the purchaser of such Bond (or portion thereof or beneficial interest therein) that the new bank or banks (and not such Liquidity Provider(s) that are party to such Liquidity Facility then in effect) or the issuer or provider of such Substitute Liquidity Facility (and not such issuer or provider of such Liquidity Facility then in effect), as the case may be, shall be responsible for providing liquidity support for 2019 Series C Bonds tendered or deemed tendered for purchase from and after such Substitution Date.

6. In connection with the delivery of any Substitute Liquidity Facility permitted pursuant to paragraph 2 of this Section, the City shall be authorized to amend the provisions of this Thirty-First Supplemental Resolution if and to the extent necessary to give effect to such Substitute Liquidity Facility (including, without limitation, any amendments that are necessary or desirable in connection with the provision by the City of more than one such Substitute Liquidity Facility, as permitted by paragraph 3 of this Section 4.02). Notwithstanding the foregoing, no such amendment shall be or become effective unless the City shall have received an Opinion of Bond Counsel to the effect that such amendment (a) is authorized or permitted by the Bond Resolution, (b) will not cause the interest on the 2019 Series C Bonds to become includable in gross income

for federal income tax purposes and (c) will not adversely affect the rights of the Holders of the 2019 Series C Bonds.

7. Promptly following the conversion of the 2019 Series C Bonds to the Auction Mode or the Fixed Mode, the Tender Agent shall surrender the Liquidity Facility to the Agent Bank for cancellation in accordance with its terms, or shall deliver any document necessary to terminate the Liquidity Facility.

8. If the Liquidity Facility shall be deemed hereunder to also be a Credit Facility, the provisions of paragraph 2 of this Section 4.02 shall not apply and paragraph 3 of Section 7.06 hereof shall apply in lieu thereof.

## **ARTICLE V**

### **2019 SERIES C BANK BONDS**

**SECTION 5.01 Remarketing of 2019 Series C Bank Bonds.** 1. With respect to each particular 2019 Series C Bank Bond, the Remarketing Agent shall use its best efforts to remarket such 2019 Series C Bank Bond at a price equal to the principal amount thereof plus, in the event the 2019 Series C Bonds (other than 2019 Series C Bank Bonds) are subject to an Interest Mode other than the Flexible Mode, accrued interest, if any, to the date of such remarketing (computed in accordance with the provisions of paragraph 3 of this Section 5.01); provided, however, that the Remarketing Agent shall not remarket the 2019 Series C Bank Bonds upon a mandatory tender pursuant to Section 3.06(c)(i) or (vii) or unless consented by the Agent Bank, under Section 3.06(c)(viii).

2. In attempting to remarket any 2019 Series C Bank Bond, the Remarketing Agent shall treat such 2019 Series C Bank Bond for all purposes as if it were governed by the Interest Mode which governs the 2019 Series C Bonds (other than 2019 Series C Bank Bonds).

3. Unless otherwise provided in a Liquidity Facility, by becoming a Holder or beneficial owner of a 2019 Series C Bank Bond, the Liquidity Provider(s) agree to transfer (or cause any nominee(s) or transferee(s) thereof to transfer) such Bond to any Person to whom such Bond is remarketed by or through the Remarketing Agent, but only, however, against receipt of a purchase price therefor equal to the principal amount thereof plus, in the event the 2019 Series C Bonds (other than 2019 Series C Bank Bonds) are subject to an Interest Mode other than the Flexible Mode, accrued interest, if any, to the date of such remarketing, with such accrued interest being computed at the 2019 Series C Bond Rate or Rates in effect for the period beginning on the later of (i) the Liquidity Provider Purchase Date with respect to such 2019 Series C Bank Bond and (ii) the most recent Interest Payment Date relating to such 2019 Series C Bank Bond on which interest accrued on such Bond has been paid in full and ending on the day preceding the day of such remarketing. If more than one 2019 Series C Bank Bond shall be owned by the Liquidity Provider(s) (or any nominee(s) or transferee(s) thereof), the Tender Agent, in its sole discretion, shall select the particular 2019 Series C Bank Bond(s) that are so remarketed. If a 2019 Series C Bank Bond is transferred by the Liquidity Provider(s) (or any nominee(s) or transferee(s) thereof) in accordance with the second preceding sentence, the City agrees to pay to the Agent Bank, for the account of the Liquidity Provider(s), or to such transferee(s), as the case may be, on the date of such remarketing, the amount of interest, if any, resulting from the Bank Rate or Rates in effect from time to time during the period referred to in the second preceding sentence being in excess

of such 2019 Series C Bond Rate or Rates in effect during such period (said amount being referred to herein as the "Differential Interest Amount"). Any sale of a 2019 Series C Bank Bond pursuant to this Section 5.01(3) shall be without recourse to or warranty by the Agent Bank. In the event that the Liquidity Provider(s) is (or are) entitled (pursuant to its (or their) Liquidity Facility) to elect not to so transfer any such 2019 Series C Bond, and the Liquidity Provider(s) so elect, the Tender Agent shall, upon notice thereof from the Agent Bank, promptly notify the City and the Remarketing Agent of such fact by telephone, promptly confirmed in writing (including by facsimile or other electronic means), and such 2019 Series C Bond thereupon shall cease to be a 2019 Series C Bank Bond.

4. In the event that the Remarketing Agent shall identify a purchaser for any 2019 Series C Bank Bond pursuant to the provisions of paragraph 1 of this Section, the Remarketing Agent shall give notice thereof to the Tender Agent, which notice shall specify the principal amount of the 2019 Series C Bank Bond(s) for which the Remarketing Agent has identified a purchaser and the purchase price thereof (which shall be the principal amount thereof plus, in the event the 2019 Series C Bonds (other than 2019 Series C Bank Bonds) are subject to an Interest Mode other than the Flexible Mode, accrued interest, if any, to the date of the proposed remarketing thereof (computed in accordance with the provisions of paragraph 3 of this Section 5.01)). If such notice shall be given by 12:30 p.m., New York City time, on a Business Day, then the date of the giving of such notice shall be the date of such remarketing. If such notice shall be given after 12:30 p.m., New York City time, on a Business Day, then the next succeeding Business Day shall be the date of such remarketing. Promptly following the receipt of any such notice, the Tender Agent shall notify the City and the Agent Bank thereof by telephone, promptly confirmed in writing (including by facsimile or other electronic means), which notice shall specify the principal amount of the 2019 Series C Bank Bond(s) for which the Remarketing Agent has identified a purchaser, and the purchase price thereof.

5. Except in a case where the Liquidity Provider(s) shall have elected not to sell any 2019 Series C Bank Bond as permitted by paragraph 3 of this Section 5.01, by not later than 2:30 p.m., New York City time, on the remarketing date for any 2019 Series C Bank Bond(s) for which the Remarketing Agent has identified a purchaser, in exchange for possession of such 2019 Series C Bond(s), the Remarketing Agent shall deliver or cause to be paid, in immediately available funds, to the Tender Agent for deposit in the 2019 Series C Bond Remarketing Proceeds Account, the purchase price for such 2019 Series C Bank Bond(s).

6. Notwithstanding anything to the contrary contained herein, in the event that any 2019 Series C Bank Bonds shall be Outstanding following the conversion of the 2019 Series C Bonds to the Auction Mode, all references in this Section 5.01 to the "Remarketing Agent" shall be deemed to refer to the Broker-Dealers, and all references in this Section 5.01 to the "remarketing" of any such 2019 Series C Bank Bonds shall be deemed to refer to the transfer of 2019 Series C Bonds in accordance with the Auction Procedures.

**SECTION 5.02 Interest on 2019 Series C Bank Bonds.** 1. Unless otherwise provided in the Liquidity Facility therefor, each 2019 Series C Bank Bond shall bear interest from and including the Liquidity Provider Purchase Date with respect thereto to but not including the earliest of (a) the date (if any) on which such 2019 Series C Bank Bond is remarketed as provided in Section 5.01, (b) the date (if any) on which such 2019 Series C Bank Bond ceases to be a 2019 Series C Bank Bond, as provided in paragraph 3 of Section 5.01 and (c) the maturity or redemption

date thereof, at an annual rate equal to the Bank Rate or Rates in effect from time to time during such period computed on the basis of a 360 day year for the actual number of days elapsed.

2. Unless otherwise provided in the Liquidity Facility therefor, interest on a 2019 Series C Bank Bond shall be paid on each Interest Payment Date.

3. Notwithstanding anything to the contrary contained herein, on the Liquidity Provider Purchase Date with respect any 2019 Series C Bank Bond, the amount of accrued interest, if any, included in the purchase price of such 2019 Series C Bank Bond shall be paid to the Agent Bank, for the account of the Liquidity Provider(s).

**SECTION 5.03 Principal Repayment of 2019 Series C Bank Bonds.** A particular 2019 Series C Bank Bond shall, as to the repayment of principal thereof, be governed solely by the provisions of Sections 2.03, 2.06, 2.07, 2.08 and 5.04.

**SECTION 5.04 Optional Tender of 2019 Series C Bank Bonds for Payment.** If and to the extent provided in the applicable Liquidity Facility, and subject to the conditions and limitations set forth therein, any 2019 Series C Bank Bond may be tendered (or deemed tendered) to the City for payment prior to the due date(s) of the Outstanding principal amount thereof, whereupon the City shall be obligated to pay the Outstanding principal amount of each such 2019 Series C Bank Bond (together with accrued interest thereon) so tendered (or deemed tendered) without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the City. Any 2019 Series C Bank Bond immediately shall be due and payable upon its becoming subject to payment by the City pursuant to this Section.

**ARTICLE VI**  
**ESTABLISHMENT OF 2019 SERIES C**  
**BOND PURCHASE FUND**

**SECTION 6.01 2019 Series C Bond Purchase Fund.** There is hereby created a fund to be held by the Tender Agent and known as the "2019 Series C Bond Purchase Fund", consisting of a 2019 Series C Bond Liquidity Proceeds Account and a 2019 Series C Bond Remarketing Proceeds Account. The 2019 Series C Bond Purchase Fund and the Accounts therein (a) shall constitute Eligible Accounts, as such term is defined in Section 1.01 hereof and (b) shall not constitute funds or accounts for purposes of the Bond Resolution. In the event that the 2019 Series C Bond Purchase Fund or any Account therein shall no longer comply with the requirements set forth in said definition of the term "Eligible Account," the Tender Agent promptly (and, in any case, within not more than 30 calendar days) shall move the 2019 Series C Bond Purchase Fund and the Accounts therein to another financial institution such that such requirements again shall be satisfied. Amounts on deposit in the 2019 Series C Bond Purchase Fund shall not be commingled with the amounts held in any fund or account under the Bond Resolution. All amounts received by the Tender Agent from the Remarketing Agent representing the Purchase Price of 2019 Series C Bonds remarketed by the Remarketing Agent shall be deposited in the 2019 Series C Bond Remarketing Proceeds Account in the 2019 Series C Bond Purchase Fund. All amounts received by the Tender Agent from the Agent Bank representing the proceeds of a drawing or request for funding, as the case may be, under the Liquidity Facility to pay the Purchase Price of 2019 Series C Bonds tendered or deemed tendered for purchase shall be deposited in the 2019 Series C Bond Liquidity Proceeds Account in the 2019 Series C Bond Purchase Fund. All

amounts on deposit in such Accounts in the 2019 Series C Bond Purchase Fund shall be used only to pay the Purchase Price of the 2019 Series C Bonds so remarketed (i) as provided in Section 3.10 in the case of 2019 Series C Bonds tendered for purchase and (ii) as provided in paragraph 5 of Section 5.01 in the case of 2019 Series C Bank Bonds being remarketed; *provided, however*, that in the event that there shall not be sufficient funds on deposit in the 2019 Series C Bond Purchase Fund to purchase all 2019 Series C Bonds subject to purchase on a particular date as a result of any Liquidity Provider failing to honor its commitment to advance funds under the Liquidity Facility, the Tender Agent shall select the particular 2019 Series C Bonds (or portions thereof or beneficial interests therein) to be so purchased at random in such manner as the Tender Agent in its discretion may deem fair and appropriate; and *provided, further*, that any funds on deposit in the 2019 Series C Bond Liquidity Proceeds Account in the 2019 Series C Bond Purchase Fund that will not be required to be applied to the purchase of 2019 Series C Bonds tendered or deemed tendered for purchase shall be returned to the Agent Bank, in immediately available funds, by close of business of the Tender Agent, on the date on which such funds shall have been received by the Tender Agent (or such later time as may be specified in the Liquidity Facility).

**SECTION 6.02**      **Moneys Held in Trust.** All moneys deposited in the 2019 Series C Bond Purchase Fund shall be held in trust by the Tender Agent and applied only for the purposes set forth in, and in accordance with the provisions of, this Thirty-First Supplemental Resolution. The 2019 Series C Bond Purchase Fund shall be a trust fund for such purposes. Amounts on deposit in the 2019 Series C Bond Purchase Fund shall not be commingled with any other funds held by the Tender Agent, and all amounts on deposit in such Fund are hereby pledged and assigned to the purchase of the 2019 Series C Bonds in accordance with the terms hereof. Such amounts on deposit in the 2019 Series C Bond Purchase Fund hereby pledged and assigned shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such parties have notice thereof.

**SECTION 6.03**      **No Investment.** Amounts on deposit in the 2019 Series C Bond Purchase Fund shall be held in cash, uninvested.

**SECTION 6.04**      **No Lien for Tender Agent.** Notwithstanding anything in the Bond Resolution or this Thirty-First Supplemental Resolution to the contrary, the Tender Agent shall not have any right to, or lien whatsoever upon, any of the amounts on deposit in the 2019 Series C Bond Purchase Fund for the payment of fees, expenses or other compensation due and owing by the City to the Tender Agent for any services rendered under the Bond Resolution or this Thirty-First Supplemental Resolution.

**SECTION 6.05**      **Reimbursement Obligation.** The Trust Estate is hereby pledged to pay the Differential Interest Amount and amounts owing under the Credit Facility, if any, for payment of the principal or Redemption Price, if applicable, and interest on 2019 Series C Bonds not otherwise evidenced by a 2019 Series C Bank Bond, on a parity with the pledge and assignment created by paragraph 1 of Section 501 of the Bond Resolution to secure the Bonds, in accordance with Section 207 of the Bond Resolution.

**ARTICLE VII**  
**CREDIT FACILITY; DRAWINGS THEREUNDER;**  
**ALTERNATE CREDIT FACILITIES**

**SECTION 7.01      Drawings Under Letter of Credit to Make Payments of Interest on the 2019 Series C Bonds.** In the event that a Letter of Credit is in effect with respect to the 2019 Series C Bonds, the Trustee shall, on or prior to each Interest Payment Date for the 2019 Series C Bonds, make a drawing under such Letter of Credit in an amount equal to the amount of interest due on such Interest Payment Date on the 2019 Series C Bonds, and shall use the proceeds of such drawing solely to pay such interest due on the 2019 Series C Bonds on such Date. In determining the amount of any interest then due, the Trustee shall not take into consideration any interest due on 2019 Series C Bank Bonds or 2019 Series C Bonds held by or for the account of the City and no drawings under a Letter of Credit shall be made, or be used, to pay any interest on any such 2019 Series C Bonds. Each such drawing shall be made by such date and time as shall be necessary to ensure that funds are available to make such payment of interest due on such Interest Payment Date in a timely manner.

**SECTION 7.02      Drawings Under Letter of Credit to Pay Principal Installments.** In the event that a Letter of Credit is in effect with respect to the 2019 Series C Bonds, the Trustee shall, on or prior to each date on which a Principal Installment is due on the 2019 Series C Bonds (other than any principal due on 2019 Series C Bank Bonds), make a drawing under such Letter of Credit in an amount equal to such regularly scheduled Principal Installment on the 2019 Series C Bonds, and shall use the proceeds of such drawing solely to pay such regularly scheduled Principal Installment on the due date thereof. In determining the amount of any regularly scheduled Principal Installment then due on the 2019 Series C Bonds, the Trustee shall not take into consideration any principal repayments required on 2019 Series C Bank Bonds or 2019 Series C Bonds held by or for the account of the City and no drawings under a Letter of Credit shall be made, or be used, to pay any principal repayments of any such 2019 Series C Bonds. Each such drawing shall be made by such date and time as shall be necessary to ensure that funds are available to make such payment of such regularly scheduled Principal Installment on the 2019 Series C Bonds on such due date in a timely manner.

**SECTION 7.03      Drawings Under Letter of Credit to Effect Redemptions at the Election of the City.** In the event that a Letter of Credit is in effect with respect to the 2019 Series C Bonds, on any date upon which the City shall have called for redemption at its election any 2019 Series C Bonds (other than 2019 Series C Bank Bonds or 2019 Series C Bonds held by or for the account of the City), the Trustee shall make a drawing under such Letter of Credit in an amount equal to the Redemption Price of such 2019 Series C Bonds so called for redemption, and shall use the proceeds of such drawing solely to pay such Redemption Price; provided, however, upon direction of the City and deposit with the Trustee of Eligible Moneys, such payment of the Redemption Price may be made with Eligible Moneys in accordance with subsection 8 of Section 2.06. Each such drawing shall be made by such date and time as shall be necessary to ensure that funds are available to pay such Redemption Price in a timely manner on the due date thereof. The Trustee shall make no drawing under a Letter of Credit, and no such drawing shall be used, to pay any 2019 Series C Bank Bonds or 2019 Series C Bonds held by or for the account of the City called for redemption at the election of the City.

**SECTION 7.04      Drawings Under Letter of Credit Upon Acceleration of Bonds.**

1. In the event that a Letter of Credit is in effect with respect to the 2019 Series C Bonds and the 2019 Series C Bonds shall become and be immediately due and payable, as provided in Section 801 of the Bond Resolution, the Trustee shall make a drawing or drawings under such Letter of Credit equal to the principal amount of the 2019 Series C Bonds (other than 2019 Series C Bank Bonds or 2019 Series C Bonds held by or for the account of the City) and the accrued interest thereon, and shall use the proceeds of such drawing or drawings solely to pay such principal and accrued interest. Each such drawing shall be made by such date and time as shall be necessary to ensure that funds are available to pay such principal and interest in a timely manner on the date fixed for the payment thereof. The Trustee shall make no drawing under a Letter of Credit, and no such drawing shall be used, to pay any principal of, or accrued interest on, 2019 Series C Bank Bonds or 2019 Series C Bonds held by or for the account of the City.

2. Notwithstanding any other provision of this Thirty-First Supplemental Resolution or the Bond Resolution, in the event that (a) the 2019 Series C Bonds shall have become immediately due and payable, as provided in Section 801 of the Bond Resolution and (b) the Trustee shall have made a drawing or drawings under the Letter of Credit to pay the principal of the 2019 Series C Bonds (other than 2019 Series C Bank Bonds or 2019 Series C Bonds held by or for the account of the City) and the accrued interest thereon as provided in subsection 1 of this Section 7.04, then the Trustee shall not thereafter waive the default with respect to the 2019 Series C Bonds giving rise to such acceleration of the 2019 Series C Bonds and rescind its consequences pursuant to Section 801 of the Bond Resolution unless and until either (x) the proceeds of such drawing or drawings shall have been applied to the payment of such principal of and accrued interest on such 2019 Series C Bonds, in which event such 2019 Series C Bonds shall cease to be Outstanding for all purposes of the Bond Resolution or (y) the amount available for drawings under the Letter of Credit shall have been reinstated to the amount that was available thereunder immediately prior to such acceleration.

**SECTION 7.05      Application of Amounts in the 2019 Series C Bond Purchase**

**Fund.** 1. Notwithstanding any other provision of this Thirty-First Supplemental Resolution or of the Bond Resolution, in the event that any drawing under a Letter of Credit to pay the principal or Redemption Price of, or interest on, the 2019 Series C Bonds shall not be honored in the full amount so drawn by the time provided therein for the honoring of drawings thereunder, the Trustee immediately shall (a) notify the City as to the occurrence of such circumstance and (b) apply amounts on deposit in the 2019 Series C Bond Purchase Fund and available therefor to the payment of such principal or Redemption Price or interest.

2. On any day on which a drawing under a Letter of Credit to pay the principal or Redemption Price of, or interest on, the 2019 Series C Bonds shall be honored by the Letter of Credit Issuer(s) of such Letter of Credit, the Trustee shall apply amounts on deposit in the 2019 Series C Bond Purchase Fund and available to pay such principal or Redemption Price or interest to reimburse such Letter of Credit Issuer(s) for the amount of such drawing by the time and in the manner provided in the Reimbursement Agreement relating to such Letter of Credit, but only after the application of such amounts pursuant to subsection 1 of this Section 7.05.

**SECTION 7.06      Provision of Credit Facility; Extension of Term of Credit Facility; Substitution of Credit Facilities; Surrender of Credit Facility.** 1. Nothing in this Thirty-First Supplemental Resolution shall be deemed to require the City to maintain a Credit

Facility in effect with respect to the 2019 Series C Bonds at any time or from time to time, but the City, in its sole discretion, may choose to do so. Without limiting the generality of the foregoing, the City may, in its sole discretion, (a) elect not to replace any Credit Facility with an Alternate Credit Facility upon the termination or expiration of the Credit Facility then in effect with respect to the 2019 Series C Bonds and (b) at such time, if any, as no Credit Facility shall be in effect with respect to the 2019 Series C Bonds, obtain an Alternate Credit Facility for the 2019 Series C Bonds upon such terms and conditions as the City, in its sole discretion, may determine.

2. If, at any time, the City shall obtain a renewal or extension of the Credit Facility then in effect (or a written commitment which evidences such renewal or extension) on substantially the same terms, unless the Agent Bank already shall have given notice thereof, the City shall promptly give notice to the other Notice Parties of such renewal or extension, and the Trustee shall promptly give notice thereof to the Holders of the 2019 Series C Bonds. Any such renewal or extension shall not constitute substitution of a Credit Facility.

3. At any time prior to the giving by the Tender Agent, pursuant to subsection 2 of Section 3.08, of notice of the mandatory tender of the 2019 Series C Bonds as a result of the expiration of the Credit Facility then in effect, the City may deliver to the Trustee an Alternate Credit Facility covering the 2019 Series C Bonds. In the event that such Alternate Credit Facility shall be in the form of a Letter of Credit, such Credit Facility shall be in an amount at least equal to the Facility Requirement. Any such Alternate Credit Facility shall be accompanied by (i) an Opinion of Bond Counsel as to the substitution of such Alternate Credit Facility for the Credit Facility then in effect, (ii) either (A) written evidence from each Rating Agency then rating the 2019 Series C Bonds to the effect that such Rating Agency has reviewed the proposed Alternate Credit Facility and stating the ratings of the 2019 Series C Bonds after substitution of such Alternate Credit Facility or (B) a statement of an Authorized Officer of the City that no ratings have been obtained, (iii) if such Alternate Credit Facility is other than a letter of credit issued by a domestic commercial bank, an Opinion of Counsel to the effect that no registration of the 2019 Series C Bonds or such Alternate Credit Facility is required under the Securities Act of 1933, as amended, (iv) an Opinion of Counsel satisfactory to an Authorized Officer of the City to the effect that such Alternate Credit Facility is a valid and enforceable obligation of the issuer or provider thereof, and (v) all information required to give the notice of mandatory tender for purchase of the 2019 Series C Bonds provided for in subsection 2 of Section 3.08, if required. In such event, the Trustee shall accept such Alternate Credit Facility, which shall become effective with respect to the 2019 Series C Bonds on the Substitution Date therefor. Promptly following the honoring by the Credit Facility Issuer(s) of the Credit Facility so substituted of any drawing on or request for funding under, as applicable, such Credit Facility so substituted on the Substitution Date, the Trustee shall surrender such Credit Facility so substituted to the Agent Bank with respect to such Credit Facility, for cancellation in accordance with its terms, or shall deliver any document necessary to terminate such Credit Facility.

Notwithstanding anything to the contrary contained herein, if, on any Substitution Date with respect to the 2019 Series C Bonds, (a) an Alternate Credit Facility is being substituted for the Credit Facility then in effect and (b) the principal or Redemption Price of, or interest on, any 2019 Series C Bonds is to be paid from the proceeds of a drawing on or request for funding under, as applicable, such Credit Facility then in effect, then the Trustee shall make a drawing on or request for funding under, as applicable, such Credit Facility then in effect that is being replaced

by such Alternate Credit Facility, in order to obtain funds for the payment of such principal or Redemption Price or interest.

4. In connection with the delivery of any Alternate Credit Facility permitted pursuant to subsection 3 of this Section, the City shall be authorized to amend the provisions of this Thirty-First Supplemental Resolution if and to the extent necessary to give effect to such Alternate Credit Facility. Notwithstanding the foregoing, no such amendment shall be or become effective unless the City shall have received an Opinion of Bond Counsel, which Opinion of Bond Counsel shall, in addition, state that such amendment will not adversely affect the rights of the Holders of the 2019 Series C Bonds.

5. In the event that the 2019 Series C Bonds shall be in the Daily Mode or the Weekly Mode, if, in connection with the substitution of one or more Credit Facility Issuers for one or more of the Credit Facility Issuers that are party to the Credit Facility then in effect or the substitution of an Alternate Credit Facility for the Credit Facility then in effect, as the case may be, the 2019 Series C Bonds shall not be subject to mandatory tender for purchase on a Substitution Date, as provided in the proviso contained in clause (c)(ii) of Section 3.06, the Tender Agent shall give notice as hereinafter provided to the Holders of the 2019 Series C Bonds by mail, first-class, postage prepaid, not less than 15 and not more than 60 days preceding the Substitution Date of such substitution. Such notice shall (a) state the Substitution Date on which such substitution is expected to become effective; (b) contain a description of (i) the new Credit Facility Issuer(s) or (ii) such Alternate Credit Facility and the Credit Facility Issuer(s) that is (or are) the issuer or provider thereof, as the case may be; and (c) state that if any Holder of a 2019 Series C Bond (or, if such 2019 Series C Bond is a Book-Entry Only 2019 Series C Bond, any beneficial owner thereof) does not desire to continue to hold such 2019 Series C Bond (or beneficial ownership interest therein) following such substitution, such Holder (or beneficial owner) must give notice of the tender of such 2019 Series C Bond (or beneficial ownership interest therein) by the time and in the manner provided in Section 3.07.

**SECTION 7.07 Authorization to Extend the Term of a Particular Liquidity Facility or Credit Facility.** The General Manager, the Chief Financial Officer or such other Authorized Officer is hereby authorized, from time to time, (1) to extend the term of a particular Liquidity Facility or Credit Facility for the 2005 Series C Bonds, upon such terms and conditions as shall be determined by such Authorized Officer, to be advantageous to the City and commercially reasonable (which terms and conditions (including, without limitation, the amounts of the "commitment fee" and other fees payable by the City thereunder and the specification of the interest rates payable on loans or advances thereunder) may differ from the terms and conditions then in effect pursuant to such Liquidity Facility and/or Credit Facility then in effect), such determination to be confirmed in writing by the firm serving at that time as the System's financial advisor to the extent provided below.

In connection with any such extension of the term of a particular Liquidity Facility and/or Credit Facility, such Authorized Officer is hereby further authorized to execute and deliver, on behalf of the City, such documents and instruments (including, without limitation, an amendment to such Liquidity Facility and/or Credit Facility) as shall be determined by such Authorized Officer, to be (a) necessary or desirable and advantageous to the City and (b) in commercially reasonable form; provided, however, that if any such extension shall be on terms and conditions different from the terms and conditions of such Liquidity Facility and/or Credit Facility as then in

effect, then (a) such determination of such Authorized Officer, shall be confirmed in writing by the firm serving at that time as the System's financial advisor and (b) the form of each such document or instrument shall be approved by the City Attorney of the City or his designee as to form and legality prior to the execution thereof by such Authorized Officer.

**ARTICLE VIII**  
**ESTABLISHMENT OF 2019 SERIES C BOND**  
**LETTER OF CREDIT PROCEEDS FUND**

**SECTION 8.01**      **2019 Series C Bond Letter of Credit Proceeds Fund.** There is hereby created a fund to be held by the Trustee for the benefit of the Holders of the 2019 Series C Bonds and known as the "2019 Series C Bond Letter of Credit Proceeds Fund". The 2019 Series C Bond Letter of Credit Proceeds Fund (a) shall at all times constitute an Eligible Account, as such term is defined in Section 1.02 hereof and (b) shall not constitute a fund or account for purposes of this Thirty-First Supplemental Resolution or the Bond Resolution. Amounts on deposit in the 2019 Series C Bond Letter of Credit Proceeds Fund shall not be commingled with the amounts held in any fund or account under this Thirty-First Supplemental Resolution or the Bond Resolution. All amounts received by the Trustee from the issuer(s) of a Letter of Credit representing the proceeds of a drawing on or request for funding under, as the case may be, such Letter of Credit to pay principal or Redemption Price of or interest on 2019 Series C Bonds shall be deposited in the 2019 Series C Bond Letter of Credit Proceeds Fund. All amounts on deposit in the 2019 Series C Bond Letter of Credit Proceeds Fund shall be used only to pay the principal or Redemption Price of or interest on the 2019 Series C Bonds (other than 2019 Series C Bank Bonds and 2019 Series C Bonds held by or for the account of the City) when due.

**SECTION 8.02**      **Moneys Held in Trust.** All moneys deposited in the 2019 Series C Bond Letter of Credit Proceeds Fund shall be held in trust by the Trustee and applied only for the purposes set forth in, and in accordance with the provisions of, this Thirty-First Supplemental Resolution. The 2019 Series C Bond Letter of Credit Proceeds Fund shall be a trust fund for such purposes. Amounts on deposit in the 2019 Series C Bond Letter of Credit Proceeds Fund shall not be commingled with any other funds held by the Trustee, and all amounts on deposit in such Fund are hereby pledged and assigned to the payment of the principal or Redemption Price of and interest on the 2019 Series C Bonds when due in accordance with the terms hereof. Such amounts on deposit in the 2019 Series C Bond Letter of Credit Proceeds Fund hereby pledged and assigned shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such parties have notice thereof.

**SECTION 8.03**      **No Investment.** Amounts on deposit in the 2019 Series C Bond Letter of Credit Proceeds Fund shall be held in cash, uninvested.

**SECTION 8.04**      **No Lien for Trustee.** Notwithstanding anything in the Resolution or this Thirty-First Supplemental Resolution to the contrary, the Trustee shall not have any right to, or lien whatsoever upon, any of the amounts on deposit in the 2019 Series C Bond Letter of Credit Proceeds Fund for the payment of fees, expenses or other compensation due and owing by the City to the Trustee for any services rendered under the Bond Resolution or this Thirty-First Supplemental Resolution.

**ARTICLE IX**  
**FORM OF 2019 SERIES C BONDS**

The 2019 Series C Bonds shall be issued in such form as shall be approved by the officers of the City executing and delivering the same, such approval to be evidenced by the execution and delivery thereof. Each 2019 Series C Bond shall bear thereon a certificate of authentication in substantially the following form:

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

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

U.S. BANK TRUST NATIONAL ASSOCIATION,  
Trustee

By \_\_\_\_\_  
Authorized Signature

**ARTICLE X**  
**APPROVAL OF DOCUMENTS**

**SECTION 10.01 Authorization and Approval of the Negotiated Sale of the 2019 Series 2019 C Bonds; Execution of the 2019 Series C Purchase Contract; Delegation of Authority to Determine Certain Matters in Connection Therewith.** The form of the Purchase Contract substantially in the form attached hereto as Exhibit C is hereby approved, subject to such changes, insertions and omissions and such filling of blanks therein as may be approved and made in such Purchase Contract by the General Manager, the Chief Financial Officer or any other Authorized Officer, executing the same, in a manner consistent with the provisions of this Resolution and subject to the terms hereof, such execution to be conclusive evidence of such approval. Upon compliance with the provisions in Section 2.03 herein and receipt of a disclosure statement and truth-in-bonding statement from the representative of the Underwriter meeting the requirements of Section 218.385, Florida Statutes, and subject to the other provisions of this Resolution, the Authorized Officer signing the same, with the advice of the Financial Advisor, is hereby authorized and directed to accept the offer of the Underwriter to purchase the 2019 Series C Bonds, upon the terms, conditions and redemption provisions set forth in the Purchase Contract. Subject to the provisions set forth herein, the General Manager, the Chief Financial Officer or such other Authorized Officer, is hereby authorized to execute the Purchase Contract for and on behalf of the City pursuant to the terms hereof and of the Purchase Contract and the Clerk is hereby authorized to attest such signature to the extent required by the form of the Purchase Contract, subject to the approval of the City Attorney as to form and legality.

**SECTION 10.02 Authorization of Authentication.** U.S. Bank National Association, as Trustee under the Bond Resolution, is hereby requested and authorized to authenticate the 2019 Series C Bonds in the aggregate principal amount determined as provided in Section 2.01 hereof, and to deliver such Bonds to or on behalf of the Underwriter, upon payment

for the account of the City of the sum specified in the Purchase Contract pursuant to the terms of the Bond Resolution and the Purchase Contract.

**SECTION 10.03 Authorization and Approval of the Execution and Delivery of the Initial Reimbursement Agreement.** The forms of the Initial Reimbursement Agreement and associated Fee Letter, substantially in the forms attached hereto as Exhibit D-1 and D-2, respectively, are hereby approved, subject to such changes, insertions and omissions and such filling of blanks therein as may be approved and made in such Initial Reimbursement Agreement and Fee Letter by the General Manager, the Chief Financial Officer or any other Authorized Officer, executing the same, in a manner consistent with the provisions of this Resolution and subject to the terms hereof, such execution to be conclusive evidence of such approval. Subject to the provisions set forth herein, the General Manager, the Chief Financial Officer or such other Authorized Officer, is hereby authorized to execute the Initial Reimbursement Agreement and Fee Letter for and on behalf of the City pursuant to the terms hereof and of the Initial Reimbursement Agreement and Fee Letter and the Clerk is hereby authorized to attest such signature to the extent required by the form of the Initial Reimbursement Agreement and Fee Letter, subject to the approval of the City Attorney as to form and legality.

**SECTION 10.04 Official Statement.** The General Manager or such other Authorized Officer is authorized and directed to execute and deliver said Official Statement substantially in the form attached hereto as Exhibit E in the name and on behalf of the City, and thereupon to cause such Official Statement to be delivered to the Underwriter with such changes, amendments, modifications, omissions and additions as may be approved by such Authorized Officers executing the same. Said Official Statement, including any such changes, amendments, modifications, omissions and additions as approved by such Authorized Officers and the information contained therein are hereby approved and authorized to be used in connection with the sale of the 2019 Series C Bonds to the public. Execution by said Authorized Officers of the Official Statement shall be deemed to be conclusive evidence of approval of such changes.

**SECTION 10.05 Secondary Market Disclosure.** The City hereby covenants and agrees that, in order to provide for compliance by the Underwriter with the secondary market disclosure requirements of Rule 15c2-12, the City will comply with and carry out all of the provisions of the Continuing Disclosure Certificate to be executed by the City, as it may be amended from time to time in accordance with the terms thereof. The Continuing Disclosure Certificate shall be substantially in the form of Exhibit F with such changes, amendments, modifications, omissions and additions as shall be approved by the General Manager or such other Authorized Officer, who is hereby authorized to execute and deliver such certificate. Execution by such Authorized Officer shall be deemed to be conclusive evidence of approval of such changes. Notwithstanding any other provision of this Resolution, failure of the City to comply with such Continuing Disclosure Certificate shall not be considered an event of default under the Bond Resolution; provided, however, any 2019 Series C Bondholder may take 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 this Section 10.05 and the Continuing Disclosure Certificate. For purposes of this Section 10.05, "Series 2019 Bondholder" shall mean any person who (A) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2019 Series C Bonds (including persons holding 2019 Series C Bonds through nominees, depositories or other intermediaries), or (B) is treated as the owner of any 2019 Series C Bond for federal income tax purposes.

**SECTION 10.06**     **Further Actions.** Each Authorized Officer is hereby authorized and empowered to execute and deliver or cause to be executed and delivered such other documents and opinions and to do all such acts and things as may be necessary or desirable in connection with the adoption of this Resolution and the approval, execution and delivery of the Purchase Contract, the Initial Reimbursement Agreement and Fee Letter, the Continuing Disclosure Certificate and the carrying out of their terms and the terms of the Bond Resolution; the issuance, sale, execution and delivery of the 2019 Series C Bonds, and the use of the Official Statement, including, but not limited to, the execution of delivery of a Remarketing Agreement and Tender Agency Agreement in connection with the 2019 Series C Bonds.

**ARTICLE XI**  
**MISCELLANEOUS**

**SECTION 11.01**     **The Tender Agent.** 1. U.S. Bank National Association is hereby appointed as the initial Tender Agent for the 2019 Series C Bonds. The Tender Agent shall accept the duties and obligations thereof by execution and delivery of a written instrument of acceptance delivered to the other Notice Parties.

2.     The Tender Agent agrees to:

(a)     hold all 2019 Series C Bonds (or beneficial ownership interests therein) properly tendered to it for purchase hereunder as agent and bailee of, and in escrow for the benefit of, the respective Persons which shall have so tendered such 2019 Series C Bonds (or beneficial ownership interests therein) until moneys representing the Purchase Price of such 2019 Series C Bonds (or beneficial ownership interests therein) shall have been delivered to or for the account of or to the order of such Persons;

(b)     hold all 2019 Series C Bank Bonds (or beneficial ownership interests therein) as agent and bailee of, and in escrow for the benefit of, the Liquidity Provider(s) or any assignee(s) or transferee(s) thereof;

(c)     hold all moneys delivered to it hereunder for the purchase of 2019 Series C Bonds (or beneficial ownership interests therein) as agent and bailee of, and in escrow for the benefit of, the respective Persons which shall have so delivered such moneys, until the 2019 Series C Bonds (or beneficial ownership interests therein) purchased with such moneys shall have been delivered to or for the account of such Persons;

(d)     keep such books and records as shall be consistent with prudent industry practice and make such books and records available for inspection by the other Notice Parties at all reasonable times;

(e)     provide to the Trustee as soon as practicable after each Record Date prior to the 2019 Series C Bonds being in the Fixed Mode, but in no case later than 10:00 a.m., New York City time, on the applicable Interest Payment Date, a list of the names and addresses of the Holders of the 2019 Series C Bonds as of such Record Date;

(f)     provide to the Trustee as soon as practicable after the Mode Adjustment Date in connection with a conversion of the 2019 Series C Bonds to the Fixed Mode, the books of

registry of the City containing the names and addresses of the Holders of 2019 Series C Bonds as of such Mode Adjustment Date; and

(g) give notices as required hereunder at the times and in the manner specified herein.

3. Upon receipt by the Tender Agent of any notice of optional tender of 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) and the 2019 Series C Bonds (or beneficial ownership interests therein) delivered pursuant to such notice for purchase in accordance with this Thirty-First Supplemental Resolution, the Tender Agent shall deliver to the Person delivering such notice and such 2019 Series C Bonds (or beneficial ownership interests therein) written evidence of the Tender Agent's receipt of such materials. The Tender Agent shall promptly return any such notice (together with the 2019 Series C Bonds (or beneficial ownership interests therein) submitted in connection therewith) that is incomplete or improperly completed or not delivered by the date and time required hereunder to the Person submitting such notice upon surrender of the receipt, if any, issued therefor. The Tender Agent's determination of whether any such notice is properly completed or delivered on a timely basis shall be binding on the City, the Remarketing Agent and the Person that submitted such notice.

4. Each Tender Agent (other than the initial Tender Agent appointed hereunder) shall be a bank having corporate trust powers or a trust company organized under the laws of any state of the United States or a national banking association having corporate trust powers, having capital and surplus aggregating at least \$25,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Thirty-First Supplemental Resolution. In the event that the 2019 Series C Bonds no longer shall be a Book-Entry Only 2019 Series C Bond, the Tender Agent shall maintain an office or agency in New York, New York at which its duties hereunder are to be performed. The Tender Agent may at any time resign and be discharged of the duties and obligations created by this Thirty-First Supplemental Resolution by giving at least thirty (30) days' notice to the other Notice Parties. The Tender Agent may be removed at any time by the City upon at least seven (7) days' notice to the other Notice Parties and the Holders of the 2019 Series C Bonds, other than 2019 Series C Bonds then in the Fixed Mode. Prior to the 2019 Series C Bonds being converted to the Auction Mode or the Fixed Mode, no such resignation or removal shall take effect until the appointment of, and the acceptance of such appointment by, a successor Tender Agent which acceptance shall be evidenced by the execution and delivery by such successor of a Tender Agency Agreement. Successor Tender Agents may be appointed from time to time by the City with the written approval of the Agent Bank (if any). Upon the resignation or removal of the Tender Agent, the Tender Agent shall deliver any 2019 Series C Bonds (or beneficial ownership interests therein) and moneys, Liquidity Facilities and other records held by it in such capacity to its successor.

5. The Tender Agent, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of this Thirty-First Supplemental Resolution, shall examine such instrument to determine whether it conforms to the requirements of this Thirty-First Supplemental Resolution and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. The Tender Agent may consult with counsel, who may or may not be counsel to the City, and the opinion of such counsel shall be full

and complete authorization and protection in respect of any action taken or suffered by it under this Thirty-First Supplemental Resolution in good faith and in accordance therewith.

6. Whenever the Tender Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Thirty-First Supplemental Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by an Officer's Certificate, and such Certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Thirty-First Supplemental Resolution upon the faith thereof; but in its discretion the Tender Agent may in lieu thereof accept other evidence of such fact or may require such further or additional evidence as to it may seem reasonable.

7. Except as otherwise expressly provided in this Thirty-First Supplemental Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision of this Thirty-First Supplemental Resolution by the City to the Tender Agent shall be sufficiently executed when the same is executed in the name of the City by an Authorized Officer of the City.

8. In the event that the Tender Agent is required to act pursuant to the terms of this Thirty-First Supplemental Resolution upon the receipt of telephonic notice, such notice shall be promptly confirmed in writing. If such notice shall not be so confirmed, the Tender Agent shall be entitled to rely upon such telephonic notice for all purposes whatsoever.

9. In purchasing 2019 Series C Bonds (or beneficial ownership interests therein) hereunder, the Tender Agent shall be acting as a conduit and shall not be purchasing such 2019 Series C Bonds (or beneficial ownership interests therein) for its own account.

10. Upon any change in the Tender Agent, the City shall furnish to each Rating Agency the notice provided for in Section 11.04 hereof, but the failure to provide such notice shall not affect the validity of any change in the Tender Agent.

11. Notwithstanding anything to the contrary contained herein, in the Bond Resolution or in the Tender Agency Agreement to which it is a party, no Tender Agent shall require indemnity as a condition to (a) drawing on or requesting funding under, as applicable, any Liquidity Facility, (b) giving notice of any mandatory tender of the 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) for purchase or (c) paying the Purchase Price of any 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) tendered for purchase at the times and from the sources specified herein.

12. The form of the Tender Agency Agreement substantially in the form attached hereto as Exhibit G is hereby approved, subject to such changes, insertions and omissions and such filling of blanks therein as may be approved and made in such Tender Agency Agreement by the General Manager, the Chief Financial Officer or any other Authorized Officer, executing the same, in a manner consistent with the provisions of this Resolution and subject to the terms hereof, such execution to be conclusive evidence of such approval. Subject to the provisions set forth herein, the General Manager, the Chief Financial Officer or such other Authorized Officer, is hereby authorized to execute the Tender Agency Agreement for and on behalf of the City pursuant to the terms hereof and of the Tender Agency Agreement and the Clerk is hereby authorized to attest

such signature to the extent required by the form of the Tender Agency Agreement, subject to the approval of the City Attorney as to form and legality.

**SECTION 11.02     The Remarketing Agent.** 1. Merrill Lynch, Pierce Fenner & Smith, Incorporated is hereby appointed as the initial Remarketing Agent for the 2019 Series C Bonds.

2. Notwithstanding any other provision of the Bond Resolution or this Thirty-First Supplemental Resolution, the City may determine to appoint multiple Remarketing Agents for the 2019 Series C Bonds. In such event, the City shall take such actions (including, without limitation, obtaining such additional CUSIP number(s) for the 2019 Series C Bonds) as shall be necessary to identify separately the 2019 Series C Bonds (or beneficial ownership interests therein) to be remarketed by each such Remarketing Agent, and for which each such Remarketing Agent shall be responsible for determining the 2019 Series C Bond Rate. In the event multiple Remarketing Agents shall be appointed as aforesaid (a) any reference herein to "the Remarketing Agent" shall be deemed to refer to the appropriate Remarketing Agent, or all such Remarketing Agents, as the context may require and (b) any reference herein to "the Remarketing Agreement" shall be deemed to refer to the Remarketing Agreement to which the appropriate Remarketing Agent is a party, or all such Remarketing Agreements, as the context may require.

3. Each Remarketing Agent shall accept the duties and obligations thereof under this Thirty-First Supplemental Resolution by execution and delivery of an agreement with the City under which such Remarketing Agent will agree, among other things, to keep such books and records regarding the remarketing of 2019 Series C Bonds (or beneficial ownership interests therein) and determining the interest rates on the 2019 Series C Bonds as provided herein as shall be consistent with prudent industry practice and to make such books and records available for inspection by the other Notice Parties at all reasonable times.

4. Each Remarketing Agent shall be a member of the National Association of Securities Dealers, Inc., having a capitalization of at least \$50,000,000 and be authorized by law to perform all the duties imposed upon it by this Thirty-First Supplemental Resolution. Any Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Thirty-First Supplemental Resolution by giving such number of days' written notice to the other Notice Parties as shall be provided in the Remarketing Agreement relating to it and complying with such other conditions to such resignation as may be provided in such Remarketing Agreement. Any Remarketing Agent may be removed at any time by the City upon such number of days' written notice to the other Notice Parties as shall be provided in the applicable Remarketing Agreement. Prior to the 2019 Series C Bonds being converted to the Auction Mode or the Fixed Mode, no such removal shall be effective until a successor Remarketing Agent shall have been appointed and shall have accepted such appointment. A successor Remarketing Agent may be appointed from time to time by the City with the written approval of the Agent Bank.

5. If a Remarketing Agent resigns or is removed, such Remarketing Agent shall pay over, assign and deliver any moneys and 2019 Series C Bonds (or beneficial ownership interests therein) held by it in such capacity, other than 2019 Series C Bonds (or beneficial ownership interests therein) held for its own account, to its successor. Upon any change in a Remarketing Agent, the City shall furnish to each Rating Agency the notice provided for in Section 11.04 hereof,

but the failure to provide such notice shall not affect the validity of any change in a Remarketing Agent.

6. The form of the Remarketing Agreement substantially in the form attached hereto as Exhibit H is hereby approved, subject to such changes, insertions and omissions and such filling of blanks therein as may be approved and made in such Remarketing Agreement by the General Manager, the Chief Financial Officer or any other Authorized Officer, executing the same, in a manner consistent with the provisions of this Resolution and subject to the terms hereof, such execution to be conclusive evidence of such approval. Subject to the provisions set forth herein, the General Manager, the Chief Financial Officer or such other Authorized Officer, is hereby authorized to execute the Remarketing Agreement for and on behalf of the City pursuant to the terms hereof and of the Remarketing Agreement and the Clerk is hereby authorized to attest such signature to the extent required by the form of the Remarketing Agreement, subject to the approval of the City Attorney as to form and legality.

**SECTION 11.03 Dealings in 2019 Series C Bonds.** The Trustee, the Auction Agent, each Broker-Dealer, the Tender Agent, any Liquidity Provider, any Credit Facility Provider and the Remarketing Agent, and their officers, directors, employees and agents, may in good faith buy, sell, own, hold and deal in any of the 2019 Series C Bonds (or beneficial ownership interests therein) and may join in any action which any Holder of the 2019 Series C Bonds may be entitled to take, with like effect as if it did not act in any capacity hereunder. The Trustee, the Auction Agent, each Broker-Dealer, the Tender Agent, any Liquidity Provider, any Credit Facility Issuer and the Remarketing Agent may in good faith hold any other form of indebtedness of the City, own, accept or negotiate any drafts, bills of exchange, acceptances or obligations of the City, and make disbursements for the City and enter into any commercial or business arrangement therewith.

**SECTION 11.04 Notices.** Written notice of (i) a change in the Trustee, Auction Agent, Paying Agent, Remarketing Agent or Tender Agent for the 2019 Series C Bonds, (ii) any amendment to this Thirty-First Supplemental Resolution or the Liquidity Facility or any Credit Facility, (iii) an extension, expiration or termination of the Liquidity Facility or any Credit Facility, (iv) any change in the Interest Mode applicable to the 2019 Series C Bonds, (v) any mandatory tender of the 2019 Series C Bonds, other than any mandatory tender provided for in clause (c)(iv)(A) of Section 3.06, (vi) any declaration that the principal of all the Bonds then Outstanding, and the interest due thereon, shall be due and payable immediately, as provided in Section 801 of the Master Resolution, (vii) any substitution of a new Liquidity Provider for any Liquidity Provider party to the Liquidity Facility then in effect or substitution of a Substitute Liquidity Facility for the Liquidity Facility then in effect, (viii) any substitution of a new Credit Facility Issuer for any Credit Facility Issuer party to the Credit Facility then in effect or a substitution of any Alternate Credit Facility for the Credit Facility (if any) then in effect or (ix) a redemption or defeasance of all of the 2019 Series C Bonds, shall be given by the Trustee to each Rating Agency, at the following addresses (or such other address as any such Rating Agency shall advise the Trustee or the City in writing from time to time):

If to Fitch, to:

Fitch Ratings  
33 Whitehall Street  
New York, NY 10004  
Attn: MSF Surveillance Group  
[msf.surveillance@fitchratings.com](mailto:msf.surveillance@fitchratings.com)  
Telephone: (212) 908-0689  
Telecopier: (212) 612-7797

If to Moody's, to:

Moody's Investors Service  
7 World Trade Center at 250 Greenwich Street  
Public Finance Group - Attn: MSPG - 23rd Floor  
New York, New York 10007  
Telecopier: (212) 553-1066  
Email: [MSPGSurveillance@Moody.com](mailto:MSPGSurveillance@Moody.com)

If to S&P, to:

Standard & Poor's  
55 Water Street  
38th Floor  
New York, New York 10041  
Attention: Municipal Structured Surveillance  
Telephone: (212) 438-2021  
Telecopier: (212) 438-2151  
E-mail: [pubfin\\_structured@sandp.com](mailto:pubfin_structured@sandp.com)

In addition, the City shall provide to each Rating Agency any other information reasonably requested by such Rating Agency in order to maintain its rating on the 2019 Series C Bonds.

**SECTION 11.05 Amendments to this Thirty-First Supplemental Resolution or the Bond Resolution.** 1. This Thirty-First Supplemental Resolution may be amended, at any time or from time to time, without the consent of the Holders of the Outstanding 2019 Series C Bonds or the Holders of 2019 Series C Bonds Outstanding under the Bond Resolution but with the written consent of the Agent Bank (if any), (i) for the purpose of making changes in the provisions hereof relating to the characteristics and operational provisions of the Interest Modes, (ii) to amend the provisions hereof relating to the mandatory redemption of 2019 Series C Bank Bonds, as provided in the second paragraph of Section 2.07, (iii) in order to add Exhibit A hereto in connection with the first conversion of the 2019 Series C Bonds to the Auction Mode, (iv) in order to provide for and accommodate Substitute Liquidity Facilities as permitted by paragraph 6 of Section 4.02 and (v) in order to provide for and accommodate Alternate Credit Facilities as permitted by paragraph 4 of Section 7.06. Each such amendment shall become effective on the Rate Adjustment Date next following the filing of a copy thereof with the Trustee, the Agent Bank, the Auction Agent (if any), the Broker-Dealers (if any), the Tender Agent (if any), and the Remarketing Agent (if any), together with an Opinion of Bond Counsel with respect to such amendment, which opinion shall

state, in addition, that such amendments are authorized or permitted by the Resolution and will not cause the interest on the 2019 Series C Bonds to become includable in gross income for federal income tax purposes. In addition, (a) in the case of amendments pursuant to clause (iv) of the first sentence of this subsection, no such amendment shall be effective until the date on which such Substitute Liquidity Facility becomes effective with respect to the 2019 Series C Bonds and (b) in the case of amendments pursuant to clause (v) of the first sentence of this subsection, no such amendment shall be effective until the date on which such Alternate Credit Facility becomes effective with respect to the 2019 Series C Bonds.

2. In the event that the City shall adopt any Supplemental Resolution making any amendment to this Thirty-First Supplemental Resolution or to the Bond Resolution for which the consent of the Holders of the 2019 Series C Bonds shall be required, the consent of the Agent Bank, if any, shall be required and an Authorized Officer of the City may deliver to the Tender Agent an Officer's Certificate in accordance with the provisions of clause (c)(vi) of Section 3.06, requiring that the 2019 Series C Bonds be subject to mandatory tender for purchase at the time and in the manner provided in said clause (c)(vi). Following the date on which such mandatory tender shall occur, all subsequent Holders of the 2019 Series C Bonds shall be deemed to have consented to such Supplemental Resolution, notwithstanding anything to the contrary contained in the Bond Resolution or this Thirty-First Supplemental Resolution.

3. In addition, the provisions of this Thirty-First Supplemental Resolution, including Exhibit A, may be amended at any time or from time to time without the consent of the Holders of the Outstanding 2019 Series C Bonds or the Holders of Bonds Outstanding under the Bond Resolution, if and to the extent provided in Exhibit A.

4. No amendment permitted by the terms of this Section 11.05 which is reasonably believed by the Auction Agent (if the 2019 Series C Bonds shall be in the Auction Mode) or the Tender Agent (if the 2019 Series C Bonds shall be in an Interest Mode other than the Auction Mode) to adversely affect its rights, immunities and duties hereunder shall be effective without the written consent thereto of the Auction Agent or the Tender Agent, as applicable.

**SECTION 11.06**     **Defeasance.** At such times as the 2019 Series C Bonds are in any Interest Mode other than the Auction Mode or the Fixed Mode, the City agrees not to take any action or allow any action to be taken so that any 2019 Series C Bonds (or portions thereof) shall be deemed to have been paid within the meaning of Section 1201 of the Master Resolution unless the City shall have received written evidence from each Rating Agency then rating the 2019 Series C Bonds to the effect that such action will not result in a withdrawal, suspension or reduction in such Rating Agency's ratings on any of the 2019 Series C Bonds.

**SECTION 11.07**     **Resignation or Removal of the Trustee.** For so long as any 2019 Series C Bonds shall remain Outstanding, the City and the Trustee hereby agree as follows, for the benefit of the Holders and beneficial owners of the 2019 Series C Bonds:

(a) Notwithstanding the provisions of Section 907 of the Master Resolution, the Trustee shall not resign pursuant to said Section 907 unless the effectiveness of such resignation is conditioned upon (i) the appointment of a successor and (ii) the acceptance of such appointment by such successor.

(b) Notwithstanding the provisions of Section 908 of the Master Resolution, the City shall not exercise its right to remove the Trustee unless the effectiveness of such removal is conditioned upon (i) the appointment of a successor and (ii) the acceptance of such appointment by such successor.

**SECTION 11.08 Trustee and Tender Agent Not to Seek Indemnity For Certain Acts.** Notwithstanding anything to the contrary contained herein or in the Resolution:

(a) the Trustee shall not require indemnity as a condition to (i) drawing on or requesting funding under, as applicable, any Credit Facility or any Liquidity Facility, (ii) making payments of principal or Redemption Price of, and interest on, the 2019 Series C Bonds when due or (iii) causing or declaring the 2019 Series C Bonds to become and be immediately due and payable, as provided in Section 801 of the Bond Resolution; and

(b) the Tender Agent shall not require indemnity as a condition to (i) giving notice in accordance with subsection 2 of Section 3.08 that the 2019 Series C Bonds have become subject to mandatory tender for purchase or (ii) making payment of the Purchase Price of 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) tendered or deemed tendered for purchase as provided in Article III hereof.

## **ARTICLE XII** **LETTER OF CREDIT PROVISIONS**

**SECTION 12.01 Letter of Credit to Constitute a Credit Facility; Letter of Credit Issuer(s) to Constitute Credit Facility Issuer(s).** Each Letter of Credit is hereby determined to be a "Credit Facility" and "Liquidity Facility" within the meaning of this Thirty-First Supplemental Resolution, and each Letter of Credit Issuer is hereby determined to be a "Credit Facility Issuer" and "Liquidity Provider" within the meaning of this Thirty-First Supplemental Resolution.

**SECTION 12.02 Action by Letter of Credit Issuer(s) When Action by Bondholders Required.** For so long as a Letter of Credit is in full force and effect, and the Credit Facility Issuer has not wrongfully failed to honor a properly presented draw made under the terms of the Credit Facility then, in all such events, the Letter of Credit Issuer(s), and not the actual Holders of the 2019 Series C Bonds, shall be deemed to be the Holder of 2019 Series C Bonds at all times for the purpose of (i) giving any approval or consent to the effectiveness of any Supplemental Resolution or any amendment, change or modification of the Bond Resolution as specified in Bond Resolution which requires the written approval or consent of Holders; *provided, however,* that the provisions of this Section shall not apply to any change in the terms of redemption or maturity of the principal of any Outstanding 2019 Series C Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon, or any change that reduces the percentages or otherwise affects the 2019 Series C Bonds the consent of the Holders of which is required to effect any such modification or amendment, or changes or modifies 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 Article VIII of the Bond Resolution or otherwise.

**SECTION 12.03 Security for Reimbursement of Drawings Under Letter of Credit to Pay Principal or Redemption Price of or Interest on 2019 Series C Bonds.** In the event that the principal or Redemption Price, if applicable, and interest due on any 2019 Series C Bonds shall be paid with the proceeds of a drawing under a Letter of Credit, all covenants, agreements and other obligations of the City to the Holders of such 2019 Series C Bonds shall continue to exist and the Letter of Credit Issuer(s) of such Letter of Credit shall be subrogated to the rights of such Holders in accordance with the terms of the Reimbursement Agreement pursuant to which such Letter of Credit is issued.

**SECTION 12.04 Agreement of the City Concerning the Trustee, Paying Agent and Tender Agent.** Notwithstanding any other provision of this Thirty-First Supplemental Resolution or the Bond Resolution, in the event that a Letter of Credit is in effect with respect to the 2019 Series C Bonds, the City covenants and agrees that the same entity shall hold the positions of Trustee and Paying Agent for the 2019 Series C Bonds and, if the 2019 Series C Bonds shall be in an Interest Mode other than the Auction Mode or the Fixed Mode, Tender Agent.

**ARTICLE XIII  
EFFECTIVE DATE**

**SECTION 13.01 Effective Date.** This Thirty-First Supplemental Resolution shall take effect immediately after its adoption by the City Commission of the City and the filing of a copy thereof certified by an Authorized Officer of the City with the Trustee.

Thirty-First Supplemental Utilities System Revenue Bond Resolution approved and adopted March 21, 2019.

**CITY OF GAINESVILLE, FLORIDA**

\_\_\_\_\_  
Mayor

ATTESTED:

\_\_\_\_\_  
Clerk of the Commission

Approved as to Form and Legality:

\_\_\_\_\_  
City Attorney

## **LIST OF ATTACHMENTS AND EXHIBITS**

Attachment A	Acceptance of Office of Paying Agent
Exhibit A	Auction Procedures
Exhibit B	Project Description
Exhibit C	Form of Purchase Contract
Exhibit D-1	Form of Reimbursement Agreement (w/ Form of Letter of Credit attached as Exhibit A)
Exhibit D-2	Form of Fee Letter
Exhibit E	Form of Official Statement
Exhibit F	Form of Continuing Disclosure Certificate
Exhibit G	Tender Agency Agreement
Exhibit H	Remarketing Agreement

**ATTACHMENT A**

**ACCEPTANCE OF OFFICE OF PAYING AGENT**

\_\_\_\_\_, 2019

City of Gainesville, Florida  
200 East University Avenue  
Gainesville, Florida 32601

Dear Sirs:

The undersigned hereby accepts the duties and obligations of Paying Agent for the Variable Rate Utilities System Revenue Bonds, 2019 Series C of the City of Gainesville, Florida (the "City") imposed upon the undersigned by the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on September 21, 2017, as heretofore amended, restated and supplemented.

**U.S. BANK TRUST NATIONAL  
ASSOCIATION**

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

[SEAL]

Attest:

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

**EXHIBIT A**

**AUCTION PROCEDURES**

[To be provided if 2019 Series C Bonds are converted to Auction Mode]

**EXHIBIT B**

**2019 SERIES C PROJECT**

**2019 SERIES C PROJECT**

Murphree Water Treatment Plant Wellfield Projects  
Murphree Water Treatment Plant Pumping Equipment  
Murphree Water Treatment Plant Electrical Upgrade

Together with such other projects as shall be included in the capital improvement plan for the System and authorized by an Authorized Officer.

**EXHIBIT C**  
**FORM OF PURCHASE CONTRACT**

\$[\_\_\_]

CITY OF GAINESVILLE, FLORIDA

VARIABLE RATE UTILITIES SYSTEM REVENUE

2019 SERIES C BONDS

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CONTRACT OF PURCHASE

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[\_\_\_], 2019

The Honorable Mayor and Commissioners  
City of Gainesville, Florida  
City Hall  
200 East University Avenue  
Gainesville, Florida 32601

Honorable Mayor and Commissioners:

The undersigned, Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Underwriter”), offers to enter into this Contract of Purchase (the “Purchase Contract”) with you (the “City”) which, upon acceptance, will be binding upon the City and upon the Underwriter. This offer is made subject to the City’s acceptance on or before 11:59 p.m., New York City time, on the date hereof or on such other date as shall be agreed to by the City and the Underwriter, and if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered in writing by the Representative to the City at any time prior to the acceptance hereof by the City. Capitalized terms used herein and not defined shall have the meanings given to such terms in the Official Statement (as defined below).

**1. Purchase, Sale and Delivery of the 2019C Bonds.**

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriter, hereby agrees to purchase from the City, and the City hereby agrees to sell to the Underwriter, all (but not less than all) of its \$[\_\_\_] Variable Rate Utilities System Revenue Bonds, 2019 Series C (the “2019C Bonds”). The 2019C Bonds shall be dated as of the date of their original issuance and delivery, shall mature on the

date and in the amount, and bear interest, and shall be subject to mandatory tender for purchase and redemption prior to their maturity as shown as set forth in Exhibit A attached hereto or described in the Thirty-First Supplemental Resolution (defined below). The purchase price for the 2019C Bonds, representing a par amount of \$[\_\_\_\_], [less original issue discount of \$[\_\_\_\_]], less the Underwriter's discount of \$[\_\_\_\_], shall be \$[\_\_\_\_].

The City also anticipates that its Utilities System Revenue Bonds, 2019 Series A, in a principal amount of \$[\_\_\_\_\_] (the "2019A Bonds") and Utilities System Revenue Bonds, 2019 Series B (Federally Taxable), in a principal amount of \$[\_\_\_\_\_] (the "2019B Bonds"), to be payable from and secured by a pledge of and lien on the Trust Estate, will be issued on [April \_\_, 2019.]

(b) The 2019C Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable as provided in, Resolution No. 170395 incorporating by reference the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on September 21, 2017 (the "Bond Resolution"), as amended and supplemented, including as supplemented and amended by Resolution No. [\_\_\_\_], entitled Thirty-First Supplemental Utilities System Revenue Bond, duly adopted by the City on [\_\_\_\_ \_\_, 2019] (the "Thirty-First Supplemental Resolution"), authorizing the 2019C Bonds, (the Bond Resolution as so supplemented and amended through and including the date hereof being herein called the "Resolution"). The 2019C Bonds are authorized to be issued pursuant to Chapter 166, Part II, Florida Statutes, and other applicable provisions of law (the "Act"), the Resolution, the Laws of Florida, 1990, as amended, and the Charter of the City (the "Charter"). The 2019C Bonds will be direct and special obligations of the City payable solely from the Trust Estate (as defined in the Resolution) pledged therefor under the Resolution subject to the priorities described in the Resolution.

(c) The 2019C Bonds will be issued to (a) restructure some of its currently outstanding variable rate debt with both hedged and unhedged variable rate debt and (b) acquire, construct and equip certain capital improvements to the Murphree Water Treatment Plant, including but not limited to wellfield, pumping equipment and electrical projects.

(d) [Reserved].

(e) The City shall prepare and deliver to the Underwriter, as promptly as practicable, but in any event not later than seven business days from the date hereof, a final official statement relating to the 2019C Bonds in such quantities as the Underwriter may reasonably request in order to allow the Underwriter to comply with paragraph (b)(4) of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board (the "MSRB") (such official statement, including the cover page and Appendices thereto, as the same may be supplemented or amended pursuant to clause (l) below, is herein referred to as the "Official Statement"). In addition, the City will provide, subject to customary disclaimers regarding the transmission of electronic copies, an electronic copy of the Official Statement to the Underwriter in the currently required designated

electronic format stated in MSRB Rule G-32 and the EMMA Dataport Manual (as defined below).

(f) Within one (1) business day after receipt of the Official Statement from the City, but by no later than the Closing Date (as defined below), the Underwriter shall, at its own expense, submit the Official Statement to EMMA (as defined below). The Underwriter will comply with the provisions of MSRB Rule G-32, including without limitation the submission of Form G-32 and the Official Statement and notify the City of the date on which the Official Statement has been filed with EMMA.

“EMMA” means the MSRB’s Electronic Municipal Market Access system, or any other electronic municipal securities information access system designated by the MSRB for collecting and disseminating primary offering documents and information.

“EMMA Dataport Manual” means the document(s) designated as such published by the MSRB from time to time setting forth the processes and procedures with respect to submissions to be made to the primary market disclosure service of EMMA by underwriters under Rule G-32(b).

(g) The City hereby authorizes the Underwriter to use and distribute the Official Statement, the Resolution and this Purchase Contract and all information contained in each thereof, and all other documents, certificates and statements furnished by the City to the Underwriter in connection with the transactions contemplated by this Purchase Contract, in connection with the offer and sale of the 2019C Bonds.

(h) The City acknowledges and agrees that: (i) the Underwriter is not acting as a municipal advisor within the meaning of Section 15B of the Securities Exchange Act, as amended, (ii) the primary role of the Underwriter, as an underwriter, is to purchase securities, for resale to investors, in an arm’s length commercial transaction between the City and the Underwriter and the Underwriter has financial and other interests that differ from those of the City; (iii) the Underwriter is acting solely as a principal and is not acting as a municipal advisor, financial advisor or fiduciary to the City and has not assumed any advisory or fiduciary responsibility to the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the City on other matters); (iv) the only obligations the Underwriter has to the City with respect to the transaction contemplated hereby expressly are set forth in this Purchase Contract; and (v) the City has consulted its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it has deemed appropriate

(i) The Underwriter, subject to Section 3 herein, intend to make a bona fide initial public offering of all the 2019C Bonds at prices no higher than, or yields not lower than, those shown in the Official Statement. Subject to Section 3 herein, the Underwriter reserves the right to lower such initial offering prices as they deem necessary in connection with the marketing of

the 2019C Bonds. Subject to Section 3 herein, the Underwriter may offer and sell the 2019C Bonds to certain dealers (including dealers depositing the 2019C Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in the Official Statement. Subject to Section 3 herein, the Underwriter also reserves the right to: (i) over-allot or effect transactions which stabilize or maintain the market price of the 2019C Bonds at levels above those that might otherwise prevail in the open market and (ii) discontinue such stabilizing, if commenced, at any time without prior notice.

(j) The Underwriter has wire transferred to the City at or prior to the execution hereof by the City \$[\_\_\_\_] (the “Good Faith Deposit”) as security for the performance by the Underwriter of its obligations to accept delivery of and pay for the 2019C Bonds at the Closing Date in accordance with the provisions of this Purchase Contract. The Good Faith Deposit will be applied (exclusive of any interest earned on the Good Faith Deposit) as a credit towards the purchase price for the 2019C Bonds. In the event the City does not accept this offer, or upon the City’s failure to deliver the 2019C Bonds at the Closing Date for reasons other than a default by the Underwriter, or if the conditions to the obligations of the Underwriter contained in this Purchase Contract shall be unsatisfied (unless waived by the Underwriter), or if such obligations shall be terminated by the Underwriter for any reason permitted by this Purchase Contract, such Good Faith Deposit plus interest earned thereon by the City shall be immediately returned to the Underwriter. In the event that the Underwriter fails (other than for a reason permitted under this Purchase Contract) to accept delivery of and pay for the 2019C Bonds at the Closing hereinafter referred to, such sum shall constitute full liquidated damages for such failure and for any and all defaults hereunder on the part of the Underwriter, and shall constitute a full release and discharge of all claims and rights hereunder of the City against the Underwriter. Except as set forth in Section 4 hereof, no party hereto shall have any further rights against any other hereunder. It is understood by both the City and the Underwriter that actual damages in the circumstances as described in the preceding sentence may be difficult or impossible to compute; therefore, the funds represented by the Good Faith Deposit are a reasonable estimate of the liquidated damages in this type of situation. Accordingly, the Underwriter hereby waives any right to claim that the City’s actual damages are less than such amount, and the City’s acceptance of this offer shall constitute a waiver of any right the City may have to additional damages from the Underwriter.

(k) [Reserved].

(l) The City further agrees that if on or prior to the 25th day after the “end of the underwriting period,” as such expression is used in Rule 15c2-12, the City becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, the City will notify the Underwriter thereof and, if in the opinion of the City or the Underwriter such event or events described in any such notice require a supplement or amendment to the Official Statement, the City will supplement or amend the Official Statement in a manner approved by the City and the Underwriter (such approvals not to be unreasonably delayed or withheld) and will thereafter until the end of such 25-day period provide the Underwriter with copies of the

Official Statement, as so amended or supplemented, in sufficient quantities to allow the Underwriter to comply with the requirements referred to in paragraph (e) of this Section 1, subject to Section 4 hereof as to the payment of the expenses therefor. Unless otherwise provided in writing by the Underwriter to the City on the Closing Date that the Underwriter retains directly, or as a member of an underwriting syndicate, an unsold balance of the 2019C Bonds, the end of the underwriting period shall be the Closing Date, but in no event later than 90 days after the Closing Date.

(m) At 10:00 a.m., New York City time, on [April \_\_], 2019 or at such earlier or later time or date as shall be agreed upon by the Underwriter and the City (such time and date being herein referred to as the “Closing Date”), the City will deliver or cause to be delivered to or on behalf of The Depository Trust Company (“DTC”), on behalf of the Underwriter, the 2019C Bonds in definitive form (all 2019C Bonds bearing CUSIP numbers), duly executed by the City, and authenticated by U.S. Bank National Association, as trustee (in such capacity, the “Trustee”), and the City will deliver to the Underwriter at such location as shall be agreed upon by the City and the Underwriter, the other documents herein mentioned; the Underwriter will accept such delivery and pay the purchase price of the 2019C Bonds as set forth in paragraph (a) of this Section 1 by wire transfer of federal funds for the purchase of the 2019C Bonds, in an amount equal to the difference between said purchase price and the amount of the Good Faith Deposit (such delivery and payment being hereinafter referred to as the “Closing”).

Copies of the 2019C Bonds, as duly executed by the City but prior to authentication, shall be made available to the Underwriter not later than one business day before the Closing Date for the purpose of inspection. The 2019C Bonds of each Series shall be issued initially in the form of a separate, fully registered bond in the amount of each separate stated maturity thereof, registered in the name of Cede & Co., as nominee of DTC.

**2. Representations, Warranties and Agreements of the City.** The City hereby represents and warrants to and agrees with the Underwriter that:

(a) The City is duly organized and validly existing as a municipal corporation under the Constitution and laws of the State of Florida, including the Charter, and has, and at the Closing Date will have, full legal right, power and authority (i) to enter into this Purchase Contract, a Remarketing Agreement, dated as of [April 1, 2019] (the “Remarketing Agreement”) with Merrill Lynch, Pierce, Fenner & Smith Incorporated (in such capacity, the “Remarketing Agent”), the Letter of Credit and Reimbursement Agreement, dated as of [April 1, 2019] (the “Reimbursement Agreement”) between the City and Bank of America, N.A. (the “Bank”), the Tender Agency Agreement relating to Variable Rate Utilities System Revenue Bonds, 2019 Series C, dated as of [April 1, 2019] (the “Tender Agency Agreement”) by and between the City and U.S. Bank National Association (in such capacity, the “Tender Agent”) and a Continuing Disclosure Certificate, dated the Closing Date, relating to the 2019C Bonds in substantially the form attached to the Official Statement (the “Continuing Disclosure Certificate” and, together with the Reimbursement Agreement, the Tender Agency Agreement, this Purchase Contract and the Remarketing Agreement, the “City Documents”), (ii) to adopt the Resolution, (iii) to pledge

the Trust Estate as set forth in the Resolution, (iv) to issue, sell and deliver the 2019C Bonds to the Underwriter pursuant to the Resolution, as provided herein, (v) to operate the System (as defined in the Resolution) and conduct the business thereof as set forth in and contemplated by the Official Statement, and (vi) to carry out, give effect to and consummate the transactions contemplated by this Purchase Contract, the Tender Agency Agreement, the Remarketing Agreement, the Resolution, the Official Statement and the Continuing Disclosure Certificate;

(b) The City has complied, and will at the Closing Date be in compliance, in all material respects with the Charter, the Act, the Constitution of the State of Florida and the Resolution as directly or indirectly affects the issuance of the 2019C Bonds or the validity thereof, the validity or adoption of the Resolution, or the execution and delivery of the 2019C Bonds, this Purchase Contract, the Reimbursement Agreement, the Tender Agency Agreement, the Remarketing Agreement, the Official Statement, and the Continuing Disclosure Certificate, or other instruments contemplated by any of such documents to which the City is a party, and compliance with the provisions of each thereof;

(c) The City has duly and validly adopted the Resolution, has duly authorized and approved the execution and delivery of the 2019 Bonds, this Purchase Contract, the Tender Agency Agreement, the Remarketing Agreement, the Official Statement, the Reimbursement Agreement, and the Continuing Disclosure Certificate, and has duly authorized and approved the performance by the City of its obligations contained in, and the taking of any and all action as may be necessary to carry out, give effect to and consummate the transactions contemplated by, each of said documents, and at the Closing Date the 2019C Bonds, the Resolution, this Purchase Contract, the Tender Agency Agreement, the Remarketing Agreement, and the Continuing Disclosure Certificate will constitute the valid, legal and binding obligations of the City enforceable against the City in accordance with their respective terms, subject to the effect of, and restrictions and limitations imposed by or resulting from, bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights and judicial discretion and the valid exercise of the sovereign police powers of the State of Florida and the constitutional power of the United States of America, and the Resolution will be in full force and effect;

(d) The City is not in breach of or in default under any constitutional provision, applicable law or administrative rule or regulation of the State of Florida, the United States, or of any department, division, agency or instrumentality of either thereof or any applicable court or administrative decree or order, or any loan agreement, note, ordinance, resolution, indenture, contract, agreement or other instrument to which the City is a party or by which the City or any of the property or assets of the System is otherwise subject or bound which in any material way, directly or indirectly, affects the issuance of the 2019C Bonds, or the validity thereof, the validity or adoption of the Resolution, or the execution and delivery of the 2019C Bonds, this Purchase Contract, the Tender Agency Agreement, the Remarketing Agreement, the Reimbursement Agreement, the Official Statement, or the Continuing Disclosure Certificate, or other instruments contemplated by any such documents to which the City is a party, and compliance with the provisions of each thereof will not conflict with or constitute a breach of or default under any

constitutional provision, applicable law or administrative rule or regulation of the State of Florida, the United States, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order, or any loan agreement, note, ordinance, resolution, indenture, contract, agreement or other instrument to which the City is a party or by which the City or any of the property or assets of the System is otherwise subject or bound;

(e) All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, legislative body, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the due performance by the City of its obligations under the Resolution, the 2019C Bonds, this Purchase Contract, the Reimbursement Agreement, the Tender Agency Agreement, the Remarketing Agreement, and the Continuing Disclosure Certificate, have been obtained and are in full force and effect, except for such approvals, consents and orders as may be required under the “Blue Sky” or securities laws of any state in connection with the offering and sale of the 2019C Bonds;

(f) The 2019C Bonds, the Resolution, the Tender Agency Agreement, the Remarketing Agreement, the Reimbursement Agreement, and the Continuing Disclosure Certificate, conform to the descriptions thereof contained in the Official Statement, and the 2019C Bonds, when delivered in accordance with the Resolution and paid for by the Underwriter on the Closing Date as provided herein, will be validly issued and outstanding direct and special obligations of the City entitled to all the benefits and security of the Resolution;

(g) The Official Statement (except for any information about book-entry, DTC, provider of a reserve surety policy, if any, and the information contained under the caption “UNDERWRITING”) will be, as of the date of its delivery to the Underwriter and (as supplemented pursuant to Section 1(l)) as of the Closing Date, true, correct and complete in all material respects and the Official Statement (except for any information about book-entry, DTC, provider of a reserve surety policy, if any, and the information contained under the caption “UNDERWRITING”) will not, as of the date of its delivery to the Underwriter and (as supplemented pursuant to Section 1(l)) as of the Closing Date, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading;

(h) The Resolution creates a legally valid and binding pledge of the Trust Estate, subject only to the provisions of the Resolution permitting the application thereof on the terms and conditions set forth in the Resolution;

(i) Except as described in the Official Statement, no action, suit or proceeding, at law or in equity, and to the knowledge of the City, no inquiry or investigation before or by any court, public board or body, is pending or, to the knowledge of the City, threatened or notice received of any investigation by a regulatory agency, in any way affecting the existence of the City or the titles of its officers to their respective offices, or seeking to prohibit, restrain or enjoin the

issuance, sale or delivery of the 2019C Bonds or the application of the proceeds of the 2019C Bonds or the collection or application of the Revenues (as defined in the Resolution) of the System as described in the Official Statement, or the pledge of the Trust Estate pursuant to the Resolution, or in any way contesting or affecting the validity or enforceability of the 2019C Bonds, the Tender Agency Agreement, the Remarketing Agreement, the Resolution, the Reimbursement Agreement, this Purchase Contract or the Continuing Disclosure Certificate, or any action of the City contemplated by any of said documents, or in any way contesting the completeness or accuracy of the Official Statement or the powers of the City or its authority with respect to the 2019C Bonds, the adoption of the Resolution or the execution and delivery of this Purchase Contract, the Tender Agency Agreement, the Remarketing Agreement, the Reimbursement Agreement, the Continuing Disclosure Certificate, or any action of the City contemplated by any of said documents, or which would adversely affect the exclusion of interest paid on the 2019C Bonds from gross income for federal income tax purposes, nor, to knowledge the City, is there any basis therefor;

(j) The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request to qualify the 2019C Bonds for offer and sale under the “Blue Sky” or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; provided that in connection therewith the City shall not be required to file a general consent to service of process or qualify to do business in any jurisdiction;

(k) The audited financial statements of the System for the periods ended September 30, 2018 and September 30, 2017 heretofore delivered to the Underwriter and contained in the Official Statement as Appendix B thereto fairly present the financial position of the System as of the dates indicated and the results of its operations for the periods specified, and such financial statements have been prepared in conformity with generally accepted accounting principles consistently applied during the periods involved, except as otherwise expressly stated in the notes thereto;

(l) The City has the legal authority to apply the proceeds of the 2019C Bonds for the purposes contemplated by the Resolution, the Official Statement and the City Documents;

(m) Except as disclosed in the Official Statement, as required by rule of the Office of Financial Regulation within the Florida Financial Services Commission (the “FFSC”), the City is not and has not been in default on any bond issued since December 31, 1975 that would be considered material by a reasonable investor, provided, however, the City has not undertaken an independent review or investigation of securities for which it has served as conduit issuer, as the City does not believe that any information about any default on such securities is appropriate and would be considered material by a reasonable investor in the 2019C Bonds because the City would not have been obligated to pay the debt service on any such securities except from payments made to it by the private companies on whose behalf such securities were issued and no funds of the City would have been pledged or used to pay such securities or the interest thereon;

(n) Any certificate signed by the General Manager for Utilities, or other authorized official or individual of the City, shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein; and

(o) Except as disclosed in the Official Statement, the City has complied with all previous undertakings it made pursuant to Rule 15c2-12 during the past five years.

### **3. Establishment of Issue Price**

(a) The Underwriter agrees to assist the City in establishing the issue price of the 2019C Bonds and shall execute and deliver to the City at Closing an “issue price” or similar certificate, substantially in the form attached hereto as Exhibit B, together with the supporting pricing wires or equivalent communications, with such modifications as may be deemed appropriate or necessary, in the reasonable judgment of the Underwriter, the City and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the 2019C Bonds. All actions to be taken by the City under this section to establish the issue price of the 2019C Bonds may be taken on behalf of the City by the City’s municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City’s municipal advisor.

(b) [Except as otherwise set forth in Exhibit B attached hereto,] The City represents that it will treat the first price at which 10% of the 2019C Bonds (the “10% test”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). If, as of the date hereof, the 10% test has not been satisfied as to the 2019C Bonds for which the City has elected to utilize the 10% test, the Underwriter agrees to promptly report to the City the prices at which the 2019C Bonds have been sold by the Underwriter to the public. That reporting obligation shall continue until the earlier of the date upon which 10% test has been satisfied as to the Bonds or the Closing Date.

(c) [The Underwriter confirms that it has offered the 2019C Bonds to the public on or before the date of this Purchase Contract at the offering price (the “initial offering price”), or at the corresponding yield, set forth in Exhibit B attached hereto, except as otherwise set forth therein. Exhibit B also sets forth, as of the date of this Purchase Contract, the 2019C Bonds for which the 10% test has not been satisfied and for which the City and the Underwriter, on behalf of itself, agrees that the restrictions set forth in the next sentence shall apply, (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to the 2019C Bonds, the Underwriter will neither offer nor sell unsold 2019C Bonds to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (i) the close of the fifth (5th) business day after the sale date; or

(ii) the date on which the Underwriter has sold at least 10% of the 2019C Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter shall promptly advise the City when the Underwriter has sold 10% of the 2019C Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

The City acknowledges that, in making the representation set forth in this subsection, the Underwriter will rely on (i) the agreement of the Underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Securities to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that the Underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that the Underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no Underwriter shall be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(d) [Reserved.]

(e) The Underwriter acknowledges that sales of any 2019C Bonds to any person that is a related party to the Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “public” means any person other than an underwriter or a related party to the Underwriter,

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the 2019C Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the 2019C Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the 2019C Bonds to the public),

(iii) a purchaser of any of the 2019C Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of

another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date of execution of this Purchase Contract by all parties.

**4. Conditions to the Obligations of the Underwriter and the City.** (a) The obligations of the Underwriter to accept delivery of and pay for the 2019C Bonds on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations and warranties on the part of the City contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the City made in any certificates or other documents furnished pursuant to the provisions hereof, to the performance by the City of its obligations to be performed hereunder at or prior to the Closing Date and to the following additional conditions:

(b) At the Closing Date, the Resolution shall have been duly adopted, and the Resolution, the Tender Agency Agreement, the Remarketing Agreement, the Reimbursement Agreement, the 2019C Bonds, this Purchase Contract and the Continuing Disclosure Agreement shall be in full force and effect in accordance with their respective terms, and shall not have been repealed, amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter, and there shall have been taken in connection therewith, with the issuance of the 2019C Bonds, and with the transactions contemplated thereby, and by this Purchase Contract, all such actions, as, in the opinion of Holland & Knight LLP, Lakeland, Florida (“Bond Counsel”), shall be necessary and appropriate for the issuance of the 2019C Bonds (excluding securities law matters with respect thereto);

(c) At the Closing Date, the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter;

(d) Between the date hereof and the Closing Date, the market price or marketability of the 2019C Bonds, at the initial offering yields set forth in Exhibit A hereto, shall not have been materially adversely affected, in the judgment of the Underwriter (evidenced by a written notice to the City terminating the obligation of the Underwriter to accept delivery of and pay for the 2019C Bonds), by reason of any of the following:

(1) legislation enacted by or introduced in or favorably reported to either the House of Representatives or the Senate of the United States, or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States, or an order, ruling, regulation or official statement (final, temporary or proposed)

issued or made (i) by or on behalf of the Treasury Department of the United States or the Internal Revenue Service, with the purpose or effect, directly or indirectly, of imposing Federal income taxation upon the Revenues or upon such interest as would be received by the holders of the 2019C Bonds, or (ii) by or on behalf of the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the 2019C Bonds are not exempt from registration under, or other requirements of, the Securities Act of 1933, as amended, or that the Resolution is not exempt from qualification under, or other requirements of, the Trust Indenture Act of 1939, as amended, or that the offering or sale of the 2019C Bonds, or obligations of the general character of the 2019C Bonds, including any or all underlying arrangements as contemplated hereby or by the Official Statement, otherwise is or would be in violation of any applicable law, rule or regulation, including (without limitation) the Federal securities laws as amended and then in effect;

(2) the declaration of war or engagement in major hostilities (or the escalation of any hostilities existing on the date hereof) by the United States or the occurrence of any other national or international emergency or calamity relating to the effective operation of the government of or the financial community of the United States, it being agreed that no such situation currently exists;

(3) the declaration of a general banking moratorium by Federal, New York or Florida authorities or a material disruption in commercial banking or securities settlement or clearance services shall have occurred, or the general suspension of trading on any national securities exchange shall have occurred;

(4) the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restriction not now in force with respect to the 2019C Bonds or obligations of the general character of the 2019C Bonds or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or to the net capital requirements of, underwriters;

(5) the withdrawal or downgrading by a national rating agency of any long-term credit rating without credit enhancement, of any Bonds (as defined in the Resolution);

(6) the adoption of any amendment to the Federal or Florida Constitution, decision by any Federal or Florida court, or enactment by any Federal or Florida legislative body materially adversely affecting the validity or enforceability of this Purchase Contract, the Tender Agency Agreement, the Remarketing Agreement, the 2019C Bonds or the Resolution; or

(7) any event occurring, or information becoming known, which makes untrue in any material respect any statement or information contained in the Official Statement,

or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and the Official Statement is not amended in accordance with Section 1(e);

(e) At or prior to the Closing Date, the Underwriter shall have received two counterpart originals of the following documents, in each case satisfactory in form and substance to the Underwriter:

(1) The Official Statement, executed on behalf of the City by the General Manager for Utilities;

(2) A copy of the Resolution, certified by the Clerk of the Commission that it is a true, correct and complete copy of the one duly adopted or authorized by the City and that it has not been amended, modified or rescinded and is in full force and effect as of the Closing Date;

(3) The unqualified approving opinion of Bond Counsel, dated the Closing Date and addressed to the City, in substantially the form attached as Appendix E to the Official Statement (the “Bond Opinion”);

(4) An opinion of Bond Counsel, dated the Closing Date and addressed to the Underwriter, in the form attached hereto as Exhibit C;

(5) An opinion of Bryant Miller Olive P.A., Tampa, Florida, in its role as disclosure counsel (“Disclosure Counsel”), dated the Closing Date and addressed to the City, in the form attached hereto as Exhibit D, with a reliance letter addressed to the Underwriter;

(6) An opinion, dated the Closing Date and addressed to the Underwriter, of Nixon Peabody LLP, New York, New York counsel for the Underwriter, in the form attached hereto as Exhibit E;

(7) An opinion, dated the Closing Date and addressed to the City, Bond Counsel and the Underwriter, of the office of the City Attorney, which may state that except as otherwise stated, it is limited to the laws of the State of Florida, to the effect that (i) the City is a municipal corporation of the State of Florida duly organized and validly existing under the Constitution and laws of the State of Florida, including the Charter, and has full legal right, power and authority (a) to enter into this Purchase Contract, the Tender Agency Agreement, the Remarketing Agreement, the Reimbursement Agreement, and the Continuing Disclosure Certificate and to adopt the Resolution, (b) to issue, sell and deliver the 2019C Bonds to the Underwriter as provided in this Purchase Contract, (c) to pledge the Trust Estate as set forth in the Resolution, (d) to operate the System, and to levy, collect, receive, hold and apply rates and charges for

the services provided from the System, as provided in the Resolution, and (e) to carry out, give effect to and consummate the transactions contemplated by this Purchase Contract, the Resolution, the Tender Agency Agreement, the Remarketing Agreement, the Reimbursement Agreement, and the Continuing Disclosure Certificate; (ii) by official action of the City, the City has duly adopted the Resolution, has duly authorized and approved the execution and delivery of the 2019C Bonds, this Purchase Contract, the Tender Agency Agreement, the Remarketing Agreement, the Continuing Disclosure Certificate, the Reimbursement Agreement, and the Official Statement and the consummation by it of all other transactions contemplated by this Purchase Contract, the Tender Agency Agreement, the Remarketing Agreement, and the 2019C Bonds, the Resolution, the Reimbursement Agreement, the Continuing Disclosure Certificate, and this Purchase Contract constitute legal, valid and binding obligations of the City enforceable in accordance with the terms thereof; (iii) except as described in the Official Statement, there is no action, suit or proceeding, at law or in equity, and, to the best of such counsel's knowledge, after searching court records for cases naming the City and filed in the Circuit Court of the Eighth Judicial Circuit and the Court for the Northern District of Florida, there is no inquiry or investigation, before or by any court, public board or body, or investigation by any regulatory agency for which such counsel has received notice, pending or, to the best of such counsel's knowledge, after searching court records for cases naming the City and filed in the Circuit Court of the Eighth Judicial Circuit and the Court for the Northern District of Florida, in any way affecting the existence of the City or the titles of its officers to their respective offices, or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the 2019C Bonds or the collection or application of the Revenues of the System or the pledge of the Trust Estate pursuant to the Resolution, or in any way contesting or affecting the validity or enforceability of the 2019C Bonds, the Resolution, this Purchase Contract, the Tender Agency Agreement, the Remarketing Agreement, the Reimbursement Agreement, or the Continuing Disclosure Certificate or any action of the City contemplated by any of said documents, or contesting in any way the completeness or accuracy of the Official Statement or any supplement or amendment thereto, or contesting the powers of the City or its authority with respect to the 2019C Bonds, the adoption of the Resolution, or the execution and delivery of this Purchase Contract, the Tender Agency Agreement, the Remarketing Agreement, the Reimbursement Agreement, or the Continuing Disclosure Certificate or any action of the City contemplated by any of said documents, nor to such counsel's knowledge is there any basis therefor; (iv) compliance by the City with the provisions of the Resolution, this Purchase Contract, the Tender Agency Agreement, the Remarketing Agreement, the Reimbursement Agreement, or the Continuing Disclosure Certificate or the other instruments contemplated by any of such documents to which the City is a party will not conflict with or constitute a breach of any constitutional provision or applicable law of the State of Florida, the United States, or any department, division, agency or instrumentality of the United States; and (v) during the course of serving as counsel to the City in connection with the issuance of the 2019C Bonds, and without having undertaken to determine independently or assuming any responsibility for the

accuracy, completeness or fairness of the statements contained in the Official Statement, no facts came to the attention of the attorneys in the office of the City Attorney rendering legal services in connection with the issuance of the 2019C Bonds which caused the office of the City Attorney to believe that the Official Statement as of its date and as of the Closing Date (except for any CUSIP numbers, financial, accounting, statistical or economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any management discussion and analysis or any information about book-entry, DTC, ratings, rating agencies, provider of a reserve surety policy, if any, and the information contained under the caption "UNDERWRITING" and in Appendices B, C, D, E and F to the Official Statement, included or referred to therein, which the office of the City Attorney may expressly exclude from the scope of this paragraph and as to which no opinion or view need be expressed) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (the opinions set forth in clauses (i) and (ii) above being subject to the effect of, and restrictions and limitations imposed by or resulting from, bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights and judicial discretion and the valid exercise of the sovereign police powers of the State of Florida and of the constitutional power of the United States of America);

(8) A certificate or certificates, dated the Closing Date and signed by the General Manager for Utilities, to the effect that (i) the representations and warranties of the City contained herein are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (ii) no event has occurred since the date of the Official Statement which should be disclosed in the Official Statement (except for any information about book-entry, DTC, and the information contained under the caption "UNDERWRITING") so that it does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements and information therein, in the light of the circumstances under which they were made, not misleading; (iii) except as disclosed in the Official Statement, nothing has occurred since September 30, 2018 which would have a material adverse effect on the financial condition of the System; and (iv) the City has complied with all agreements and satisfied all the conditions on its part to be performed or satisfied under this Purchase Contract at or prior to the Closing Date;

(9) An executed copy of the Continuing Disclosure Certificate, in substantially the form attached as Appendix F to the Official Statement;

(10) An executed copy of the Tender Agency Agreement;

(11) An executed copy of the Remarketing Agreement;

(12) Executed copies of the Reimbursement Agreement and the Letter of Credit;

(13) [An executed copy of the procedures letter, dated the date hereof, from Purvis, Gray and Company LLP, independent certified public accountants, addressed to the City and the Underwriter, and in form and substance acceptable to the Underwriter, relating to the financial statements of the City appearing in the Official Statement and related matters;]

(14) A Tax Certificate relating to the 2019C Bonds in substance and form satisfactory to Bond Counsel;

(15) A copy of the Blanket Letter;

(16) Letters from Moody's Investors Service Inc., Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business and Fitch Ratings evidencing ratings of "[\_/\_/\_\_\_]," "[\_/\_/\_\_\_]" and "[\_\_\_/\_\_\_]", respectively, for the 2019C Bonds;

(17) A certificate of the Remarketing Agent, dated the date of Closing, executed on its behalf by an authorized officer thereof, to the effect that the information regarding the Remarketing Agent in the Official Statement under the caption ["THE REMARKETING AGENT"] is accurate;

(18) A certificate of the Bank, dated the date of Closing, executed on its behalf by an authorized officer thereof, to the effect that the information regarding Bank of America, N.A. in the Official Statement under the caption ["THE BANK"] is accurate;

(19) An opinion of counsel to the Bank, dated the date of Closing in a form acceptable to the City and the Underwriter; and

(20) Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the City's representations and warranties contained herein and of the statements and information contained in the Official Statement, and the due performance or satisfaction by the City at or prior to the Closing Date of all agreements then to be performed and all conditions then to be satisfied by the City in connection with the transactions contemplated hereby and by the Resolution and the Official Statement;

(f) The City shall perform or has performed at or prior to the Closing Date all of its obligations required under or specified in this Purchase Contract, the Official Statement and the Resolution to be performed by the City at or prior to the Closing Date; and

(g) At the time of the Closing, except as contemplated herein and by the Official Statement, there shall have been no material adverse decrease in assets or any other material adverse change in Revenues of the System or the Funds (as defined in the Resolution) or accounts established in the Resolution.

If any of the conditions to the obligations of the Underwriter contained in this Section or elsewhere in this Purchase Contract shall not have been satisfied when and as required herein, all obligations of the Underwriter hereunder may be terminated by the Underwriter at, or at any time prior to, the Closing Date by written notice to the City.

If the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the 2019C Bonds contained in this Purchase Contract are not satisfied, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the 2019C Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor the City shall be under any further obligation hereunder, except that the respective obligations of the City set forth in paragraph 5 hereof shall continue in full force and effect and the Good Faith Deposit specified in paragraph 1(J) hereof shall be returned to the Underwriter.

## **5. Expenses.**

(a) The Underwriter shall be under no obligation to pay, and the City shall pay or cause to be paid (out of the proceeds of the 2019C Bonds or any other legally available funds of the System) all expenses incident to the performance of the City's obligations hereunder including, but not limited to, the cost of printing, executing and delivering the 2019C Bonds to or on behalf of DTC; the cost of preparation, printing (and/or word processing and reproduction), distribution and delivery of the Resolution, up to [500] copies of the Official Statement and all other agreements and documents contemplated hereby or used in connection with the marketing and sale of the 2019C Bonds and any drafts thereof in reasonable quantities as requested by the Underwriter; the fees and disbursements of Bond Counsel, Disclosure Counsel, engineers, accountants, financial advisors and any other experts or consultants retained in connection with the issuance of the 2019C Bonds; fees charged by the rating agencies for rating the 2019C Bonds; and any other expenses not specifically enumerated in paragraph (b) of this Section incurred in connection with issuance of the 2019C Bonds. The City shall pay for expenses incurred on behalf of its employees which are directly related to the offering of the Bonds, including, but not limited to, meals, transportation, and lodging of those employees.

(b) The City shall be under no obligation to pay, and the Underwriter shall pay, the cost of preparation, printing (and/or word processing and reproduction), distribution and delivery of the agreement among underwriters, the selling group agreement, the "Blue Sky" memoranda and this Purchase Contract; expenses to qualify the 2019C Bonds for sale under any "Blue Sky" laws; fees and disbursements of Underwriter's counsel; and all other expenses incurred by the Underwriter in connection with their public offering and distribution of the 2019C Bonds not

specifically enumerated in paragraph (a) of this Section, including the fees and disbursements of their counsel.

6. **Notices.** Any notice or other communication to be given to the City under this Purchase Contract may be given by delivering the same in writing to the City in care of the Utilities System, 301 S.E. Fourth Avenue, P.O. Box 147117, Gainesville, Florida, 32614-7117, Attention: General Manager for Utilities; and any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to Merrill Lynch, Pierce, Fenner & Smith Incorporated, One Bryant Park, 12th Floor, New York, New York 10036, Attention: Andrew K. Hildreth, Vice President.

7. **Immunity of Officers and Employees.** No recourse may be had for the payment of the principal, premium, if any, or interest on the 2019C Bonds or for any claim based thereon or upon any representation, obligation, covenant or agreement in this Purchase Contract against any present or future officer, member, employee, director or agent of the City, under any rule of law or equity, statute or constitution, or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officers, members, employees, directors or agents as such, is hereby expressly waived and released as a condition of and consideration for the execution of this Purchase Contract.

8. **Parties in Interest.** This Purchase Contract is made solely for the benefit of the City and the Underwriter (including successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. The term “successors or assigns” as used in this Section and Section 12 shall not include any purchaser, as such purchaser, from the Underwriter of the 2019C Bonds.

9. **Survival of Representations and Warranties.** The representations and warranties of the City, set forth in or made pursuant to this Purchase Contract, shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Purchase Contract and regardless of any investigations or statements as to the results thereof made by or on behalf of the Underwriter and regardless of delivery of and payment for the 2019C Bonds.

10. **Counterparts.** This Purchase Contract may be executed in several counterparts, which together shall constitute one and the same instrument.

11. **Florida Law Governs.** The validity, interpretation and performance of this Purchase Contract shall be governed by the laws of the State of Florida.

12. **Entire Agreement.** This Purchase Contract when accepted by you in writing as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the City and the Underwriter (including the successors or assigns of the Underwriter). No other person shall acquire or have any right hereunder or by virtue hereof.

**13. Effectiveness.** This Purchase Contract shall become effective and binding upon the respective parties hereto upon the execution of the acceptance by the City and shall be valid and enforceable as of the time of such acceptance.

**14. Truth-In-Bonding Statement.** The City of Gainesville, Florida is proposing to issue \$[\_\_\_\_\_] of debt for the purposes of providing funds to (a) finance all or a portion of the costs of acquisition, construction and equipping of [certain capital improvements to the System], (b) refund the Utilities System Commercial Paper Notes, Series C and Series D and (c) pay certain costs of issuance. This debt is expected to be repaid over a period of approximately [\_\_\_\_] years. The interest on the Bonds accrues at a variable rate, so the total interest paid over the life of the Bonds is not presently capable of being determined. Assuming an interest rate of [\_.\_\_]%, total interest paid over the life of the debt will be \$[\_\_\_\_\_].

The source of repayment or security for this debt is the net revenues of the System. Authorizing this debt or obligation will result in an average of approximately \$[\_\_\_\_\_] per year of the revenues of the System not being available to finance the other services of the System each year for approximately [\_\_\_\_] years.

*[Remainder of page intentionally left blank; signatures appear on the following page]*

Very truly yours,

MERRILL LYNCH, PIERCE, FENNER &  
SMITH INCORPORATED

By: \_\_\_\_\_  
Andrew K. Hildreth  
Vice President

Accepted [\_\_\_\_ \_], 2019

CITY OF GAINESVILLE, FLORIDA

By: \_\_\_\_\_  
Chief Financial Officer, Utilities

APPROVED AS TO FORM AND LEGALITY:

By: \_\_\_\_\_  
Utilities Attorney

[Signature Page of Contract of Purchase]

**MATURITY, AMOUNT, INTEREST MODE, INTEREST RATE, YIELD AND PRICE**

<u>Maturity</u> <u>(October 1)</u>	<u>Amount</u> \$	<u>Interest</u> <u>Mode</u>	<u>Interest Rate</u> Variable	<u>Yield</u> %	<u>Price</u>
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## Redemption Provisions

### *Optional Redemption.*

The 2019C Bonds are subject to redemption prior to maturity, at the option of the Issuer, in whole or in part on any Business Day, at a redemption price of par, together with the interest accrued on such principal amount to the redemption date.

### *Mandatory Redemption.*

[The 2019C Bonds are subject to redemption, in part by lot from mandatory Sinking Fund Installments specified below:]

<b>Bonds Maturing on October 1,</b>	
<b><u>Year</u></b>	<b><u>Principal Amount</u></b>
	\$

‡

‡ Final Maturity

**FORM OF ISSUE PRICE CERTIFICATE**

\$\_[ ]

**CITY OF GAINESVILLE, FLORIDA**

**VARIABLE RATE UTILITIES SYSTEM REVENUE BONDS**

**2019 SERIES C**

**ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Underwriter”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. ***Sale of the Bonds.*** As of the date of this certificate, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.
2. ***Initial Offering Price of the Bonds.***
  - (a) [The Underwriter offered the Bonds to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.]
  - (b) [As set forth in the Bond Purchase Agreement, the Underwriter has agreed in writing that, (i) for each Maturity of the Bonds, it would neither offer nor sell any of the unsold Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. The Underwriter has not offered or sold any Maturity of the unsold Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.]
3. ***Defined Terms.***

- (a) *[Holding Period* means the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([\_\_\_\_\_, \_\_, 2019]), or (ii) the date on which the Underwriter has sold at least 10% of such Bonds to the Public at prices that are no higher than the Initial Offering Price for such Bonds.]
- (b) *Issuer* means the City of Gainesville, Florida.
- (c) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.
- (d) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (e) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the Bonds. The Sale Date of the Bonds is [\_\_\_\_\_] 2019.

3. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax and Non-Arbitrage Certificate and Agreement and with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Holland & Knight LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the Issuer from time to time relating to the Bonds.

MERRILL LYNCH, PIERCE, FENNER  
& SMITH INCORPORATED

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

Name: \_\_\_\_\_

Dated: [\_\_\_\_\_] 2019

## SCHEDULE A

Maturity Date

Principal Amount (\$)

Initial Interest Rate (%)

Price (% of Par)

\_\_\_\_\_

**SCHEDULE B**

**Pricing Wire or Equivalent**

**FORM OF BOND COUNSEL SUPPLEMENTAL OPINION**

[\_\_\_\_], 2019

Merrill Lynch, Pierce, Fenner & Smith Incorporated,  
as the Underwriter

Re: \$[\_\_\_\_] City of Gainesville, Florida Variable Rate Utilities System  
Revenue Bonds, 2019 Series C

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the City of Gainesville, Florida (the "Issuer") of its \$\_\_\_\_\_ Variable Rate Utilities System Revenue Bonds, 2019 Series C (the "2019 Bonds"). At your request, we render this supplemental opinion to you.

All terms used herein in capitalized form and not otherwise defined herein shall have the same meaning as ascribed to them under Resolution No. 170395 incorporating by reference the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on September 21, 2017 (the "Master Resolution"), and as supplemented and amended by the Thirty-First Supplemental Utilities System Revenue Bond Resolution No. \_\_\_\_\_ adopted by the City on \_\_\_\_\_, 2019 (the "Thirty-First Supplemental Resolution" and together with the Master Resolution, the "Bond Resolution").

The opinions expressed herein are supplemental to and are subject to all qualifications and limitations contained in our Bond Counsel Opinion rendered to the Issuer as of the date hereof pertaining to the 2019 Bonds (the "Bond Counsel Opinion") except as they are inconsistent herewith. You are hereby entitled to rely on the Bond Counsel Opinion as though such opinion were addressed to you.

We have reviewed the statements contained in the final Official Statement relating to the 2019 Bonds dated \_\_\_\_\_, 2019, and included in the closing transcript with respect thereto, under the sections captioned "SECURITY FOR THE BONDS," and "THE 2019 BONDS" (excluding the information under the sub-caption "Book-Entry Only System"), and are of the opinion that insofar as such statements purport to summarize portions of the Bond Resolution and the 2019 Bonds, such statements constitute fair summaries of those portions of the Bond Resolution and the 2019 Bonds purported to be summarized therein. We have also reviewed the statements contained in the section captioned "TAX MATTERS" and are of the opinion that the statements contained therein are accurate. We have not reviewed any electronic version of the Official Statement and have assumed for purposes of this letter that any such revision is identical in all respects to the printed version.

Other than as set forth above, we express no opinion with respect to the accuracy, completeness, fairness or sufficiency of the Official Statement referred to above or to the statistical or financial data contained therein, or any exhibits or attachments thereto.

This letter is furnished by us solely for your benefit and may not be relied upon by any other persons in connection with the provisions of the Purchase Contract. No attorney-client relationship has existed or exists between our firm and any other parties involved in this transaction related to the issuance of the 2019 Bonds or by virtue of this letter.

Sincerely yours,

HOLLAND & KNIGHT LLP

**FORM OF DISCLOSURE COUNSEL OPINION**

[\_\_\_\_], 2019

City of Gainesville, Florida  
Gainesville, Florida

Re: \$[\_\_\_\_] City of Gainesville, Florida  
Variable Rate Utilities System Revenue Bonds, 2019 Series C (the “2019C  
Bonds”)

Ladies and Gentlemen:

We have acted as Disclosure Counsel to the City of Gainesville, Florida (the “Issuer”) in connection with the issuance of the above-captioned obligations which are today being delivered to Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Underwriter”). In such capacity, we have reviewed such proceedings, records, certificates, documents and questions of law as we have considered necessary to enable us to render this opinion.

To the extent that the opinions expressed herein relate to or are dependent upon the determination that (i) the proceedings and actions relating to the authorization, execution, issuance, delivery and sale of the 2019C Bonds are lawful and valid under the Constitution and laws of the State of Florida, including Chapter 166, Part II, Florida Statutes, the municipal charter of the Issuer and other applicable provisions of law and pursuant to the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on September 21, 2017 (the “Bond Resolution”), as amended, restated and supplemented, including as supplemented by Resolution No. 19[\_\_\_\_], entitled Thirty-First Supplemental Utilities System Revenue Bond Resolution, duly adopted by the City on [\_\_\_\_], 2019] (the “Thirty-First Supplemental Resolution”), authorizing the 2019C Bonds, (the Bond Resolution as so supplemented and amended through and including the date hereof being herein called the “Resolution”), (ii) the 2019C Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with their terms, or (iii) interest on the 2019C Bonds is excluded from the gross income of the owners of the 2019C Bonds for federal income tax purposes, or other tax consequences of owning the 2019C Bonds, we understand that you are relying upon the opinions delivered to you on the date hereof of Nicolle M. Shalley, Esq., as Issuer’s Counsel (“Issuer’s Counsel”) and Holland & Knight LLP, as Bond Counsel (“Bond Counsel”), and, with your permission, we have assumed the accuracy of such opinions, have made no independent determination thereof and no opinion is expressed herein as to such matters.

Because the primary purpose of our professional engagement as your counsel was not to establish factual matters and because of the wholly or partially nonlegal character of many of the determinations involved in the preparation of the Official Statement dated [\_\_\_\_], 2019 related to the 2019C Bonds (the “Official Statement”), we are not passing on and do not assume any responsibility for, except as set forth below, the accuracy, completeness or fairness of the

statements contained in the Official Statement (including any appendices, schedules and exhibits thereto) and we make no representation that we have independently verified the accuracy, completeness or fairness of such statements. Our engagement has necessarily involved a review of certain demographic, financial, statistical and operating data or information; however, we express no opinion regarding the accuracy and completeness of any such information.

We have generally reviewed information furnished to us by, and have participated in telephone conferences and meetings with, representatives of the Issuer, the Issuer's Counsel, Bond Counsel, the financial advisor to the Issuer, the Underwriter, and others, in which such contents of the Official Statement and related matters were discussed. We have reviewed information concerning the Issuer's audited financial statements with respect to the System and meeting minutes and other materials we deemed relevant. With your permission, we have relied upon certificates of officials of the Issuer and others, and upon certain other opinions, certificates and/or letters delivered in connection with the issuance of the 2019C Bonds, including, without limitation, those received from Bond Counsel and Issuer's Counsel. In addition, we have reviewed such proceedings, records, certificates, documents and questions of law as we have considered necessary to enable us to render this opinion.

Based on the foregoing assumptions and reliances, and subject to the qualifications stated herein, we are of the opinion that:

1. Based solely upon our review and discussions noted above, and in reliance upon the accuracy of the information contained in the aforementioned certificates, letters and opinions, but without having undertaken any independent investigation or verification of such information, nothing has come to the attention of the attorneys in our firm rendering legal services in accordance with this representation which leads us to believe that the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that we express no opinion regarding historical or projected financial information, demographic, statistical or operating data or information included in the Official Statement, including but not limited to appendices, schedules and exhibits thereto, or any information about The Depository Trust Company and its book-entry system of registration.

2. The 2019C Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Resolution is exempt from qualification under the Trust Indenture Act of 1939, as amended. The opinions expressed herein are predicated upon present law, facts and circumstances, and we assume no affirmative obligation to update the opinions expressed herein if such laws, facts or circumstances change after the date hereof or of any subsequent events or developments which might affect the opinions expressed herein. The opinions expressed herein represent professional judgment, and are not a guarantee of result.

The opinions expressed herein are limited to the laws of the State of Florida and the United States of America.

This opinion letter may be relied upon by you only and only in connection with the transaction to which reference is made above and may not be used or relied upon by any other

person for any purposes whatsoever without our prior written consent. This opinion letter is not rendered to, and may not be relied upon by, holders or owners of the 2019C Bonds. The opinions expressed herein are limited to the matters set forth herein, and to the documents referred to herein and do not extend to any other agreements, documents or instruments executed by the Issuer, and no other opinion should be inferred beyond the matters expressly stated herein.

Respectfully submitted,

BRYANT MILLER OLIVE P.A.

**FORM OF UNDERWRITER'S COUNSEL OPINION**

[\_\_\_\_ \_], 2019

Merrill Lynch, Pierce, Fenner & Smith Incorporated,  
as the Underwriter named in the Contract  
of Purchase, dated [\_\_\_\_ \_], 2019,  
between the City of Gainesville,  
Florida and the Underwriter  
One Bryant Park, 12th Floor  
New York, New York 10036

Ladies and Gentlemen:

This opinion is being rendered pursuant to Section 4(e)(6) of the Contract of Purchase, dated [\_\_\_\_ \_], 2019 (the "Purchase Contract"), between the City of Gainesville, Florida (the "City") and Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter") for \$[\_\_\_\_] Variable Rate Utilities System Revenue Bonds, 2019 Series C (the "2019C Bonds"), issued on the date hereof by the City.

In our capacity as counsel to the Underwriter in connection with the issuance and sale of the 2019C Bonds, we have reviewed originals, or copies certified or otherwise identified to our satisfaction, of the following documents:

- (a) the Purchase Contract;
- (b) Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on September 21, 2017 (the "Bond Resolution"), as amended, restated and supplemented, including as supplemented by Resolution No. 19[\_\_\_\_], entitled Thirty-First Supplemental Utilities System Revenue Bond Resolution, duly adopted by the City on [\_\_\_\_ \_\_, 2019] (the "Thirty-First Supplemental Resolution"), authorizing the 2019C Bonds, (the Bond Resolution as so supplemented and amended through and including the date hereof being herein called the "Resolution");
- (c) the Official Statement of the City, dated [\_\_\_\_ \_], 2019, relating to the 2019C Bonds (the "Official Statement");
- (d) the Continuing Disclosure Certificate of the City, dated [\_\_\_\_ \_], 2019, relating to the 2019C Bonds (the "Continuing Disclosure Certificate"); and

such other documents, instruments and opinions, and we have made such investigations of law, as we have deemed necessary or advisable for the purpose of rendering this opinion. As to questions of fact material to our opinion, we have relied on representations contained in the

proceedings for the issuance of the 2019C Bonds and other representations and certifications of public officials furnished to us, without undertaking to verify the same by investigation.

Based on the foregoing, we are of the opinion that:

(i) in connection with the public offering and sale of the 2019C Bonds, the 2019C Bonds are exempt from the registration requirements of the Securities Act of 1933, as amended, and the Resolution is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(ii) the Continuing Disclosure Certificate complies as to form in all material respects with the requirements of paragraph (b)(5) of the Rule applicable to the primary offering of the 2019C Bonds; and

(iii) the Continuing Disclosure Certificate provides a suitable basis for the Underwriter to reasonably make the determination required by paragraph (b)(5) of the Rule as a condition to purchasing or selling the 2019C Bonds in connection with an Offering (as said term is defined in the Rule) of the 2019C Bonds.

We are not passing and do not assume any responsibility for the accuracy, completeness or fairness of the information and statements contained in the Official Statement, and we have not undertaken to determine independently the accuracy, completeness or fairness of the information and statements contained in the Official Statement. However, in connection with the issuance and sale of the 2019C Bonds, at the request of the Underwriter, we have participated and have assisted in the preparation of the Official Statement. In the course of our participation in the preparation of the Official Statement, we have reviewed the information and statements contained therein. In addition, we have participated in conferences with representatives of the City, Disclosure Counsel to the City, Bond Counsel to the City, the City's financial advisor and representatives of the Underwriter, during which the contents of the Official Statement or portions thereof and related matters were discussed and reviewed. We have also reviewed, and without further investigation have assumed the accuracy of, certain representations made by representatives of the City relating to certain information and statements contained in the Official Statement. Based upon our participation in the above-mentioned conferences and information made available to us in our participation in the preparation of the Official Statement as Counsel to the Underwriter as aforesaid, and subject to the foregoing, as of the date of the Official Statement and the date hereof, no information had come to our attention which would lead us to believe that the Official Statement as of its date and the date hereof, contained or contains any untrue statement of material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the statements made therein, not misleading; provided, that we expressly exclude from the scope of this paragraph and express no opinion about Appendices A, B, D, and E and summaries thereof and references thereto, and other financial, statistical or economic or engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion with respect to the System included or referred to therein, and any information about book-entry, tax exemption, ratings and ratings agencies included or referred to therein.

This opinion is solely for the benefit of, and may be relied upon only by, the Underwriter

and is not to be used, circulated, quoted or otherwise referred to for any other purpose (other than inclusion in the record of proceedings relating to the issuance and sale of the 2019C Bonds) without our prior consent.

Very truly yours,

**EXHIBIT D-1**

**FORM OF REIMBURSEMENT AGREEMENT  
(w/ Form of Letter of Credit attached as Exhibit A)**

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Letter of Credit and Reimbursement Agreement

dated April \_\_, 2019

between

City of Gainesville, Florida

and

Bank of America, N.A.

Relating to  
City of Gainesville, Florida  
Variable Rate Utilities System Revenue Bonds,  
2019 Series C

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Exhibit A — Form of Letter of Credit		

## LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

This Letter of Credit and Reimbursement Agreement is dated April \_\_, 2019 and is between the City of Gainesville, Florida (together with its successors, the "*City*") and Bank of America, N.A. (together with its successors and assigns, the "*Bank*").

Whereas, the City has issued its Variable Rate Utilities System Revenue Bonds, 2019 Series C in the aggregate principal amount of \$ \_\_,000,000 (the "*2019 Series C Bonds*");

Whereas, in order to provide for the payment of the principal, redemption price and purchase price of and interest on the 2019 Series C Bonds when due, the City has requested that the Bank issue, for the account of the City and the benefit U.S. Bank National Association in its capacity as Tender Agent and Trustee (as defined in the herein referenced Bond Resolution), an irrevocable letter of credit (the "*Letter of Credit*"); and

Whereas, subject to the terms and conditions of this Agreement, the Bank is willing to issue the Letter of Credit;

Now, therefore, in consideration of the respective agreements contained herein, the parties hereto agree as follows:

### ARTICLE I DEFINITIONS

*Section 1.1. Definitions.* (a) Capitalized terms used herein but not otherwise defined herein shall have the meanings given to them in the Bond Resolution (as defined below).

(b) The following terms as used herein shall have the following meanings:

"*Agreement*" shall mean this Letter of Credit and Reimbursement Agreement, as the same may be amended or supplemented from time to time.

"*Authorized Officers*" shall mean, with respect to the City, any of the following: (a) the Mayor, the General Manager for Utilities and the Utility Chief Financial Officer of the System (including any person serving in any of the foregoing offices on an "interim" or "acting" basis) and (b) any other officer, employee or agent of the City authorized to perform specific acts or duties by resolution duly adopted by the City.

"*Bank Bond CUSIP Number*" shall mean [362848 \_\_\_\_].

"*Bank Rate*" shall mean, for each date of determination with respect to a 2019 Series C Bank Bond, a rate per annum equal to: (i) for the period from and including the date such 2019 Series C Bond became a 2019 Series C Bank Bond (the "Initial Date") to and including the 90th day following the Initial Date, the Base Rate and (ii) thereafter, the Base Rate plus 1%, and (b) during the continuance of an Event of Default, the Default Rate; provided, however, that, subject to Section 2.7 hereof, at no time shall the Bank Rate exceed the Maximum Rate, nor shall the Bank Rate be less than the interest rate borne by any 2019 Series C Bonds outstanding which are not 2019 Series C Bank Bonds. Each determination of the Bank Rate by the Bank will be conclusive and binding on the City, absent manifest error.

"*Base Rate*" means, for any day, a rate per annum equal to the highest of (a) the Prime Rate plus 1.00%, (b) the Federal Funds Rate plus 2%, (c) the Libor Rate plus 2% and (d) 7%. Each change in the Base Rate shall take effect simultaneously with the corresponding change or changes in the Prime Rate, Libor Rate or Federal Funds Rate, as the case may be.

"*Bond Resolution*" shall mean Resolution No. 170395 incorporating by reference the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on September 21, 2017, as amended and supplemented through the date hereof, including the Supplemental Resolution, and as further amended and supplemented from time to time in accordance with the terms thereof and hereof.

"*Closing Date*" means April \_\_, 2019.

"*Contractual Obligation*" shall mean, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of its property is bound.

"*Conversion Date*" shall mean the first date on which all of the 2019 Series C Bonds have been converted to a Non-Covered Interest Mode.

"*Default*" shall mean the occurrence of any event which, with the giving of notice or the passage of time, or both, would (unless waived by the Bank or cured to the reasonable satisfaction of the Bank) constitute an Event of Default.

"*Default Rate*" shall mean (i) except with respect to any Series 2019 C Bank Bond, the Base Rate plus 4% per annum, and (ii) with respect to any Series 2019 C Bank Bond, the Bank Rate plus 4% per annum.

"*Dodd-Frank Act*" shall mean the Dodd Frank Wall Street Reform and Consumer Protection Act and all regulations, guidelines and directions in connection therewith, as the same may be amended from time to time.

"*Drawing*" means a Principal Drawing, a Final Drawing, an Interest Drawing, an Interest Purchase Drawing or a Principal Purchase Drawing.

"*EMMA*" means the Municipal Securities Rulemaking City's Electronic Municipal Market Access System or any successor thereto.

"*Environmental Laws*" shall mean any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, or rules, and all judgments, orders, decrees, permits, concessions, grants, franchises, licenses, permits, agreements or governmental restrictions relating to air, water or land pollution, wetlands, or the protection of the environment or the release of any materials into the environment, including air, water or land, and those related to Hazardous Materials, air emissions and discharges to waste or public systems.

"*Environmental Liability*" shall mean any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the System directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous

Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"*ERISA*" shall mean the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

"*Event of Default*" shall mean any of the events specified as such in Article VII hereof.

"*Excess Bond Interest*" shall have the meaning set forth in Section 2.7 hereof.

"*Excluded Bond*" means (a) any 2019 Series C Bond owned by or for the account of the City and (b) 2019 Series C Bank Bonds.

"*Federal Funds Rate*" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that: (a) if such day is not a Business Day, then the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day; and (b) if no such rate is so published on such next succeeding Business Day, then the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of one hundredth of one percent) charged to the Bank on such day on such transactions as determined by the Bank. Each determination of the Federal Funds Rate by the Bank shall be deemed conclusive and binding on the City absent manifest error.

"*Fee Letter*" shall mean the Fee Letter, dated the Closing Date, between the City and the Bank, as the same may be amended and supplemented from time to time.

"*Final Drawing*" means a D Drawing, as defined in the Letter of Credit.

"*Financing Documents*" shall mean the Resolutions, this Agreement, the Tender Agency Agreement, the Remarketing Agreement and the 2019 Series C Bonds.

"*Fitch*" shall mean Fitch, Inc. d/b/a Fitch Ratings and its successors and assigns, and if such corporation (a) shall be dissolved or liquidated, (b) shall no longer perform the functions of a securities rating agency or (c) with respect to any rating specified herein which may be provided by Fitch for the Bank, shall no longer rate (other than as a result of a temporary suspension of such rating) any outstanding senior unsecured short-term debt of the Bank, "Fitch" shall be deemed to refer to any other nationally recognized statistical rating organization (other than Moody's or S&P) designated by the Bank and not disapproved by the City if such an organization shall exist.

"*GAAP*" shall mean generally accepted accounting principles as in effect from time to time.

"*Governmental Authority*" shall mean any nation or government, any state or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"*Hazardous Materials*" shall mean all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"*Indebtedness*" shall mean, as to any Person, at a particular time, (a) indebtedness for borrowed money or for the deferred purchase price of property or services in respect of which such Person is liable, contingently or otherwise, as obligor, guarantor or otherwise, or in respect of which such Person otherwise assures a creditor against loss, (b) obligations under leases which shall have been or should be, in accordance with GAAP, recorded as capital leases in respect of which obligations such Person is liable, contingently or otherwise, as obligor, guarantor or otherwise, or in respect of which obligations such Person assures a creditor against loss, (c) all guarantees, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any Person or otherwise to assure a creditor against loss, (d) obligations secured by any Lien on property, whether or not the obligations have been assumed, and (e) all other items or obligations which would be included in determining total liabilities on the balance sheet of a Person in accordance with GAAP; *provided, however*, that "Indebtedness" shall not include trade payables and similar obligations incurred in the ordinary course of business.

"*Interest Drawing*" means an A Drawing as defined in the Letter of Credit.

"*Interest Purchase Drawing*" means the portion of a C Drawing, as defined in the Letter of Credit, used to pay the portion of the purchase price of 2019 Series C Bonds representing accrued interest on the 2019 Series C Bonds to be purchased.

"*Interest Payment Date*" shall have the meaning assigned thereto in the Supplemental Resolution and, for purposes of 2019 Series C Bank Bonds.

"*Internal Revenue Code*" shall mean the Internal Revenue Code of 1986, as amended, or any successor statute.

"*Investment Grade*" shall mean, with respect to a rating by Moody's, a rating of "Baa3" (or its equivalent) or better, with respect to a rating by S&P, a rating of "BBB-" (or its equivalent) or better, and, with respect to a rating by Fitch, a rating of "BBB-" (or its equivalent) or better.

"*Libor Rate*" means a fluctuating rate of interest equal to the London Interbank Offered Rate (or a comparable or successor rate which is approved by the Bank) for U.S. Dollar deposits for delivery on the date in question for a one month term beginning on that date. The Bank will use the London Interbank Offered Rate as published by Bloomberg (or other commercially available source providing quotations of such rate as selected by the Bank from time to time) as determined at approximately 11:00 a.m. London time two London Banking Days prior to the date in question, as adjusted from time to time in the Bank's sole discretion for reserve requirements, deposit insurance assessment rates and other regulatory costs. If such rate is not available at such time for any reason, then the rate will be determined by such alternate method as reasonably selected by the Bank. A "London Banking Day" is a day on which banks in London are open for

business and dealing in offshore dollars. If at any time the Libor Rate is less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

"*Lien*" shall mean, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, the City shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"*Moody's*" shall mean Moody's Investors Service, Inc. and its successors and assigns, and if such corporation (a) shall be dissolved or liquidated, (b) shall no longer perform the functions of a securities rating agency or (c) with respect to any rating specified herein which may be provided by Moody's for the Bank, shall no longer rate (other than as a result of a temporary suspension of such rating) any outstanding senior unsecured short-term debt of the Bank, "Moody's" shall be deemed to refer to any other nationally recognized statistical rating organization (other than S&P or Fitch) designated by the Bank and not disapproved by the City if such an organization shall exist.

"*Non-Covered Interest Mode*" shall mean any Interest Mode other than the Weekly Mode and the Daily Mode.

"*Official Statement*" means the Official Statement for the Bonds dated March \_\_, 2019.

"*Other Taxes*" shall have the meaning set forth in Section 2.9(a) hereof.

"*Parity Debt*" shall mean (i) all indebtedness of the City evidenced by bonds (excluding the 2019 Series C Bonds), debentures, notes, securities or other similar instruments now or hereafter outstanding, *provided* that such indebtedness is secured by a Lien on the Trust Estate that is on a parity with the 2019 Series C Bonds as to security and source of payment, including, without limitation, Parity 2019 Series C Bonds, Parity Commercial Paper Notes and Parity Medium-Term Notes; (ii) Parity Hedging Contract Obligations, but only with respect to Parity Hedging Contract Obligations that provide interest rate support and constitute regularly scheduled payments that relate to Parity Debt as described in clause (i) or clause (iii) of this definition of "Parity Debt"; and (iii) Parity Reimbursement Obligations.

"*Prime Rate*" means, for any day, the fluctuating interest rate per annum most recently announced by the Bank as its "prime rate", it being understood that such rate shall not necessarily be the best or lowest rate of interest available to the Bank's best or most preferred large commercial customers. Each change in the Prime Rate shall take effect simultaneously with the corresponding change or changes in the Bank's prime rate.

"*Principal Drawing*" means a B Drawing, as defined in the Letter of Credit.

"*Principal Purchase Drawing*" means the portion of a C Drawing, as defined in the Letter of Credit, used to pay the portion of the purchase price of 2019 Series C Bonds representing the principal amount of 2019 Series C Bonds to be purchased.

"*Purchase Price*" shall mean, with respect to the 2019 Series C Bonds (or portions thereof) to be purchased on any Purchase Date, the aggregate principal amount thereof plus accrued and

unpaid interest thereon at the Bond Rate or Rates in effect since the beginning of the then current Interest Accrual Period applicable to such 2019 Series C Bonds.

"*Rating*" shall mean the long-term credit rating assigned, without regard to any credit or liquidity enhancement, by one or more Rating Agencies to the 2019 Series C Bonds or any Parity Debt.

"*Rating Agency*" means Moody's, S&P or Fitch, as applicable.

"*Regulation U*" shall mean Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"*Requirements of Law*" shall mean as to any Person, the certificate of incorporation and by-laws of or other organizational or governing documents of such Person, and any law (including, in the case of the City, the Act), treaty, rule or regulation, or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"*Resolutions*" means the Bond Resolution and all resolutions of the City supplemental thereto or amendatory thereof.

"*S&P*" shall mean Standard & Poor's Ratings Services, a Standard and Poor's Financial Services LLC business, and its successors and assigns, and if such business (a) shall be dissolved or liquidated, (b) shall no longer perform the functions of a securities rating agency or (c) with respect to any rating specified herein which may be provided by S&P for the Bank, shall no longer rate (other than as a result of a temporary suspension of such rating) any outstanding senior unsecured short-term debt of the Bank, "S&P" shall be deemed to refer to any other nationally recognized statistical rating organization (other than Moody's or Fitch) designated by the Bank and not disapproved by the City if such an organization shall exist.

"*Stated Amount*" has the meaning assigned thereto in the Letter of Credit.

"*Stated Termination Date*" has the meaning assigned thereto in the Letter of Credit.

"*Supplemental Resolution*" shall mean the resolution entitled "Thirty-First Supplemental Utilities System Revenue Bond Resolution", adopted by the City on \_\_\_\_\_, 2019, authorizing the issuance of the 2019 Series C Bonds, as amended and supplemented from time to time in accordance with the terms thereof and hereof.

"*Taxes*" shall have the meaning set forth in Section 2.9 hereof.

"*Tendered 2019 Series C Bonds*" shall mean 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) which have been tendered for purchase or are deemed to have been tendered for purchase pursuant to and in accordance with the provisions of Section 3.06 of the Supplemental Resolution.

"*Term-Out End Date*" means the earliest of (i) the Conversion Date, (ii) the Substitution Date, and (iii) the date on which the 2019 Series C Bank Bonds are tendered to the City for purchase pursuant to Section 6.1(b) hereof and Section 5.04 of the Supplemental Resolution.

"*Weekly Mode*" shall have the meaning assigned thereto in the Supplemental Resolution.

*Section 1.2. Time.* Unless otherwise specified herein, all references herein to times of day refer to the then prevailing time in New York, New York.

**ARTICLE II**  
**THE LETTER OF CREDIT, FEES, REIMBURSEMENT OF DRAWINGS AND 2019 SERIES C BANK BONDS**

*Section 2.1. Issuing the Letter of Credit.* On the Closing Date, upon the satisfaction or waiver by the Bank of the conditions set forth in Section 3.1 hereof, the Bank will issue the Letter of Credit, for the benefit of the Tender Agent and Trustee, for the account of the City, having an initial Stated Expiration Date of April \_\_, 2022 and being in the initial Stated Amount of \$\_\_\_\_\_.

*Section 2.2 Fees.* The City agrees to pay, or cause to be paid, to the Bank all amounts set forth in the Fee Letter at the times and in the amounts set forth therein. The terms of the Fee Letter are incorporated herein by reference as if fully set forth herein. The City represents and agrees that fees, expenses and indemnification obligations payable by the City to the Bank hereunder and pursuant to the Fee Letter, but not including any principal, Redemption Price, Purchase Price or interest on Series 2019C Bank Bonds, constitute Operation and Maintenance Expenses.

*Section 2.3. Reimbursement of Drawings and Payment of Interest.* The City agrees to pay, or cause to be paid, to the Bank the following:

(a) An amount equal to all amounts drawn under the Letter of Credit pursuant to a Principal Drawing, a Final Drawing, an Interest Drawing or an Interest Purchase Drawing, without duplication, payable without any requirement of notice or demand by the Bank, on the same day on which such Drawing is paid by the Bank, following payment of such Drawing by the Bank.

(b) An amount equal to all amounts drawn under the Letter of Credit pursuant to a Principal Purchase Drawing, payable without any requirement of notice or demand by the Bank, on the same day on which such Drawing is paid by the Bank, following payment of such Drawing by the Bank; provided, however, if on the date of such Drawing (i) no Default or Event of Defaults then exists and (ii) all representations and warranties of the City set forth in Article IV hereof, other than in Sections 4.1, 4.2, 4.6, 4.13(a) and 4.15, are true and correct in all material respects, then the City shall not be required to pay or cause to be paid to the Bank an amount equal to such Principal Purchase Drawing on such date but shall instead be required to repay such Principal Purchase Drawing as follows:

(i) The City shall pay, or cause to be paid, the amount of such Principal Purchase Drawing to the Bank, without any requirement of notice, demand or presentment by the Bank, pursuant to Section 2.07 of the Supplemental Resolution, provided that in all events on the Term-Out End Date the City will pay or cause to be paid to the Bank the entire unpaid balance of the Principal Purchase Drawing plus all accrued and unpaid interest thereon, and to the extent not otherwise paid, whether by purchase of the 2019 Series C Bank Bonds or otherwise, the 2019 Series C Bank Bonds shall on such date be deemed tendered by the Bank to the City for purchase

pursuant Section 5.04 of the Supplemental Resolution, and the City shall pay the Bank a purchase price equal to the principal of and accrued interest thereon.

(ii) The City shall pay, or cause to be paid, to the Bank interest at a fluctuating interest rate per annum equal to the Bank Rate from time to time in effect on any and all amounts drawn under the Letter of Credit pursuant to a Principal Purchase Drawing, such interest to accrue from the date of such Drawing until payment thereof in full, payable on the first Business Day of each month or, if earlier, the date on which all or a portion of such amount is repaid, to the extent of such repayment, and on the Term-Out End Date. Interest actually received by the Bank on 2019 Series C Bank Bonds shall be credited to the payment of interest owed pursuant to this Section 2.01(b)(ii).

(iii) The Bank will notify the City and the Trustee of the amount of principal and the estimated amount of interest due on the 2019 Series C Bank Bonds at least three Business Days prior to the due date, and if the actual amount of interest due on the due date is different from the estimated amount previously provided the Bank will notify the City and the Trustee of the actual amount due on or before the due date.

*Section 2.4 Sale of 2019 Series C Bonds Owned by the Bank.*

(a) The Bank and the City acknowledge and agree to the provisions of Section 5.01 of the Supplemental Resolution. The Bank agrees that it shall not have the right to refuse to sell 2019 Series C Bank Bonds as would otherwise be permitted pursuant to Section 5.01.3 of the Supplemental Resolution. Any sale of a 2019 Series C Bank Bond pursuant to Section 5.01 of the Supplemental Resolution shall be without recourse to the seller and without representation or warranty of any kind by the Bank or any other owner of a 2019 Series C Bank Bond.

(b) The Bank shall have the right to sell 2019 Series C Bank Bonds at any time, subject, however, to the express terms of this Agreement. The Bank agrees that such sales will be made only to institutional investors or other entities or individuals which customarily purchase commercial paper or tax-exempt securities in large denominations. The Bank agrees to notify the City, the Remarketing Agent and the Tender Agent promptly of any such sale and, if such 2019 Series C Bank Bond is held in book entry form, specifying the account at the Securities Depository to which such 2019 Series C Bank Bond is to be credited, and to notify the transferee in writing (i) that such 2019 Series C Bank Bond shall remain subject to the provisions of this Section 2.3(b) and Section 5.01 of the Supplemental Resolution, (ii) that such 2019 Series C Bank Bond is subject to remarketing under the Supplemental Resolution, (iii) that such 2019 Series C Bank Bond is an Excluded Bond and is not payable from Drawings and (iv) that there may not be a short-term investment rating assigned to such Bond so long as it remains a 2019 Series C Bank Bond. Any purchaser of a 2019 Series C Bank Bond from the Bank shall be deemed to have agreed (1) not to sell such 2019 Series C Bank Bond to any Person except to the Bank or institutional investors or other entities or individuals which customarily purchase commercial paper or tax-exempt securities in large denominations and (2) in the event of any sale of such 2019 Series C Bank Bond to any such institutional investor or other entity or individual, to notify the transferee in writing as to the matters set forth in clauses (i), (ii), (iii) and (iv) of the preceding sentence.

*Section 2.5. Extension of Stated Termination Date.* The City may request an extension of the Stated Expiration Date at any time and from time to time not more than 180 days nor less

than sixty days prior to the Stated Termination Date then in effect. If the Bank agrees in its sole discretion to extend the Stated Termination Date as requested, the Bank shall notify the City in writing of its decision to extend the Stated Expiration Date (and the terms of any such extension) within thirty days after the Bank's receipt of such written request; *provided, however*, that if the Bank shall not so notify the City, the Bank shall be deemed to have rejected such request; and *provided, further, however*, that the provisions of this sentence are intended for the convenience of the parties only and shall not prohibit the parties from agreeing to extend the Stated Termination Date under other circumstances or at other times. In the event the Stated Termination Date is extended, the Bank shall promptly deliver to the Tender Agent an amendment to the Letter of Credit setting forth the new Stated Expiration Date.

*Section 2.6. Bank Records.* All transactions relating to the 2019 Series C Bank Bonds (including, without limitation, redemptions, repayments and interest charges) and other amounts due hereunder shall be reflected in the books and records of the Bank, which books and records shall be conclusive and binding upon the City absent manifest error.

*Section 2.7. Excess Interest.* The Bank shall not be entitled to receive payment of interest hereunder or under any 2019 Series C Bank Bond at a rate that is in excess of the Maximum Rate. If the Bank receives less interest during any period than it would be entitled to receive hereunder and under any 2019 Series C Bank Bond but for the applicability of the Maximum Rate, during any subsequent period in which the rate of interest to which the Bank is otherwise entitled hereunder and under any 2019 Series C Bank Bond is less than such Maximum Rate, to the extent permitted by applicable law, the Bank shall instead receive interest at a rate equal to the Maximum Rate until the Bank has received, in the aggregate, the cumulative amount of interest then due the Bank hereunder and under any 2019 Series C Bank Bond (calculated without regard to the Maximum Rate limitation). In addition, to the extent permitted by applicable law, if the principal amount of any 2019 Series C Bank Bond comes due or is prepaid or such 2019 Series C Bank Bond is remarketed and the Bank has not received, in the aggregate, the cumulative amount of interest due the Bank hereunder and under any 2019 Series C Bank Bond (calculated without regard to the Maximum Rate limitation), the City shall pay the Bank, upon the coming due or prepayment of such principal amount, the amount of interest due the Bank hereunder and under any 2019 Series C Bank Bond (calculated without regard to the Maximum Rate limitation) and not otherwise paid hereunder or thereunder. The amount of interest, if any, that would accrue hereunder or under any 2019 Series C Bank Bonds on any date but which does not so accrue due to the limitation imposed by the Maximum Rate shall constitute "Excess Bond Interest." On the Term-Out End Date, to the extent permitted by applicable law, the City will pay the Bank a fee in the amount of any unpaid Excess Bond Interest.

*Section 2.8 Increased Costs.* (a) If, after the Closing Date, the Bank shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty or regulation, or any policy, guideline or directive of, or any change in the interpretation or administration thereof by, any Governmental Authority (in each case, whether or not having the force of law), or compliance by the Bank with any request or directive of any such Governmental Authority (whether or not having the force of law), shall (i) change the basis of taxation of payments to the Bank of any amounts payable hereunder (except for taxes on the overall net income of the Bank), (ii) impose, modify or deem applicable any reserve, special deposit or similar requirement against making or maintaining its obligations under this Agreement or assets held by, or deposited with or for the account of, the Bank or (iii) impose on the Bank any other condition

regarding this Agreement, and the result of any event referred to in clause (i), (ii) or (iii) above shall be to increase the cost to the Bank of making or maintaining its obligations under the Letter of Credit, or to reduce the amount of any sum received or receivable by the Bank hereunder or under the Fee Letter, then, the City shall pay to the Bank, at such time and in such amount as is set forth in paragraph (d) of this Section 2.8, such additional amount or amounts as will compensate the Bank for such increased costs or reductions in amount.

(b) If, after the Closing Date, the Bank shall have determined that the adoption or implementation of, or any change in, any law, rule or regulation, or any policy, guideline or directive of, or any change in the interpretation or administration thereof by, any Governmental Authority, or compliance by the Bank with any directive of or guidance from any other Governmental Authority (in each case, whether or not having the force of law), shall impose, modify or deem applicable any capital adequacy or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Bank allocates capital resources to its commitments, including its obligations under letters of credit) that either (i) affects or would affect the amount of capital to be maintained by the Bank or (ii) reduces or would reduce the rate of return on the Bank's capital to a level below that which the Bank could have achieved but for such circumstances (taking into consideration the Bank's policies with respect to capital adequacy) then, the City shall pay to the Bank, at such time and in such amount as is set forth in paragraph (d) of this Section 2.8, such additional amount or amounts as will compensate the Bank for such cost of maintaining such increased capital or such reduction in the rate of return on the Bank's capital.

(c) Notwithstanding the foregoing, for purposes of this Section 2.8, (i) all requests, rules, guidelines or directives in connection with the Dodd-Frank Act, occurring after the Closing Date, and (ii) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Regulations and Supervisory Practices (or any successor or similar authority) or any Governmental Authority, occurring after the Closing Date, shall be deemed and treated as an occurrence described in clauses (a) and (b) of this Section 2.8.

(d) All payments of amounts referred to in paragraphs (a) and (b) of this Section 2.8 shall be due and payable, in full, thirty days following the City's receipt of written demand therefor from the Bank. A certificate as to such increased cost, increased capital or reduction in return incurred by the Bank as a result of any event mentioned in paragraphs (a) or (b) of this Section setting forth, in reasonable detail, the basis for calculation and the amount of such calculation shall be submitted by the Bank to the City and shall be conclusive (absent manifest error) as to the amount thereof. In making the determinations contemplated by the above referenced certificate, the Bank may make such reasonable estimates, assumptions, allocations and the like that the Bank in good faith determines to be appropriate. In no event shall any compensation be paid under this Section 2.8 for the same event that results in the City owing under both clauses (a) and (b) hereunder.

*Section 2.9. Net of Taxes, etc.* (a) Any and all payments to the Bank by the City hereunder shall be made free and clear of and without deduction for any and all taxes, levies, imposts, deductions, charges, withholdings or liabilities imposed thereon, excluding, however, taxes imposed on or measured by the net income or capital of the Bank by any jurisdiction or any political subdivision or taxing authority thereof or therein solely as a result of a connection between the Bank and such jurisdiction or political subdivision (all such non-excluded taxes, levies,

imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "*Taxes*"). If the City shall be required by law to withhold or deduct any Taxes imposed by the United States or any political subdivision thereof from or in respect of any sum payable hereunder to the Bank (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.9), the Bank receives an amount equal to the sum it would have received had no such deductions been made, (ii) the City shall make such deductions and (iii) the City shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. If the City shall make any payment under this Section 2.9 to or for the benefit of the Bank with respect to Taxes and if the Bank shall claim any credit or deduction for such Taxes against any other taxes payable by the Bank to any taxing jurisdiction in the United States, then the Bank shall pay to the City an amount equal to the amount by which such other taxes are actually reduced; provided that the aggregate amount payable by the Bank pursuant to this sentence shall not exceed the aggregate amount previously paid by the City with respect to such Taxes. In addition, the City agrees to pay any present or future stamp, recording or documentary taxes and any other excise or property taxes, charges or similar levies that arise under the laws of the United States of America or the State of Florida from any payment made hereunder or from the execution or delivery or otherwise with respect to this Agreement (hereinafter referred to as "*Other Taxes*"). The Bank shall provide to the City within a reasonable time a copy of any written notification it receives with respect to Other Taxes owing by the City to the Bank hereunder; *provided* that the Bank's failure to send such notice shall not relieve the City of its obligation to pay such amounts hereunder.

(b) The City shall, to the fullest extent permitted by law, indemnify the Bank for the full amount of Taxes and Other Taxes including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.9 paid by the Bank or any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted; *provided*, that the City shall not be obligated to indemnify the Bank for any penalties, interest or expenses relating to Taxes or Other Taxes arising from the Bank's gross negligence or willful misconduct (as determined by a court of competent jurisdiction by final and non-appealable judgment). The Bank agrees to give notice to the City of the assertion of any claim against the Bank relating to such Taxes or Other Taxes as promptly as is practicable after being notified of such assertion; *provided*, that the Bank's failure to notify the City promptly of such assertion shall not relieve the City of its obligation under this Section 2.9. Payments by the City pursuant to this indemnification shall be made within thirty days from the date the Bank makes written demand therefor, which demand shall be accompanied by a certificate describing in reasonable detail the basis thereof. The Bank agrees to repay to the City any refund (including that portion of any interest that was included as part of such refund) with respect to Taxes or Other Taxes paid by the City pursuant to this Section 2.9 received by the Bank for Taxes or Other Taxes that were paid by the City pursuant to this Section 2.9 and to contest, with the cooperation and at the expense of the City, any such Taxes or Other Taxes which the Bank or the City reasonably believes not to have been properly assessed.

(c) Within thirty days after the date of any payment of Taxes by the City, the City shall furnish to the Bank, the original or a certified copy of a receipt evidencing payment thereof. The City shall compensate the Bank for all reasonable losses and expenses sustained by the Bank as a result of any failure by the City to so furnish such copy of such receipt.

(d) If requested, the Bank shall from time to time provide the City, the Trustee, the Tender Agent and the United States Internal Revenue Service (to the extent such information and forms may be lawfully provided by the Bank) with such information and forms as may be required by Treasury Regulations Section 1.1411 or any other such information and forms as may be necessary to establish that the City is not subject to any withholding obligation under Section 1442 or other comparable provisions of the Internal Revenue Code.

*Section 2.10. Place and Manner of Payment; Calculations of Interest, etc.* (a) All payments to be made to the Bank by the City or the Tender Agent or Trustee under this Agreement, the Fee Letter and the Supplemental Resolution shall be made to the Bank as follows: (i) by means of wire transfer of funds through the Federal Reserve Wire System to: [\_\_\_\_\_], Reference: City of Gainesville, or (ii) to such other account or in such other manner as the Bank may designate from time to time, not later than 4:00 P.M. on the date when due and shall be made in U.S. Dollars and in freely transferable and immediately available funds.

(b) All computations of interest, fees and other amounts payable by the City under this Agreement and under the Fee Letter shall be computed on the basis of the actual number of days elapsed during a year consisting of 360 days. Interest shall accrue during each period during which interest is computed from and including the first day thereof to and including the last day thereof.

(c) Whenever any payment or action to be made or taken hereunder or under the Fee Letter shall be stated to be due on a day which is not a Business Day, such payment or action shall be made or taken on the next following Business Day, and such extension of time shall be included in computing interest or fees, if any, in connection with such payment or action.

(d) If any obligation owed to the Bank hereunder or under the Fee Letter is not paid when due (subject to any applicable grace period), such obligation shall bear interest from the due date until paid in full at a rate per annum equal to the Default Rate, payable on demand.

(e) Payments received by the Bank, other than payments received on the 2019C Bank Bonds, shall be applied, first, to any fees, costs, charges or expenses payable by the City under this Agreement; second, to past due interest; third, to current interest; and, fourth, to principal.

### **ARTICLE III CONDITIONS TO ISSUANCE OF LETTER OF CREDIT**

*Section 3.1. Conditions to Issuance of Letter of Credit.* The Bank will issue the Letter of Credit on the Closing Date provided that the Bank shall have received the following items, all in form and substance satisfactory to the Bank:

(a) (i) an executed original of this Agreement and the Fee Letter and (ii) a specimen of the 2019 Series C Bonds;

(b) a certificate of an Authorized Officer certifying that on the Closing Date (i) each of the City's representations and warranties contained herein (or incorporated herein) is true and correct, (ii) no Default or Event of Default has occurred and is continuing, and (iii) except as otherwise provided in Section 4.2 hereof, since September 30, 2018, there has been no material adverse change in the financial condition, operations,

business, properties or prospects of the City, taken as a whole, that are payable from the Trust Estate, and except as described in the Official Statement no transactions or obligations have been entered into by the City that could reasonably be expected to have a material adverse effect on the financial condition, operations, business, properties or prospects of the System, taken as a whole, or which could reasonably be expected to have a material adverse effect on the security for any of the 2019 Series C Bonds or the City's ability to repay when due its obligations under this Agreement, the Fee Letter, any of the 2019 Series C Bonds and the Financing Documents;

(c) a certificate of the Clerk of the Commission of the City certifying the names, the titles and the signatures of each of the "Authorized Officers" as of the Closing Date;

(d) an opinion of the Office of the City Attorney of the City;

(e) an opinion of Holland & Knight LLP, bond counsel to the City;

(f) (i) copies of the Bond Resolution and Supplemental Resolution, together with a certificate of the Clerk of the Commission of the City certifying that such Resolutions are in full force and effect on the Closing Date and that there has been no other amendment or supplement of, or modification to, any provision thereof, except as set forth therein;

(h) a copy of the Remarketing Agreement;

(i) a copy of the Tender Agency Agreement;

(j) written evidence from Moody's, S&P and Fitch that the 2019 Series C Bonds are rated "\_\_\_" (or its equivalent), "\_\_\_" (or its equivalent) and "\_\_\_" (or its equivalent), respectively;

(k) written evidence that (i) the Bank Bond CUSIP number has been obtained and received from Standard & Poor's CUSIP Service Bureau and (ii) that a long-term rating of at least Investment Grade has been assigned to the 2019 Series C Bank Bonds (and its related CUSIP number) by any Rating Agency;

(l) all amounts payable to the Bank and the Bank's counsel on the Closing Date shall have been received or alternative arrangements satisfactory to the Bank shall have been made;

(m) a copy of the Official Statement, together with any supplements or amendments thereto, prepared on or prior to the Closing Date; and

(n) such further documentation, certifications or opinions as the Bank may reasonably request in connection with matters arising under this Agreement and the Fee Letter.

**ARTICLE IV**  
**REPRESENTATIONS AND WARRANTIES OF THE CITY**

The City hereby represents and warrants as follows:

*Section 4.1. Financial Condition.* The balance sheet of Gainesville Regional Utilities at September 30, 2018, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended, reported on by the auditor of the City, heretofore delivered to the Bank, are complete and correct and present fairly the financial condition of Gainesville Regional Utilities as of such date, and the results of its operations and changes in financial position for the year then ended. All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by such accountants and as disclosed therein).

*Section 4.2. No Change.* Since September 30, 2018, except as disclosed in the Official Statement and as otherwise disclosed in writing to the Bank prior to the Closing Date, there has been no change in the business, operations, properties or financial or other condition of the System which would materially and adversely affect the ability of the City to perform its obligations under the Financing Documents.

*Section 4.3. Organization; Compliance with Law.* The City (a) is a municipal corporation duly organized and validly existing under the laws of the State of Florida, (b) has all requisite power and authority and the legal right to own and operate its property and to conduct its business, including without limitation, the System, and (c) is in compliance with all Requirements of Law, except to the extent that the failure to comply therewith would not, in the aggregate, have a material adverse effect on the business, operations, properties or financial or other condition of the System, and would not materially adversely affect the ability of the City to perform its obligations under the Financing Documents.

*Section 4.4. Power; Authorization; Enforceable Obligations.* The City has all requisite power and authority and the legal right to adopt the Resolutions and to make, deliver and perform this Agreement, the 2019 Series C Bonds and the other Financing Documents, and has taken all necessary action to authorize the execution, delivery and performance of this Agreement, the 2019 Series C Bonds and the other Financing Documents. No consent or authorization of, filing with, or other act by or in respect of any Governmental Authority is required in connection with the execution, delivery, performance, validity or enforceability of this Agreement, the 2019 Series C Bonds or the other Financing Documents, except such consents, authorizations, filings or other acts as have been obtained, made or given. This Agreement, the 2019 Series C Bonds and the other Financing Documents (other than the Resolutions) have been duly authorized, executed and delivered on behalf of the City. The Resolutions have been duly adopted by the City and are in full force and effect. This Agreement, the 2019 Series C Bonds and the other Financing Documents constitute legal, valid and binding obligations of the City enforceable against the City in accordance with their respective terms, subject to the effect of, and restrictions and limitations imposed by or resulting from, bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights and judicial discretion and the valid exercise of the sovereign police powers of the State of Florida and of the constitutional power of the United States of America.

*Section 4.5. No Legal Bar.* The execution, delivery and performance of this Agreement, the 2019 Series C Bonds and the other Financing Documents will not violate any Requirements of Law or any Contractual Obligation of the City.

*Section 4.6. No Material Litigation.* Except as disclosed in the Official Statement or as otherwise disclosed in writing to the Bank, no litigation or proceeding or, to the knowledge of the City, investigation of or before any arbitrator or Governmental Authority is pending (a) with respect to this Agreement, the 2019 Series C Bonds or any other Financing Document or any of the transactions contemplated thereby or hereby, or (b) which would have a material adverse effect on the business, operations, properties or financial or other condition of the System or the ability of the City to perform its obligations under this Agreement, the 2019 Series C Bonds or any other Financing Document or in respect of any other Indebtedness incurred to finance or otherwise in respect of the System or secured by Revenues or other assets of the System.

*Section 4.7. No Default.* The City is not in default under or with respect to this Agreement, the 2019 Series C Bonds or the other Financing Documents, or with respect to any Contractual Obligation in any respect which would be materially adverse to the business, operations, properties or financial or other condition of the System or which would materially and adversely affect the ability of the City to perform its obligations under this Agreement, the 2019 Series C Bonds or the other Financing Documents or in respect of any other Indebtedness incurred to finance or otherwise in respect of the System or secured by any Revenues or other assets of the System. No Default exists and no Event of Default has occurred and is continuing.

*Section 4.8. Security.* The 2019 Series C Bonds are and will be secured on a parity basis ratably with all other Bonds heretofore or hereafter issued by a Lien on and pledge of the Trust Estate.

*Section 4.9. Tax Exempt Status.* No part of the proceeds of the 2019 Series C Bonds or other funds of the City shall at any time be used in a manner that would cause the interest on the 2019 Series C Bonds or any of them to be included in the gross income of the owners thereof for federal income tax purposes.

*Section 4.10. Federal Reserve Regulations.* No part of the proceeds of any 2019 Series C Bonds has been, or will be, used for the purpose, whether immediate, incidental or ultimate, to purchase or carry any margin stock (within the meaning of Regulation U) or for any other purpose which would violate any of the regulations of the Board of Governors of the Federal Reserve System.

*Section 4.11. ERISA Matters; Pension Plans.* The City does not maintain any employee benefit plan that is subject to Title I or Title IV of ERISA.

*Section 4.12. No Sovereign Immunity.* The defense of sovereign immunity is not available to the City in any proceedings by the Bank to enforce any of the obligations of the City under this Agreement, the Fee Letter or the 2019 Series C Bonds, except to the extent that any such proceeding seeks enforcement based on tort or similar claim and in such case such defense is available only to the extent set forth under Florida Statutes Section 768.28 or other similarly applicable provision of law, and, to the extent permitted by applicable law, the City consents to

the initiation of any such proceedings in any court of competent jurisdiction and agrees not to assert the defense of sovereign immunity in any such proceedings.

*Section 4.13. Full Disclosure.* The Official Statement, as of its date, does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. The City makes no representation as to information in the Official Statement (a) describing the Bank or this Agreement under the headings "THE BANK" and "THE LETTER OF CREDIT" which has been provided by or on behalf of the Bank for inclusion therein, (b) relating to The Depository Trust Company and its book-entry system applicable to the 2019 Series C Bonds, and (c) entitled "THE 2019 SERIES C BONDS – Disclosure Concerning Sales of Variable Rate Demand Obligations by Remarketing Agent." To the best of the City's knowledge, all information heretofore furnished (including pursuant to any representation or warranty) by the City to the Bank for purposes of or in connection with this Agreement is true and accurate in all material respects on the date as of which such information is stated or certified.

*Section 4.14. Incorporation by Reference.* The representations and warranties made by the City in any Financing Document are hereby incorporated by reference and made for the benefit of the Bank.

*Section 4.15. No Proposed Legal Changes.* Except as described in the Official Statement and as otherwise provided for by Section 716 of the Bond Resolution and as otherwise disclosed in writing to the Bank, there is no amendment or proposed amendment certified for placement on a ballot or referendum or, to the knowledge of the City, to the Constitution of the State of Florida or to any law, ordinance, or regulation of the State of Florida applicable to the System, or any legislation that has passed either house of the legislature of the State of Florida, or any published judicial decision interpreting any of the foregoing, the effect of which could reasonably be expected to have a material adverse effect upon (a) the ability of the City to perform its obligations under this Agreement, the Fee Letter or any Financing Document in any material respect or any other material contract related to the System to which any one or more of them is a party; (b) the legality, validity or enforceability of this Agreement, the Fee Letter or any Financing Document; or (c) the priority of the Liens granted under the Resolutions or the rights and remedies of the Bank under this Agreement, the Fee Letter, the 2019 Series C Bonds or any other Financing Document.

*Section 4.16. Environmental Laws.* The System and any of the property of the City that constitutes a part of the System is in material compliance with all applicable Environmental Laws and has not become subject to any Environmental Liability, nor does the City know of any basis for such Environmental Liability.

*Section 4.17. Solvency.* The City is generally paying its debts as they come due and, after giving effect to the obligations contemplated by this Agreement and the Fee Letter, the Net Revenues of the System for the current and each future Fiscal Year are expected to exceed the amount required to satisfy the debts of the City related to the System (including contingent, subordinated, un-matured and unliquidated liabilities) as they become due in each such Fiscal Year.

*Section 4.18. Rate Increases.* Except as described in the Official Statement and as otherwise provided for by Section 716 of the Bond Resolution, an increase by the City of rates,

fees, rentals or other charges for the use of the product, services and facilities of the System requires no action or approval by or in respect of any Governmental Authority (other than the City and the Florida Public Service Commission to the extent described in the Official Statement).

*Section 4.19. Not an Investment Company.* The City is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

## ARTICLE V COVENANTS OF THE CITY

Until the termination of this Agreement, the City hereby covenants and agrees that:

*Section 5.1. Performance of Covenants in Bond Resolution.* The City shall perform each of its covenants set forth in Article V and in Article VII of the Bond Resolution (as the same may be amended from time to time after the date of this Agreement) and in the Supplemental Resolution at the time such performance is required thereby (and giving effect to any applicable grace periods set forth therein).

*Section 5.2. Financial and Other Information.* The City shall furnish to the Bank:

(a) within 270 days after the close of each Fiscal Year of the City, a balance sheet of Gainesville Regional Utilities as at the end of such year, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended, accompanied by an unmodified audit report of an independent certified public accounting firm of recognized standing stating that they have been prepared in accordance with GAAP consistently applied;

(b) promptly upon request, such financial and other information as the Bank may from time to time reasonably request.

*Section 5.3. Inspection of Property; Discussions.* The City shall permit representatives of the Bank to visit and inspect any of the properties of the System and examine and make abstracts from any of its books and records (except to the extent such books and records are subject to legal privilege) at any reasonable time and as often as may reasonably be desired, and to discuss the business, operations, properties and financial and other condition of the System with officers and employees of the System and with its independent certified public accountants.

*Section 5.4. Notices.* The City shall promptly give notice to the Bank upon knowledge of an officer thereof:

(a) of the occurrence of any Default or Event of Default and, if such Default or Event of Default is then continuing, a certificate of an Authorized Officer setting forth the details thereof and the actions which the City is taking or proposes to take with respect thereto;

(b) of any litigation or proceeding affecting the System in which the amount involved is \$20,000,000 or more and not covered by insurance or in which injunctive or similar relief is sought (for purposes of this clause (b), an obligation shall be considered "covered by insurance" to the extent the City has self-insured against such obligation or

risk and has maintained adequate reserves therefor under appropriate insurance industry standards);

(c) of any change in the Ratings assigned by Moody's (if the 2019 Series C Bonds are then rated by Moody's), S&P (if the 2019 Series C Bonds are then rated by S&P) or Fitch (if the 2019 Series C Bonds are then rated by Fitch) to the 2019 Series C Bonds or any Parity Debt;

(d) of the execution and delivery or adoption, as applicable, thereof, of any amendments of or supplements to any of the Financing Documents (other than the Resolutions) or the Official Statement, together with copies thereof (but exclusive of those amendments or supplements for which the Bank's consent is otherwise required pursuant to the terms of this Agreement);

(e) of all legislation enacted by the legislature of the State of Florida of which an Authorized Officer of the City has knowledge, signed into law by the Governor and which, in the judgment of such Authorized Officer, could reasonably be expected to have a material adverse effect on the business, operations, properties or financial or other condition of the System or on the ability of the City to perform its obligations under this Agreement, the Fee Letter or any Financing Document;

(f) of any final official statement, offering circular, placement memorandum or similar or corresponding document, and any supplements thereto and updates and amendments thereof, that the City makes available in connection with the offering for sale or remarketing of any Parity Debt, to the extent not filed with the Municipal Securities Rulemaking City (or any successor agency) through EMMA; and

(g) of such financial and other information as the Bank may from time to time reasonably request.

Each notice pursuant to Section 5.4(b) shall be accompanied by a statement of an Authorized Officer of the City setting forth details of the occurrence referred to therein and stating what actions, if any, the City proposes to take with respect thereto.

As and to the extent the information required by this Section 5.4 has been properly and timely filed with the Municipal Securities Rulemaking City (or any successor agency) through EMMA, the City will be deemed to have complied with the provisions of this Section.

*Section 5.5. Amendment of Financing Documents.* The City shall not modify, amend or supplement the Supplemental Resolution without the prior written consent of the Bank or modify, amend or supplement or agree to modify, amend or supplement, any other Financing Document in any respect which is adverse to the interests of the Bank or is inconsistent with this Agreement without the prior written consent of the Bank; *provided, however*, that no such consent shall be required in connection with any amendment to the Bond Resolution (other than the Supplemental Resolution) permitted under the provisions of Section 1001 or 1002 of the Bond Resolution.

*Section 5.6. Power to Fix and Collect Rates, Fees and Charges.* The City has, and except due to a change in law, will have as long as any 2019 Series C Bonds (including 2019 Series C Bank Bonds) are outstanding or other amounts are owing to the Bank hereunder, the City, subject

in all respects to Section 716 of the Bond Resolution, shall have good right and lawful power to establish and collect rates, fees and charges with respect to the use and the sale of the capacity, output or service of the System subject to the terms of contracts relating thereto and subject to the jurisdiction of any applicable regulatory authority.

*Section 5.7. Sovereign Immunity.* To the extent authorized by applicable law, the City agrees to waive sovereign immunity from suit and liability for the purposes of adjudicating a claim to enforce its duties and obligations under this Agreement, the Fee Letter and any 2019 Series C Bank Bonds or for damages for a breach of any of the foregoing, except to the extent that any such proceeding seeks enforcement based on tort or similar claim and in such case such defense is available only to the extent set forth under Florida Statutes, Section 768.28 or other similarly applicable provision of law.

*Section 5.8. Most Favored Covenant.* (a) In the event that the City shall, directly or indirectly, enter into or otherwise consent to any contract, or any amendment, supplement or modification thereto, under which, directly or indirectly, any Person or Persons undertakes to make or provide credit or loans to the City or under which the City issues or incurs or could issue or incur Indebtedness, in either such case, which is on a parity with, or senior to, the 2019 Series C Bonds, which contract (or amendment, supplement or modification) provides such Person or Persons with additional or more restrictive financial covenants than are provided to the Bank in this Agreement (any such contract, or amendment, supplement or modification thereto, a "*Favored Covenant Agreement*"), the City shall provide the Bank with a copy of each such Favored Covenant Agreement within five Business Days of the effective date of any such Favored Covenant Agreement. Subject to the provisions of Section 5.8(b) below, upon the request of the Bank, the City shall promptly enter into an amendment to this Agreement to incorporate herein and make a part hereof such additional or more restrictive financial covenants, additional or different events of default and/or greater remedies for so long as such provisions remain in effect in the related Favored Covenant Agreement.

(b) In the event that the City and the Bank enter into an amendment to this Agreement to include the terms of any Favored Covenant Agreement herein (an "*EMMA Amendment*"), the City hereby covenants to post an execution copy of such EMMA Amendment on EMMA not less than fifteen calendar days prior to the effective date of such EMMA Amendment (such effective date to be a date as determined by the City and the Bank). Notwithstanding anything set forth in this Section 5.8(b) to the contrary, (i) any EMMA Amendment shall only be incorporated into this Agreement (A) upon receipt of written confirmation from each Rating Agency then rating the 2019 Series C Bonds that the short-term rating on the 2019 Series C Bonds will not be withdrawn or reduced as a result of the incorporation of such EMMA Amendment and (B) on the date which is fifteen calendar days after such EMMA Amendment is posted on EMMA and (ii) any amendment to this Agreement or the Fee Letter (other than an EMMA Amendment or an amendment described in Section 5.8(c) below) that is incorporated pursuant to other provisions of this Agreement shall become effective upon the parties hereto in accordance with such other provisions.

(c) Notwithstanding anything to the contrary set forth in this Agreement, no amendments, supplements, modifications or changes to the terms of the Events of Default or Defaults referred to in Article VII hereof (each such amendment, supplement, modification or change being referred to herein as a "*Section 5.8(c) Amendment*") will become effective hereunder unless (i) the City posts an execution copy of such Section 5.8(c) Amendment on EMMA thirty

calendar days prior to the effective date of such Section 5.8(c) Amendment (such effective date to be a date as determined by the City and the Bank), (ii) each Rating Agency then rating the 2019 Series C Bonds confirms in writing that the short-term rating assigned thereby will not be withdrawn or reduced as a result of the incorporation of such Section 5.8(c) Amendment and (iii) prior to the effectiveness of any Section 5.8(c) Amendment, the Official Statement shall, to the extent determined necessary by Disclosure Counsel to the City, as may be commented on by the Remarketing Agent, be updated or supplemented with respect to the changes being effected by said Section 5.8(c) Amendment.

*Section 5.9. Compliance with Laws.* The City will comply in all material respects, within the time period, if any, given for such compliance by the relevant Governmental Authority, with all applicable laws, ordinances, rules, regulations, and requirements of Governmental Authorities (including, without limitation, Environmental Laws) except where the necessity of compliance therewith is contested in good faith by appropriate proceedings.

*Section 5.10. Other Liquidity Facilities.* (a) No standby bond purchase agreement, revolving credit agreement, letter of credit, surety bond or other agreement or instrument under which any Person undertakes to make or provide funds on the same basis as this Agreement with respect to the 2019 Series C Bonds shall be effective without the prior consent of the Bank. Without limiting the generality of the foregoing, the Bank agrees to cooperate with the City in connection with the structuring of any transaction which is intended to result in the replacement of this Agreement with any standby bond purchase agreement, revolving credit agreement, letter of credit, surety bond or other agreement or instrument of the type described in the preceding sentence.

(b) The City shall not provide, or permit to be provided, a Substitute Liquidity Facility or Alternate Credit Facility for less than all of the 2019 Series C Bonds then Outstanding without the prior written consent of the Bank.

(c) The City agrees that in connection with the provision of any Substitute Liquidity Facility or Alternate Credit Facility the City, the provider of the Substitute Liquidity Facility, or the provider of the Alternate Credit Facility, or any combination thereof, will on the Substitution Date pay all amounts due to the Bank hereunder and under the Fee Letter including, without limitation, the repurchase or payment of all 2019 Series C Bank Bonds, the repayment of all unreimbursed Drawings together with accrued but unpaid interest thereon, any unpaid Differential Interest Amount and, to the extent permitted by applicable law, any unpaid Excess Bond Interest.

*Section 5.11. Maintenance of Ratings.* The City shall at all times maintain Ratings assigned to the 2019 Series C Bonds and to Parity Debt from no less than two Rating Agencies.

*Section 5.12. Redemption of 2019 Series C Bonds.* The City shall not permit an optional redemption of any 2019 Series C Bonds except as provided in Section 2.06 of the Supplemental Resolution. In addition, in the event of any partial redemption of 2019 Series C Bonds pursuant to the Supplemental Resolution, the City will cause the 2019 Series C Bank Bonds to be redeemed prior to any other 2019 Series C Bonds that do not constitute 2019 Series C Bank Bonds.

*Section 5.13. Take-out Financing.* The City covenants that as of the Stated Termination Date, it shall use its best efforts to have procured a Substitute Liquidity Facility for the 2019 Series C Bonds or a written commitment of an underwriter to purchase the 2019 Series C Bonds, and

such Substitute Liquidity Facility or written commitment, as the case may be, shall provide for the purchase from the Bank of all 2019 Series C Bank Bonds to the extent not otherwise paid on or before such date.

*Section 5.14. Restrictions on Use of Proceeds.* The proceeds of Drawings will be applied by the Tender Agent and Trustee only as provided in the Supplemental Resolution.

*Section 5.15. Bank Bond Rating and CUSIP Number.* For so long as the Letter of Credit is in effect or any 2019 Series C Bank Bonds are Outstanding, the City shall, at its expense, (a) maintain, or cause to be maintained, an Investment Grade long-term credit rating applicable to the 2019 Series C Bank Bonds from at least one Rating Agency and (b) ensure that the Bank Bond CUSIP Number and such Investment Grade rating are available on the Bloomberg Municipal Bond Description Screen (or a similar electronic registry acceptable to the Bank).

*Section 5.16. Remarketing Agent.* The City shall at all times maintain a Remarketing Agent with respect to the 2019 Series C Bonds, performing the duties thereof contemplated by the Supplemental Resolution and the Remarketing Agreement, that is reasonably acceptable to the Bank. The Bank agrees that Merrill Lynch, Pierce, Fenner & Smith, Incorporated is acceptable to the Bank. The City agrees to cause the Remarketing Agent to use its best efforts to sell Tendered 2019 Series C Bonds with interest rates up to the Maximum Rate in order to sell such Tendered 2019 Series C Bonds. If the Remarketing Agent fails to sell Tendered 2019 Series C Bonds or to perform any other of its other duties under the Remarketing Agreement for a period of thirty consecutive days, at the written direction of the Bank, the City shall cause the Remarketing Agent to be replaced with a Remarketing Agent reasonably satisfactory to the Bank (which consent shall not be unreasonably withheld) within thirty calendar days of the receipt of such written direction. Any Remarketing Agreement with a successor Remarketing Agent shall provide that such remarketing agent may resign upon at least sixty days' prior written notice to the City, the Tender Agent and the Bank.

*Section 5.18 Confidentiality.* The Bank will cooperate with the City in creating redacted versions of this Agreement and the Letter of Credit for posting on EMMA, which versions shall be reasonably acceptable to both the City and the Bank, and upon such creation the Bank consents to such posting. Except for such redacted versions of this Agreement and the Letter of Credit, none of this Agreement, the Letter of Credit or the Fee Letter will be posted on EMMA or included in the Official Statement, except as may be required by law.

## **ARTICLE VI DEFAULTS AND REMEDIES**

*Section 6.1. Events of Default.* (a) The occurrence of any of the following events shall constitute an Event of Default:

- (i) Payment Default. The City shall have failed to pay when due any principal or interest, or both, payable on the 2019 Series C Bonds (including any 2019 Series C Bank Bonds), other than to the extent the failure results from the wrongful dishonor by the Bank of a request for Drawing; or

(ii) Judgments. A final, un-appealable judgment or judgments against the City for the payment of money in excess of \$20,000,000 in the aggregate shall be payable from the funds and other property comprising the Trust Estate securing the 2019 Series C Bonds (including any 2019 Series C Bank Bonds) and not be covered by insurance, the operation or result of which judgment or judgments shall remain unpaid, un-stayed, undischarged, un-bonded or un-dismissed for a period of sixty days; provided that an obligation shall be considered "covered by insurance" to the extent that the City has self-insured against such obligation or risk and has maintained adequate reserves therefor under appropriate insurance or accounting industry standards within the Rate Stabilization Fund, Utilities Plant Improvement Fund, and/or Debt Service Fund of the City as indicated in the most recent audited or unaudited financial statements of the City furnished to the Bank pursuant to Section 5.2 hereto or evidence otherwise satisfactorily provided to the Bank; or

(iii) Insolvency. (A) The City shall (1) commence any case, proceeding or other action (x) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition, declaration of a payment moratorium or other relief with respect to it or its debts or (y) seeking the appointment of a receiver, trustee, custodian or similar official for it or for all or any substantial part of its assets, or (2) make a general assignment for the benefit of its creditors; (B) there shall be commenced against the City any case, proceeding or other action of a nature referred to in clause (A) above which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains undismissed, undischarged or un-bonded for a period of sixty days; (C) there shall be commenced against the City any case, proceeding or other action seeking the issuance of a warrant of attachment, execution, restraint or similar process against all or any substantial part of the assets of the System or the Net Revenues of the System, which results in the entry of a final and non-appealable order or ruling for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty days from the entry thereof; (D) the City shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (A), (B) or (C) above; or (E) the City shall (1) admit in writing its inability to pay its debts as such debts become due or (2) become insolvent within the meaning of the United States Bankruptcy Code; or

(iv) Validity. Any provision of the Act, this Agreement, the Resolutions or the 2019 Series C Bonds relating to (A) the ability or the obligation of the City to pay, when due, the principal of or interest on the 2019 Series C Bonds (including any 2019 Series C Bank Bonds) or any Parity Debt or (B) the Trust Estate securing the 2019 Series C Bonds (including any 2019 Series C Bank Bonds) and Parity Debt shall at any time, be declared to be null and void, invalid or unenforceable as the result of a final non-appealable judgment by any federal or state court or as a result of any legislative or administrative action by any Governmental Authority having jurisdiction over the City; or

(v) Parity Debt Payment Default. The City shall fail to make any payment in respect of principal or interest on any Parity Debt when due (i.e., whether upon said Parity Debt's scheduled maturity, required prepayment, upon demand or otherwise), and such

failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Parity Debt, or pursuant to the provisions of any resolution, indenture or instrument pursuant to which Parity Debt has been issued, the maturity of such Parity Debt shall as a result of the occurrence of a default in payment under such resolution, indenture or instrument, be accelerated or required to be prepaid prior to the stated maturity thereof; or

(vi) *Debt Moratorium or Restructuring.* (A) The City shall impose a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on the repayment when due and payable of the principal of or interest on the 2019 Series C Bonds, 2019 Series C Bank Bonds or any Parity Debt or (B) any Governmental Authority having appropriate jurisdiction over the City shall enact or adopt legislation which results in a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on the repayment when due and payable of the principal of or interest on the 2019 Series C Bonds, 2019 Series C Bank Bonds or any Parity Debt.

(vii) *Invalidity.* (A) Any Governmental Authority with jurisdiction to rule on the validity or enforceability of this Agreement, the 2019 Series C Bonds, the Act or the Resolutions shall find or rule, in a judicial or administrative proceeding, that any provision of this Agreement, the 2019 Series C Bonds, the Act, the Resolutions or any Parity Debt, as the case may be, relating to (1) the ability or the obligation of the City to pay, when due, the principal of or interest on the 2019 Series C Bonds (including any 2019 Series C Bank Bonds) or any Parity Debt or (2) the Trust Estate securing the 2019 Series C Bonds (including any 2019 Series C Bank Bonds) and Parity Debt is not valid or not binding on, or enforceable against, the City; or (B) an authorized representative for the City (1) makes a claim in a judicial or administrative proceeding that the City has no further liability or obligation hereunder, under the 2019 Series C Bonds, the Act, the Resolutions or any Parity Debt to pay, when due, the principal of or interest on the 2019 Series C Bonds (including any 2019 Series C Bank Bonds) or any Parity Debt or (2) contests in a judicial or administrative proceeding the validity or enforceability of any provision of this Agreement, the 2019 Series C Bonds, the Act, the Resolutions or any Parity Debt relating to or otherwise affecting (y) the City's ability or obligation to pay, when due, the principal of or interest on the 2019 Series C Bonds (including any 2019 Series C Bank Bonds) or any Parity Debt or (z) the Trust Estate securing the 2019 Series C Bonds (including any 2019 Series C Bank Bonds) and Parity Debt.

(viii) *Payments.* The City shall not pay when due any amount owed to the Bank pursuant to the Fee Letter or Sections 2.3, 2.7, 2.8, 2.9 or 8.3 of this Agreement; or

(ix) *Representations.* Any representation, warranty, certification or statement made by the City (or incorporated by reference) in this Agreement, the Fee Letter or any Financing Document or in any certificate, financial statement or other document delivered pursuant to this Agreement or any Financing Document shall prove to have been incorrect in any material respect when made (or deemed made); or

(x) *Certain Covenants.* The City shall default in the due performance or observance of any covenant set forth in Section 5.5, 5.6, 5.7, 5.11, 5.13 or 5.14 of this

Agreement and such default shall remain un-remedied for a period of ten days after the Bank shall have given written notice thereof to the City; or

(xi) *Other Covenants.* The City shall default in the due performance or observance of any other term, covenant or agreement contained or incorporated by reference in this Agreement (other than those referred to in Sections 6.1(a)(i) through (x), (xii) or (xiii) hereof) and such default shall remain un-remedied for a period of forty-five days after the Bank shall have given written notice thereof to the City; or

(xii) *Long-Term Credit Rating.* The Rating assigned by any Rating Agency to the 2019 Series C Bonds or any Parity Debt is withdrawn or suspended, in either case, for credit related reasons, or is reduced to below Investment Grade; or

(xiii) *Other Obligations.* (A) An "event of default" as defined in Section 801 of the Bond Resolution shall occur and is not cured within the applicable grace period, (B) any "event of default" on the part of the City under any of the Financing Documents (excluding the Bond Resolution and the Supplemental Resolution) shall occur and is not cured within any applicable cure period, (C) the City shall fail to pay any Indebtedness of the City for borrowed money related to the System, or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), of at least \$20,000,000 in principal amount then outstanding and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness, or (D) the City shall fail to perform or observe any term, covenant or condition on its part to be performed or observed under any Contractual Obligation related to the System when required to be performed or observed, and such failure shall not be waived and shall continue after the applicable grace period, if any, specified in such Contractual Obligation, if the effect of such failure to perform or observe is to accelerate, or permit the acceleration of, with the giving of notice if required, the maturity of the related Indebtedness; or any such Indebtedness shall be declared to be due and payable or be required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof.

(b) *Remedies.* Upon the occurrence of any Event of Default, the Bank shall have all other remedies provided at law or in equity including, without limitation, specific performance; and, in addition, the Bank, in its sole discretion, may do one or more of the following: (i) by notice to the City, tender any or all 2019 Series C Bank Bonds for payment to the City and the City shall thereupon be obligated to pay immediately the outstanding principal amount of each 2019 Series C Bank Bond (together with accrued interest, including the Differential Interest Amount and Excess Bond Interest, thereon) so tendered, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the City; (ii) deliver to the City and the Tender Agent written notice that an Event of Default has been declared under this Agreement and directing the Tender Agent to call the 2019 Series C Bonds for mandatory tender for purchase pursuant to Section 3.06(c)(vii) of the Supplemental Resolution; or (iii) exercise any right or remedy available to it at law or under any Financing Document.

*Section 6.2. Rights Not Exclusive.* The rights and remedies provided for herein are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law or in equity.

## **ARTICLE VII MISCELLANEOUS**

*Section 7.1. Amendments and Non-Waiver.* This Agreement and the Fee Letter may be amended only upon the written agreement of the City and the Bank, and the City may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the City shall first obtain the written consent of the Bank. An Event of Default or Default may be waived only in writing by the Bank and any such Event of Default or Default which has been waived in writing by the Bank shall not be deemed to be continuing during the period (including any retroactive period) for which the waiver is effective, but such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure to perform or observe any obligation hereunder. No failure or delay on the part of the Bank in exercising any right, remedy, power or privilege under this Agreement or under the Fee Letter or any of the Financing Documents, and no course of dealing between the City or any other Person and the Bank, shall operate as a waiver hereof or thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges provided herein and in the Fee Letter and the Financing Documents are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law or in equity or otherwise. No notice to or demand on the City in any case shall entitle the City to any other or further notice or demand in similar or other circumstances or constitute a waiver of the right of the Bank to any other or further action in any circumstances without notice or demand.

*Section 7.2. Termination of Agreement; Survival of Certain Provisions.* This Agreement will terminate when (i) all amounts payable by the City to the Bank hereunder (other than pursuant to Sections 2.8, 2.9, 2.10 or 7.3 hereof) have been paid and (ii) the Letter of Credit has expired; provided that the provisions of Sections 2.8, 2.9, 2.10 and 7.3 hereof shall survive the termination of this Agreement; and provided further that any request for payments from the City under Sections 2.8 or 2.9 must be made in writing received by the City within ninety days after the termination of this Agreement and any request for payments from the City under Section 7.3 must be made in writing received by the City within one year after the termination of this Agreement.

*Section 7.3. Expenses; Indemnification.* (a) The City shall pay all out-of-pocket expenses of the Bank, including fees and disbursements of counsel for the Bank, in connection with the preparation of this Agreement, the Fee Letter and the Financing Documents, any waiver or consent hereunder or any amendment hereof or any Default or Event of Default or alleged Default or Event of Default hereunder, subject to the limitations set forth in the Fee Letter.

(b) To the fullest extent permitted by applicable law, the City agrees to indemnify the Bank and hold the Bank harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind including, without limitation, the reasonable fees and disbursements of counsel, which may be incurred by the Bank in connection with any investigative, administrative or judicial proceeding (whether or not the Bank shall be designated a party thereto) relating to or arising out of this Agreement, the Fee Letter or any Financing Document or any advance made by

the Bank hereunder for the actual or proposed purchase of 2019 Series C Bank Bonds; *provided, however,* that the Bank shall not have the right to be indemnified hereunder for its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final and non-appealable judgment.

(c) To the fullest extent permitted by applicable law, the City agrees to indemnify the Bank and to hold the Bank harmless from and against any and all claims, damages, losses, liabilities, cost or expenses which the Bank may incur (or which may be claimed against the Bank by any Person whatsoever) by reason of (i) the offering, sale, remarketing or resale of the 2019 Series C Bonds (including, without limitation, by reason of any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in the Official Statement (other than in connection with the information provided by the Bank and its counsel for use therein and information related to DTC and its book-entry only system of registration), or in any supplement or amendment thereof, or the omission or alleged omission to state therein a material fact necessary to make such statements, in light of the circumstances in which they are or were made, not misleading; and (ii) the validity, sufficiency or genuineness of the Official Statement (other than in connection with the information provided by the Bank or its agents and counsel for inclusion therein) or in any supplement or amendment thereof, except insofar as such claims, damages, losses, liabilities, costs or expenses are caused by any such untrue statement or alleged untrue statement or omission based upon information relating to the Bank furnished by the Bank expressly for use therein.

(d) Notwithstanding any other provision of this Agreement to the contrary, all obligations of the City to the Bank hereunder are special, limited obligations of the City payable solely from funds available for such purposes under the Bond Resolution.

*Section 7.4. Notices.* All notices, requests and other communications hereunder shall be in electronic, telephonic or written form (including facsimile) and shall be given to the party to whom addressed, at its address or telephone or facsimile number or e-mail address set forth below, or such other address or telephone or facsimile number or e-mail address as such party may hereafter specify for the purpose by notice to the other parties listed below. Each such notice, request or communication shall be effective (i) if given by telephone, when given to the number indicated below to a Person which the transmitting party reasonably believes to be an authorized representative of the party to whom the notice is directed, (ii) if given by facsimile, when such communication is transmitted to the address specified below and the appropriate answerback is received, (iii) if given by mail, three (3) days after such communication is deposited in the United States mail with first class postage prepaid, addressed as aforesaid or (iv) if given by any other means, when delivered at the address specified below:

If to the City, to:

City of Gainesville, Florida  
301 S.E. Fourth Avenue  
Gainesville, Florida 32601  
Attention: General Manager for Utilities  
Telephone: (352) 393-1007  
Facsimile: (352) 334-2277

If to the Tender Agent, to:

U.S. Bank National Association  
100 Wall Street, 16th Floor  
New York, New York 10005  
Attention: Jean Clarke  
Telephone: (212) 361-6173  
Facsimile: (212) 361-6153

If to the Remarketing Agent, to:

Merrill Lynch, Pierce, Fenner & Smith Incorporated  
One Bryant Park  
12th Floor  
New York, New York 10036  
Attention: Public Finance  
Email: dg.temm@baml.com  
Facsimile: 646-736-6960

If to the Bank, to:

For purposes of Drawings under the Letter of Credit and billing and payment hereunder:

Bank of America, N.A.  
1 Fleet Way  
PA6-580-02-30  
Scranton, PA 18507-1999  
Attn: Standby Letter of Credit Unit  
Facsimile:  
Telephone:

For all other purposes:

Bank of America, N.A.  
Doc Retention Center  
NC1-001-05-13  
One Independence Center  
101 North Tryon St  
Charlotte, NC 28255-0001

With a copy to:

Joe R. Miller  
Senior Vice President  
Bank of America, N.A.  
100 West Garden St.  
Pensacola, FL 32501

Telephone: 850-934-5906  
Fax (850) 454-1065  
Email: j.r.miller@baml.com

If to Moody's, to:

Moody's Investors Service  
7 World Trade Center at 250 Greenwich Street  
Public Finance Group - Attn: MSPG - 23rd Floor  
New York, New York 10007  
Facsimile: (212) 553-1066  
Email: MSPGSurveillance@Moody's.com

If to S&P, to:

Standard & Poor's  
55 Water Street  
38th Floor  
New York, New York 10041  
Attention: Municipal Structured Surveillance  
Telephone: (212) 438-2021  
Facsimile: (212) 438-2151  
E-mail: pubfin\_structured@sandp.com

All notices given by telephone, facsimile or other electronic means (other than e-mail) shall be confirmed in writing as promptly as practicable. All notices given to the Bank shall be given to the attention stated above or to any other attention or person(s) from time to time designated by the Bank in a written certificate of the Bank furnished to the City and the Tender Agent, signed on behalf of the Bank.

*Section 7.5. Satisfaction Requirement.* If any agreement, certificate or other writing, or any action taken or to be taken, is by the terms of this Agreement required to be satisfactory to the Bank, the determination of such satisfaction shall be made by the Bank in its sole and exclusive judgment exercised in good faith.

*Section 7.6. Governing Law; Venue; Waiver of Jury Trial.* (a) This Agreement shall be governed by, and construed in accordance with, the laws of the State of Florida.

(b) With respect to any suit, action or proceeding relating to, or arising from, this Agreement, each party hereto irrevocably submits to the jurisdiction of the courts of the State of Florida and the federal courts located in the State of Florida and agrees that any such suit, action or proceeding shall be had and maintained in the Eighth Judicial Circuit Court or in the U.S. District court having jurisdiction over the geographic area of the City and the applicable appellate courts.

(c) The City and the Bank each hereby irrevocably waive any and all right to trial by jury in any legal proceeding arising out of or relating to this agreement or the transactions contemplated hereby.

*Section 7.7. No Right of Set-off.* The Bank hereby waives any rights of set-off for any amounts owed hereunder or under the Fee Letter with respect to any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Bank to or for the credit or the account of the City.

*Section 7.8. Counterparts.* This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

*Section 7.9. Severability.* Any provision of this Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

*Section 7.10. Headings.* Article and Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

*Section 7.11. Integration.* This Agreement and the Fee Letter constitute the entire agreement and understanding between the parties hereto and thereto and, except with respect to the other documents and agreements referred to herein and therein, supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof.

*Section 7.12. References to Bank in Offering Documents.* The City agrees that it will not, without the prior approval of the Bank (which approval shall not be unreasonably withheld), include in the Official Statement, any supplement to the Official Statement or any other disclosure document for the 2019 Series C Bonds or other Indebtedness offered by the City on a public or private basis any information describing the Bank; *provided*, that the City may include references to the existence of this Agreement, the Bank and its role with respect to the 2019 Series C Bonds, without the Bank's consent thereto, in connection with (i) the preparation of an offering document for such Indebtedness (other than the 2019 Series C Bonds), (ii) the City's satisfaction of its continuing disclosure requirements, (iii) the preparation of its annual financial statements, and (iv) compliance with any other legal or regulatory requirement applicable to the City.

*Section 7.13. Conflict with Resolutions.* Upon purchasing 2019 Series C Bank Bonds, the Bank and each other owner of 2019 Series C Bank Bonds will be entitled to all rights and privileges accorded to Bondholders under the Resolutions, as well as any additional rights and privileges as to payment of interest and principal that are provided by this Agreement with respect to such 2019 Series C Bank Bonds. Notwithstanding the foregoing, with respect to the rights and privileges accorded to 2019 Series C Bonds and Bondholders pursuant to the Resolutions, in the event of an express conflict between the words of this Agreement and the words of the Resolutions, the words of the Resolutions shall be controlling.

*Section 7.14. Successors and Assigns; Benefit of Agreement.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the City may not assign or otherwise transfer any of its rights under this Agreement without the prior written consent of the Bank. No assignment by the Bank

shall release the Bank from or otherwise affect the obligations of the Bank under the Letter of Credit. No other Person other than the City, the Bank and their successors and permitted assigns shall have any interest in or right of action under this Agreement.

*Section 7.15. Confidential Information.* The Bank agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the City and its obligations hereunder, (g) with the consent of the City or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Bank on a non-confidential basis from a source other than the City. For the purposes of this Section, "*Information*" means all information received from the City relating to the City or the System, other than any such information that is available to the Bank on a non-confidential basis prior to disclosure by the City; *provided* that, in the case of information received from the City after the Closing Date, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

*Section 7.16. Actions.* In the event the Bank shall commence, appear in or defend any action or proceeding which reasonably might be expected to directly affect its rights, duties or liabilities under any 2019 Series C Bank Bonds, this Agreement or any Financing Document, the City will pay the Bank, upon demand by the Bank (a) all of the Bank's reasonable out-of-pocket costs and expenses and (b) the reasonable legal fees (including on appeal) and disbursements incurred by the Bank in those actions and proceedings (including, without limitation, the allocated costs and expenses of in-house counsel). In no event and under no circumstances shall the City be required (x) to reimburse the Bank for any costs, expenses, fees or disbursements incurred by any participant in connection with any such proceeding or action or (y) to reimburse any participant for any costs, expenses, fees or disbursements incurred by any person in connection with any such proceeding or action.

*Section 7.17. Nature of Bank's Duties.* (a) Except to the extent otherwise provided in this Section 7.17, any action taken or omitted by the Bank under or in connection with this Agreement or any related certificates or other documents, if taken or omitted in good faith and without gross negligence, shall be binding upon the City and shall not put the Bank under any resulting liability to the City.

(b) Except to the extent otherwise provided in this Section 7.17, the Bank may, under this Agreement, receive, accept and pay any drafts, demands or other documents and instruments

(otherwise in order) signed by, or issued to, the receiver, trustee in bankruptcy, custodian, executor, administrator, guardian or conservator of anyone named in this Agreement or the Supplemental Resolution as the person by whom drafts, demands and other documents and instruments are to be made or issued. The City hereby waives any right to object to any payment made under this Agreement against a draft and accompanying documents as provided in this Agreement varying in punctuation, capitalization, spelling or similar matters of form.

(c) Except to the extent otherwise provided in this Section 7.17, neither the Bank nor any of its officers or directors shall be liable or responsible for (i) the use which may be made of this Agreement, the Letter of Credit, the proceeds of Drawings thereunder, the proceeds of the 2019 Series C Bonds or for any acts or omissions of the Tender Agent or Remarketing Agent, (ii) the general and particular conditions stipulated in this Agreement, (iii) the validity or genuineness of any documents presented under this Agreement (or any endorsement thereon), even if such documents should in fact prove to be in any or all respects forged, fraudulent, invalid, unenforceable or insufficient or any statement therein being inaccurate in any respect whatsoever, (iv) payment by the Bank under the Letter of Credit against presentation of documents which do not comply with the terms of the Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit, (v) the existence, form, sufficiency and breach of contracts of any nature whatsoever, including the Financing Documents and this Agreement, (vi) the solvency, standing and responsibility of any Person whomsoever, (vii) any delay by any Person other than the Bank in giving or failure to give any notice, demand or protest, (viii) failure of any Person (other than the Bank) to comply with the terms of this Agreement, (ix) errors, omissions, delays in or non-delivery of any message, however sent, or (x) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, in making or failing to make payment under this Agreement.

Notwithstanding the foregoing, the Bank shall be liable to the City for the City's direct damages which result from or arise out of the events described in the next sentence, including any liability of the City as a result of claims by third parties, but the liability of the Bank shall not include consequential damages. The events giving rise to liability of the Bank pursuant to the preceding sentence shall be limited to (A) the Bank's gross negligence or willful misconduct in determining whether documents presented under the Letter of Credit comply with the terms thereof or (B) the Bank's gross negligence or willful misconduct in failing to pay under the Letter of Credit after the presentation to it by the Tender Agent of documents strictly complying with the terms and conditions of the Letter of Credit or (C) information provided by the Bank or its agents and counsel thereof for inclusion in the Official Statement. Without in any way limiting the Bank's liability as provided by the foregoing, the Bank may accept documents under the Letter of Credit that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

*Section 7.18. USA Patriot Act Notification; Government Regulation.* The Bank hereby notifies the City that, pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107 56 (signed into law October 26, 2001)) (as amended from time to time, the "Patriot Act"), the Bank may be required to obtain, verify and record information that identifies the City, which information may include the name and address of the City and other information that will allow the Bank to identify the City in accordance with the Patriot Act, and the City hereby agrees to take any action necessary to enable the Bank to comply with the requirements of the Patriot Act.

*Section 7.19. Arm's-Length Transaction.* The City acknowledges and agrees that (a) the transactions contemplated by this Agreement and the Fee Letter are an arm's-length commercial transaction between the City and the Bank, (b) in connection with such transactions, the Bank is acting solely as a principal and not as an agent or a fiduciary of the City, (c) the Bank has not assumed a fiduciary responsibility in favor of the City or any other obligation to the City except the obligations expressly set forth in this Agreement, the Letter of Credit and the Fee Letter and (d) the City has consulted with its own legal and financial advisors to the extent it deemed appropriate in connection with the transactions contemplated by this Agreement and the Fee Letter.

[Remainder of page intentionally left blank. The next page is the signature page.]

In Witness Whereof, the parties hereto have caused this Agreement to be duly executed and delivered by their respective duly authorized officers as of the day and year first above written.

City of Gainesville, Florida

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

Name: Claudia Rasnick

Title: [Interim] Chief Financial Officer, Utilities

Approved as to form and legality for the City:

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

Name: Lisa Bennett

Title: Utilities Attorney

Bank of America, N.A.

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

Name: Joe R. Miller

Title: Senior Vice President

**EXHIBIT A**

**IRREVOCABLE LETTER OF CREDIT**

April \_\_, 2019

Letter of Credit No: XXXXXXXXX

U.S. Bank National Association, as Trustee and Tender Agent  
100 Wall Street, 16th Floor  
New York, New York 10005  
Attention: Corporate Trust Department

Ladies and Gentlemen:

1. We hereby establish in your favor at the request and for the account of City of Gainesville, Florida (the "City") our irrevocable Letter of Credit in the amount of the Stated Amount (as defined below) in connection with the Bonds (as defined below) available with ourselves by sight payment against presentation of one or more signed and dated demands addressed by you to Bank of America, N.A., 1 Fleet Way, PA6-580-02-30, Scranton, PA, or to such other address as we shall have notified you in writing from time to time (the "Presentation Office"), each in the form of Annex A (an "A Drawing"), Annex B (a "B Drawing"), Annex C (a "C Drawing"), or Annex D (a "D Drawing") hereto (with all instructions in brackets therein being complied with). Each such demand must be presented to us (1) in its signed and dated original form at the Presentation Office, or (2) by facsimile transmission of such signed and dated original form to 1-800-755-8743, or to such other telephone number as we shall have notified you in writing from time to time (the "Fax Number").

2. The maximum aggregate amount available under this Letter of Credit shall be U.S. \$70,805,479.46, which amount, as from time to time reduced and reinstated as provided in paragraphs 4 and 5 of this Letter of Credit, is hereinafter referred to as the "Stated Amount." Of the Stated Amount, up to \$70,000,000 is available for the payment of the unpaid principal of, or the portion of the Purchase Price (as defined below) corresponding to principal of, the City's Variable Rate Utilities System Revenue Bonds, 2019 Series C (the "Bonds") and up to \$805,479.46 is available for the payment of the unpaid interest accrued on, or the portion of the Purchase Price corresponding to interest accrued on, the Bonds for the immediately preceding 35 days, calculated at a rate of twelve percent per annum based on a year of 365 days. "Purchase Price" means, with respect to any Bond tendered for purchase pursuant to the Resolution (as defined below), an amount equal to the principal amount of such Bond plus, with respect to any Bond tendered for purchase on a date which is not a scheduled interest payment date for such Bond, accrued but unpaid interest.

3. Each such presentation must be made to the Presentation Office on a Business Day (a day on which the Presentation Office is open to conduct its Letter of Credit business) at or before 5:00 p.m. local time at the Presentation Office. Each presentation shall be deemed to have been presented when actually received by us. The documents you are required to present to us must be prepared in the form of a letter on your letterhead signed by your authorized officer.

4. This Letter of Credit automatically shall expire at 5:00 p.m. local time at the Presentation Office on the earliest of (the "Termination Date"):

(a) April \_\_, 2022, or, if such date is not a Business Day, then on the first succeeding Business Day thereafter (the "Stated Termination Date"); provided that, if on or before

such date, or such later date to which the term of this Letter of Credit is extended, as provided herein, we provide you with a written notice in the form of Annex G hereto that this Letter of Credit shall be extended, the Stated Termination Date shall be extended to the date provided in such notice;

(b) the date we have honored a D Drawing following our receipt of your certificate in the form of Annex D hereto appropriately completed, together with the original of this Letter of Credit and any amendments hereto; and

(c) twenty-five days after you have received notice from us stating that an Event of Default has occurred under the Letter of Credit Reimbursement Agreement, dated April \_\_, 2019, between us and the City (as amended, restated, supplemented or otherwise modified from time to time, the "Reimbursement Agreement") and requesting the mandatory tender of the Bonds.

5. The amount of any demand presented hereunder will be the amount inserted in numbered Paragraph 4 of said demand. By honoring any such demand we make no representation as to the correctness of the amount demanded. No demand may be made hereunder with respect to any Bond that is an Excluded Bond (as defined in the Reimbursement Agreement).

6. We hereby agree with you that each demand presented hereunder in full compliance with the terms hereof will be duly honored by our payment to you of the amount of such demand, in immediately available funds of Bank of America, N.A.:

(i) not later than 10:00 a.m., local time, at the Presentation Office, on the Business Day following the Business Day on which such demand is presented to us as aforesaid if such presentation is made to us at or before noon, local time at the Presentation Office, or

(ii) not later than 10:00 a.m., local time, at the Presentation Office, on the second Business Day following the Business Day on which such demand is presented to us as aforesaid, if such presentation is made to us after noon, local time at the Presentation Office.

Notwithstanding the foregoing, any demand presented hereunder, in full compliance with the terms hereof, for a C Drawing will be duly honored (i) not later than 2:30 p.m., local time at the Presentation Office, on the Business Day on which such demand is presented to us as aforesaid if such presentation is made to us at or before 12:30 p.m., local time at the Presentation Office, and (ii) not later than 12:30 p.m., local time at the Presentation Office, on the Business Day following the Business Day on which such demand is presented to us as aforesaid if such presentation is made to us after 12:30 p.m., local time at the Presentation Office.

If the remittance instructions included with any demand presented under this Letter of Credit require that payment is to be made by transfer to an account with us or with another Bank, we and/or such other Bank may rely solely on the account number specified in such instructions even if the account is in the name of a person or entity different from the intended payee.

7. If a demand for payment made by you does not conform to the terms and conditions of this Letter of Credit, we will notify you thereof, by written notice (including bank wire, telefacsimile, email or similar writing), within six hours (including only hours or portions thereof

occurring between 9:00 A.M. and 5:00 P.M. local time at the Presentation Office on a Business Day) after our receipt of such demand for payment. Any such notice shall state that the purported presentation was not effected in accordance with the terms and conditions of this Letter of Credit, stating the reasons therefor and that we are holding any documents at your disposal or are returning the same to you, as we may elect. Upon being notified that the purported presentation was not effected in accordance with this Letter of Credit, you may attempt to correct any such nonconforming demand for payment if, and to the extent that, you are entitled without regard to the provisions of this sentence and you are able to do so.

8. With respect to any demand that is honored hereunder, the Stated Amount of this Letter of Credit shall be reduced as follows:

(A) With respect to each A Drawing paid by us, the Stated Amount of this Letter of Credit shall be reduced by the amount of such A Drawing with respect to all demands presented to us after the time we receive such A Drawing, and on the date each such A Drawing is honored by us, an amount equal to the amount of such A Drawing shall be automatically and immediately reinstated by us following the honoring of such A Drawing.

(B) With respect to each B Drawing paid by us, the Stated Amount of this Letter of Credit shall be reduced with respect to all demands presented to us after the time we receive such B Drawing by the sum of (1) the amount inserted as principal in paragraph 5(A) of the B Drawing plus (2) the greater of (a) the amount inserted as interest in paragraph 5(B) of the B Drawing and (b) interest on the amount inserted as principal in paragraph 5(A) of the B Drawing calculated for 35 days at the rate of twelve percent per annum based on a year of 365 days, and no part of such sum shall be reinstated;

(C) With respect to each C Drawing paid by us, the Stated Amount of this Letter of Credit shall be reduced with respect to all demands presented to us after the time we receive such C Drawing by the sum of (1) the amount inserted as principal in paragraph 5(A) of the C Drawing plus (2) the greater of (a) the amount inserted as interest in paragraph 5(B) of the C Drawing and (b) interest on the amount inserted as principal in paragraph 5(A) of the C Drawing calculated for 35 days at the rate of twelve percent per annum based on a year of 365 days; provided, however, that if the Bonds related to such C Drawing are remarketed and the remarketing proceeds are paid to us prior to the Termination Date, then on the day we receive such remarketing proceeds the amount of this Letter of Credit shall be reinstated by an amount which equals the sum of (i) the amount paid to us from such remarketing proceeds and (ii) interest on such amount calculated for the same number of days, at the same interest rate, and on the basis of a year of the same number of days as is specified in (2)(b) of this paragraph (C), with such reinstatement and its amount being promptly advised to you; provided, however, that in no event will the total amount of all C Drawing reinstatements exceed the total amount of all Letter of Credit reductions made pursuant to this paragraph (C).

(D) Upon presentation to us of a D Drawing in compliance with the terms of this Letter of Credit, no further demand whatsoever may be presented hereunder.

(E) No A Drawing which we honor shall be for an amount more than U.S. \$805,479.46

9. It is a condition of this Letter of Credit that the Stated Amount of this Letter of Credit shall be decreased automatically without amendment upon our receipt of each reduction authorization in the form of Annex E to this Letter of Credit (with all instructions therein in brackets being complied with) sent to us (1) in its signed and dated original form at the Presentation Office, or (2) by facsimile transmission of such signed and dated original form to the Fax Number.

10. Only you or your transferee may make a drawing under this Letter of Credit. By paying to you an amount demanded in accordance herewith, we make no representation as to the correctness of the amount demanded. Upon the termination of this Letter of Credit, we shall be fully discharged of our obligation hereunder.

11. This Letter of Credit shall be governed by and construed in accordance with the International Standby Practices (ISP98) and shall, as to matters not governed thereby, be governed by and construed in accordance with Chapter 675, Florida Statutes.

12. This Letter of Credit is transferable and may be transferred more than once, but in each case only in the amount of the full unutilized balance hereof to any single transferee who you shall have advised us pursuant to Annex F has succeeded U.S. Bank National Association, or a successor, as Tender Agent and Trustee pursuant to the Thirty-First Supplemental Utilities System Revenue Bond Resolution adopted by the City on \_\_\_\_\_, 2019 (as amended, restated, supplemented or otherwise modified from time to time, the "Resolution"), pursuant to which the Bonds were issued. Transfers may be effected only through ourselves and only upon presentation to us at the Presentation Office of a duly signed and dated instrument of transfer in the form attached hereto as Annex F (with all instructions therein in brackets complied with). Any transfer of this Letter of Credit as aforesaid must be endorsed by us on the reverse hereof and may not change the place for presentation of demands to a place other than the Presentation Office.

13. Communications with respect to this Letter of Credit shall be in writing, addressed to us at our Presentation Office (telefacsimile is acceptable only for drawings), and specifically referring thereon to this Letter of Credit by number.

14. All payments hereunder shall be made from our own funds.

15. This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein, and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement.

BANK OF AMERICA, N.A.

By: \_\_\_\_\_  
Name:  
Title:

**DRAWING FOR INTEREST ON AN INTEREST PAYMENT DATE**

Bank of America, N.A.  
1 Fleet Way  
PA6-580-02-30  
Scranton, PA 18507-1999  
Attn: Standby Letter of Credit Unit

[Insert name of beneficiary] (the "Trustee") hereby certifies to Bank of America, N.A. (the "Bank") with reference to Irrevocable Letter of Credit No. XXXXXXXXX (the "Letter of Credit" (all terms used herein in capitalized form that are not otherwise defined shall have their respective meanings set forth in the Letter of Credit) that:

- (1) the Trustee is the Trustee or a successor Trustee under the Resolution.
- (2) the Trustee is making a demand under the Letter of Credit for payment, on an interest payment date (as defined in the Resolution), of unpaid interest on the Bonds.
- (3) the amount of this demand for payment was computed in accordance with the terms and conditions of the Bonds and the Resolution and is demanded in accordance with the Resolution, which amount please remit to the undersigned as follows:

[insert remittance instructions].

- (4) the amount hereby demanded under the Letter of Credit is \$[insert amount] due on [insert date].
- (5) if this demand is received at the Presentation Office by you at or before noon, local time at the Presentation Office, on a Business Day, you must make payment on this demand at or before 10:00 a.m., local time at the Presentation Office, on the next Business Day. If this demand is received by you at the Presentation Office after noon, local time at the Presentation Office, on a Business Day, you must make payment on this demand at or before 10:00 a.m., local time at the Presentation Office, on the second Business Day following such Business Day.

[insert name of beneficiary]

[insert signature and date]

**DRAWING FOR PRINCIPAL AND INTEREST UPON AN OPTIONAL OR  
MANDATORY REDEMPTION OF LESS THAN ALL THE BONDS**

Bank of America, N.A.  
1 Fleet Way  
PA6-580-02-30  
Scranton, PA 18507-1999  
Attn: Standby Letter of Credit Unit

[Insert name of beneficiary] (the "Trustee") hereby certifies to Bank of America, N.A. (the "Bank") with reference to Irrevocable Letter of Credit No. XXXXXXXXX (the "Letter of Credit"; (all terms used herein in capitalized form that are not otherwise defined shall have their respective meanings set forth in the Letter of Credit) that:

(1) the Trustee is the Trustee or a successor Trustee under the Resolution.

(2) the Trustee is making a demand under the Letter of Credit for payment of the principal amount of, and the unpaid interest on, redeemed Bonds upon an optional and/or mandatory redemption of less than all of the Bonds currently outstanding.

(3) the amount of this demand for payment was computed in accordance with the terms and conditions of the Bonds and the Resolution and is demanded in accordance with the Resolution, which amount please remit to the undersigned as follows:

[insert remittance instructions].

(4) the amount hereby demanded under the Letter of Credit is \$[insert amount] due on [insert date] which is the sum of the two amounts inserted in paragraph 5 below.

(5) the amount hereby demanded is equal to the sum of (A) \$[insert amount] being drawn with respect to the payment of the principal of the redeemed Bonds and (B) \$[insert amount] being drawn with respect to the payment of the unpaid interest on the redeemed Bonds.

(6) if this demand is received by you at the Presentation Office at or before noon, local time at the Presentation Office on a Business Day, you must make payment on this demand at or before 10.00 a.m., local time at the Presentation Office, on the next Business Day. If this demand is received by you at the Presentation Office after noon, local time at the Presentation Office, on a Business Day, you must make payment on this demand at or before 10:00 a.m., local time at the Presentation Office, on the second Business Day following such Business Day.

[insert name of beneficiary]

[insert signature and date]

**DRAWING FOR PRINCIPAL AND INTEREST ON BONDS WHICH  
THE REMARKETING AGENT CANNOT REMARKET**

Bank of America, N.A.  
1 Fleet Way  
PA6-580-02-30  
Scranton, PA 18507-1999  
Attn: Standby Letter of Credit Unit

[Insert name of beneficiary] (the "Tender Agent") hereby certifies to Bank of America, N.A. (the "Bank") with reference to Irrevocable Letter of Credit No. XXXXXXXXX (the "Letter of Credit"; (all terms used herein in capitalized form that are not otherwise defined shall have their respective meanings set forth in the Letter of Credit) that:

(1) the Tender Agent is the Tender Agent or a successor Tender Agent under the Resolution.

(2) the Tender Agent is making a demand under the Letter of Credit for payment of the principal amount of, and interest due on, those Bonds which the Remarketing Agent (as defined in the Resolution) has been unable to remarket within the time limits established in the Resolution.

(3) the amount of this demand for payment was computed in accordance with the terms and conditions of the Bonds and the Resolution and is demanded in accordance with the Resolution, which amount please remit to the undersigned as follows:

[insert remittance instructions]

(4) the amount hereby demanded under the Letter of Credit is \$[insert amount] due on [insert date] which is the sum of the two amounts inserted in paragraph 5 below.

(5) the amount of this demand is equal to the sum of (A) \$[insert amount] being drawn with respect to the payment of principal of the Bonds and (B) \$[insert amount] being drawn with respect to the payment of interest due on the Bonds.

(6) if this demand is received by you at the Presentation Office at or before 12:30 p.m., local time at the Presentation Office on a Business Day, you must make payment on this demand at or before 2:30 p.m., local time at the Presentation Office, on said Business Day. If this demand is received by you at the Presentation Office after 12:30 p.m., local time at the Presentation Office, on a Business Day, you must make payment on this demand at or before 12:30 p.m., local time at the Presentation Office, on the Business Day following said Business Day.

[insert name of beneficiary]

[insert signature and date]

**DRAWING FOR TOTAL UNPAID PRINCIPAL AND INTEREST  
ON ALL BONDS**

Bank of America, N.A.  
1 Fleet Way  
PA6-580-02-30  
Scranton, PA 18507-1999  
Attn: Standby Letter of Credit Unit

[Insert name of beneficiary] (the "Tender Agent" or the "Trustee") hereby certifies to Bank of America, N.A. (the "Bank") with reference to Irrevocable Letter of Credit No. XXXXXXXXX (the "Letter of Credit"; (all terms used herein in capitalized form that are not otherwise defined shall have their respective meanings set forth in the Letter of Credit) that:

(1) the Tender Agent or the Trustee is the Tender Agent or the Trustee or a successor Tender Agent or Trustee under the Resolution.

(2) the Tender Agent or the Trustee is making a demand under the Letter of Credit for payment of the total unpaid principal of, and unpaid interest on, all of the Bonds which are currently outstanding upon (a) the stated maturity of all such Bonds, (b) the acceleration of all such Bonds following an event of default under the Resolution, (c) the mandatory tender of all such Bonds, (d) the redemption of all such Bonds or (e) the delivery of a Substitute Liquidity Facility or Alternate Credit Facility (as defined in the Resolution).

(3) the amount of this demand for payment was computed in accordance with the terms and conditions of the Bonds and the Resolution and is demanded in accordance with the Resolution, which amount please remit to the undersigned as follows:

[insert remittance instructions].

(4) the amount hereby demanded under the Letter of Credit is \$[insert amount] due on [insert date] which is the sum of the two amounts inserted in paragraph 5 below.

(5) the amount of this demand is equal to the sum of (a) \$[insert amount] being drawn with respect to the payment of the unpaid principal of the outstanding Bonds and (b) \$[insert amount] being drawn with respect to the payment of the unpaid interest on the outstanding Bonds.

(6) if this demand is received by you at the Presentation Office at or before noon, local time at the Presentation Office on a Business Day, you must make payment on this demand at or before 10:00 a.m., local time at the Presentation Office, on the next Business Day. If this demand is received by you at the Presentation Office after noon, local time at the Presentation Office, on a Business Day, you must make payment on this demand at or before 10:00 a.m., local time at the Presentation Office, on the second Business Day following such Business Day.

[insert name of beneficiary]

[insert signature and date]

**LETTER OF CREDIT REDUCTION AUTHORIZATION**

Bank of America, N.A.  
1 Fleet Way  
PA6-580-02-30  
Scranton, PA 18507-1999  
Attn: Standby Letter of Credit Unit

**FOR THE URGENT ATTENTION OF THE STANDBY LETTER OF CREDIT OFFICE**

[Insert name of beneficiary], with reference to Letter of Credit no. XXXXXXXXX issued by Bank of America, N.A. (the "Bank"), hereby unconditionally and irrevocably requests that the Bank decrease the amount available for drawing under the Letter of Credit by \$[insert amount] to \$[insert amount].

[insert name of beneficiary]

[insert signature and date]

(Transfer Demand)

Bank of America, N.A.  
1 Fleet Way  
PA6-580-02-30  
Scranton, PA 18507-1999  
Attn: Standby Letter of Credit Unit

Re: Instruction to Transfer Letter of Credit No. XXXXXXXXX

Ladies and Gentlemen:

For value received, the undersigned beneficiary hereby irrevocably advises you that it transferred to:

\_\_\_\_\_  
(Name of Transferee)

\_\_\_\_\_  
(Address)

all rights of the undersigned beneficiary to draw under the above captioned Letter of Credit. We certify that the transferee has succeeded the undersigned as Tender Agent under the Resolution.

By this transfer, all rights of the undersigned beneficiary in the Letter of Credit are transferred to the transferee and the transferee shall hereafter have the sole rights as beneficiary thereof; including sole rights relating to any past or future amendments thereof, whether increases or extensions or otherwise; provided, however, that no rights shall be deemed to have been transferred to the transferee until such transfer complies with the requirements of the Letter of Credit. All amendments are to be advised directly to the Transferee without necessity of any consent of or notice to the Transferor.

All capitalized terms used herein and not defined shall have the respective meanings assigned to such terms in the above referenced Letter of Credit.

The Letter of Credit is returned herewith, and we ask you to endorse the transfer on the reverse thereof and to forward it directly to the Transferee with your customary notice of transfer.

[insert name of beneficiary]  
[insert signature and date]

Acknowledged by  
[insert name of Transferee]  
as Transferee and successor Tender Agent  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**NOTICE OF EXTENSION**

[DATE]

[INSERT NAME OF BENEFICIARY], as Tender Agent  
[ADDRESS]

Ladies and Gentlemen:

This amendment is to be considered an integral part of the above credit and must be attached thereto.

The above mentioned letter of credit is amended as follows:

1. The Letter of Credit Stated Expiration Date is extended to \_\_\_\_\_, \_\_\_\_\_.

All other terms and conditions remain unchanged.

Very truly yours,

BANK OF AMERICA, N.A.

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

Name:

Title:

**EXHIBIT D-2**  
**FORM OF FEE LETTER**

FEE LETTER

April \_\_, 2019

City of Gainesville, Florida  
301 S.E. Fourth Avenue  
Gainesville, Florida 32601  
Attention: General Manager for Utilities

Re: City of Gainesville, Florida Variable Rate Utilities System Revenue Bonds,  
2019 Series C (the "Bonds")

Ladies and Gentlemen:

Reference is hereby made to the Letter of Credit and Reimbursement Agreement, dated of even date herewith (the "Agreement"), between City of Gainesville, Florida (the "City") and Bank of America, N.A. (the "Bank"), pursuant to which the Bank has issued its Irrevocable Letter of Credit No. XXXXXXXXX (the "Letter of Credit") supporting the above-referenced Bonds. This letter is the "Fee Letter" as defined in Section 1.1 of the Agreement. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Agreement.

1. Letter of Credit Fee. The City agrees to pay to the Bank an annual nonrefundable letter of credit fee (the "Letter of Credit Fee") in an amount equal to the Fee Percentage of the Stated Amount (without regard to any reductions of the Stated Amount which are subject to reinstatement), payable quarterly in arrears on July 1, 2019 and on the first Business Day of each January, April, July and October thereafter and on the day following the Termination Date (as defined in the Letter of Credit). The Letter of Credit Fee due on July 1, 2019, shall be the amount accrued from and including the Closing Date through and including June 30, 2019. The Letter of Credit Fee due on any subsequent payment date shall be the amount accrued from and including the next preceding payment date to but excluding such subsequent payment date.

"Fee Percentage" means, for any day, the rate per annum set forth in the table below opposite the lowest long term credit rating assigned, without regard to any credit or liquidity enhancement (a "Rating"), by one or more Rating Agency(ies) to the 2019 Series C Bonds or any Parity Debt on such day.

Fee Percentage	Moody's Rating	S&P Rating	Fitch Rating
0.30%	Aa3 or above	AA- or above	AA- or above
0.35%	A1	A+	A+
0.40%	A2	A	A
0.45%	A3	A-	A-
0.50%	Baa1	BBB+	BBB+
0.55%	Baa2	BBB	BBB
0.60%	Baa3	BBB-	BBB-

In addition, if any Rating is withdrawn or suspended for any reason, the Fee Percentage will be 1.50% above the otherwise applicable rate. Furthermore, during the continuance of an Event of Default the Fee Percentage in effect immediately prior to the occurrence of the Event of Default will be increased by 1.50% (subject to further adjustment in the event of Ratings changes during the continuance of the Event of Default). The foregoing adjustments are cumulative.

Any change in the Fee Percentage as a result of a change in the Rating, as a result of the withdrawal or suspension of a Rating or as a result of an Event of Default, or as result of the reinstatement of the Rating or curing of the Event of Default, will take effect upon the occurrence of such event.

References to the Ratings above are references to the Rating categories of the Rating Agencies as presently determined by the respective Rating Agencies and, in the event of adoption of any new or changed rating system by any Rating Agency, the Ratings from the applicable Rating Agency shall be deemed to refer to the rating category under the new rating system which most closely approximates the applicable rating category as then currently in effect.

2. Drawing Fee. The City agrees to pay to the Bank on the date of each Drawing a fee in the amount of \$250.00 for such Drawing.

3. Administrative Fee. The City agrees to pay to the Bank an administrative fee in the amount of \$2,500 (i) on the date of each transfer of the Letter of Credit to a successor beneficiary and (ii) on the date of any amendment hereto, waiver hereof or consent hereunder in any case requested by the City, in each case together with any associated expenses of the Bank, including but not limited to reasonable attorney's fees and expenses.

4. Early Termination Fee. If the Letter of Credit is terminated or the Stated Amount thereof is permanently reduced other than as a result of scheduled maturities or redemptions of the Bonds prior to the date (the "First Anniversary") one year after the Closing Date, then the City will pay the Bank an amount (the "Termination Fee") equal to the Letter of Credit Fee, calculated assuming no change in the Fee Percentage subsequent to the date of such termination or reduction, that would have been paid on the portion of the Stated Amount so terminated or reduced from and including the date of termination or reduction to but not including the First Anniversary. The Termination Fee shall be paid within ten Business Days after written demand therefor by the Bank. No Termination Fee will be required to be paid by the City if (i) on the day of the applicable termination or reduction the short-term credit rating assigned to the Bank by any two Rating Agencies is below P-1/A-1/F1 or the equivalent or (ii) the Bonds are redeemed or refunded or the interest rate on the Bonds is converted to a fixed rate or another interest rate mode that does not involve credit or liquidity enhancement.

5. Legal Fee. The City agrees to pay on the date hereof the fee of the Bank's attorney in connection with the preparation of this Agreement and the issuance of the Letter of Credit in the amount of \$30,000.00.

6. Operation and Maintenance Expenses. The City will pay the amounts described in Sections 1 through 4 of this Fee Letter as Operation and Maintenance Expenses pursuant to the Bond Resolution.

7. Amendments. No amendment to this Fee Letter shall be effective unless in writing executed by the City and the Bank.

8. Counterparts. This Fee Letter may be executed in multiple counterparts, each of which shall constitute an original but both or all of which, when taken together, shall constitute but one instrument.

9. Incorporation of Agreement Terms. Unless specifically set forth herein, all of the terms of this Fee Letter shall be governed by and be subject to the terms and provisions of the Agreement, all of which terms and provisions are hereby incorporated by reference herein. Such terms include, without limitation, the governing law, jurisdiction and waiver of jury trial provisions of the Agreement.

BANK OF AMERICA, N.A.

By: \_\_\_\_\_  
Name: Joe R. Miller  
Title: Senior Vice President

CITY OF GAINESVILLE, FLORIDA

By: \_\_\_\_\_  
Name: Claudia Rasnick  
Title: Utility Interim Chief Financial Officer

Approved as to form and legality for the City:

By: \_\_\_\_\_  
Name: Lisa Bennett  
Title: Utilities Attorney

**EXHIBIT E**  
**FORM OF OFFICIAL STATEMENT**

OFFICIAL STATEMENT DATED APRIL \_\_, 2019

NEW ISSUE - BOOK-ENTRY ONLY

*In the opinion of Holland & Knight LLP, Bond Counsel, assuming compliance with certain arbitrage rebate and other tax requirements referred to herein, under existing law, interest on the 2019 Series C Bonds is excludable from gross income for federal income tax purposes and will not be treated as an item of tax preference in computing the alternative minimum tax imposed on certain taxpayers other than corporations (as defined for federal income tax purposes). Holders of 2019 Series C Bonds could be subject to the consequences of other provisions of the Internal Revenue Code of 1986, as amended, as further described herein. See "TAX MATTERS" herein.*

\$ \_\_\_\_\_  
City of Gainesville, Florida  
Variable Rate  
Utilities System Revenue Bonds,  
2019 Series C  
(CUSIP No. \_\_\_\_\_)



**RATINGS: See "RATINGS" herein**

**Dated: March \_\_, 2019**

**Due: October 1, 20\_\_**

The City of Gainesville, Florida (the "City") Variable Rate Utilities System Revenue Bonds, 2019 Series C (the "2019 Series C 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 2019 Series C Bonds. Purchases of the 2019 Series C Bonds may be made in book-entry form only, in the Authorized Denominations referred to herein. See "INTRODUCTORY STATEMENT—Book-Entry Only System" herein. U.S. Bank National Association, New York, New York is Trustee, Paying Agent and Registrar under the Resolution (as defined herein) and has been appointed by the City as the initial Tender Agent for the 2019 Series C Bonds. Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter") has been appointed by the City as the initial Remarketing Agent for the 2019 Series C Bonds.

The 2019 Series C Bonds will be issued pursuant to the authority of and in full compliance with Resolution No. 170395 incorporating by reference the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on September 21, 2017, as amended by the Thirtieth Supplemental Utilities System Revenue Bond Resolution No. \_\_\_\_ adopted by the City on \_\_\_\_\_, 2019 (collectively, the "Resolution"), and as supplemented by the Thirty-First Supplemental Utilities System Revenue Bond Resolution No. \_\_\_\_ adopted by the City on March 21, 2019 (the "Thirty-First Supplemental Resolution") authorizing the 2019 Series C Bonds; Chapter 166, Part II, Florida Statutes; and the Charter. See "APPENDIX C – Composite of the Resolution and Thirty-First Supplemental Resolution" attached hereto.

The 2019 Series C Bonds bear interest at variable rates, as more fully described herein. Initially, the 2019 Series C Bonds will bear interest at the [Weekly Rates/Daily Rates] (as defined herein). While the 2019 Series C Bonds bear interest at [Weekly Rates/Daily Rates], interest will be payable on the first Business Day (as defined herein) of each calendar month. As more fully described herein, the Interest Mode (as defined herein) applicable to the 2019 Series C Bonds may be changed at the election of the City.

The 2019 Series C Bonds are subject to optional and mandatory redemption prior to maturity and to optional and mandatory tender for purchase as set forth herein.

Liquidity support in connection with tenders for purchase of the 2019 Series C Bonds (in an amount equal to the principal amount thereof plus thirty-five (35) days' interest thereon computed at a rate per annum of twelve percent (12%) and on the basis of a 365-day year) will be provided by Bank of America N.A. (the "Bank"), pursuant to the Liquidity Facility Agreement, which shall mean the Initial Letter of Credit issued under the terms and conditions of the Initial Reimbursement Agreement between the City and the Bank, dated April \_\_, 2019 (the "Initial Liquidity Facility"). See "THE INITIAL LIQUIDITY FACILITY" and "THE BANK" herein. The obligation of the Bank to purchase the 2019 Series C Bonds under the Initial Liquidity Facility will, however, be subject to certain conditions, and such obligation may be terminated or suspended without prior notice or payment thereunder under certain circumstances. The Initial Liquidity Facility will have an initial stated termination date of April \_\_, 2022. The purchase price of the 2019 Series A Bonds tendered or deemed tendered for purchase is payable solely from the proceeds of the remarketing thereof and moneys drawn under the Liquidity Facility then in effect, and is not payable from any funds of the City.

The 2019 Series C Bonds are being issued by the City to (i) provide for the refunding of the Refunded Bonds (as defined herein), including necessary reserves and deposits related thereto, (ii) provide for the payment of a portion of the Cost of Acquisition and Construction of the 2019 Series C Project as more particularly described under "—PLAN OF FINANCE - The 2019 Series C Project" herein and (iii) pay the costs of issuance related the 2019 Series C Bonds.

THE 2019 SERIES C BONDS WILL 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 2019 SERIES C 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 2019 SERIES C BONDS OR THE MAKING OF ANY PAYMENTS UNDER THE RESOLUTION. THE 2019 SERIES C BONDS AND THE OBLIGATIONS EVIDENCED THEREBY WILL NOT CONSTITUTE A LIEN ON ANY PROPERTY OF OR IN THE CITY, OTHER THAN THE TRUST ESTATE (AS DEFINED HEREIN).

*Certain legal matters were passed upon in connection with the issuance of the 2019 Series C Bonds by Holland & Knight LLP, Lakeland, Florida, Bond Counsel. Certain legal matters will be passed upon for the City by Nicolle M. Shalley, Esq., City Attorney and Bryant Miller Olive P.A., Tampa, Florida, Disclosure Counsel to the City and for the Underwriter by Nixon Peabody LLP, New York, New York. PFM Financial Advisors LLC, Charlotte, North Carolina is Financial Advisor to the City in regard to the issuance of the 2019 Series C Bonds. It is expected that the 2019 Series C Bonds in definitive form will be available for delivery to the Underwriter in New York, New York at the facilities of DTC on or about \_\_\_\_\_, 2019.*

**BofA Merrill Lynch**

CITY OF GAINESVILLE, FLORIDA

CITY OFFICIALS

Lauren Poe..... Mayor (At Large)  
Adrian Hayes-Santos .....Mayor-Commissioner Pro-Tem (District 4)  
David Arreola ..... Commissioner (District 3)  
Gail Johnson ..... Commissioner (At Large)  
Gigi Simmons..... Commissioner (District 1)  
Harvey Ward..... Commissioner (District 2)  
Helen K. Warren..... Commissioner (At Large)

CHARTER OFFICERS

Deborah Bowie.....Interim City Manager  
Edward J. Bielarski, Jr. ....General Manager for Utilities  
Nicolle M. Shalley, Esq. ....City Attorney  
Lisa C. Bennett, Esq.\* ..... Senior Assistant City Attorney  
Omichele D. Gainey ..... Clerk of the Commission  
Carlos L. Holt ..... City Auditor  
Teneeshia Marshall..... Equal Opportunity Director

UTILITIES SYSTEM

Edward J. Bielarski, Jr.\*\* .....General Manager for Utilities  
Claudia Rasnick ..... Interim Chief Financial Officer  
Thomas R. Brown, P.E. .... Chief Operating Officer  
Dino De Leo .....Energy Supply Officer  
Anthony Cunningham..... Water/Wastewater Officer  
Gary L. Baysinger ..... Energy Delivery Officer  
J. Lewis Walton ..... Chief Business Services Officer  
William J. Shepherd ..... Chief Customer Officer  
Cheryl McBride..... Chief People Officer  
Vacant ..... Chief Change Officer  
Walter Banks ..... Chief Information Officer

BOND COUNSEL

Holland & Knight LLP  
Lakeland, Florida

DISCLOSURE COUNSEL

Bryant Miller Olive P.A.  
Tampa, Florida

FINANCIAL ADVISOR

PFM Financial Advisors LLC  
Charlotte, North Carolina

---

\*Reports to and works under direction and supervision of City Attorney. Ms. Bennett is not a Charter Officer.

\*\*Also a Charter Officer.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations in connection with the 2019 Series C 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 2019 Series C 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, DTC, the Bank and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the City with respect to any information provided by others. The information and expressions of opinion stated herein are subject to change, and neither the delivery of this Official Statement nor any sale made hereunder shall create, under any circumstances, any implication that there has been no change in the matters described herein since the date hereof.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. This Official Statement is submitted in connection with the sale of the 2019 Series C Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purposes.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2019 SERIES C BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY RE-OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS, BANKS OR OTHERS AT PRICES LOWER OR HIGHER THAN THE PUBLIC RE-OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE REMARKETING AGENT.

All summaries set forth or incorporated herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the 2019 Series C Bonds are qualified in their entirety by reference to the form thereof included in the aforesaid documents and agreements.

The City maintains a website. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the 2019 Series C Bonds. The reference to internet websites in this Official Statement are shown for reference and convenience only. Unless explicitly stated to the contrary, the information contained within the websites is not incorporated herein by reference and does not constitute part of this Official Statement.

NO REGISTRATION STATEMENT RELATING TO THE 2019 SERIES C BONDS HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR WITH ANY STATE SECURITIES COMMISSION. IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATIONS OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE 2019 SERIES C BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON THE

ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS OFFICIAL STATEMENT CONSTITUTE "FORWARD LOOKING STATEMENTS." SUCH STATEMENTS GENERALLY ARE IDENTIFIABLE BY THE TERMINOLOGY USED, SUCH AS "PLAN," "EXPECT," "ESTIMATE," "BUDGET" OR OTHER SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENT INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, SUBJECT TO ANY CONTRACTUAL OR LEGAL RESPONSIBILITIES TO THE CONTRARY.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE A CONTRACT BETWEEN THE CITY AND ANY ONE OR MORE OF THE OWNERS OF THE 2019 SERIES C BONDS.

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**OFFICIAL STATEMENT  
RELATING TO  
\$ \_\_\_\_\_  
CITY OF GAINESVILLE, FLORIDA**

**VARIABLE RATE UTILITIES SYSTEM REVENUE BONDS,  
2019 SERIES C**

**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 issuance by the City of Gainesville, Florida ("Gainesville" or the "City") of its \$ \_\_\_\_\_ in aggregate principal amount of Variable Rate Utilities System Revenue Bonds, 2019 Series C (the "2019 Series C Bonds"). The City's mailing address is Utilities Administration Building, 301 SE 4th Avenue, Gainesville, Florida 32601. The City can be contacted by telephone at (352) 334-3434. The City-owned utilities do business as Gainesville Regional Utilities ("Gainesville Regional Utilities" or "GRU").

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 2019 Series C Bonds will be issued pursuant to the authority of and in full compliance with Resolution No. 170395 incorporating by reference the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on September 21, 2017, as amended by the Thirtieth Supplemental Utilities System Revenue Bond Resolution No. \_\_\_\_ adopted by the City on \_\_\_\_\_, 2019 (collectively, the "Resolution"), and as supplemented by the Thirty-First Supplemental Utilities System Revenue Bond Resolution No. \_\_\_\_ adopted by the City on March 21, 2019 (the "Thirty-First Supplemental Resolution"), authorizing the 2019 Series C Bonds; Chapter 166, Part II, Florida Statutes; and the Charter. U.S. Bank National Association, is the initial Trustee, Paying Agent and Registrar under the Resolution.

The 2019 Series C Bonds are being issued by the City for the primary purpose of (i) providing for the refunding of all or a portion of the City's Variable Rate Utilities System Revenue Bonds, 2005 Series C, the City's Variable Rate Utilities System Revenue Bonds, 2006 Series A, the City's Variable Rate Utilities System Revenue Bonds, 2007 Series A, the City's Variable Rate Utilities System Revenue Bonds, 2008 Series B, and City's Variable Rate Utilities System Revenue Bonds, 2012 Series B (collectively, the "Refunded Bonds"), including necessary reserves and deposits related thereto, (ii) providing for the payment of a portion of the Cost of Acquisition and Construction of the 2019 Series C Project as more particularly described under "—PLAN OF FINANCE – The 2019 Series C Project" herein, and (iii) paying the costs of issuance related the 2019 Series C Bonds.

The 2019 Series C Bonds constitute "Bonds" within the meaning of the Resolution. The 2019 Series C Bonds, the Bonds Outstanding on the date of this Official Statement and any additional Bonds (excluding Subordinated Indebtedness) which may be issued in the future are referred to herein collectively as the "Bonds." The Resolution provides for the issuance of additional Bonds in accordance with the terms of the Resolution. For a discussion of additional Bonds which may be issued in the future,

see "APPENDIX C – Composite of the Resolution and Thirty-First Supplemental Resolution – Additional Bonds", and "THE SYSTEM - Additional Financing Requirements" herein.

In addition to its Outstanding Bonds, as of the date of this Official Statement, the City also had outstanding \$85,000,000 in aggregate principal amount of its Utilities System Commercial Paper Notes, Series C (the "Series C CP Notes"). The Series C CP Notes are authorized to be issued in an aggregate principal amount outstanding at any time not to exceed \$125,000,000. However, it is anticipated that all of the Series C CP Notes will be refunded with proceeds of the City's Utilities System Revenue Bonds, 2019 Series A (the "2019 Series A Bonds"). See "PLAN OF FINANCE" herein. The City also has authorized the issuance of its Utilities System Commercial Paper Notes, Series D (the "Series D Taxable CP Notes" and, together with the Series C CP Notes, the "CP Notes"), which are authorized to be issued in an aggregate principal amount outstanding at any time not to exceed \$25,000,000. As of the date of this Official Statement, the City had outstanding \$8,000,000 in aggregate principal amount of its Series D Taxable CP Notes. However, it is anticipated that all of the Series D CP Notes will be refunded with proceeds of the City's Utilities System Revenue Bonds, 2019 Series B (Federally Taxable) (the "2019 Series B Bonds"). See "PLAN OF FINANCE" below. Additionally, the City entered into a direct placement revolving line of credit transaction in a not to exceed amount of \$25 million with SunTrust (the "SunTrust Loan"). As of the date hereof, the City does not have any amount outstanding under the SunTrust Loan. The CP Notes and the SunTrust Loan constitute Subordinated Indebtedness under (and as defined in) the Resolution, and are issued pursuant to Resolution No. 171090 incorporating by reference the Second Amended and Restated Subordinated Utilities System Revenue Bond Resolution adopted by the City on May 17, 2018, as heretofore amended, supplemented and restated. Subordinated Indebtedness is subordinate in all respects to Bonds issued under the Resolution.

For a more detailed discussion of the City's outstanding debt and its plan of financing, see "OUTSTANDING DEBT," "PLAN OF FINANCE" and "THE SYSTEM – Funding the Capital Improvement Program – Additional Financing Requirements" herein. APPENDIX D hereto shows total debt service requirements on all Bonds Outstanding as of the date of this Official Statement.

The purchase price for the 2019 Series C Bonds tendered or deemed tendered for purchase (see "THE 2019 SERIES C BONDS – Optional Tender for Purchase", "- Mandatory Tender for Purchase" and "- Marketing and Purchase Price" herein) is payable solely from the sources described herein, and is not payable from any funds of the City.

Liquidity support in connection with tenders for purchase of 2019 Series C Bonds will initially be provided by Bank of America, N.A. (the "Bank"), pursuant to the Liquidity Facility Agreement, which shall mean the Initial Letter of Credit issued under the terms and conditions of the Initial Reimbursement Agreement between the City and the Bank, dated April \_\_, 2019 (the "Initial Liquidity Facility"). The Initial Liquidity Facility will have an initial stated termination date of April \_\_, 2022. The purchase price of the 2019 Series C Bonds tendered or deemed tendered for purchase is payable solely from the proceeds of the remarketing thereof and moneys drawn under the Liquidity Facility then in effect, and is not payable from any funds of the City.

With respect to the 2019 Series C Bonds, the Thirty-First Supplemental Resolution contains provisions for obtaining a Substitute Liquidity Facility (as defined in APPENDIX C hereto) in substitution for the Liquidity Facility then in effect. See "THE 2019 SERIES C BONDS – Substitution of Liquidity Facility" herein.

## **Remarketing Agent**

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("BOA"), will serve as the initial remarketing agent for the 2019 Series C Bonds pursuant to a remarketing agreement, dated as of \_\_\_\_\_, 2019, between BOA and the City, as amended from time to time (the "Remarketing Agreement").

## **Tender Agent**

U.S. Bank National Association, New York, New York ("U.S. Bank"), is the tender agent for the 2019 Series C Bonds (in such capacity, the "Tender Agent"). U.S. Bank has entered into a tender agency agreement with the City, dated as of \_\_\_\_\_, 2019, with respect to the 2019 Series C Bonds, as amended from time to time (the "Tender Agency Agreement").

## **The City and the System**

For general information with respect to the City see "APPENDIX A – General Information Regarding the City" attached hereto. For information with respect 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"), including the service areas, history, organization, operations and management, regulatory matters, capital improvement program, additional financing requirements and historical financial information, see "THE SYSTEM" herein.

## **Book-Entry Only System**

THE FOLLOWING INFORMATION CONCERNING THE DEPOSITORY TRUST COMPANY ("DTC") AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CITY BELIEVES TO BE RELIABLE. THE CITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2019 SERIES C BONDS, AS NOMINEE OF DTC, CERTAIN REFERENCES IN THIS OFFICIAL STATEMENT TO THE 2019 SERIES C BONDHOLDERS OR REGISTERED OWNERS OF THE 2019 SERIES C BONDS SHALL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE 2019 SERIES C BONDS. THE DESCRIPTION WHICH FOLLOWS OF THE PROCEDURES AND RECORD KEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE 2019 SERIES C BONDS, PAYMENT OF INTEREST AND PRINCIPAL ON THE 2019 SERIES C BONDS TO DIRECT PARTICIPANTS (AS HEREINAFTER DEFINED) OR BENEFICIAL OWNERS OF THE 2019 SERIES C BONDS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE 2019 SERIES C BONDS, AND OTHER RELATED TRANSACTIONS BY AND BETWEEN DTC, THE DIRECT PARTICIPANTS AND BENEFICIAL OWNERS OF THE 2019 SERIES C BONDS IS BASED SOLELY ON INFORMATION FURNISHED BY DTC. ACCORDINGLY, THE CITY NEITHER MAKES NOR CAN MAKE ANY REPRESENTATIONS CONCERNING THESE MATTERS.

DTC will act as securities depository for the 2019 Series C Bonds. The 2019 Series C 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 2019 Series C Bond certificate will be issued for each maturity of each series of the 2019 Series C 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 ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Direct Participants and the Indirect Participants are collectively referred to herein as the "DTC Participants." DTC has an S&P Global Inc. ("S&P") rating of AA+. The DTC Rules applicable to its DTC Participants are on file with the Securities and Exchange Commission (the "SEC"). More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of 2019 Series C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2019 Series C Bonds on DTC's records. The ownership interest of each actual purchaser of each 2019 Series C Bond ("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 2019 Series C 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 the 2019 Series C Bonds, except in the event that use of the book-entry system for the 2019 Series C Bonds is discontinued.

To facilitate subsequent transfers, all 2019 Series C Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2019 Series C Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2019 Series C Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2019 Series C Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2019 Series C Bonds may wish

to take certain steps to augment the transmission to them of notices of significant events with respect to the 2019 Series C Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 2019 Series C Bonds may wish to ascertain that the nominee holding the 2019 Series C Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2019 Series C Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2019 Series C Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal and interest on the 2019 Series C Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by DTC Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2019 Series C Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, the 2019 Series C Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2019 Series C Bonds certificates will be printed and delivered to DTC.

## **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 "APPENDIX C – Composite of the Resolution and Thirty-First Supplemental Bond Resolution" attached hereto.

There follows in this Official Statement brief descriptions of the security for the Bonds, the 2019 Series C Bonds, the Initial Liquidity Facility, the Bank, the System, the City, 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 as described under "INTRODUCTORY STATEMENT – General" herein.

## PLAN OF FINANCE

Concurrently with the issuance of the 2019 Series C Bonds, the City is separately issuing (1) the 2019 Series A Bonds for the primary purpose of (i) paying all or a portion of the costs of the acquisition, construction and equipping of certain capital improvements to the Kelly Steam turbine, Kelly Gas turbine, Deerhaven 2 boiler, Deerhaven 2 pollution control equipment, Deerhaven renewables boiler, transmission substation, electric transmission, LED lighting, AMI, water distribution mains, Main Street Water Reclamation Facility, Kanapaha Water Reclamation Facility, wastewater collection gravity systems, gas metering and regulating and gas transmission and distribution and (ii) refunding the City's Utilities System Commercial Paper Notes, Series C and (2) the 2019 Series B Bonds for the primary purpose of (i) paying all or a portion of the costs of the acquisition, construction and equipping of certain capital improvements to the South Energy Center, GRUCom network operations, GRUCom voice switch and GRUCom central office electric upgrade, (ii) refunding the City's Utility System Commercial Paper Notes, Series D, and (iii) refund the City's Utilities System Revenue Bonds, 2005 Series B (Federally Taxable).

The issuance of the 2019 Series A Bonds, the 2019 Series B Bonds and the 2019 Series C Bonds is part of GRU's debt restructuring plan, the overall result of which is expected to create rate relief for rate payers and provide stability to the debt service coverage ratio and fixed charge coverage ratio after the acquisition of a biomass plant, formerly known as Gainesville Renewable Energy Center and now known as Deerhaven Renewable (the "DHR Biomass Plant"), due to the debt necessary to finance the costs of such acquisition (which such debt was previously paid pursuant to a then long-term power purchase agreement described herein and referred to hereafter as the "PPA," with the prior owners of the DHR Biomass Plant). GRU expects it will be in compliance with the covenants under the Resolution, including those related to debt service coverage, upon the issuance of the 2019 Series C Bonds.

### **The 2019 Series C Project**

The 2019 Series C Project includes, but is not limited to, the acquisition, construction and equipping of certain capital improvements to the Murphree Water Treatment Plant, including but not limited to wellfield, pumping equipment and electrical projects, GRUCom network operations, GRUCom voice switch and GRUCom central office electric upgrade.

### **Plan of Refunding**

The 2019 Series C Bonds will be issued to restructure some of its currently outstanding variable rate debt with both hedged and unhedged variable rate debt by providing a portion of funds required to refund the Refunded Bonds that were originally issued to finance improvements to the System. The Refunded Bonds will be redeemed prior to maturity on \_\_\_\_\_, 2019 at the redemption prices described below:

<u>Maturity</u>	<u>Principal Amount</u>	<u>Redemption Price</u>
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### **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, but are not limited to:

- 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), the Clean Power Plan (as 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;
- variations in demand for products and services of the System, including those relating to weather, the general economy and recovery from the recent recession, population and business growth (and declines), and the effects of energy and resource conservation measures;
- available sources and costs of fuels;
- effects of inflation;
- ability to control costs and avoid cost overruns during the development and construction of facilities, including those relating to unanticipated conditions encountered during construction, risks of non-performance or delay by contractors and subcontractors and potential contract disputes;
- investment performance of the System's invested funds;
- advances in technology;
- the ability of counterparties of the City to make payments as and when due and to perform as required;
- the direct or indirect effect on the System's business resulting from terrorist incidents and the threat of terrorist incidents, including cyber intrusion;

- interest rate fluctuations and financial market conditions and the results of financing efforts, including the System's credit ratings;
- the impacts of any potential U.S. credit rating downgrade or other sovereign financial issues, including impacts on interest rates, access to capital markets, impacts on currency exchange rates, counterparty performance, and the economy in general;
- the ability of the System to obtain additional capacity at competitive prices;
- the ability of the System to dispose of surplus capacity at competitive prices;
- the ability of the System to mitigate the cost impacts associated with integrating additional generating capacity into the System's energy supply portfolio;
- catastrophic events such as fires, earthquakes, explosions, floods, hurricanes, droughts, pandemic health events such as influenzas, or other similar occurrences;
- the direct or indirect effects on the System's business resulting from incidents affecting the U.S. electric grid or operation of generating resources; and
- the effect of accounting pronouncements issued periodically by standard-setting bodies.

The City expressly disclaims any obligation to update any forward-looking statements. Prospective purchasers of the 2019 Series C Bonds should make a decision to purchase the 2019 Series C Bonds only after reviewing this entire Official Statement (including the Appendices attached hereto) and making an independent evaluation of the information contained herein, including the possible effects of the factors described above.

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## OUTSTANDING DEBT

The following table sets forth the outstanding debt of the City issued for the System as of October 1, 2018.

### Outstanding Debt of the City Issued for the System

Description	As of October 1, 2018		
	Interest Rates	(Unaudited) Due Dates (October 1)	Principal Outstanding <sup>(1)</sup>
Utilities System Revenue Bonds:			
2005 Series A	4.75%	2029 – 2036	\$405,000
2005 Series B (Federally Taxable) <sup>(9)</sup>	5.31% <sup>(2)(3)</sup>	2019 – 2021	10,115,000
2005 Series C <sup>(10)</sup>	Variable <sup>(2)(3)</sup>	2026	21,605,000
2006 Series A <sup>(10)</sup>	Variable <sup>(2)(3)</sup>	2026	16,890,000
2007 Series A <sup>(10)</sup>	Variable <sup>(2)(3)</sup>	2036	136,180,000
2008 Series A (Federally Taxable)	5.27% <sup>(2)(3)</sup>	2019 – 2020	11,615,000
2008 Series B <sup>(10)</sup>	Variable <sup>(2)(3)</sup>	2038	90,000,000
2009 Series B (Federally Taxable) <sup>(7)</sup>	4.697 – 5.655%	2019 – 2039	143,280,000
2010 Series A (Federally Taxable) <sup>(7)</sup>	5.874%	2027 – 2030	12,930,000
2010 Series B (Federally Taxable) <sup>(7)</sup>	6.024%	2034 – 2040	132,445,000
2010 Series C	5.00 – 5.25%	2019 – 2034	11,795,000
2012 Series A	2.50 – 5.00%	2021 – 2028	81,860,000
2012 Series B <sup>(10)</sup>	Variable <sup>(4)</sup>	2042	100,470,000
2014 Series A	2.50 – 5.00%	2021 – 2044	37,835,000
2014 Series B	3.125 – 5.00%	2019 – 2036	21,110,000
2017 Series A	4.00 – 5.00%	2019 – 2040	412,920,000
2017 Series B	Variable <sup>(2)</sup>	2044	150,000,000
2017 Series C	Variable <sup>(2)</sup>	2047	115,000,000
Total Utilities System Revenue Bonds			\$1,506,455,000
Subordinate Utilities System Revenue Bonds:			
2018 Series A	Variable <sup>(8)</sup>	2021	\$0
Total Subordinated Utilities System Revenue Bonds			\$0
Utilities System Commercial Paper Notes <sup>(9)</sup> :			
Series C	Variable <sup>(1)(2)</sup>	<sup>(5)</sup>	\$85,000,000
Series D	Variable <sup>(2)</sup>	<sup>(6)</sup>	8,000,000
Total Subordinated Bonds			\$93,000,000

[Footnotes continued on following pages]

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- (1) Does not include the 2019 Series C Bonds.
  - (2) See Note 9 to the audited financial statements of the System for the fiscal year ending September 30, 2017 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.
  - (3) See "THE SYSTEM - Management's Discussion of System Operations - Ratings Triggers and Other Factors That Could Affect the System's Liquidity, Results of Operations or Financial Condition – Interest Rate Swap Transactions" herein for a discussion of the related interest rate swap.
  - (4) The interest rates on the 2012 Series B Bonds are hedged, in part, by the 2005 Series C Swap Transaction and the 2006 Series A Swap Transaction. See "THE SYSTEM - Management's Discussion of System Operations - Ratings Triggers and Other Factors That Could Affect the System's Liquidity, Results of Operations or Financial Condition – Interest Rate Swap Transactions" herein.
  - (5) 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, 2048, unless such outside maturity date is amended.
  - (6) The Series D CP Notes will mature no more than 270 days from their date of issuance, but in no event later than June 14, 2030, unless such outside maturity date is amended.
  - (7) These bonds were issued as "Build America Bonds." The City received subsidy payments equal to a percentage of interest payments from the United States Treasury. No assurance can be provided that the City will continue to receive such subsidy payments or that future legislation, clarification or amendments to the Code will not reduce or eliminate such subsidy payments expected to be received by the City.
  - (8) As part of the Contract of Purchase executed on August 3, 2018, the SunTrust Loan was issued in the principal amount outstanding not to exceed of \$25,000,000 and maturing on August 3, 2021. The SunTrust Loan is subject to optional redemption at any time and mandatory tender on February 3, 2020, unless modified as described in Resolution No. 171089 of the City adopted on May 17, 2018, authorizing the issuance of the SunTrust Loan. The City previously drew \$50,000 on the loan, however such amount was paid by the City and there is currently no amount outstanding. The SunTrust Loan is Subordinated Indebtedness under the Resolution.
  - (9) It is expected that all or a portion of these bonds and notes will be refunded with proceeds of the 2019 Series A Bonds and the 2019 Series B Bonds. It is expected that the 2019 Series A Bonds and the 2019 Series B Bonds will be issued on or about \_\_\_\_\_, 2019.
  - (10) It is expected that all or a portion of these bonds will be refunded with proceeds of the 2019 Series C Bonds.

APPENDIX D attached hereto shows total debt service requirements on all Bonds Outstanding as of October 1, 2018 and does not include debt service on the CP Notes or the SunTrust Loan.

## ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of the proceeds of the 2019 Series C Bonds are estimated to be as follows:

	2019 Series C <u>Bonds</u>	<u>Total</u>
<b>SOURCES OF FUNDS</b>		
Principal Amount	\$	\$
<b>TOTAL SOURCES</b>	\$	\$
<b>USES OF FUNDS</b>		
Deposit to 2019C Project Account		
Redemption of the Refunded Bonds		
Costs of Issuance <sup>(1)</sup>		
<b>TOTAL USES</b>	\$	\$

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<sup>(1)</sup> Includes legal and financial advisory fees, Underwriter's discount, printing costs, rating agency fees and other costs of issuance of the 2019 Series C Bonds.

## SECURITY FOR THE BONDS

### Pledge Under the Resolution

All Bonds issued under the Resolution, including the 2019 Series C 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, in each case 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 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 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 BONDS OR THE MAKING OF ANY PAYMENTS UNDER THE RESOLUTION. THE 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 AND PARITY HEDGING CONTRACT OBLIGATIONS ON A PARITY BASIS WITH THE BONDS. See "THE SYSTEM – Funding of the Capital

Improvement Program -- Additional Financing Requirements" herein for a discussion of the City's present intentions with respect to the issuance of additional Bonds and Subordinated Indebtedness.

### **Rates, Fees and Charges**

The City shall at all times establish and collect rates, fees and charges for the use or the sale of the output, capacity or service of the System which, together with other available Revenues, are reasonably expected to yield Net Revenues which shall be equal to at least 1.25 times the Aggregate Debt Service for the forthcoming 12-month period and, in any event, as shall be required, together with other available funds, to pay or discharge all other indebtedness, charges and liens whatsoever 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. Promptly upon any material change in the circumstances which were contemplated at the time such rates, fees and charges were most recently reviewed, but not less frequently than once in each Fiscal Year, the City shall review the rates, fees and charges so established and shall promptly revise such rates, fees and charges as necessary to comply with the foregoing requirements, provided that such rates, fees and charges shall in any event produce moneys sufficient to enable the City to comply with all its covenants under the Resolution.

No free service or service otherwise than in accordance with the established rates, fees and charges shall be furnished by the System or as otherwise required by law, which rates, fees and charges shall not permit the granting of preferential rates, fees or charges among the users of the same class of customers provided, however, the City may dispose without charge reclaimed water for irrigation or any other purpose if it is deemed by the City to be an efficient use of such reclaimed water. If and to whatever extent the City receives the services and facilities of the System, it shall pay for such services and facilities according to the City's established rate schedule, and the amounts so paid shall be included in the amount of Revenues.

In estimating Aggregate Debt Service on any Variable Rate Bonds, Parity Commercial Paper Notes or Parity Medium-Term Notes for purposes of the first paragraph above, the City shall be entitled to assume that such Variable Rate Bonds, Parity Commercial Paper Notes or Parity Medium-Term Notes will bear such interest rate or rates as the City shall determine; provided, however, that the interest rate or rates assumed shall not be less than the interest rate borne by such Variable Rate Bonds, Parity Commercial Paper Notes or Parity Medium-Term Notes, as the case may be, at the time of determination of Aggregate Debt Service. See "APPENDIX C – Composite of the Resolution and Thirty-First Supplemental Resolution" attached 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.

Debt Service Coverage. There shall have been obtained and filed with the Trustee a certificate signed by an Authorized Officer of the City, pursuant to which he or she shall state and certify the following:

(a) The amount of Revenues, as determined under standard auditing procedures but adjusted as hereinafter provided (the "Adjusted Gross Revenues"), for, at the option of the City, any twelve (12) consecutive months out of the twenty-four (24) consecutive months immediately preceding the date of issue of the proposed additional Bonds or the most recently completed audited Fiscal Year (the "Audit Period") and amount of the Operation and Maintenance Expenses for the Audit Period, as determined under standard auditing procedures but adjusted as hereinafter provided (the "Adjusted Operation and Maintenance Expenses").

(b) In determining the amount of Adjusted Gross Revenues for the Audit Period, such Authorized Officer of the City may take into account the amount by which Revenues would have increased if or as a result of: (i) the number of customers served by the System during the Audit Period had included the number of new customers of the System attributable to a privately-owned or publicly-owned existing electric system, water system, wastewater system, natural gas system, telecommunications system or other utility system to be acquired with the proceeds of such additional Bonds, had the acquisition occurred at the beginning of the Audit Period, (ii) the number of customers served by the System during the Audit Period had included the average number of new customers of the System that by ordinance, agreement, law or regulation will be required to connect to the System during the first full Fiscal Year following the Fiscal Year in which such proposed additional Bonds are issued, which amount may be based on projections of an Independent Consultant (the "Applicable Bond Year"), or the first full Fiscal Year after completion of such project if the such project will not be completed prior to the commencement of the applicable Fiscal Year, (iii) any changes in the rate schedules for customers and users of the System which the City shall then have in effect, or has enacted by ordinance or resolution on or before the date of such certificate and which the City has covenanted to put into effect during the Applicable Bond Year, had such rate changes been effective on the first day of the Audit Period, and (iv) the amount required to be paid by a public body on an annual basis in connection with a contract with a duration at least equal to the term of the proposed additional Bonds, pursuant to which contract the City shall agree to furnish water or electric power, or to furnish services for the collection, treatment or disposal of sewage or agreed to furnish other services in connection with any other utility system for such public body, as if such contract had been in effect on the first day of the Audit Period. If any adjustments permitted by clauses (i), (ii) or (iv) of the preceding sentence shall be made, in determining the amount of the Adjusted Operation and Maintenance Expenses, such Authorized Officer shall take into account the estimated amount by which the Operation and Maintenance Expenses for the Audit Period would have increased had the Project to be financed with the proceeds of such additional Bonds been in operation from the beginning of the Audit Period, provided, however, it may take into account any adjustments necessary to reflect government ownership of any projects acquired from private owners. In projecting numbers of new customers for the purposes of clause (ii) of this paragraph, there shall be taken into account only dwellings, buildings or other structures in existence on the date of such projections.

(c) The amount of the Maximum Aggregate Debt Service for any Fiscal Year thereafter on account of all Bonds then Outstanding under the Resolution and the additional Bonds proposed to be issued thereunder.

(d) The amount, if any, required to be deposited from Revenues into the Debt Service Reserve Account pursuant to the Resolution or into any subaccount therein in the Applicable Bond Year pursuant to the terms of a supplemental ordinance or resolution.

(e) Based upon the foregoing, the Authorized Officer is of the opinion that the Adjusted Gross Revenues for the Audit Period, less one hundred percent (100%) of the Adjusted Operation and Maintenance Expenses for the Audit Period, shall equal or exceed the sum of one hundred percent (100%) of the amount to be deposited to the Reserve Fund as described in paragraph (d) above and one hundred twenty-five percent (125%) of the Maximum Aggregate Debt Service referred to in paragraph (c) above.

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.

Refunding Bonds. 1. One or more series of Refunding Bonds may be issued at any time to refund any Outstanding Bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Funds and Accounts under the Resolution required by the provisions of the Supplemental Resolution authorizing such Bonds.

2. Refunding Bonds of each Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (with copies of all documents to the Co-Trustee, if any), in addition to the documents required by the Resolution for the issuance of additional Bonds, except as otherwise provided below, of:

(a) Instructions to the Trustee, satisfactory to it, to give due notice of redemption, if applicable, of all the Bonds to be refunded on a redemption date or dates specified in such instructions;

(b) If the Bonds to be refunded are not by their terms subject to redemption or paid at maturity within the next succeeding sixty (60) days, instructions to the Trustee, satisfactory to it, to give due notice of defeasance in the manner provided for in the Resolution or the Supplemental Resolution authorizing the Bonds of the Series being refunded; and

(c) Either (i) moneys (including moneys withdrawn and deposited pursuant to the Resolution) in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be redeemed and at the principal amount of the Bonds to be paid at maturity together with accrued interest on such Bonds to the redemption date or maturity date, as applicable, which moneys shall be held by the Trustee or any one or more of the Paying Agents or Depositories in a separate account irrevocably held for and assigned to the respective Holders of the Bonds to be refunded, or (ii) Defeasance Securities in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications and any moneys, as shall be necessary to comply (x) with the provisions of the Resolution, which Defeasance Securities and moneys shall be held in trust and used only as provided in the Resolution or (y) the provisions relating to defeasance of the Bonds being refunded set forth in the Supplemental Resolution authorizing the Bonds of the Series being refunded, as applicable,

which Defeasance Securities and moneys shall be held in trust and used only as provided in said provisions.

3. The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied simultaneously with the delivery of such Bonds for the purposes of making deposits in such Funds and Accounts under the Resolution as shall be provided by the Supplemental Resolution authorizing such Series of Refunding Bonds and shall be applied to the refunding purposes thereof in the manner provided in said Supplemental Resolution.

4. The City may issue at any time and from time to time Refunding Bonds for the purpose of refunding any Series of Bonds, or any Bonds within a Series, or any maturity or portion of a maturity of Bonds within a Series, or for the purpose of refunding any Subordinate Indebtedness by complying with the requirements of the Resolution. In addition to, and notwithstanding the foregoing, the City may issue at any time and from time to time Refunding Bonds for the purpose of refunding any Series of Bonds, or any Bonds within a Series, or any portion of a maturity of Bonds within a Series or Sinking Fund Installment, without the necessity of complying with the requirements contained in the Resolution only with respect to debt service coverage requirements described above under the caption "Debt Service Coverage," provided that either (x) the Debt Service with respect to such Refunding Bonds in each Fiscal Year from and after the issuance thereof shall be equal to or less than the Debt Service in each such Fiscal Year with respect to the Bonds being refunded or (y) the Maximum Aggregate Debt Service of the Bonds is not increased as a result of such Refunding Bonds. In addition, at or prior to the issuance of such Refunding Bonds pursuant to the preceding sentence, there shall be filed with the Governing Body of the City, an opinion of Bond Counsel, given in reliance on factual and financial certificates, to the effect that upon the deposit of proceeds from the sale of such Refunding Bonds, together with such other legally available funds, in irrevocable escrow for the payment of the Bonds to be refunded, such Bonds shall not be deemed Outstanding for purposes of the Resolution.

Subordinated Indebtedness. The City may also issue Subordinated Indebtedness under the Resolution without compliance with any of the above conditions. References herein and in the Resolution to Bonds do not include such Subordinated Indebtedness.

### **Operation and Maintenance of the System**

The City shall at all times use its best efforts to operate or cause to be operated the System properly and in an efficient and economical manner, consistent with Prudent Utility Practice, and shall use its best efforts to maintain, preserve, reconstruct and keep the same or cause the same to be so maintained, preserved, reconstructed and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or use its best efforts to cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the System may be properly and advantageously conducted.

### **Flow of Funds Under the Resolution**

1. On or before the last Business Day of each calendar month, the Revenues and Subsidy Payments actually received by the City and deposited into the Revenue Fund shall be applied, to the extent available, only in the following manner and in the following order of priority (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 such month):

(1) Each month the City shall pay from the Revenue Fund such sums as are necessary to meet Operation and Maintenance Expenses for such month;

(2) The City shall transfer from the Revenue Fund to the Rate Stabilization Fund the amount, if any, budgeted for deposit into such Fund for the then current month as set forth in the current Annual Budget or the amount otherwise determined by the City to be credited to such Fund for the month;

(3) The City shall next forward to the Trustee, for deposit 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 that 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);

(4) The City shall next forward to the Trustee, for deposit from Revenues in the Subordinated Indebtedness Fund, the amount, if any, as shall be required to be deposited therein in the then current month to pay principal or sinking fund installments of and premiums, if any, and interest and other amounts due, on each issue of Subordinated Indebtedness coming due in such month, whether as a result of maturity or prior call for redemption, and to provide reserves therefor, as required by the Supplemental Resolution authorizing such issue of Subordinated Indebtedness; and

(5) The City shall next pay into the Utilities Plant Improvement Fund such amount as it shall deem appropriate provided that for each Fiscal Year deposits into such Fund shall be at least equal to one-half (1/2) of the Net Revenues, 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.

2. The balance of any moneys remaining in the Revenue Fund after the above required payments have been made may be used by the City for any lawful purpose; provided, however, that none of the remaining moneys shall be used for any purpose other than those hereinabove specified

unless all current payments, including payments to the Utilities Plant Improvement Fund calculated on a pro-rata annual basis, and including all deficiencies in prior payments, if any, have been made in full and unless the City shall have complied in all material respects with all the covenants and provisions of the Resolution; and provided, further, that so long as there shall be held in the Debt Service Fund an amount sufficient to pay in full all Outstanding Bonds and Parity Hedging Contract Obligations in accordance with their terms (including the maximum amount of principal or applicable sinking fund Redemption Price and interest which could become payable thereon), no transfers shall be required to be made to the Debt Service Fund.

## THE 2019 SERIES C BONDS

### General

The 2019 Series C Bonds will be dated the date of delivery thereof. The 2019 Series C Bonds will mature on October 1, 20\_\_\_. Upon initial issuance, the 2019 Series C Bonds will be subject to [Daily/Weekly] Mode and will bear interest at [Daily/Weekly] Rates.

As described under the caption "Change in Interest Modes" below, at the option of the City, and upon the satisfaction of certain conditions, the 2019 Series C Bonds may be changed from time to time to another Interest Mode. As more fully described under the caption "Interest Rates and Interest Modes; Determination of Interest Rates" below, (a) while the 2019 Series C Bonds are in the Daily Mode, such Bonds will bear interest at Daily Rates, (b) while the 2019 Series C Bonds are in the Weekly Mode, such Bonds will bear interest at Weekly Rates, (c) while the 2019 Series C Bonds are in the Flexible Mode, such Bonds will bear interest at Flexible Rates, (d) while the 2019 Series C Bonds are in the Term Mode, such Bonds will bear interest at Term Rates and (e) while the 2019 Series C Bonds are in the Fixed Mode, such Bonds will bear interest at the Fixed Rate. The Thirty-First Supplemental Resolution also provides that the 2019 Series C Bonds may be changed to a "Dutch auction" Interest Mode (referred to in the Thirty-First Supplemental Resolution as the "Auction Mode"), but requires that the City adopt an amendment to the Thirty-First Supplemental Resolution prior to the date on which such change is to be effective, to add to the Thirty-First Supplemental Resolution procedures relating to, among other things, (a) the determination of the dates on which auctions will be held and the length of the periods between auctions, (b) the conduct of auctions and (c) the determination of the interest rates to be borne by the 2019 Series C Bonds while subject to the Auction Mode. As a result, the provisions of the Auction Mode are not described in this Official Statement. Instead, it is anticipated that, should the 2019 Series C Bonds be changed to the Auction Mode, a remarketing memorandum or remarketing circular will be distributed describing the 2019 Series C Bonds during the Auction Mode.

The 2019 Series C Bonds are issuable only in fully registered form in the Authorized Denominations. "Authorized Denominations" means (i) for the 2019 Series C Bonds bearing interest at a Daily Rate, a Weekly Rate or a Flexible Rate, \$100,000 or any integral multiple of \$5,000 in excess thereof; (ii) for the 2019 Series C Bonds bearing interest at an Auction Mode Rate, \$25,000 or any integral multiple thereof; and (iii) for the 2019 Series C Bonds bearing interest at a Term Rate or a Fixed Rate, \$5,000 or any integral multiple thereof. The 2019 Series C Bonds are being issued in book-entry only form and are registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). See "INTRODUCTORY STATEMENT - Book-Entry Only System" herein.

As more fully described under the captions "Optional Tender for Purchase" and "Mandatory Tender for Purchase" below, the 2019 Series C Bonds (or, for so long as the 2019 Series C Bonds are

subject to the book-entry only system of registration and transfer described in "INTRODUCTORY STATEMENT - Book-Entry Only System" herein, beneficial ownership interests therein) are subject to optional tender for purchase and, under certain circumstances, mandatory tender for purchase. The Purchase Price for the 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) tendered or deemed tendered for purchase is payable solely from the sources described under the caption "Marketing and Purchase Price" below, and is not payable from any funds of the City.

Except as described below, the principal or redemption price of the 2019 Series C Bonds is payable at the principal office of the Paying Agent. Except as described below, interest on the 2019 Series C Bonds is payable on each Interest Payment Date to the Holders thereof at the Record Date therefor, by check or draft of the Paying Agent mailed to each registered Holder at such person's address as it appears on the books of registry kept at the principal office of the Registrar pursuant to the Resolution or, at the option of any Holder of at least \$1,000,000 in principal amount of 2019 Series C Bonds, by wire transfer on such Interest Payment Date to such Holder thereof upon written notice from such Holder to the Paying Agent containing the wire transfer address to which such Holder wishes to have such wire directed and any other necessary instructions, if such written notice is received by the Paying Agent not less than five days prior to the related Record Date, it being understood that such notice may refer to multiple interest payments. So long as the 2019 Series C Bonds are subject to the book-entry only system of registration and transfer described in "INTRODUCTORY STATEMENT - Book-Entry Only System" herein, all payments with respect to the principal or redemption price of, and interest on, the 2019 Series C Bonds will be made to DTC.

Merrill Lynch, Pierce, Fenner & Smith Incorporated is the initial Remarketing Agent for the 2019 Series C Bonds. Subject to the terms of the Remarketing Agreement, the Remarketing Agent will determine the interest rates on the 2019 Series C Bonds and will market 2019 Series C Bonds tendered or required to be tendered for purchase on a best efforts basis. The Remarketing Agent may resign upon thirty (30) days' notice or be removed at any time by the City upon thirty (30) days' notice.

U.S. Bank National Association, New York, New York has been appointed as the Tender Agent for the 2019 Series C Bonds by the City. The Tender Agent may be removed or replaced by the City.

For definitions of certain terms applicable to the 2019 Series C Bonds that are not otherwise defined herein, see "Composite of the Resolution and Thirty-First Supplemental Resolution" attached hereto as APPENDIX C hereto.

### **Interest on the 2019 Series C Bonds**

Interest on the 2019 Series C Bonds is payable on each Interest Payment Date therefor. Holders of the 2019 Series C Bonds other than the Bank will be paid interest for the applicable Interest Period only in the amount that would have accrued at the applicable 2019 Series C Bond Rate or Rates in effect during the applicable Interest Accrual Period, regardless of whether any of such 2019 Series C Bonds was a 2019 Series C Bank Bond during any portion of such Interest Accrual Period.

The Interest Payment Dates with respect to each 2019 Series C Bond (except any 2019 Series C Bank Bond) are as follows: (a) each date on which the 2019 Series C Bonds are subject to mandatory tender for purchase (see "Mandatory Tender for Purchase" below); (b) for 2019 Series C Bonds in the Daily Mode or the Weekly Mode, the first Business Day of each calendar month; (c) for 2019 Series C Bonds in the Flexible Mode, the first Business Day following the end of each Interest Period with respect

thereto; (d) for 2019 Series C Bonds in the Term Mode or the Fixed Mode, semi-annually on each April 1 and October 1 commencing on the first April 1 or October 1 occurring after the conversion to such Interest Mode; provided, however, that if such first date occurs less than three months after such conversion, the first Interest Payment Date will be on the second such date following such conversion; and (e) the maturity or redemption date thereof.

An "Interest Accrual Period" is the period from and including each Interest Payment Date to but excluding the next Interest Payment Date. The initial Interest Accrual Period for the 2019 Series C Bonds shall begin on (and include) the Delivery Date. The final Interest Accrual Period for any 2019 Series C Bond shall end on the day next preceding the maturity or redemption date of such 2019 Series C Bond.

Interest is payable to the Holders of the 2019 Series C Bonds at the relevant Record Date. The "Record Date" (a) except as provided in clause (b) below, (i) with respect to an Interest Payment Date for 2019 Series C Bonds in the Term Mode or the Fixed Mode, the close of business on the fifteenth (15<sup>th</sup>) day (whether or not a Business Day) of the next preceding calendar month; and (ii) with respect to an Interest Payment Date for 2019 Series C Bonds in the Auction Mode, the Daily Mode, the Weekly Mode or the Flexible Mode and 2019 Series C Bank Bonds, the close of business on the Business Day immediately preceding such Interest Payment Date; and (b) in the case of any Interest Payment Date described in clause (a) of the definition thereof, the close of business on the Business Day immediately preceding such Interest Payment Date.

The maximum rate of interest (the "Maximum Rate") permitted to be borne by 2019 Series C Bonds (other than 2019 Series C Bank Bonds) is the lesser of (i) the maximum rate permitted by law and (ii) 12% per annum, or such higher rate as shall be approved by the City if (a) an Opinion of Bond Counsel shall have been delivered to the Notice Parties to the effect that any such change in the Maximum Rate (i) is authorized or permitted by the Resolution and the Act and (ii) will not cause the interest on the 2019 Series C Bonds to become includable in gross income for federal income tax purposes and (b) if the 2019 Series C Bonds shall be in the Daily Mode or the Weekly Mode, the Credit Facility and/or Liquidity Facility is modified (if necessary) so that its stated amount or the aggregate commitment of the Liquidity Provider(s) and/or Credit Facility Provider thereunder, as the case may be, is increased to give effect to the increased Maximum Rate.

Interest on the 2019 Series C Bonds in the Daily, Weekly or Flexible Mode will be computed on the basis of a 365- or 366-day year, as applicable, for actual days elapsed and interest on the 2019 Series C Bonds in the Term or Fixed Mode will be computed on the basis of a 360-day year comprised of twelve 30-day months.

#### **Interest Rates and Interest Modes; Determination of Interest Rates**

The 2019 Series C Bonds initially will be in the [**Daily/Weekly Mode**] and will bear interest at [**Daily/Weekly Rates**] until such time (if any) as the 2019 Series C Bonds are changed to the Auction Mode, the Daily Mode, the Flexible Mode, the Term Mode or the Fixed Mode. The interest rate to be in effect with respect to a particular 2019 Series C Bond (or beneficial ownership interest therein) for a particular period of time as described below (an "Interest Period") will be determined by the Remarketing Agent as the minimum interest rate necessary in its judgment to be borne by such 2019 Series C Bond (or beneficial ownership interest therein) for the relevant Interest Period to enable the Remarketing Agent to remarket such 2019 Series C Bond (or beneficial ownership interest therein) on the Rate Adjustment Date therefor at a price (without regard to accrued interest) equal to 100% of the principal amount thereof

(each such rate being referred to as a "Market Rate"), provided, however, that in no event shall any rate so determined exceed the Maximum Rate. Each date on which an interest rate is determined for any 2019 Series C Bond (or beneficial ownership interest therein) is referred to as a "Rate Determination Date."

If there shall be no Remarketing Agent to establish a Daily Rate for any Business Day, then the Daily Rate with respect to 2019 Series C Bond in the Daily Mode for such Business Day shall be the Maximum Rate. If there shall be a Remarketing Agent and for any reason it fails to establish a Daily Rate for any Business Day for such 2019 Series C Bond in the Daily Mode, the Daily Rate for such Business Day shall be the same as the Daily Rate for the immediately preceding day and such rate shall continue until the earlier of (A) the date on which the Remarketing Agent determines a new Daily Rate or (B) the seventh day succeeding the first such day on which such Daily Rate is not determined by the Remarketing Agent. In the event that the Daily Rate shall be held to be invalid or unenforceable by a court of law, or the Remarketing Agent fails to determine a new Daily Rate for a period of seven days as described in clause (B) of the immediately preceding sentence (for any reason other than there not having been a Remarketing Agent), the interest rate for such Business Day shall be the interest rate per annum equal to 110% of the SIFMA Index, or if such index is no longer available, 85% of the interest rate on 30 day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal as reported for each Business Day (and for the immediately preceding Business Day for each day which is not a Business Day) until such Daily Rate is again validly determined by such Remarketing Agent.

If there shall be no Remarketing Agent to establish a Weekly Rate for any week, then the Weekly Rate with respect to 2019 Series C Bond in the Weekly Mode for such week shall be the Maximum Rate. If there shall be a Remarketing Agent and it fails to establish a Weekly Rate for any week then the Weekly Rate with respect to for such 2019 Series C Bond in the Weekly Mode for such week shall be the same as the immediately preceding Weekly Rate if such Weekly Rate was determined by the Remarketing Agent. If the immediately preceding Weekly Rate was not determined by the Remarketing Agent (for any reason other than there not having been a Remarketing Agent), or if the Weekly Rate determined by the Remarketing Agent is held to be invalid or unenforceable by a court of law, then the Weekly Rate for such week, as determined by the Remarketing Agent, shall be equal to 110% of the SIFMA Index, or if such index is no longer available, 85% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal on the day such Weekly Rate would otherwise be determined as provided herein for such Interest Period.

If the 2019 Series C Bonds are in an Interest Mode other than a Daily Mode or a Weekly Mode, if for any reason the Remarketing Agent fails to determine the Market Rate for any 2019 Series C Bond (or beneficial ownership interest therein) on a Rate Determination Date, or any Market Rate for any 2019 Series C Bond (or beneficial ownership interest therein) determined by the Remarketing Agent on a Rate Determination Date is determined by a court of competent jurisdiction to be invalid or unenforceable, then, commencing on such Rate Determination Date or the date with respect to which such court's determination shall be effective, as the case may be, such 2019 Series C Bond (or beneficial ownership interest therein) shall bear interest at a rate equal to one hundred percent (100%) of the SIFMA Index most recently announced on or prior to each Rate Determination Date until the next Rate Adjustment Date, provided, however, that in no event shall any such rate exceed the Maximum Rate. The "SIFMA Index" is an index based upon the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specific criteria established by the Securities Industry and Financial Markets Association (formerly known as The Bond Market Association)

and effective for a particular Rate Determination Date, until the next Rate Adjustment Date, provided, however, that in no event shall any such rate exceed the Maximum Rate.

The various interest rates for the 2019 Series C Bonds will be determined as follows, and will be effective for the periods described below:

Weekly Rate. While in the Weekly Mode, the 2019 Series C Bonds will bear interest at Weekly Rates determined by the Remarketing Agent as the Market Rate for each Interest Period during such Mode. Each Interest Period during the Weekly Mode will commence on a Wednesday and extend through Tuesday of the following week. The Weekly Rate for each such Interest Period will be determined by the Remarketing Agent not later than 5:00 p.m., New York City time, on Tuesday of each week, or if such day is not a Business Day for the Remarketing Agent, on the next preceding Business Day (or such other day as may be specified by the Remarketing Agent after notice to the Tender Agent and the Holders of the 2019 Series C Bonds).

Daily Rate. While in the Daily Mode, the 2019 Series C Bonds will bear interest at Daily Rates determined by the Remarketing Agent as the Market Rate therefor not later than 11:00 a.m., New York City time, on each Business Day. Each Daily Rate will remain in effect for the Interest Period beginning on the Business Day of its determination and ending on the day preceding the next succeeding Business Day.

Flexible Rate. While in the Flexible Mode, the 2019 Series C Bonds (or beneficial ownership interests therein) will bear interest at Flexible Rates and for Interest Periods determined by the Remarketing Agent. The duration of each Interest Period for each 2019 Series C Bond (or beneficial ownership interest therein) in the Flexible Mode will be the period determined by the Remarketing Agent to be the Interest Period which, in its judgment, will produce the greatest likelihood of the lowest overall debt service costs on the 2019 Series C Bonds prior to the maturity thereof, given prevailing market conditions, and will be a period of not less than one (1) nor more than 270 days in length and will end on a day preceding a Business Day; provided, however, that no Interest Period during the Flexible Mode may extend beyond the fifth Business Day preceding the Liquidity Facility Expiration Date (as defined in APPENDIX C hereto) of the Liquidity Facility then in effect. While in the Flexible Mode, different 2019 Series C Bonds (or beneficial ownership interests therein) may have different Interest Periods. The Remarketing Agent will determine the Flexible Rates and Interest Periods for the 2019 Series C Bonds (or beneficial ownership interests therein) in the Flexible Mode not later than 12:30 p.m., New York City time, on the first Business Day for the Remarketing Agent in each Interest Period, and each Flexible Rate will be the Market Rate determined by the Remarketing Agent for the relevant Interest Period.

Term Rate. The City may designate a Term Mode for the 2019 Series C Bonds with an Interest Period of any duration specified by the City that is longer than a year and ends on the last day of any March or September; provided, however, that no Interest Period during a Term Mode may extend beyond the fifth Business Day preceding the Liquidity Facility Expiration Date of the Liquidity Facility then in effect. During each such Interest Period, the 2019 Series C Bonds will bear interest at the Term Rate for such Interest Period, which will be determined by the Remarketing Agent as the Market Rate therefor on any date designated by the Remarketing Agent which is not more than thirty-five (35) days before, nor later than the last Business Day for the Remarketing Agent preceding, such Interest Period.

Fixed Rate. The City may direct that the interest rate on the 2019 Series C Bonds be fixed to the maturity date thereof. The Fixed Rate to be borne by the 2019 Series C Bonds to their maturity will be

determined by the Remarketing Agent as the Market Rate therefor on any date designated by the Remarketing Agent which is not more than thirty-five (35) days before, nor later than the last Business Day for the Remarketing Agent preceding, the effective date of such Fixed Rate.

**The determination by the Remarketing Agent of each interest rate for the 2019 Series C Bonds shall be conclusive and binding on the City, the Tender Agent, the Remarketing Agent, the Bank and the owners of the 2019 Series C Bonds.** The interest rates in effect for the 2019 Series C Bonds from time to time will be available to each Holder of the 2019 Series C Bonds who requests such information, by telephone or in writing (including by facsimile or other electronic means), (a) if the 2019 Series C Bonds are in the Daily Mode, the Weekly Mode or the Flexible Mode, from the Remarketing Agent and (b) if the 2019 Series C Bonds are in the Term Mode or the Fixed Mode, from the Tender Agent.

### **Change in Interest Modes**

If the 2019 Series C Bonds are in any Interest Mode other than the Fixed Mode, the City may cause the 2019 Series C Bonds to be changed to a different Interest Mode or to a Term Mode with an Interest Period of different duration. A change from the Daily or Weekly Mode to any other Interest Mode may be made on any Interest Payment Date. A change from the Flexible Mode to any other Interest Mode may be made on the day that is the latest Interest Payment Date for all Interest Periods for all of the 2019 Series C Bonds (or beneficial ownership interests therein) then in effect or any Business Day thereafter. A change from the Term Mode to any other Interest Mode or to an Interest Period of different duration may be made on any day on which the 2019 Series C Bonds may be redeemed at the election of the City at a redemption price of 100% of the principal amount thereof, plus accrued interest, if any, thereon (see "Redemption Provisions – Optional Redemption" below). In any such case, the 2019 Series C Bonds will be subject to mandatory tender for purchase on the date on which the proposed change is to occur (see "Mandatory Tender for Purchase" below). Any date on which a change to a different Interest Mode or to an Interest Period of different duration in the Term Mode is proposed to occur is referred to as a "Mode Adjustment Date."

Any change in an Interest Mode or an Interest Period in the Term Mode is subject to (a) receipt by the Tender Agent, the Remarketing Agent and the Agent Bank on the first day of such Interest Mode or Interest Period, as the case may be, an Opinion of Bond Counsel to the effect that the change in Interest Mode or Interest Period, as the case may be, will not adversely affect the exclusion of interest on any 2019 Series C Bond from gross income for federal income tax purposes and is authorized by applicable law; (b) the Liquidity Facility then in effect following the change in Interest Mode or Interest Period, a written consent of the Agent Bank (if any) to such change in Interest Mode or Interest Period; and (c) the Liquidity Facility and Credit Facility, as applicable, then in effect being in amount at least equal to the Facility Requirement applicable to the Interest Mode to become effective. If either of the above conditions is not met, then the 2019 Series C Bonds will remain in the Interest Mode which they are then in or remain subject to the same Interest Period as then is applicable, as the case may be; provided, however, that if the proposed change was from the Term Mode to any other Interest Mode and the City causes to be delivered to the Tender Agent and the Remarketing Agent an Opinion of Bond Counsel to the effect that such change in Interest Mode will not adversely affect the exclusion of interest on any 2019 Series C Bond from gross income for federal income tax purposes and is authorized by applicable law, then, so long as the Liquidity Facility or Credit Facility then in effect (taking into account any amendments being made thereto in connection therewith) shall satisfy the Facility Requirement for the Weekly Mode, the 2019 Series C Bonds will be changed to the Weekly Mode. In any such event, the 2019 Series C Bond will

remain subject to mandatory tender to the same extent as if the change in Interest Mode or Interest Period, as the case may be, took place.

When a change in Interest Mode is to be made, the Tender Agent is required to give notice of the proposed change to the Holders of the 2019 Series C Bonds (a) if the 2019 Series C Bonds are then in the Daily Mode or the Weekly Mode, not less than fifteen (15) nor more than sixty (60) days prior to the proposed Mode Adjustment Date and (b) if the 2019 Series C Bonds are in any other Interest Mode, not less than thirty (30) nor more than sixty (60) days prior to the proposed Mode Adjustment Date. Such notice will state, among other things, that the 2019 Series C Bonds will be subject to mandatory tender for purchase on the proposed Mode Adjustment Date.

### **Optional Tender for Purchase**

2019 Series C Bonds in the Daily Mode or the Weekly Mode (or portions thereof or beneficial ownership interests therein in a principal amount equal to, and leaving untendered, an Authorized Denomination) are subject to tender for purchase at the option of the Holder thereof (or, if the 2019 Series C Bonds are subject to the book-entry only system of registration and transfer described in "INTRODUCTORY STATEMENT - Book-Entry Only System" herein, at the option of the Beneficial Owner (as defined in "Book-Entry Only System" herein) thereof), from and to the extent of the funds described under the caption "Remarketing and Purchase Price" below, at the Purchase Price therefor, on the following dates (each such date being referred to herein as a "Purchase Date"):

Weekly Mode. 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) in the Weekly Mode may be tendered for purchase on any Business Day, upon irrevocable notice of tender given to the Tender Agent as described below in writing (including by facsimile or other electronic means) no later than 5:00 p.m., New York City time, on a Business Day at least seven (7) calendar days prior to the Purchase Date.

Daily Mode. 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) in the Daily Mode may be tendered for purchase on any Business Day, upon irrevocable notice of tender given to the Tender Agent as described below by telephone, facsimile or other electronic means no later than 11:00 a.m., New York City time, on the Purchase Date.

Each notice of exercise of the election to have a 2019 Series C Bond (or portion thereof or beneficial ownership interest therein) purchased will be irrevocable and effective upon receipt, and must specify the principal amount of the 2019 Series C Bond (or portion thereof or beneficial ownership interest therein) to be purchased, the Purchase Date and the name of the Holder of the 2019 Series C Bond (or, if the 2019 Series C Bonds are subject to the book-entry only system of registration and transfer described in "Book-Entry Only System" herein, the name and number of the account to which such beneficial ownership interest is credited by DTC) and must be given by the Holder thereof or such Holder's attorney duly authorized in writing (or, if the 2019 Series C Bonds are subject to such book-entry only system of registration and transfer, by the Beneficial Owner thereof or such Beneficial Owner's attorney duly authorized in writing).

The delivery of such optional tender notice shall automatically constitute (a) an irrevocable offer to sell the 2019 Series C Bonds or beneficial interest (or portion thereof) to which the notice relates on the purchase date at the Purchase Price, (b) an irrevocable authorization and instruction to the Tender Agent to effect transfer of such 2019 Series C Bonds (or portion thereof) upon payment of the purchase price to

the Paying Agent on the purchase date, (c) an agreement of such owner (or beneficial owner through its participation in the Securities Depository) to make arrangements to deliver and transfer such 2019 Series C Bonds or beneficial interest being tendered, with all necessary endorsements for transfer and signature guarantees, by delivery to the Paying Agent at its designated payment office in accordance with the terms of the Thirty-First Supplemental Resolution, on the purchase date, or by causing its Direct Participant to transfer its interest in the 2019 Series C Bonds equal to such beneficial owner's interest on the records of the Securities Depository to the participant account of the Paying Agent or its agent with the Securities Depository, and (d) an acknowledgment that such owner will have no further rights with respect to such 2019 Series C Bonds (or portion thereof) upon payment of the Purchase Price thereof to the Paying Agent on the purchase date, except for the right of such owner to receive such Purchase Price upon delivery of such 2019 Series C Bonds to the Paying Agent, and that after the purchase date such owner will hold any undelivered bond certificate as agent for the Paying Agent.

Holders (or, if the 2019 Series C Bonds are Book-Entry Only 2019 Series C Bonds, Beneficial Owners) of 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) that have elected to require purchase as described above will be deemed, by such election, to have agreed irrevocably to sell the 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) to any purchaser determined in accordance with the provisions of the Thirty-First Supplemental Resolution on the Purchase Date at the Purchase Price therefor, and will be required to deliver (or cause to be delivered) such tendered 2019 Series C Bonds (or portions thereof) to the office of the Tender Agent by 12:00 p.m., New York City time, on the Purchase Date, in each such case, endorsed in blank (or accompanied by a bond power executed in blank). See "Remarketing and Purchase Price" below.

**[So long as any Liquidity Facility, which is not a Letter of Credit, is in effect with the respect to the 2019 Series C Bonds, notwithstanding anything to the contrary herein, so long as the 2019 Series C Bonds are rated by S&P, if the long term rating of the 2019 Series C Bonds is reduced to below "BBB-" by S&P, the right of holders to tender 2019 Series C Bonds for remarketing shall be suspended until such time as the long term rating on such 2019 Series C Bonds is at least "BBB-" by S&P.]**

#### **Mandatory Tender for Purchase**

The 2019 Series C Bonds must be tendered for purchase, from and to the extent of the funds described under the caption "Remarketing and Purchase Price" below, at the Purchase Price therefor, on the following dates (each such date being referred to herein as a "Purchase Date"):

Expiration of Liquidity Facility or Credit Facility: on the fifth Business Day prior to the Facility Expiration Date,

Substitution of Liquidity Facility or Credit Facility: on the Substitution Date; *provided, however,* that if the City shall have delivered to the Notice Parties, by not later than the Business Day prior to the date on which the Tender Agent is required to give notice of such mandatory tender pursuant to Thirty-First Supplemental Resolution, written evidence from each Rating Agency then rating the 2019 Series C Bonds to the effect that such Rating Agency has reviewed the proposed Substitute Liquidity Facility or the substitution of one or more banks for one or more of the Liquidity Providers that are party to the Liquidity Facility then in effect, the proposed Alternate Credit Facility or the substitution of one or more Credit Facility Issuers for one or more of the Credit Facility Issuers that are party to the Credit Facility then in effect, as the case may be, and that such substitution will not result in a withdrawal, suspension or

reduction in such Rating Agency's ratings on the 2019 Series C Bonds, then the 2019 Series C Bonds shall not be subject to mandatory tender for purchase on the Substitution Date,

Interest Mode or Interest Period Changes: on any Mode Adjustment Date designated by an authorized officer of the City pursuant to the provisions of the Thirty-First Supplemental Resolution whether or not such change to a new Interest Mode or Interest Period, as applicable, is effected,

Rate Adjustment Dates: on each Rate Adjustment Date while the 2019 Series C Bonds are in (a) the Flexible Mode or (b) the Term Mode,

City Option in Term Mode: at the option of the City while the 2019 Series C Bonds are in the Term Mode, on any day on which such 2019 Series C Bonds may then be redeemed at the election of the City at a redemption price of 100% of the principal amount thereof, plus accrued interest, if any, thereon (see "Redemption Provisions – Optional Redemption" below); provided however, that that the Agent Bank provides its written consent to the 2019 Series C Bonds being so subject to mandatory tender on such date,

Amendment to the Thirty-First Supplemental Resolution or the Resolution: on (a) any Business Day while the 2019 Series C Bonds are in the Daily Mode or Weekly Mode, (b) any Rate Adjustment Date while the 2019 Series C Bonds are in the Flexible Mode, or (c) any Business Day on which the 2019 Series C Bonds may then be redeemed at the election of the City at a redemption price of 100% of the principal amount thereof, plus accrued interest, if any, thereon (see "Redemption Provisions – Optional Redemption" below) while such 2019 Series C Bonds are in the Term Mode, in any such case, that is at least fifteen (15) days following delivery to the Notice Parties of a certificate of an authorized officer of the City to the effect that the City is causing the 2019 Series C Bonds to become subject to mandatory tender in order to enable any Supplemental Resolution amending the Thirty-First Supplemental Resolution or the Resolution to take effect; provided, however, that such certificate is accompanied by an Opinion of Bond Counsel to the effect that such amendments are authorized or permitted by the Resolution and will not cause the interest on the 2019 Series C Bonds to become includable in gross income for federal income tax purposes,

Liquidity Facility Default: on the fifteenth (15<sup>th</sup>) day (or if such day is not a Business Day, on the next preceding Business Day) after receipt by the Tender Agent of notice from the Agent Bank to the effect that an "event of default" (or similar event) on the part of the City has occurred and is continuing under the Liquidity Facility that entitles the Liquidity Provider(s) party thereto to terminate the Liquidity Facility (or the commitment thereunder of the Liquidity Provider(s) to purchase 2019 Series C Bonds) following the honoring by the Liquidity Provider(s) of a final demand for payment thereunder to purchase all of the 2019 Series C Bonds upon the resultant mandatory tender for purchase thereof and directing the mandatory tender thereof,

Credit Facility Default: on the fifteenth (15<sup>th</sup>) day (or if such day shall not be a Business Day, on the next preceding Business Day) after receipt by the Tender Agent therefor of notice from the Agent Bank therefor to the effect that an "event of default" (or similar provision) on the part of the City has occurred and is continuing under the Credit Facility therefor, and directing such Tender Agent to make a draw or request for funding, as the case may be, under such Credit Facility to effect a mandatory tender of all of the 2019 Series C Bonds of such series, and

Upon Purchase in Lieu of Prepayment: The 2019 Series C Bonds shall, upon the written consent of the Liquidity Provider, be subject to mandatory tender for purchase if in accordance with the Thirty-First Supplemental Resolution, the City gives written direction to the Tender Agent not less than ten (10) days prior to a prepayment date under the Thirty-First Supplemental Resolution (other than scheduled Sinking Fund Installments), to purchase the 2019 Series C Bonds rather than redeem them on such date and such purchase shall be made on the date the 2019 Series C Bonds are otherwise scheduled to be redeemed and upon such purchase such 2019 Series C Bonds shall not be required to be cancelled by the Trustee.

Except in the case of (a) a Rate Adjustment Date for 2019 Series C Bonds in the Flexible Mode and (b) a mandatory tender described under "Liquidity Facility Default" above, the Tender Agent will give notice of mandatory tender for purchase to each Holder of the 2019 Series C Bonds by mail, first-class postage prepaid, (i) if the 2019 Series C Bonds are then in the Daily Mode or the Weekly Mode, not less than fifteen (15) nor more than sixty (60) days prior to the Purchase Date and (ii) if the 2019 Series C Bonds are in any other Interest Mode, not less than thirty (30) nor more than sixty (60) days prior to the Purchase Date. In the case of a mandatory tender described under "Liquidity Facility Default" above, the Tender Agent will give notice of mandatory tender for purchase to each Holder of the 2019 Series C Bonds by mail, first-class postage prepaid, as promptly as practicable following receipt by it of the notice from the Bank referred to under "Liquidity Facility Default" above. While the 2019 Series C Bonds are subject to the book-entry only system of registration and transfer described in "INTRODUCTORY STATEMENT - Book-Entry Only System" herein, such notice will be given only to DTC.

Holders (or, if applicable, Beneficial Owners) of 2019 Series C Bonds (or beneficial ownership interests therein) will be deemed to have agreed irrevocably to sell 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) subject to mandatory tender for purchase to any purchaser determined in accordance with the provisions of the Thirty-First Supplemental Resolution on the date fixed for purchase at the Purchase Price therefor, and will be required to deliver (or cause to be delivered) such tendered 2019 Series C Bonds (or portions thereof) to the office of the Tender Agent by 12:00 p.m., New York City time, on the Purchase Date, endorsed in blank (or accompanied by a bond power executed in blank). See "Remarketing and Purchase Price" below.

### **Remarketing and Purchase Price**

In the event that notice is received of any optional tender of 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) or if the 2019 Series C Bonds become subject to mandatory tender for purchase, except in the case of a mandatory tender (a) in connection with the expiration of the Liquidity Facility then in effect and (b) upon a default on the part of the City under the Liquidity Facility then in effect, the Remarketing Agent will use its best efforts, subject to certain conditions, to sell the tendered 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) at a price equal to the Purchase Price therefor, on the forthcoming optional or mandatory tender date.

The Purchase Price of 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) tendered for purchase is payable, first, from and to the extent of moneys derived from the remarketing of 2019 Series C Bonds (or portions thereof or beneficial ownership interests therein) by the Remarketing Agent and, if such remarketing proceeds are insufficient, from moneys drawn by the Tender Agent under the Initial Liquidity Facility. The obligation of the Bank to purchase 2019 Series C Bonds under the Initial Liquidity Facility is subject to certain conditions, and such obligation may be terminated

without prior notice or payment thereunder under certain circumstances. See "THE INITIAL LIQUIDITY FACILITY" herein.

**Except with respect to a 2019 Series C Bank Bonds in accordance with the Liquidity Facility Agreement, the City shall not be obligated to provide funds for the payment of the Purchase Price of 2019 Series C Bonds upon any tender.**

Upon tender for purchase of any 2019 Series C Bond (or portion thereof) on the Purchase Date therefor or of any Untendered 2019 Series C Bond (hereinafter defined) on or after the Purchase Date therefor at the office of the Tender Agent, endorsed in blank (or accompanied by a bond power executed in blank) to the extent of the portion to be purchased, the Tender Agent will pay to the Holder of such 2019 Series C Bond (or portion thereof) or such Untendered 2019 Series C Bond, as the case may be, the Purchase Price therefor from funds available for such purchase held in the applicable account in the 2019 Series C Bond Purchase Fund (as defined in APPENDIX C hereto), in each such case, by 5:00 p.m., New York City time, on the date of payment.

While the 2019 Series C Bonds are subject to the book-entry only system of registration and transfer described in "INTRODUCTORY STATEMENT - Book-Entry Only System" herein, to the extent permitted pursuant to the procedures of DTC, any beneficial ownership interest in such 2019 Series C Bonds will be deemed tendered to the Tender Agent endorsed in blank when DTC or any Direct Participant or Indirect Participant (as such terms are defined in "INTRODUCTORY STATEMENT - Book-Entry Only System" herein) which owns such beneficial ownership interest as nominee for the Beneficial Owner thereof has received sufficient instructions from the person to whose account at DTC such beneficial ownership interest is credited to transfer such beneficial ownership interest to the account of the Tender Agent and such transfer is effected, and payment of the Purchase Price of such beneficial ownership interest will be deemed to be made when the Tender Agent gives sufficient instructions to (while maintaining sufficient funds at or delivering such funds to) DTC or such Participant to credit such Purchase Price to the account of such person or such Participant.

#### **Untendered 2019 Series C Bonds**

With respect to any 2019 Series C Bond (or portion thereof) (a) for which notice was given in connection with an optional tender but which is not tendered for purchase by the applicable time, on the applicable Purchase Date or (b) which is required to be tendered in connection with a mandatory tender and which is not tendered for purchase by the applicable time, on the applicable Purchase Date (such 2019 Series C Bonds (or portions thereof) being referred to herein as "Untendered 2019 Series C Bonds"), such 2019 Series C Bond (or portion thereof) will, upon deposit in the applicable account in the 2019 Series C Bond Purchase Fund of an amount sufficient to pay the Purchase Price of such 2019 Series C Bond (or portion thereof) on such Purchase Date, be deemed to have been tendered and sold on such Purchase Date and thereafter, the person who has failed to deliver such 2019 Series C Bond (or portion thereof) will not be entitled to any payment (including any interest accrued subsequent to such Purchase Date) in respect thereof other than the Purchase Price for such 2019 Series C Bond (or portion thereof) and, unless such Purchase Price includes accrued interest to such Purchase Date, such accrued interest, and such Untendered 2019 Series C Bond will no longer be entitled to the benefit of the Resolution, except for the payment of the Purchase Price and accrued interest, if any.

## 2019 Series C Bank Bonds

Any 2019 Series C Bond (or portion thereof or beneficial ownership interest therein) which has been tendered or deemed tendered for purchase on a Purchase Date and which has been purchased with the proceeds of a drawing under the Liquidity Facility will be and constitute a 2019 Series C Bank Bond under the Thirty-First Supplemental Resolution. Each 2019 Series C Bank Bond will bear interest from and including the date on which such 2019 Series C Bond was so purchased (the "Bank Purchase Date") at the applicable Bank Rate or Rates in effect from time to time during such period.

In addition to being subject to redemption at the election of the City, as described in the Thirty-First Supplemental Resolution, any 2019 Series C Bond that is a 2019 Series C Bank Bond will be subject to mandatory redemption through sinking fund installments as follows: For the purposes of this paragraph, each portion of the 2019 Series C Bonds that becomes a 2019 Series C Bank Bond as a result of a purchase on a distinct Liquidity Provider Purchase Date will be deemed to constitute a separate 2019 Series C Bank Bond (referred to as a "Separate 2019 Series C Bank Bond"). Each Separate 2019 Series C Bank Bond outstanding will be redeemed during the period commencing with a date which is 180 days after the Liquidity Provider Purchase Date (or, if the purchase was made in the circumstances referred to in clause (c)(vii) or (viii) of Section 3.06 of the Thirty-First Supplemental Resolution, on the date that is 180 days after the Liquidity Provider Purchase Date) applicable to such Separate 2019 Series C Bonds (the "Term-Out Date") and extending to the earlier of (a) the date that is the fifth anniversary of such Liquidity Provider Purchase Date or (b) the maturity date of the 2019 Series C Bonds, in ten equal semi-annual installments of principal, payable on the Term-Out Date and at the end of each six-month period thereafter. In order to provide for such retirement, the Sinking Fund Installments were established pursuant to the Thirty-First Supplemental Resolution with respect to each such Separate 2019 Series C Bank Bond, which Sinking Fund Installments will be due in semi-annual installments, on the Term-Out Date applicable to such Separate 2019 Series C Bonds and at the end of each six-month period thereafter with respect to each such Separate 2019 Series C Bank Bond. For purposes of the two preceding sentences, each semi-annual payment date or due date, as the case may be, hereunder will be the date that numerically corresponds with the Term-Out Date or, if there is no such numerically corresponding date in the applicable month, on the last day of such month (or, if such day is not a Business Day, the next succeeding Business Day). The Agent Bank shall determine the amount of principal due on each Separate 2019 Series C Bank Bond on each payment date and shall notify the Trustee and the Issuer of such amount at least three (3) Business Days prior to such payment date. The Redemption Price will be the principal amount of the 2019 Series C Bank Bonds to be redeemed plus accrued interest thereon to the date of redemption. In the event that the principal amount of 2019 Series C Bank Bonds to be redeemed on any such redemption date is not equal to an Authorized Denomination, the principal amount of 2019 Series C Bank Bonds to be redeemed will be rounded to the next higher Authorized Denomination. In accordance with the provisions of Section 511 of the Resolution, the 2019 Series C Bank Bonds optionally redeemed by the City shall be applied against the next succeeding Sinking Fund Installment(s) pursuant to this paragraph. When 2019 Series C Bonds are redeemed pursuant to paragraph 1 of Section 2.06 hereof, as provided elsewhere in the Thirty-First Supplemental Resolution, 2019 Series C Bonds redeemed shall be applied against the next succeeding Sinking Fund Installments under this paragraph in the order of the due dates thereof.

The Thirty-First Supplemental Resolution also provides that each 2019 Series C Bank Bond will constitute an "Option Bond" within the meaning of the Resolution and, as such, may be tendered or deemed tendered to the City for payment upon the occurrence of certain "events of default" on the part of the City under the Initial Liquidity Facility. See "THE INITIAL LIQUIDITY FACILITY" herein. Upon any

such tender or deemed tender for purchase, the 2019 Series C Bank Bonds so tendered or deemed tendered will be due and payable immediately.

### **Disclosure Concerning Sales of Variable Rate Demand Obligations by Remarketing Agent**

No representation is made by the City as to the accuracy, completeness or adequacy of such information to the extent this section reflects the internal practices and procedures of the Remarketing Agent.

The Remarketing Agent is Paid by the City. The Remarketing Agent's responsibilities include determining the interest rates borne by the 2019 Series C Bonds from time to time and remarketing 2019 Series C Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Thirty-First Supplemental Resolution and the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent is appointed by the City and is paid by the City for its services. As a result, the interests of the Remarketing Agent may differ from those of existing owners and potential purchasers of 2019 Series C Bonds.

The Remarketing Agent Routinely Purchases Variable Rate Demand Obligations for its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account in order to achieve a successful remarketing of such obligations (i.e., because there otherwise are not enough buyers to purchase such obligations) or for other reasons. The Remarketing Agent is permitted, but not obligated, in its sole discretion, to purchase tendered 2019 Series C Bonds for its own account. However, the Remarketing Agent is not obligated to purchase 2019 Series C Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the 2019 Series C Bonds by routinely purchasing and selling 2019 Series C Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at prices at or below par. However, the Remarketing Agent is not required to make a market in the 2019 Series C Bonds. The Remarketing Agent may also sell any 2019 Series C Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the 2019 Series C Bonds. The purchase of 2019 Series C Bonds by the Remarketing Agent may create the appearance that there is greater third-party demand for the 2019 Series C Bonds in the market than is actually the case. The practices described above also may result in fewer 2019 Series C Bonds being tendered in a remarketing.

2019 Series C Bonds May be Offered at Different Prices on Any Date Including a Rate Determination Date. Pursuant to the Thirty-First Supplemental Resolution and the Remarketing Agreement, on each Rate Determination Date, the Remarketing Agent is required to determine the 2019 Series C Bond Rate, which shall be the rate of interest that, in the Remarketing Agent's judgment, is the minimum interest rate necessary to be borne by the affected 2019 Series C Bonds (or beneficial ownership interests therein) for the relevant Interest Period to enable the Remarketing Agent to remarket such 2019 Series C Bonds (or beneficial ownership interests therein) on the Rate Determination Date therefor at a price (without regard to accrued interest) equal to 100% of the principal amount thereof; provided, however, that in no event shall any rate so determined exceed the Maximum Rate. The interest rate will reflect, among other factors, the level of market demand for the 2019 Series C Bonds (including whether the Remarketing Agent is willing to purchase 2019 Series C Bonds for its own account). There may or may not be 2019 Series C Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any 2019 Series C Bonds tendered for purchase on such date at

par and the Remarketing Agent may sell 2019 Series C Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third-party buyers for all of the 2019 Series C Bonds at the remarketing price. In the event the Remarketing Agent owns any 2019 Series C Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer 2019 Series C Bonds on any date, including the Rate Determination Date, at a discount to par to some investors.

The Ability to Sell the 2019 Series C Bonds Other Than Through the Tender Process May Be Limited. The Remarketing Agent may buy and sell 2019 Series C Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require owners that wish to tender their 2019 Series C Bonds (or beneficial ownership interests therein) to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the 2019 Series C Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2019 Series C Bonds other than by tendering the 2019 Series C Bonds (or beneficial ownership interests therein) in accordance with the tender process.

Under certain circumstances, pursuant to the Liquidity Facility the Bank is not obligated to purchase tendered 2019 Series C Bonds. In addition, the Bank may fail to purchase tendered 2019 Series C Bonds even when it is obligated to do so. In both cases, tendered 2019 Series C Bonds would be returned to the holders thereof and bear interest at an interest rate established by the Remarketing Agent that will not exceed the Maximum Rate (or, in the event that the Remarketing Agent fails to determine the interest rate, such 2019 Series C Bond will bear interest at a rate equal to 100% of the SIFMA Index (as defined in APPENDIX C hereto) most recently announced on or prior to each Rate Determination Date). It is not certain that following a failure to purchase 2019 Series C Bonds a secondary market for the 2019 Series C Bonds will develop.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the 2019 Series C Bonds, Without a Successor Being Named. Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Thirty-First Supplemental Resolution and the Remarketing Agreement. In the event that the Remarketing Agent is removed or resigns without a successor having been named or the Remarketing Agent ceases its remarketing efforts as aforesaid, the only source of funds for payment of the Purchase Price of 2019 Series C Bonds (or beneficial ownership interests therein) tendered or deemed tendered for purchase would be amounts drawn under the Liquidity Facility then in effect. See "Remarketing and Purchase Price" above. In addition, if for any reason the Remarketing Agent fails to determine the Market Rate for any 2019 Series C Bond (or beneficial ownership interest therein) on a Rate Determination Date, the interest rate to be borne by such 2019 Series C Bond (or beneficial ownership interest therein) shall be determined in the manner described in the second paragraph under "Interest Rates and Interest Modes; Determination of Interest Rates" above.

Following an Immediate Termination Event or suspension of the Initial Liquidity Facility, the Remarketing Agent is no longer obligated to remarket the 2019 Series C Bonds, but is obligated to continue to establish the Market Rate on the 2019 Series C Bonds.

## Redemption Provisions

### Optional Redemption

The 2019 Series C Bonds are subject to redemption prior to maturity at the election of the City as follows, in whole or in part, at a redemption price of 100% of the principal amount thereof together with accrued interest, if any, to the redemption date:

- (a) if the 2019 Series C Bonds are in a Daily or Weekly Mode, on any Business Day; and
- (b) if the 2019 Series C Bonds are in a Flexible or Term Mode, on any Rate Adjustment Date for the 2019 Series C Bonds to be redeemed.

In addition, if the 2019 Series C Bonds are in the Term Mode or the Fixed Mode, the 2019 Series C Bonds are subject to redemption at the election of the City on any date prior to their stated maturity, in whole or in part:

- (a) unless clause (b) below applies, during any Interest Period therefor, on any day, but only after the fifth anniversary of the first day of such Interest Period, at a redemption price equal to 100% of the principal amount thereof; or
- (b) during any Interest Period therefor, on any alternate dates and at any alternate prices stated in a certificate of an authorized officer of the City delivered to the Notice Parties prior to the Rate Determination Date for such Interest Period and accompanied by an Opinion of Bond Counsel to the effect that such substitution of such alternate dates and prices will not adversely affect the exclusion of interest on any 2019 Series C Bond from the gross income of the owner thereof for federal income tax purposes;

together, in each case, with accrued interest, if any, to the redemption date.

During the period the Letter of Credit or any Substitute Credit Facility consisting of a direct-pay letter of credit is in effect, there may be no optional prepayment of 2019 Series C Bonds or defeasance of the 2019 Series C Bonds pursuant to the Resolution with money other than Eligible Moneys. In accordance with the Thirty-First Supplemental Resolution, the Trustee shall first draw on the Letter of Credit or such Substitute Credit Facility for such prepayment if such Letter of Credit or such Alternate Credit Facility is then in effect.

### **Sinking Fund Redemption**

The 2019 Series C Bonds are subject to redemption through mandatory sinking fund installments on October 1 in the years and in the amounts shown below, at a redemption price of 100% of the principal amount thereof, together with accrued interest, if any, to the redemption date:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
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\*Final maturity.

The particular 2019 Series C Bonds or portions thereof to be redeemed through mandatory sinking fund installments shall be selected by the Trustee in the manner described below under "Selection of 2019 Series C Bonds to be Redeemed." So long as a book-entry system is used for determining ownership of the 2019 Series C Bonds, DTC or its successor and Direct Participants and Indirect Participants will determine the particular ownership interests of 2019 Series C Bonds to be redeemed through mandatory sinking fund installments.

In determining the amount of 2019 Series C Bonds to be redeemed with any sinking fund installment, there will be deducted the principal amount of any 2019 Series C Bonds which have been purchased, to the extent permitted by the Resolution, with amounts in the Debt Service Account (exclusive of amounts deposited from proceeds of Bonds). In addition, if there is any redemption or purchase of any 2019 Series C Bonds with amounts other than moneys on deposit in the Debt Service Account, such 2019 Series C Bonds may be credited against any future sinking fund installment established for the 2019 Series C Bonds as specified by the City at any time, except as described in the penultimate paragraph under "2019 Series C Bank Bonds" above.

### **Selection of 2019 Series C Bonds to be Redeemed**

If fewer than all of the 2019 Series C Bonds of like maturity or interest rate within a maturity of any Series shall be called for prior redemption, the particular 2019 Series C Bonds or portions of 2019 Series C Bonds to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that for any Bond of a denomination of more than the minimum denomination for such Series, the portion of such Bond to be redeemed shall, unless otherwise specified in the Supplemental Resolution relating to such Series, be in a principal amount equal to such minimum denomination or an integral multiple thereof, and that, in selecting portions of such 2019 Series C Bonds for redemption, the Trustee shall treat each such Bond as representing that number of 2019 Series C Bonds of such minimum denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by the amount of such minimum denomination.

### **Notice of Redemption**

The Trustee shall give notice, in the name of the City, of the redemption of such 2019 Series C Bonds, which notice shall specify the Series and maturities and interest rates within maturities, if any, of the 2019 Series C Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if fewer than all of the 2019 Series C Bonds of any like and maturity and interest rate within maturities are to be redeemed, the letters and numbers or other distinguishing marks of such 2019 Series C Bonds so to be redeemed, and, in the case of 2019 Series C Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall be mailed by first class mail, postage prepaid, or electronically, not less than fifteen (15) nor more than sixty (60) days before the redemption date, to the Registered Owners of any 2019 Series C Bonds or portions of 2019 Series C Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books. Failure to give notice by mail, or any defect in such notice, shall not affect the validity of the proceedings for the redemption of 2019 Series C Bonds. Notwithstanding any other provision in the Resolution, notice of optional redemption may be conditioned upon the occurrence or non-occurrence of such event or events as shall be specified in such notice of optional redemption and may also be subject to rescission by the City if expressly set forth in such notice.

## **Substitution of Liquidity Facility**

At any time prior to the giving by the Tender Agent of notice of the mandatory tender of the 2019 Series C Bonds as a result of the expiration of the Liquidity Facility then in effect (see "Mandatory Tender for Purchase – Expiration of Liquidity Facility" above), the City may deliver to the Tender Agent a Substitute Liquidity Facility in substitution for the Liquidity Facility then in effect. In the event of any such substitution, 2019 Series C Bonds in the Daily Mode or the Weekly Mode will be subject to mandatory tender for purchase on the Substitution Date unless the City shall have delivered to the Notice Parties, by not later than the Business Day prior to the date on which the Tender Agent is required to give notice of such mandatory tender pursuant to the Thirty-First Supplemental Resolution, written evidence from each Rating Agency then rating the 2019 Series C Bonds to the effect that such Rating Agency has reviewed the proposed Substitute Liquidity Facility and that the substitution of such Substitute Liquidity Facility for the Liquidity Facility then in effect will not result in a withdrawal, suspension or reduction in such Rating Agency's ratings on the 2019 Series C Bonds. See "Mandatory Tender for Purchase – Substitution of Liquidity Facility" above.

A Substitute Liquidity Facility supporting the 2019 Series C Bonds shall be in an amount at least equal to the Facility Requirement for the 2019 Series C Bonds. Any Substitute Liquidity Facility shall become effective with respect to the 2019 Series C Bonds on the Substitution Date therefor established pursuant to the Thirty-First Supplemental Resolution (see the definition of "Substitution Date" in APPENDIX C hereto); provided, however, that the City furnishes to the Tender Agent (i) an Opinion of Bond Counsel to the effect that the substitution of such Substitute Liquidity Facility for the Liquidity Facility then in effect is authorized or permitted by the Resolution and will not cause the interest on the 2019 Series C Bonds to become includable in gross income for federal income tax purposes; (ii) either (A) written evidence from each Rating Agency then rating the 2019 Series C Bonds to the effect that such Rating Agency has reviewed the proposed Substitute Liquidity Facility and stating the ratings of the 2019 Series C Bonds after substitution of such Substitute Liquidity Facility or (B) a statement of an authorized officer of the City that no ratings have been obtained; (iii) if such Substitute Liquidity Facility is other than a Letter of Credit issued by a domestic commercial bank, an opinion of counsel to the effect that no registration of the 2019 Series C Bonds or such Substitute Liquidity Facility is required under the Securities Act of 1933, as amended; (iv) an opinion of counsel satisfactory to an authorized officer of the City to the effect that such Substitute Liquidity Facility is a valid and enforceable obligation of the issuer or provider thereof; and (v) all information required to give the notice of mandatory tender for purchase of the 2019 Series C Bonds, if required by the Thirty-First Supplemental Resolution.

In the event that the 2019 Series C Bonds are in the Daily Mode or the Weekly Mode, if, in connection with the substitution of a Substitute Liquidity Facility for the Liquidity Facility then in effect, the 2019 Series C Bonds are not subject to mandatory tender for purchase on a Substitution Date (see "Mandatory Tender for Purchase – Substitution of Liquidity Facility" above), the Tender Agent will give notice as hereinafter described to the Holders of such 2019 Series C Bonds by mail, first-class postage prepaid, not less than fifteen (15) and not more than sixty (60) days preceding such Substitution Date. Such notice will (a) state the Substitution Date on which such substitution is expected to become effective; (b) contain a description of such Substitute Liquidity Facility and the bank that is the issuer or provider thereof; and (c) state that if any Holder of a 2019 Series C Bond (or, if the 2019 Series C Bonds are subject to the book-entry only system of registration and transfer described in "Book-Entry Only System" herein, any Beneficial Owner thereof) does not desire to continue to hold such 2019 Series C Bond (or beneficial ownership interest therein) following such substitution, such Holder (or Beneficial Owner) must give

notice of the tender of such 2019 Series C Bond (or beneficial ownership interest therein) by the time and in the manner described under the caption "Optional Tender for Purchase" above.

### **Registration and Transfer; Payment**

The 2019 Series C Bonds may be transferred only on the books of the City held at the principal corporate trust office of the Trustee, as Registrar. Neither the City nor the Registrar will be required to transfer or exchange 2019 Series C Bonds (a) for a period beginning with the applicable Record Date and ending with the next succeeding Interest Payment Date, or (b) for a period beginning with a date selected by the Trustee not more than fifteen (15) nor less than ten (10) 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 2019 Series C Bonds will be paid to the person in whose name such 2019 Series C Bond is registered on the applicable Record Date. At such time, if any, as the 2019 Series C Bonds no longer shall be subject to the book-entry only system of registration and transfer described in "INTRODUCTORY STATEMENT - Book-Entry Only System" herein, interest on the 2019 Series C Bonds will be payable by check or draft of the Trustee, as Paying Agent, mailed to the registered owners by first-class mail (or, to the extent permitted by the Resolution, by wire transfer (see "General" above)). At such time, if any, as the 2019 Series C Bonds no longer shall be subject to such book-entry only system of registration and transfer, the principal of all 2019 Series C 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 2019 Series C 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 2019 Series C Bonds is the responsibility of the Direct Participants or the Indirect Participants. See "INTRODUCTORY STATEMENT - Book-Entry Only System" herein.

## **THE INITIAL LIQUIDITY FACILITY**

### **General**

The following summarizes certain provisions of the Initial Liquidity Facility providing liquidity support for the 2019 Series C Bonds, to which reference is made for the detailed provisions thereof. The Initial Liquidity Facility contains various provisions, covenants and conditions, certain of which are summarized below. Certain words or terms used in the following summary are defined under "Definitions" below. Capitalized words or terms used in the following summary that are not defined under "Definitions" below shall have the meanings ascribed to them elsewhere in this Official Statement, the Resolution or in the Thirty-First Supplemental Resolution.

The City expects to execute the Initial Liquidity Facility on the date the 2019 Series C Bonds are issued. The Initial Liquidity Facility requires the Bank to provide funds for the purchase of 2019 Series C Bonds that have been tendered or deemed tendered for purchase and not remarketed subject to certain conditions described below. The Initial Liquidity Facility is only available with respect to 2019 Series C Bonds that are not the Excluded Bonds, bearing interest during the Daily Mode and the Weekly Mode.

The obligation of the Bank pursuant to the Initial Liquidity Facility is to provide funds for the purchase of the 2019 Series C Bonds that have been tendered or deemed tendered for purchase and not remarketed. This obligation under the Initial Liquidity Facility will end on the earliest of (i) the Stated Termination Date, (ii) the date of the total unpaid principal and interest on all of the 2019 Series C Bonds has been paid, (iii) twenty-five days after the City received notice from the Bank stating that an Event of Default has occurred and requesting the mandatory tender of the 2019 Series C Bonds, (iv) the close of business on the Business Day immediately succeeding the Conversion Date.

Subject to the terms and conditions of the Initial Liquidity Facility, the Bank agrees from time to time to pay each demand presented, with its own funds, at the Purchase Price on the Purchase Date.

### **Events of Default**

Each of the following events will constitute an "Event of Default" under the Initial Liquidity Facility:

(a) Payment Default. The City shall have failed to pay when due any principal or interest, or both, payable on the 2019 Series C Bonds (including any 2019 Series C Bank Bonds), other than to the extent the failure results from the wrongful dishonor by the Bank of a request for Drawing; or

(b) Judgments. A final, un-appealable judgment or judgments against the City for the payment of money in excess of \$20,000,000 in the aggregate shall be payable from the funds and other property comprising the Trust Estate securing the 2019 Series C Bonds (including any 2019 Series C Bank Bonds) and not be covered by insurance, the operation or result of which judgment or judgments shall remain unpaid, un-stayed, undischarged, un-bonded or un-dismissed for a period of sixty days; provided that an obligation shall be considered "covered by insurance" to the extent that the City has self-insured against such obligation or risk and has maintained adequate reserves therefor under appropriate insurance or accounting industry standards within the Rate Stabilization Fund, Utilities Plant Improvement Fund, and/or Debt Service Fund of the City as indicated in the most recent audited or unaudited financial statements of the City furnished to the Bank pursuant to the Initial Liquidity Facility or evidence otherwise satisfactorily provided to the Bank; or

(c) Insolvency. (A) The City shall (1) commence any case, proceeding or other action (x) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition, declaration of a payment moratorium or other relief with respect to it or its debts or (y) seeking the appointment of a receiver, trustee, custodian or similar official for it or for all or any substantial part of its assets, or (2) make a general assignment for the benefit of its creditors; (B) there shall be commenced against the City any case, proceeding or other action of a nature referred to in clause (A) above which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains un-dismissed, undischarged or un-bonded for a period of sixty days; (C) there shall be commenced against the City any case, proceeding or other action seeking the issuance of a warrant of attachment, execution, restraint or similar process against all or any substantial part of the assets of the System or the Net Revenues of the System,

which results in the entry of a final and non-appealable order or ruling for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty days from the entry thereof; (D) the City shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (A), (B) or (C) above; or (E) the City shall (1) admit in writing its inability to pay its debts as such debts become due or (2) become insolvent within the meaning of the United States Bankruptcy Code; or

(d) Validity. Any provision of the Act, the Initial Liquidity Facility, the Resolution, the Thirty-First Supplemental Resolution, or the 2019 Series C Bonds relating to (A) the ability or the obligation of the City to pay, when due, the principal of or interest on the 2019 Series C Bonds (including any 2019 Series C Bank Bonds) or any Parity Debt or (B) the Trust Estate securing the 2019 Series C Bonds (including any 2019 Series C Bank Bonds) and Parity Debt shall at any time, be declared to be null and void, invalid or unenforceable as the result of a final non-appealable judgment by any federal or state court or as a result of any legislative or administrative action by any Governmental Authority having jurisdiction over the City; or

(e) Parity Debt Payment Default. The City shall fail to make any payment in respect of principal or interest on any Parity Debt when due (i.e., whether upon said Parity Debt's scheduled maturity, required prepayment, upon demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Parity Debt, or pursuant to the provisions of any resolution, indenture or instrument pursuant to which Parity Debt has been issued, the maturity of such Parity Debt shall as a result of the occurrence of a default in payment under such resolution, indenture or instrument, be accelerated or required to be prepaid prior to the stated maturity thereof; or

(f) Debt Moratorium or Restructuring. (A) The City shall impose a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on the repayment when due and payable of the principal of or interest on the 2019 Series C Bonds, 2019 Series C Bank Bonds or any Parity Debt or (B) any Governmental Authority having appropriate jurisdiction over the City shall enact or adopt legislation which results in a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on the repayment when due and payable of the principal of or interest on the 2019 Series C Bonds, 2019 Series C Bank Bonds or any Parity Debt; or

(g) Invalidity. (A) Any Governmental Authority with jurisdiction to rule on the validity or enforceability of the Initial Liquidity Facility, the 2019 Series C Bonds, the Act, the Resolution, or the Thirty-First Supplemental Resolution shall find or rule, in a judicial or administrative proceeding, that any provision of the Initial Liquidity Facility, the 2019 Series C Bonds, the Act, the Resolution, the Thirty-First Supplemental Resolution, or any Parity Debt, as the case may be, relating to (1) the ability or the obligation of the City to pay, when due, the principal of or interest on the 2019 Series C Bonds (including any 2019 Series C Bank Bonds) or any Parity Debt or (2) the Trust Estate securing the 2019 Series C Bonds (including any 2019 Series C Bank Bonds) and Parity Debt is not valid or not binding on, or enforceable against, the City; or (B) an authorized representative for the City (1) makes a claim in a judicial or administrative proceeding that the City has no further liability or obligation hereunder, under the 2019 Series C Bonds, the Act, the Resolution, the Thirty-First Supplemental Resolution, or any Parity Debt to pay, when due, the principal of or interest on the 2019 Series C Bonds (including any 2019 Series C Bank Bonds) or any Parity Debt or (2) contests in a judicial or administrative

proceeding the validity or enforceability of any provision of the Initial Liquidity Facility, the 2019 Series C Bonds, the Act, the Resolution, the Thirty-First Supplemental Resolution, or any Parity Debt relating to or otherwise affecting (y) the City's ability or obligation to pay, when due, the principal of or interest on the 2019 Series C Bonds (including any 2019 Series C Bank Bonds) or any Parity Debt or (z) the Trust Estate securing the 2019 Series C Bonds (including any 2019 Series C Bank Bonds) and Parity Debt; or

(h) Payments. The City shall not pay when due any amount owed to the Bank pursuant to the Fee Letter or the Initial Liquidity Facility; or

(i) Representations. Any representation, warranty, certification or statement made by the City (or incorporated by reference) in the Initial Liquidity Facility, the Fee Letter or any Financing Document or in any certificate, financial statement or other document delivered pursuant to the Initial Liquidity Facility or any Financing Document shall prove to have been incorrect in any material respect when made (or deemed made); or

(j) Certain Covenants. The City shall default in the due performance or observance of any covenant set forth the Initial Liquidity Facility and such default shall remain un-remedied for a period of ten days after the Bank shall have given written notice thereof to the City; or

(k) Other Covenants. The City shall default in the due performance or observance of any other term, covenant or agreement contained or incorporated by reference in the Initial Liquidity Facility (other than those referred to in Sections 6.1(a)(i) through (x), (xii) or (xiii) thereof) and such default shall remain un-remedied for a period of forty five days after the Bank shall have given written notice thereof to the City; or

(l) Long Term Credit Rating. The Rating assigned by any Rating Agency to the 2019 Series C Bonds or any Parity Debt is withdrawn or suspended, in either case, for credit related reasons, or is reduced to below Investment Grade; or

(m) Other Obligations. (A) An "event of default" as defined in the Resolution shall occur and is not cured within the applicable grace period, (B) any "event of default" on the part of the City under any of the Financing Documents (excluding the Resolution and the Thirty-First Supplemental Resolution) shall occur and is not cured within any applicable cure period, (C) the City shall fail to pay any Indebtedness of the City for borrowed money related to the System, or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), of at least \$20,000,000 in principal amount then outstanding and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness, or (D) the City shall fail to perform or observe any term, covenant or condition on its part to be performed or observed under any Contractual Obligation related to the System when required to be performed or observed, and such failure shall not be waived and shall continue after the applicable grace period, if any, specified in such Contractual Obligation, if the effect of such failure to perform or observe is to accelerate, or permit the acceleration of, with the giving of notice if required, the maturity of the related Indebtedness; or any such Indebtedness shall be declared to be due and payable or be required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof.

## **Remedies of the Bank**

Upon the occurrence of any Event of Default, the Bank shall have all other remedies provided at law or in equity including, without limitation, specific performance; and, in addition, the Bank, in its sole discretion, may do one or more of the following: (i) by notice to the City, tender any or all 2019 Series C Bank Bonds for payment to the City and the City shall thereupon be obligated to pay immediately the outstanding principal amount of each 2019 Series C Bank Bond (together with accrued interest, including the Differential Interest Amount and Excess Bond Interest, thereon) so tendered, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the City; (ii) deliver to the City and the Tender Agent written notice that an Event of Default has been declared under the Initial Liquidity Facility and directing the Tender Agent to call the 2019 Series C Bonds for mandatory tender for purchase pursuant to Section 3.06(c)(vii) of the Thirty-First Supplemental Resolution; or (iii) exercise any right or remedy available to it at law or under any Financing Document.

The rights and remedies provided for in the Initial Liquidity Facility are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law or in equity.

## **Definitions**

"Contractual Obligation" shall mean, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of its property is bound.

"Drawing" means a Principal Drawing, a Final Drawing, an Interest Drawing, an Interest Purchase Drawing or a Principal Purchase Drawing.

"Excluded Bond" means (a) any 2019 Series C Bond owned by or for the account of the City and (b) 2019 Series C Bank Bonds.

"Fee Letter" shall mean the Fee Letter, dated the Closing Date, between the City and the Bank, as the same may be amended and supplemented from time to time.

"Final Drawing" means a D Drawing, as defined in the Letter of Credit.

"Financing Documents" shall mean the Resolution, the Thirty-First Supplemental Resolution, the Initial Liquidity Facility, the Tender Agency Agreement, the Remarketing Agreement and the 2019 Series C Bonds.

"Interest Drawing" means an A Drawing as defined in the Letter of Credit.

"Interest Purchase Drawing" means the portion of a C Drawing, as defined in the Letter of Credit, used to pay the portion of the purchase price of 2019 Series C Bonds representing accrued interest on the 2019 Series C Bonds to be purchased.

"Investment Grade" shall mean, with respect to a rating by Moody's, a rating of "Baa3" (or its equivalent) or better, with respect to a rating by S&P, a rating of "BBB " (or its equivalent) or better, and, with respect to a rating by Fitch, a rating of "BBB " (or its equivalent) or better.

"Principal Drawing" means a B Drawing, as defined in the Letter of Credit.

"Principal Purchase Drawing" means the portion of a C Drawing, as defined in the Letter of Credit, used to pay the portion of the purchase price of 2019 Series C Bonds representing the principal amount of 2019 Series C Bonds to be purchased.

"Purchase Price" shall mean, with respect to the 2019 Series C Bonds (or portions thereof) to be purchased on any Purchase Date, the aggregate principal amount thereof plus accrued and unpaid interest thereon at the Bond Rate or Rates in effect since the beginning of the then current Interest Accrual Period applicable to such 2019 Series C Bonds.

## THE BANK

*The information relating to the Bank set forth below has been furnished by the Bank for inclusion in this Official Statement. No representation is made herein by the City as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date of this Official Statement. The City has not made any independent investigation of the Bank.*

The Bank is a national banking association organized under the laws of the United States, with its principal executive offices located in Charlotte, North Carolina. The Bank is a wholly-owned indirect subsidiary of Bank of America Corporation (the "Corporation") and is engaged in a general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of September 30, 2018, the Bank had consolidated assets of \$1.798 trillion, consolidated deposits of \$1.436 trillion and stockholder's equity of \$204.573 billion based on regulatory accounting principles.

The Corporation is a bank holding company and a financial holding company, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding the Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2017, together with its subsequent periodic and current reports filed with the Securities and Exchange Commission (the "SEC").

The SEC maintains a website at [www.sec.gov](http://www.sec.gov) which contains the filings that the Corporation files with the SEC such as reports, proxy statements and other documentation. The reports, proxy statements and other information the Corporation files with the SEC are also available at its website, [www.bankofamerica.com](http://www.bankofamerica.com).

The information concerning the Corporation and the Bank is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the referenced documents and financial statements referenced therein.

The Letter of Credit has been issued by the Bank. As of November 29, 2018, the Bank's senior debt ratings were as follows:

<u>AGENCY</u>	<u>LONG-TERM DEBT</u>	<u>SHORT TERM DEBT</u>	<u>OUTLOOK</u>
Moody's Investors Service ("Moody's")	Aa3	P-1	Stable
Standard & Poor's ("S&P")	A+	A-1	Stable
Fitch Ratings ("Fitch")	AA-	F1+	Stable

The Bank will provide copies of the most recent Bank of America Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case, as filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended), and the publicly available portions of the most recent quarterly Call Report of the Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Bank of America Corporate Communications  
100 North Tryon St, 18<sup>th</sup> Floor  
Charlotte, North Carolina 28255  
Attention: Corporate Communication

PAYMENTS OF PRINCIPAL AND INTEREST ON THE BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT. PAYMENTS OF THE PURCHASE PRICE OF THE BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH THE LETTER OF CREDIT IS A BINDING OBLIGATION OF THE BANK, THE BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF THE CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The delivery of this information shall not create any implication that there has been no change in the affairs of the Corporation or the Bank since the date of the most recent filings referenced herein, or that the information contained or referred to in this section is correct as of any time subsequent to the referenced date.

## THE CITY

### General

The City, home of the University of Florida, is located in North Central Florida midway between Florida's Gulf and the Atlantic coast. The City is approximately 125 miles north of Tampa, approximately 110 miles northwest of Orlando and approximately 75 miles southwest of Jacksonville. The Bureau of Economic and Business Research at the University of Florida estimated a 2018 population of 263,291 in the County with an estimated 131,217 persons resided within the City limits as of January 2019. The economic base of Gainesville consists primarily of light industrial, commercial, health care and educational activities. The University of Florida is the State's oldest university and, with approximately 56,000 students, is one of the largest universities in the nation.

For additional information with respect to the City and the County, see APPENDIX A attached hereto.

### Government

The City is governed by the City Commission, which currently consists of seven members. Four are elected from single member districts and three are elected Citywide. The Mayor is elected by the residents of the City.

The following are the current members of the City Commission:

	Term <u>Expires</u>
Mayor Lauren Poe, At Large .....	May 2019
Mayor-Commissioner Pro-Tem Adrian Hayes-Santos, District 4 .....	May 2019
Commissioner David Arreola, District 3.....	May 2020
Commissioner Gail Johnson, At Large .....	May 2021
Commissioner Gigi Simmons, District 1 .....	May 2021
Commissioner Harvey Ward, District 2.....	May 2020
Commissioner Helen K. Warren, At-Large .....	May 2020

## THE SYSTEM

### General

Under its home rule powers and pursuant to the Charter, the City owns and operates the System, which provides the City and certain unincorporated areas of the County with electric, natural gas, water, wastewater, and telecommunications service (including certain utility services to the University of Florida). The System provides wholesale wastewater service to the City of Waldo. Natural gas service is also provided to retail customers within the corporate limits of the City of Alachua, Florida ("Alachua"), and the City of High Springs, Florida ("High Springs"). All facilities of the System are owned and 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 98,172 customers (11,220 of which were commercial and industrial customers) in the fiscal year ended September 30, 2018, and having a maximum net summer generating capacity of 634 MW.

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 73,043 and 66,483 customers, respectively, in the fiscal year ended September 30, 2018. The water system has a nominal capacity of 54 million gallons per day ("Mgd") and the wastewater system has a treatment capacity of 22.4 Mgd annual average daily flow ("AADF").

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 35,389 customers in the fiscal year ended September 30, 2018.

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. GRUCom served an average of 333 internet access customer connections and 129 dial-up customers in the fiscal year ended September 30, 2018.

### Utility Advisory Board

On November 19, 2015, the City Commission enacted Ordinance No. 140384 which created a new utility advisory board (the "Utility Advisory Board") to advise and make recommendations to the City Commission on all aspects of governance of the System's electric, gas, telecommunications, water and wastewater utilities. The Utility Advisory Board is comprised of seven members appointed by the City Commission, all of whom reside within the System's service area and receive utility service from GRU. The Utility Advisory Board serves as an advisor to the City Commission on all policy and governance decisions to be made by the City Commission regarding utility services; serves as a channel of communications between the City Commission, utility staff and the utility customers; and considers and makes recommendations regarding proposed changes in fees, rates, or charges for utility services. The Utility Advisory Board has no rate setting authority. However, since July 18, 2017, the City Commission and Utility Advisory Board have been holding joint meetings to study and evaluate whether to vest the Board with some level of final decision-making authority. Any such changes in decision-making authority with respect to utility matters would require revisions to the City Code of Ordinances and may, depending on the extent of the changes, require revisions to the City Charter.

### Legislative Matters Affecting the City

The City and the System may, from time to time in the future, be subject to changes in laws or regulations, many of which are beyond the control of the City, and which could have an effect on the existence, governance, revenues, management, operations and finances of the City and the System.

### Management of the System

The daily operations of the System are managed by the General Manager for Utilities. In addition to the General Manager for Utilities, key members of the System's leadership team include five operational managers, a Chief Operating Officer, the Chief Financial Officer and the City Attorney. The operational managers consist of an Energy Delivery Officer, Water/Wastewater Officer, Chief Customer Officer, Energy Supply Officer and a Chief Business Services Officer.

**Mr. Edward J. Bielarski, Jr., General Manager for Utilities**, joined the System as a Charter Officer and General Manager in June of 2015. Mr. Bielarski has over 20 years of experience in the utility industry, having worked with Constellation Energy Group (Maryland) as a Project General Manager and a Project Chief Financial Officer, and Lehigh County Authority (Pennsylvania) as a Chief Operating Officer and Chief Financial Officer. As a Charter Officer, he reports directly to the seven-member City Commission and to the Utilities Advisory Board. Mr. Bielarski currently serves on the Board of Directors for The Energy Authority, Inc. ("TEA") and the Florida Reliability Coordinating Council (the "FRCC"). In his role as General Manager, Mr. Bielarski 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, he 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.

**Ms. Claudia Rasnick, Interim Chief Financial Officer**, joined the System in January 2014 and was appointed to this role in December 2017. Ms. Rasnick has worked in an executive capacity in private industry for ten years, in public accounting for publicly traded, not for profit and governmental clients

seven years, and in municipal utilities for four years. She previously held the role of Accounting and Finance Director. She holds a Master of Business Administration and is a licensed Certified Public Accountant in the State of Florida. Ms. Rasnick oversees the operations of the Budget, Finance, and Accounting divisions.

*Mr. Thomas R. Brown, P.E., Chief Operating Officer*, joined the System in September of 2015 and was appointed to this role in July 2016. Mr. Brown has worked as an energy industry executive for 38 years, including most recently as the Vice President/Commercial Manager of Leidos-Plainfield Renewable Energy in Plainfield, Connecticut. He also served in executive management positions with Cogentrix, El Paso Merchant Energy and Ridgewood Power Corporation. Mr. Brown holds a Master of Business Administration degree from Indiana University of Pennsylvania and a Bachelor of Science degree in Mechanical Engineering from Pennsylvania State University, and is a registered Professional Engineer. In his current role, Mr. Brown oversees and manages the System's Energy Supply, Energy Delivery, and Water/Wastewater business operations.

*Mr. Dino De Leo, Energy Supply Officer*, joined the System in September 2006 and formerly served as Production Assurance Support Director. Mr. De Leo was appointed interim Energy Supply Officer in February 2016 and was made permanent in January 2017. Mr. De Leo has worked as an executive in the energy industry for over 36 years and, prior to joining GRU, served in various leadership roles in the US Navy Submarine force where he retired after 26 years of service in 2006. He holds a Bachelor of Science in Nuclear Engineering from the University of Florida, a Bachelor of Science in Business Administration degree from Columbia College and a Master of Business Administration from Brenau University. Mr. De Leo is responsible for planning, directing, coordinating and administering all activities and personnel for the System's Energy Supply Department including the System's power generation functions, a power engineering group, and a fuels management group, and oversees the design, construction, operation, and maintenance of related systems, projects, and contracts. He also assists with risk management oversight on an executive team and acts as the System's Energy Supply Department's liaison with local, state, and federal agencies.

*Mr. Anthony Cunningham, P.E., Water/Wastewater Officer*, has been with the System for over fifteen (15) years, was appointed to his position in 2016 and previously served as Water/Wastewater Engineering Director. Mr. Cunningham's entire 22 year professional career has been in the water and wastewater industry including 7 years as a consulting civil engineer at Causseuax & Ellington, Inc. He has held various positions through his years at the System including: Strategic Planning Engineer, Senior Environmental Engineer, Acting Water Distribution and Wastewater Collection Director, and Engineering Director. He holds a Bachelor of Science degree in Engineering from the University of Florida and is a registered Professional Engineer in the State of Florida. Mr. Cunningham is responsible for planning, directing, coordinating and administering all activities and personnel of the Water and Wastewater Department. He directs the design, construction, operation and maintenance of all the water and wastewater systems to deliver safe, reliable, and competitively priced services.

*Mr. Gary L. Baysinger, Energy Delivery Officer*, joined the System in 2006. He was appointed interim Energy Delivery Officer in January 2016 and was made permanent in January 2017. Mr. Baysinger previously served as Work & Resource Management Manager and holds a Bachelor of Science in Industrial Engineering from Kent State University. Mr. Baysinger currently serves as Vice-Chair of the Florida Society of Maintenance and Reliability Professionals and maintains CMRP and CMM credentials. As the Energy Delivery Officer, Mr. Baysinger oversees the construction, operation and maintenance of the System's electric transmission and distribution facilities and the natural gas transmission and

distribution facilities, and is also responsible for operations engineering, system control, substations and relay/control, city gate stations, electric and gas metering, and field services.

*Mr. J. Lewis Walton, Chief Business Services Officer*, joined the System in March 2008, and has more than 20 years of experience developing, implementing, marketing and managing customer-driven products and services in both competitive markets and the utility industry. Before his appointment to Chief Business Services Officer in September 2015, Mr. Walton served progressively as Marketing & Communications Manager, Director of Marketing and Business Solutions, and most recently as Chief of Staff for GRU's combined utility systems. Mr. Walton holds a Communications Degree from Auburn University and previous to his arrival at GRU, progressed through various operations, sales, marketing, and management positions at both Roadway Package Systems, which is now FedEx Ground, and at Lee County Electric Cooperative in Southwest Florida. Mr. Walton oversees the planning, operations and administration of GRUCom, the System's competitive fiber optic telecommunications unit, as well as the natural gas marketing program, economic development and development of ancillary products and services for the combined System.

*Mr. William J. Shepherd, Chief Customer Officer*, has been with the System for over 23 years, was appointed to his position in September 2015 and previously served as the Director of Customer Operations. The majority of Mr. Shepherd's career has been in Energy and Business services where he has played a critical part in the design and development of the System's nationally recognized energy efficiency programs. Mr. Shepherd holds a Masters of Business Administration from the University of Florida and a Bachelor of Science in Aeronautical Science from Embry Riddle Aeronautical University, and is a Certified Energy Manager ("CEM"). Mr. Shepherd is responsible for customer service, billing, collections, mail services, quality control, facilities, purchasing, cashiers, energy and business services, and new services.

*Cheryl McBride, Chief People Officer*, is GRU's chief liaison with the City, and the primary contact for GRU's personnel matters. Prior to joining GRU, Ms. McBride worked in the City's Human Resources Department for 10 years, serving as the H. R. Director for the past three years. Ms. McBride has also worked in human resources at Walt Disney World, Sprint, and Harris Corporation; however, her first job out of high school was with GRU. She later went on to earn her degree in business administration from the University of Florida.

*Walter Banks, Chief Information Officer*, has been planning, implementing and leading information technology solutions for public organizations for nearly 20 years. He most recently served as Director of Information Technologies for Frederick County, Virginia, following more than a decade managing the IT needs of school districts in central New Jersey and eastern Pennsylvania.

*Nicolle M. Shalley, Esq., City Attorney*, has been with the City Attorney's Office since 2006 and has been the City Attorney since October 2012.

*Lisa C. Bennett, Esq., Senior Assistant City Attorney*, has been with the City since 2013. She works under the direction and supervision of the City Attorney.

#### Labor Relations

The System presently employs approximately 850 persons. All personnel are City employees and are solely under the management of the City. Florida law prohibits public employees from striking.

The City has historically maintained good labor relations with respect to the System. Approximately 560 of the System's employees are represented by Local No. 3170 of the Communications Workers of America (the "CWA"). The current agreements with the CWA (Non-Supervisory and Supervisory), expire on December 31, 2018. Negotiations on three year successor agreements began in April, 2018, and the CWA was ratified by the Union on January 22, 2019. The agreements will move to a ratification vote by the City Commission on February 7, 2019.

Permits, Licenses and Approvals

Management believes that all principal permits, licenses and approvals required to construct and operate the System's facilities have been acquired. Management further believes that the System is operating in 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 customers in the Gainesville urban area, which includes the City and a portion of the surrounding unincorporated area. Wholesale electric services are currently provided to Alachua and the City of Winter Park, Florida ("Winter Park"). See "—Energy Sales – Retail and Wholesale Energy Sales" below. The electric facilities of the System currently serve approximately 124.5 square miles of the County, and approximately 76% 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 Energy Florida ("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.

Customers

The System has experienced modest growth in customers averaging 1.17% per year since 2014. The following tabulation shows the average number of electric customers for the fiscal years ended September 30, 2014, through and including September 30, 2018.

	Fiscal Years ended September 30,				
	2014	2015	2016	2017	2018
Retail Customers (Average):					
Residential	83,117	83,796	84,069	85,229	86,952
Commercial and Industrial	10,602	10,677	10,726	11,043	11,220
Total	<u>93,719</u>	<u>94,473</u>	<u>94,795</u>	<u>96,272</u>	<u>98,172</u>

Of the 98,172 customers in the fiscal year ended September 30, 2018, 11,220 commercial and industrial customers provided approximately 56% of revenues from retail energy sales.

Below are the top ten electric customers of the System are outlined in the table below.

<u>Rank</u>	<u>Customer</u>	<u>% of Electric Revenue</u>
1	GRU	2.9%
2	Alachua County Public Schools	2.2
3	UF Health/Shands Teaching Hospital and Clinics	2.0
4	North Florida Regional Medical Center	1.7
5	Publix Super Markets Inc.	1.7
6	VA Medical Center	1.7
7	University of Florida	1.5
8	Alachua County Board of Commissioners	0.9
9	Santa Fe College	0.7
10	City of Gainesville	0.7
	<b>Top 10 Electric Customers</b>	<b>16.1%</b>
	<b>Fiscal Year 2018 Electric Revenue* (000)</b>	<b>\$285,720</b>

\*Management prepared breakout of each business unit revenues (unaudited).

### 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 (Jacksonville), 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.

TEA currently works with over 50 public power clients that represent 24,000 MW of peak demand and 30,000 MW of installed generation capacity across the U.S. TEA manages a diverse generation portfolio that has proven advantageous in terms of market presence. 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 applicable 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 twelve months ahead. TEA also purchases all of the System's natural gas and optimizes the System's gas transportation entitlements. TEA's ability to execute energy transactions on behalf of the System includes arranging for any transmission services required to accommodate such transactions. Each transaction is accomplished through the execution of a letter of commitment between the System and TEA for a specific capacity amount and duration, and with negotiated terms and prices. Examples of these power sales include short-term, emergency and economy sales, ranging from a period of months to a single hour. TEA also executes and manages financial hedges for its members, primarily in the form of NYMEX natural gas futures and options. TEA constantly monitors the credit of counterparties and manages credit security requirements on behalf of the System as well as other TEA members.

TEA settles the transactions it makes for its members under terms set forth in settlement procedures adopted by its Board of Directors. The excess (or deficiency) of TEA's revenues over (or under) its costs are also allocated among its members pursuant to such procedures.

The System provides guarantees to TEA and to TEA's banks to secure letters of credit issued by the banks to cover purchase and sale contracts for electric energy, natural gas and related transmission. In accordance with the membership agreement between the System and its joint venture members and with the executed guaranties delivered to TEA and to TEA's banks, the System's aggregate obligation for electric energy marketing transactions entered into by TEA on behalf of its members was \$9.6 million as of each of September 30, 2018 and September 30, 2017. The System's aggregate obligation for TEA's natural gas marketing transactions, under similar agreements and executed guaranties as of September 30, 2018 and 2017, was \$12.1 million and \$9.9 million, respectively.

For a discussion of the System's investment in TEA and its commitments to TEA as of September 30, 2017 and 2016, see Note 3 to the audited financial statements of the System "Investment in The Energy Authority" referenced in APPENDIX B-1 attached hereto. See also "-- Energy Supply System – Fuel Supply – Natural Gas" below for additional discussion of TEA's role in supplying natural gas for the System.

With support from TEA, GRU explored the benefits and consequences of combining GRU's generation with that of another entity and economically dispatching the combined fleet through coordinated dispatch. The coordinated dispatch model allows JEA (also part owner of TEA) and GRU to dispatch their generation fleets as if they were one. The most economical units can supply power to meet the combined demand.

The coordinated dispatch model creates another option to provide power at a lower price point, but is not an obligation. GRU and JEA would dispatch their two systems as one and establish day-ahead (and in the potential future, week-ahead and month-ahead transactions) schedules for power flows between the entities. The pricing of the power flowing during each hour is determined by the avoided cost of the entity selling the power plus a margin. The margin is determined by the savings between dispatching the systems separately versus together.

The analysis of the benefits showed the ability to reduce JEA's production cost by running their fleet at a point of better thermal efficiency when serving part of the GRU demand. GRU's savings were the result of serving load with lower-cost power generated by JEA, rather than from its own fleet. The agreement was signed in March 2016 and coordinated dispatch began in May 2016. As of February 2018, GRU has realized approximately \$2.3 million in savings as a result of the agreement.

#### Retail and Wholesale Energy Sales

In the fiscal year ended September 30, 2018, the System sold 2,032,343 megawatt hours ("MWh") of electric energy to its retail and firm wholesale customers (excluding interchange and economy sales). The System currently has a firm "all requirements" wholesale sales contract with Alachua. This contract, which originated in 1988, was renewed April 1, 2016 for a term of seven years. "All requirements" services include control area voltage and frequency regulation and all other ancillary services. The following table shows the System's sales in MWh and average use of electricity, in kilowatt hours ("kWh") by customer class, for the fiscal years ended September 30, 2014 through and including September 30, 2018. Year-to-year variability is due primarily to the effects of weather on heating and cooling loads. For

the fiscal year ended September 30, 2018, there was a 3.13% increase in residential MWh sales from the prior year.

The contract with Alachua includes management of Alachua's 0.019% share of the St. Lucie Unit project, as well as, compliance responsibilities of the North American Electric Reliability Corporation, Inc. ("NERC"). During the fiscal year ended September 30, 2018, the System sold 133,709 MWh to Alachua and received \$7,789,361 in revenue from those sales, which represented approximately 6.6% of total energy sales (excluding interchange sales) and 3.0% of total sales revenues.

#### Retail and Wholesale Energy Sales

	Fiscal Years ended September 30,				
	2014	2015	2016	2017	2018
Energy Sales–MWh:					
Residential	771,884	792,704	819,431	796,851	821,821
General Service, Large Power and Other	941,578	951,412	977,797	963,123	989,213
Firm Wholesale <sup>(1)</sup>	119,447	190,103	220,890	218,732	221,309
Total	<u>1,832,909</u>	<u>1,934,219</u>	<u>2,018,118</u>	<u>1,978,706</u>	<u>2,032,343</u>
Average Annual Use per Customer–kWh:					
Residential	9,287	9,460	9,747	9,350	9,451
General Service, Large Power and Other	88,811	89,109	91,161	87,216	88,163

<sup>(1)</sup> Sales to the City of Winter Park began January 2015.

Pursuant to Florida's Interlocal Cooperation Act of 1969, Chapter 163, Florida Statutes, the System entered into an Interlocal Agreement with Winter Park on February 24, 2014, effective January 1, 2015 and expiring on December 31, 2018. Pursuant to this Agreement, the System has agreed to sell 10 MW of capacity and the associated energy on a 7 day/24 hours a day "must-take" basis, except that Winter Park may designate up to 500 hours per year during which the "must-take" quantity may be 5 MW.

#### Interchange and Economy Wholesale Sales

The System has participated in short-term power sales to other utilities through TEA when market opportunities exist. Due to new natural gas-fired generation in the market, and low and stable natural gas prices, these opportunities are limited. In recent years, net revenues from interchange sales as reflected in the following table have been modest.

**Net Revenues from Interchange and Economy Wholesale Sales<sup>(1)</sup>**  
**(Fiscal Years ended September 30)**  
**(dollars in thousands)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Net Revenues (Loss)	\$123	\$673	\$369	\$126	\$3,064
Percent of Total Electric System Net Revenues	0.1%	0.9 %	0.5%	0.2%	3.73%

<sup>(1)</sup> Variable in nature due to regional capacity availability, weather effects on demand and fuel price volatility.

Interchange and Economy Wholesale Purchases

Interchange and economy wholesale purchases made when power is available from the market at prices below the System's production costs are among the factors that allow the System to assure competitive power costs for retail and firm wholesale customers. Purchases for a duration of less than 24 months are made through TEA. Longer-term contracts are negotiated by the System's staff. The benefits of the System's purchases are passed on to retail and firm wholesale customers by affecting the fuel and purchased power adjustment portion of their rates (see "- Rates – Electric System" below). In the fiscal year ended September 30, 2018, 8% of energy required to serve retail and wholesale customers was obtained through non-firm off-system purchases.

Renewable Energy

On November 8, 2017, the City purchased the DHR Biomass Plant.

**DHR Biomass Plant**

General

The DHR Biomass Plant is an approximately 102.5 MW net (116 MW gross) wood biomass-fired facility. The DHR Biomass Plant is located on a 131-acre site approximately 10 miles northwest of the City within Alachua County, adjacent to GRU's current Deerhaven electric generation facilities. Prior to the acquisition of the DHR Biomass Plant, all of the output of the DHR Biomass Plant was sold to GRU pursuant to the PPA described in more detail below. The DHR Biomass Plant uses advanced combustion technology in which biomass materials are burned in a fluidized bed boiler under controlled, low emissions conditions to generate steam, which in turn drives a turbine/generator that converts the power into electricity.

The reasons for the acquisition were as follows:

Strategic Advantages

The acquisition of the DHR Biomass Plant offered several strategic advantages that were in the best financial interests of GRU and its ratepayers:

1. Termination of the PPA, which was set to expire in 2043 (see "—Operating Flexibility" below for a description of resulting operational flexibility);
2. An immediate reduction of operating costs and an immediate one-time reduction of electric rates of approximately 8% addressing the City's policy for rate competitiveness (GRU anticipates subsequent annual 2-3% rate increases over the next five years);
3. The realization of future annual cash flow savings from the elimination of the minimum annual fixed payments under the PPA, compared to the annual debt service on the Utilities System Revenue Bonds, 2017 Series A, Variable Rate Utilities System Revenue Bonds, 2017 Series B and Variable Rate Utilities System Revenue Bonds, 2017 Series C;
4. The flexibility to operate the DHR Biomass Plant as a strategic reliability hedge, based on the market cost of power, cost of fuel, and operating and maintenance requirements of the DHR Biomass Plant;
5. A reduction of long-term contractual capitalized obligations on GRU's balance sheet of approximately \$1 billion in exchange for adding \$680,920,000 of long-term debt; and
6. The final resolution of all on-going arbitration between the City and Gainesville Renewable Energy Center, LLC (the "GREC LLC").

#### Operational Flexibility

Termination of the PPA in connection with the acquisition of the DHR Biomass Plant offered operational flexibility that was in the best financial interests of GRU and its ratepayers, including:

1. GRU no longer has to coordinate for the planned dispatch of the DHR Biomass Plant as was mandated by the PPA. Rather, GRU can optimize the mix of generating resources and market purchases to meet the necessary demand in the most cost-effective manner.
2. Prior to the termination of the PPA, GRU was required to dispatch the plant at 70 MWs, which is a large percentage of GRU's overall load and has proven difficult to manage across the generation fleet. The larger block size of 70 MWs prevented the use of other GRU generating resources or market purchases that could provide energy at a savings compared to the energy from the DHR Biomass Plant. A smaller blocksize, such as 35 MWs or lower, allows GRU to better optimize its fleet to more economically meet the requisite demand with multiple generation resources fueled by less expensive coal, natural gas, biomass and market purchases.
3. Prior to the termination of the PPA, GRU could not schedule any shutdowns during the summer period. As a result, if the DHR Biomass Plant started the summer season, it had to remain "On" for the duration of the summer season. Terminating the PPA eliminated this operational inflexibility and financial burden. Additionally, GRU had the ability to manage the DHR Biomass Plant such that for certain periods of the year, if the DHR Biomass Plant was not expected to be operational, staffing levels can be significantly reduced for a period of time. The PPA required a full workforce compliment whether the DHR Biomass Plant was operating or in stand-by mode.
4. The DHR Biomass Plant is adjacent to GRU's current Deerhaven facilities. The operation and maintenance staffing of this facility is through a 3<sup>rd</sup> party contractor of North American Energy Services ("NAES"). Since GRU has owned the facility the facility staffing has been optimized to take advantage of some of the synergistic services provided to GRU's other three generating plant sites. Additionally, GRU is currently evaluating options to convert the operation and maintenance of DHR Biomass Plant from NAES to GRU employees.

5. Prior to the termination of the PPA, GREC LLC managed the fuel procurement process with its staff. GRU believed those contracts can be better managed with staff of GRU while eliminating the "margin" that GREC LLC applied to fuel procurement. Additionally, the PPA required a minimum fuel inventory of fifteen (15) days. GRU can manage the fuel inventory more opportunistically.
6. The PPA treated the property taxes on the DHR Biomass Plant as a reimbursable expense. Termination of the PPA and GRU's ownership eliminated the direct payment of property taxes.
7. GRU control of the DHR Biomass Plant's dispatch and the reduction in the 70 MW block size enables GRU to make more cost-effective market purchases of energy when market prices are below GRU's cost of delivering energy.

With the reductions in the cost of natural gas, a slower growth in load than forecasted, an evolving legislative and regulatory environment, and energy efficiency increases, among other factors, the need for energy from the DHR Biomass Plant had become less economical. Upon acquisition of the DHR Biomass Plant, the restrictions imposed by the PPA were no longer applicable. As such, GRU is able to operate the plant with greater flexibility, and with more economical biomass fuel than under the PPA. These two factors as well as unit tuning and optimization have made the DHR Biomass Plant more economical. GRU continues to consider the DHR Biomass Plant to be a useful long-term strategic energy resource, and expects it will continue to play an integral part in its long-term strategy to hedge against any potential future carbon tax and trade programs.

For information on the effect of the acquisition of the DHR Biomass Plant on historical debt service coverage levels, see "-- Summary of Combined Net Revenues" below. Based on historical information, GRU expects an improvement to the fixed charge coverage ratio and a reduction in the debt service coverage metric in the future.

For more information, see "-- Energy Supply System – Generating Facilities – DHR Biomass Plant" below.

#### Other Renewable Energy and Carbon Management Strategies

Since 2006, renewable energy and carbon management strategies became a major component of the System's long-term power supply acquisition program. These renewable resources include the purchase of energy generated by landfill gas emissions, biomass and solar. The System instituted the nation's first European-style solar feed-in-tariff ("FIT") (discussed below) to be offered by a utility. The System's renewable energy portfolio is part of a long-term strategy to hedge against potential future carbon tax and trade programs. See "-- Future Power Supply" below for more information on the System's renewable energy resources. See also "-- Factors Affecting the Utility Industry - Air Emissions - *The Clean Air Act*" below concerning the 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.

## Energy Supply System

### Generating Facilities

The DHR Biomass Plant is an approximately 102.5 MW net (116 MW gross) wood biomass-fired facility. The DHR Biomass Plant is located on a 131-acre site approximately 10 miles northwest of the City within Alachua County, adjacent to GRU's current Deerhaven electric generation facilities. The DHR Biomass Plant uses advanced combustion technology in which biomass materials are burned in a fluidized bed boiler under controlled, low emissions conditions to generate steam, which in turn drives a turbine/generator that converts the power into electricity. The DHR Biomass Plant is more particularly described below in "THE SYSTEM – The Electric System – Energy Supply System –Generating Facilities – DHR Biomass Plant."

The System owns generating facilities having a net summer continuous capability of 634 MW of net dispatchable summer continuous capacity. The System also is entitled to the capacity and non-dispatchable energy from a landfill gas to energy plant of approximately 3.7 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.

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Existing Generating Facilities		Fuels		Net Summer Capability (MW)
Plant Name	Unit No.	Primary	Alternative	
<u>JRK Station</u>				
	Steam Unit 8	Waste Heat	—	36
	Combustion Turbine 4	Natural Gas	Distillate Fuel Oil	72
				<u>108</u>
<u>Deerhaven Generating Station</u>				
	Steam Unit 2	Bituminous Coal	—	228
	Steam Unit 1	Natural Gas	Residual Fuel Oil	75
	Combustion Turbine 3	Natural Gas	Distillate Fuel Oil	71
	Combustion Turbine 2	Natural Gas	Distillate Fuel Oil	17.5
	Combustion Turbine 1	Natural Gas	Distillate Fuel Oil	17.5
				<u>409</u>
<u>South Energy Center</u>				
	SEC-1	Natural Gas	—	3.5
	SEC-2	Natural Gas	—	7.4
				<u>10.9</u>
<u>DHR Biomass Plant</u>				
		Biomass	—	<u>102.5</u>
<u>Total Owned Resources</u>				
				630.4
<u>Baseline Landfill</u>				
		Landfill Gas	—	<u>3.7</u>
<b>Total Available Capacity</b>				<b>634.1</b>
Total Purchased Power				
Renewable Resources				106.2

**JRK Station** – The John R. Kelly Station (the "JRK Station") is located in downtown Gainesville. The JRK Station consists of one combined cycle combustion turbine ("CC1") unit with a net summer generation capability of 108 MW. CC1's is fueled by natural gas. With current natural gas prices and unit efficiency, CC1 operates mostly as a baseload unit.

**Deerhaven** – The Deerhaven Generating Station ("Deerhaven" or "DGS") is located approximately six miles northwest of the City and encompasses approximately 3,474 acres, which provides room for future expansion as well as a substantial natural buffer. The DGS consists of two steam turbines and three combustion turbines with a cumulative net summer capability of 409 MW. Unit 1 ("DH 1") is a conventional steam unit with a net summer capability of 75 MW. Its primary fuel is natural gas and its emergency backup fuel is #6 oil. DH 1 began commercial operation in 1972 and is expected to be retired in 2022. Unit 2 ("DH 2") is a coal-fired, conventional steam unit with a net summer capability of 228 MW.

Two combustion turbines are rated at 17.5 MW each and the third combustion turbine at 71 MW. All three combustion turbines have natural gas as their primary fuel and #2 oil as an alternate fuel.

DH 2 was the first zero liquid discharge power plant built east of the Mississippi River. No industrial wastewater or contact storm water leaves the site. Brine salt by-product from process water treatment is transported off site to a Class III landfill due to capacity constraints. The Deerhaven site has a coal combustion products/coal combustion residuals ("CCP"/"CCR") landfill that provides disposal capacity for CCR, fly and bottom ash, as well as flue gas scrubber by-product from the air quality control system ("AQCS"). DH 2 has an AQCS consisting of an electrostatic precipitator and fabric filter for particulate control, a dry circulating scrubber for sulfur dioxide ("SO<sub>2</sub>"), acid gas, and mercury ("Hg") reduction, and a selective catalytic reduction ("SCR") system for reduction of the oxides of nitrogen ("NO<sub>x</sub>") to meet or exceed regulatory requirements.

Since 2009, the operational mode of DH 2 has shifted from a high capacity factor base load to deep load cycling operation. This is the result of factors which includes flat megawatt-hour sales. A cost of cycling engineering study has been performed to accurately determine the long term maintenance cost resulting from this operational mode. The costs are utilized in both long range generation planning and short term unit commitment. Additionally, operational and physical changes necessary to reduce the cost of this mode of operation have been identified and are in various stages of implementation. The findings of the cycling engineering study have been incorporated into the budget and reflected in the CIP.

To assure reliability, considerable investment continues to be made in both physical components and control systems. In addition, the System has invested in a full scale, high fidelity simulator for operator training and control logic quality control. During fiscal year 2017, the System spent approximately \$5.2 million on a rebuild and upgrade of the Circulating Dry Scrubber ("CDS") that was installed in 2009, due to structural integrity issues. This environmental control equipment was replaced with upgraded structural support and a corrosion/erosion resistance liner that is made of C-276 alloy. The replacement and upgrades were completed before the summer peak season and will better ensure the long-term reliability of the environmental control equipment. Through coordination with the City of Gainesville Risk Management on an insurance claim related to the failure of the Deerhaven Unit #2 CDS; GRU has recovered \$4.25 million for the cost of the CDS decommissioning and erection of the vessel to the original design specifications.

*Crystal River 3* – Crystal River 3 ("CR-3") is a retired nuclear powered electric generating unit which had a net summer capability of 838 MW, located on the Gulf of Mexico in Citrus County, Florida, approximately 55 miles southwest of Gainesville. Duke was the majority owner. In February of 2013, Duke announced that CR-3 would be permanently shut down and retired. The System owned a 1.4079% ownership share of CR-3 equal to approximately 12.7 MW (11.846 MW delivered to the System). 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 for damages resulting from 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, on behalf of the minority owners, negotiated a settlement with Duke. The settlement was executed by all parties with an effective date of September 26, 2014. The settlement transferred all of the System's ownership interests in CR-3 and the requisite Decommissioning Funds to Duke. In October

2014, the System received reimbursement of \$219,706 in operation and maintenance expenses forgiven by the settlement. The ownership transfer was approved by the Nuclear Regulatory Commission (the "NRC") on May 20, 2015. Upon the NRC's approval of ownership transfer, the minority owners received certain cash settlements and Duke agreed to be responsible for all future costs and liabilities relating to CR-3 including decommissioning costs. On October 30, 2015, the transfer of ownership interests in CR-3 closed, and the System received 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. Consequently, CR-3 is not shown on the table of generating facilities.

For further discussion regarding CR-3, see Note 5 to the audited financial statements of the System "Jointly Owned Electric Plant" referenced in APPENDIX B-1 attached hereto.

**South Energy Center** – The South Energy Center was completed in 2 phases of construction and is a combined heat and power facility dedicated to serve a 1,000,000 square foot, 400-bed teaching hospital with Level I trauma center belonging to UF Health/Shands Teaching Hospital and Clinics ("UF Health") 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 Phase 1 has two grid connections for normal power, and a 3.5 MW on-site combustion turbine to provide full standby power to the hospital and energy center, as well as a planned 2.25 MW fast-start diesel generator to provide code-compliant 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. The South Energy Center Phase 2 has two grid connections for normal power, and both a 7.4 MW on-site reciprocating internal combustion engine to provide full standby power to two towers of the hospital and energy center, as well as a planned 3 MW fast-start diesel generator to provide code-compliant essential power for the hospital. The reciprocating internal combustion engine 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. During 2018, the South Energy Center provided 2.6% 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.

**DHR Biomass Plant** –The fuel supply is primarily forest residuals left in the field after normal timber harvesting as well as materials from urban forestry and suitable sources of clean wood, and biomass such as pallets, and mill residues. The DHR Biomass Plant began commercial operation on December 17, 2013 ("COD"). The DHR Biomass Plant is equipped with Best Available Control Technology ("BACT") air emission controls including; dry sorbent injection, selective catalytic reduction of NO<sub>x</sub> and fabric filters for particulate control. The type of fuel to be employed makes it unnecessary to control SO<sub>2</sub> or mercury. The DHR Biomass Plant received its Title V Operating Air Emissions Permit effective January 1, 2015, which was transferred to GRU in November 2017, and must be renewed every five years.

Upon the City acquiring the DHR Biomass Plant in November, 2017, considerable effort has been spent in optimizing the plant. The plant currently has the ability to operate between a range of 35-102.5 MW, with no restrictions. As such the DHR Biomass Plant is now more economical to be used for dispatch than it was under the PPA.

***Baseline Landfill*** – The System entered into a fifteen-year contract for the entire output (3.68 MW) of electricity generated from landfill gas derived from the Baseline Landfill in Marion County, Florida, which was placed in service in December 2008. The Baseline Landfill is actively expanding and additional capacity is projected for the future. Power from the Baseline Landfill is wheeled to the System over Duke's transmission system.

### *Fuel Supply*

The objectives of the System's fuel procurement and management strategy are: (1) diversification of fuel mix and fuel sources, (2) continuous improvement of delivered fuel cost through innovative contract procurement and the use of short-term suppliers, (3) optimization of the quality of fuel and market price to achieve environmental compliance in the most effective and competitive manner possible, (4) reduction in the impact of price volatility in fuel markets through physical and financial risk management of the fuel supply 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, woody biomass or fuel oil to optimize its fuel costs. For fiscal year 2018, net energy for load ("NEL") was served as follows: coal 27.60%; biomass 26.80%; natural gas 43.10%; landfill gas 1.30%; solar 1.10%; oil 0.10%. 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 the System.

***Coal*** – The System currently owns a fleet of 111 aluminum rapid-discharge rail cars that are in continuous operation between the Deerhaven Generating Station ("DGS") and the coal supply regions. Coal inventory at the DGS is 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-term 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 one to three year term contracts and the remainder under short-term contracts of one year or less. The System currently does not have active contract(s) for the supply of coal, but is currently evaluating coal supply requirements for remainder of 2019 and 2020. The System has a long-term transportation contract for coal with CSX Transportation that expires December 31, 2019. Staff is currently conducting research and gathering information in preparation for renegotiation of the agreement. A consultant that specializes in fuel transportation and logistics has been retained to explore additional transport options and finalize the rail renegotiation strategy. Effective October 2014, the City Commission instituted a policy prohibiting the

procurement of coal from mountain top removal (MTR) sources unless a 5% savings over non-MTR mined coal is achieved by doing so. This policy has not had a material impact on the System to date.

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 Florida Gas Transmission ("FGT"). A portion of this gas is transported under long-term contracts for daily firm pipeline transport capacity. The contracts are priced under transportation tariffs filed with the Federal Energy Regulatory Commission ("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 the use of excess delivered capacity from other suppliers on FGT or through interruptible transportation capacity, as arranged by TEA which has combined purchasing power to ensure capacity. For fiscal year 2018, the System consumed 9,411,731 million British thermal units ("MMBtu") of natural gas in electric generation and 2,185,050 MMBtu for the gas distribution system. The average cost of gas delivered to the System was \$3.56/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 and consultant INTL FCStone are market participants that provide comprehensive energy trading, analysis, strategies and recommendations to the System's Risk Oversight Committee ("ROC"). TEA is responsible for the 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 fiscal year 2018, fuel oil accounted for approximately 0.06% 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.

**DHR Biomass Plant Fuel Supply** – The DHR Biomass Plant is fueled by local clean wood waste. This wood fuel includes forestry residues (such as slash and cull trees, pre-commercial thinnings, and whole-tree chips), urban wood residue (such as wood and brush from clearing activities, tree trimmings from right-of-way maintenance), wood processing residue (such as round-offs, end cuts, saw dust, shavings, reject lumber) and other wood waste (such as unusable wood pallets, storm/infested woody debris). It does not use any wood from construction or demolition waste. Rather than importing more fossil fuels, the DHR Biomass Plant's wood fuel is local and is harvested within a 75 mile radius of the plant in north central Florida. The DHR Biomass Plant requires approximately seven hundred and fifty thousand green tons of fuel annually. Before the DHR Biomass Plant began taking wood deliveries, much of this forestry waste wood was open burned, releasing smoke, ash, and soot into the air. Instead of being burned in the open or left on the forest floor to decompose, this material is being used to create renewable energy.

## Transmission System, Interconnections and Interchange Agreements

The System's transmission system infrastructure consists of approximately 117.2 circuit miles operated at 138 kV and 2.5 circuit miles operated at 230 kV. There are four interconnections with the Florida transmission grid thereby connecting the System to Duke to the west and south as well as FPL to the east. Specifically, there are three (3) interconnections with Duke: one at their Archer Substation at 230 kV and two at their Idylwild Substation at 138 kV. There is also one interconnection to FPL's Hampton Substation at 138kV. The Hague transmission switching station was constructed to serve as the interconnection point to the DHR Biomass Plant. The transmission system has ample interconnection capacity to import sufficient power from the State grid system to serve native load under normal circumstances.

The System's 138 kV transmission system encircles its service area and connects three transmission switching stations, six loop-fed distribution substations, and four radial-fed distribution substations. This configuration provides a high degree of reliability to serve the System's retail load, delivering wholesale power to Alachua and providing transmission service to a portion of Clay's service territory.

The System is a member of the Florida Reliability Coordinating Council (the "FRCC"), which is a not-for-profit company incorporated in the State of Florida. The purpose of the FRCC is to ensure and enhance the reliability and adequacy of bulk electricity supply in Florida. As a member of FRCC, the System participates in sharing reserves for reliability purposes with other generating utilities in Florida, resulting in a substantial reduction in the amount of reserves required for proper operation and reliability.

FRCC serves as a regional entity with delegated authority from the North American Electric Reliability Corporation ("NERC") for the purposes of proposing and enforcing reliability standards within the FRCC Region. The area of the State of Florida that is within the FRCC Region is peninsular Florida east of the Apalachicola River, which area is under the direction of the FRCC Reliability Coordinator.

## Electrical Distribution

All of the System's distribution substations are served from the 138 kV transmission system. The System is a 12.47 kV distribution system. If the transmission line supplying a radial-fed distribution substation should fault, the retail loads affected can be served by remote and field actuated switching to adjacent and unaffected distribution circuits. Additional substations have been planned near and within the northern and eastern quadrants of the System's service area to serve load growth in those areas and improve system reliability and resiliency.

The transmission and distribution facilities are fully modeled in a geographical information system ("GIS"). The GIS is integrated with the System's outage management system to enable the linkage of customer calls to specific devices. This integration promotes enhanced and expedited service restoration. Integrated software systems are also used extensively to assign loads to specific circuits, planning distribution and substation system improvements, and supporting restoration efforts resulting from extreme weather. In addition, greater than 60% of the distribution system's circuit miles are underground, which is among the highest percentages in Florida.

Capital Improvement Program

The System's current five-year electric capital improvement program requires approximately \$180 million in capital expenditures between fiscal years ended September 30, 2018 through and including 2023 which includes the DHR Biomass Plant. A breakdown of the categories included in the five-year capital improvement program is outlined below and reflects the approved program from the fiscal year 2018 budget process. See "--Funding the Capital Improvement Program - Additional Financing Requirements" below for more information regarding funding.

**Electric Capital Improvement Program**

	Fiscal Years ended September 30,					<u>Total</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	
Generation and Control	\$35,079,531	\$22,148,496	\$13,116,496	\$7,041,496	\$4,471,496	\$81,857,515
Transmission and Distribution	11,465,391	37,292,872	16,536,919	6,448,227	7,987,410	79,730,819
Miscellaneous and Contingency	4,817,612	4,626,709	4,044,262	3,528,407	1,968,896	18,985,886
<b>Total</b>	<b>\$51,362,534</b>	<b>\$64,068,077</b>	<b>\$33,697,677</b>	<b>\$17,018,130</b>	<b>\$14,427,802</b>	<b>180,574,220</b>

Loads and Resources

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

Fiscal Year	Net Summer System Capability (MW) <sup>(1)</sup>	Firm Interchange Sales (MW)	Peak Load (MW) <sup>(2)</sup>	Actual / Projected Planning Reserve Margin	
				MW	Percent
<b>Historical</b>					
2014	639	0	409	230	56%
2015	639	0	421	218	52
2016	631	0	428	203	47
2017	627	3	418	211	51
2018	634	0	408	226	55
<b>Projected</b>					
2019	634	0	435	199	46
2020	634	0	438	196	45
2021	634	0	442	192	43
2022	634	0	445	189	42
2023	559	0	448	111	25

<sup>(1)</sup> Based upon summer ratings. Imported firm capacity has been adjusted for losses in the table above. The DHR Biomass Plant is 102.5 MW and is included in projected values. Does not include Solar FIT.

<sup>(2)</sup> Source: GRU 2018 Ten Year Site Plan, Schedule 7.1.

## Mutual Aid Agreement for Extended Generation Outages

The System has entered into a mutual aid agreement for extended generation outages with six 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 MEAG Power. Participants have committed to provide replacement power in the event of a long-term (two to twelve month) outage of one of the baseload generating units designated under the agreement. Each utility will provide a pro-rata share of the replacement power and will be reimbursed at an indexed price of coal assuming a heat rate of 11,000 BTU/kWh and an indexed price for gas assuming a heat rate of 9,250 BTU/kWh. The System has designated 100 MW of the capacity of DH 2 and 100 MW of the capacity at JRK Station to be covered under the agreement. The current agreement was renewed for an additional 5-year term beginning October 1, 2017. To date, the System has provided aid under this agreement, but has never requested aid pursuant to this agreement.

## Future Power Supply

### General

While the System's existing generating units can maintain a 15% reserve margin through at least 2022, if all generating units are available, the reserve margin can fall from 40+% to a generation deficit with the loss of the System's largest unit, DH 2. As such, power supply planning must address this first contingency event. The reliability of the System's generating sources and the availability of purchased power have been such that the System has never had to declare a generation deficiency. The next scheduled retirement of a generating facility is DH 1 in 2022. Management's strategy to maintain competitive power costs is to maintain the System's status as a self-generating electric utility with a diverse fuel supply that is hedged with a renewable PPA portfolio and meets all environmental standards and expectations of the local community. The ability to be self-generating has proven itself to be a powerful hedge against market volatility while maximizing reliability for native load. Important aspects of this strategy are the management of potentially stranded costs, maintenance of adequate transmission capacity, use of financial as well as physical techniques to hedge fuel costs, and long-term management of pipeline and rail transportation contracts and capacity. GRU has found it to be in its best economic interests to manage its power needs through the generation of power with its existing facilities and to acquire/utilize purchased energy supply, if there is a cost benefit.

### The Planning Process

The primary factors currently affecting the utility industry include environmental regulations, restructuring of the wholesale energy markets, the formation of independent bulk power transmission systems, the formation of an Electric Reliability Organization ("ERO") under FERC jurisdiction, and the increasing strategic and price differences among various types of fuels. No state or federal legislation is pending or proposed at this time for retail competition in Florida. The purpose of the planning process is to develop a plan to best meet the System's obligation to the reliability and security of the bulk electric system ("BES") of the State of Florida and best serve the needs of the System's customers, the most significant of which being competitive pricing of services. The System's current coal transportation contract expires December 31, 2019. Although negotiation strategies and additional options are being explored, the as-delivered cost of coal is anticipated to significantly increase.

Power 2020 originally started in 2012 to determine the long-term life cycle management of generating units, and was originally focused only on power generation options to replace upcoming retiring unit, as well as longer term generation needs. In 2016, the scope expanded to look at both generation and transmission options for GRU. As a result, in early 2016, TEA was chosen to create an Integrated Resource Plan ("IRP") to help model a better answer to some of the unknowns going forward. Using modeling algorithms, the IRP will take a look at the aspects of the system requirements and provide recommendations for the best path forward. That path may include, amongst other strategies, additional generation, import capability, and demand side management, to accomplish the needs of the System. Delivery of the final report was received in September 2017. Since acquiring the DHR Biomass Plant in late 2017, GRU is working with TEA to update the IRP with current data, including looking at adding a portion of solar farm. The IRP updates are actively in progress at this time. The IRP may recommend what mix of generation and transmission may be needed long term, as well as what generating units will provide the best economic dispatch, which may impact coal contracts.

In the fall of 2016, GRU applied for a Point-to-Point Transmission Service Request ("TSR") with Duke Energy Florida ("DEF") and Florida Power & Light ("FPL") with the intent of obtaining worst-case costs and facility upgrades necessary to provide GRU with 340 MW of firm power service from either provider. The amount of 340 MW was chosen as the "upper envelope" of import power needs in the event GRU retires all native generation with the exception of the DHR Biomass Plant. Based on the study results, DEF concluded that extensive projects work must be completed in the 10 year planning horizon and provided a non-binding estimate of \$400 million to mitigate impacts on the DEF system. FPL, based on its own TSR results, provided a non-binding estimate of \$75.5 million for its own required system upgrades and identified multiple third party impacts, confirming DEF's findings. Should GRU pursue large firm power purchases, third party impacts (such as the need to acquire right of way for transmission lines) shall be reassessed in a coordinated study with the FRCC TWG.

#### Solar FIT

The System became the first utility in the nation to adopt a European-style solar FIT in March 2009. The System purchases 100% of the electricity produced by a photovoltaic ("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 provides a twenty-year fixed price power purchase agreement); and (c) there are distinctions between different types of projects in terms of the price paid (in the case of the System, there are different rates for building/pavement mount and green field ground mount systems). FIT can be applied to any form of renewable energy, but the System chose to focus on solar. The System acquires all the environmental attributes of the solar energy purchased under the FIT, such as renewable energy credits and carbon offsets. The System stopped accepting new installations after 2013; however, approximately 18.6 MW of solar PV capacity was installed and continues to supply energy to the System.

#### Solar Net Metering

Net metering systems generally consist of solar panels, or other renewable energy generators, connected to a public utility power grid. The surplus power produced is transferred to the grid, allowing customers to offset the cost of power drawn from the utility. The net meter system includes both

residential and commercial customers. To date, approximately 6.9 MW of solar PV capacity have been installed.

**The Water System**

The water system currently includes 1,170 miles of water transmission and distribution lines throughout the Gainesville urban area, 16 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 expansion to at least 60 Mgd of capacity at the plant site without interruption of treatment or service. The System renewed its consumptive use permit ("CUP") in September 2014 which will expire on September 10, 2034. The water system also includes a total of 19.5 million gallons of water storage capacity, comprised of pumped ground storage and elevated tanks.

Service Area

The water system serves customers within the City limits and in the immediate surrounding unincorporated area. Comprehensive land use plans for the Gainesville urban area mandate connection of new construction to the water system for all but very low density residential developments. Much of the water system's growth is in areas served by Clay for electricity or redevelopment of areas with higher density development. The area presently served includes approximately 118 square miles and approximately 74% of the County's total population. The University of Florida and a small residential development in Alachua are the only wholesale water sales customers.

Customers

The System has experienced average customer growth of 1.0% per year over the last five years. The System has extension policies and connection fees for providing water supply services to new developments appropriately designed to assure that new customers do not impose rate pressure on existing customers. The following tabulation shows the average number of water customers for the fiscal years ended September 30, 2014 through and including 2018.

	Fiscal Years ended September 30,				
	2014	2015	2016	2017	2018
Customers (Average)	70,300	70,903	71,546	72,136	73,043

Most of the System's individual water customers are residential. Commercial and industrial customers comprised approximately 8.7% of the 72,136 average customers in the fiscal year ended September 30, 2018, and 61% of all water sales revenues were from residential customers.

Below are the top ten water customers of the System are outlined in the table below.

<u>Rank</u>	<u>Customer</u>	<u>% of Water Revenue</u>
1	University of Florida	5.2%
2	GRU	1.4
3	North Florida Regional Medical Center	0.8
4	Alachua County Public Schools	0.7
5	VA Medical Center	0.6
6	City of Gainesville	0.6
7	UF Health/Shands Teaching Hospital and Clinics	0.6
8	Celebration Pointe Holdings LLC	0.6
9	Alachua County Board of Commissioners	0.5
10	Sivance LLC	0.4
	<b>Top 10 Water Customers</b>	<b>11.4%</b>
	<b>Fiscal Year 2018 Water Revenue* (000)</b>	<b>\$36,868</b>

\*Management prepared breakout of each business unit revenues (unaudited).

#### Water Treatment and Supply

The System's water supply is groundwater obtained from a well field that includes 16 wells which tap into a confined portion of the Floridan aquifer. Groundwater is treated at the Murphree Plant prior to distribution and eventual use. Water treatment and supply facilities are planned based on the need to provide reserve capacity under extreme conditions of extended drought, with attendant maximum demands for water and lowered aquifer water levels. Under these design conditions, current water treatment and supply facilities are adequate through at least 2034. No limitation of supply imposed by the aquifer's sustained yield has been identified by groundwater studies to date.

Water treatment at the Murphree Plant consists of softening to protect the distribution system and improve customer satisfaction, fluoridation for improved cavity protection in young children, filtration, and chlorination for protection from microbial contamination. Specific treatment processes include sulfide oxidation, lime softening, pH stabilization, filtration, fluoridation, and chlorination. The plant is permitted for a maximum daily flow of 54 Mgd. Treated water is collected in a clearwell for transfer to ground storage reservoirs prior to distribution. The filter system has been upgraded with two additional filter cells to provide additional treatment capacity. The System has been upgrading plant components that are outdated or at or near the end of the operating lives in order to ensure the reliability and longevity of the plant. One such upgrade is replacing the electrical system at the water plant. This project will replace the original large electrical equipment, generator, conductors, and construct a new electrical building at the plant. The original equipment which was installed in 1974 has reached the end of its serviceable life and requires replacement to ensure the continued reliable operation of the Murphree Plant. The project will be completed in fiscal year 2019 costing approximately \$11 million and is included in the System's 6 year capital budget.

Raw water requirements for the water system are supplied by sixteen (16) deep wells drilled into the Floridan aquifer. Vertical turbine pumps raise the water and deliver it to the Murphree Plant for treatment. In 2000, the System, along with the local water management districts, purchased a

conservation easement over 7,000 acres of silvicultural property immediately to the north and northwest of the Murphree Plant. The conservation easement provides protection to the System's sixteen (16) 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 have adopted a 20-year 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 the 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 MFLs 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 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 Cabot property was used primarily for producing charcoal and pine products. The Koppers property was used for wood treating. Both production facilities are owned by corporations unrelated to the System.

The EPA placed the site on the National Priorities List under the Superfund program in 1984 because of contaminated soil and groundwater resulting from facility operations. The EPA then issued a Record of Decision ("ROD") for the site in 1990 which described the plan for cleaning up the site. Actions were taken in the 1990's to contain and partially remove contamination at the site. The presence of protective geologic confining layers over the aquifer has greatly impeded the migration of contamination. However, additional investigations of the site since 2001, conducted at the urging of the System, the County and members of the community, have indicated that additional measures are needed to contain the contamination and clean up the site to ensure that the 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 the City'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 second ROD which described additional cleanup actions needed at the site. The ROD includes a multiple barrier approach for containing contamination at the Koppers portion of 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 Beazer East, Inc., the PRP for the Koppers portion of the 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 has not had a material adverse effect on the System or its financial condition. Beazer is currently implementing the cleanup plan per the ROD and it is anticipated that the cleanup of the Koppers portion of the site will be completed by 2021. The System and its expert consultants are continuing to be highly engaged in the design and implementation of the cleanup site.

Additional cleanup measures will also be implemented for the Cabot portion of the site. These measures will include construction of subsurface slurry walls around contaminated areas and may include additional soil removal. It is anticipated that remediation of this site will also be completed by 2021.

The System performs routine monitoring of drinking water quality at the Murphree Plant and in the water distribution system in accordance with the EPA and state regulations including EPA Lead and Copper Rule. The System has been in compliance with the Lead and Copper Rule since its inception 26 years ago. The drinking water supply does not contain lead. Also, since the drinking water supply comes from a limestone aquifer, the water is naturally non-corrosive which protects against lead leaching into the water from plumbing fixtures.

#### Transmission and Distribution

The water transmission system consists primarily of cast and ductile iron water mains from 10 to 36 inches in diameter providing a hydraulically looped system. The Murphree Plant high service pumps and the Santa Fe Repump station and two elevated storage tanks provide water flow and pressure stabilization throughout the service area. The water distribution system consists primarily of cast iron, ductile iron, and polyvinyl chloride ("PVC") water mains from 2 to 8 inches in diameter and covers a service area of approximately 118 square miles. The System not only installs new water distribution system additions, but also approves plans for and inspects private developers' water distribution systems which ultimately are deeded over to the System to become an integral part of the System's overall distribution system. The System monitors pressure in several locations throughout the distribution system to ensure that adequate pressures are maintained. In addition, the System utilizes a computer model to assess future conditions and to ensure that system improvements are constructed to ensure adequate pressures in the future.

#### Capital Improvement Program

The System's current five-year water capital improvement program requires approximately \$46.1 million in capital expenditures for the fiscal years of September 30, 2018 through and including 2023. A breakdown of the categories included in the five-year capital improvement program is outlined below and reflects the approved program from the fiscal year 2018 budget process. See "--Funding the Capital Improvement Program - Additional Financing Requirements" below for more information regarding funding.

## Water Capital Improvement Program

	Fiscal Years ended September 30,					<u>Total</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	
Plant Improvements	\$4,600,000	\$3,950,000	\$4,215,000	\$4,215,000	\$2,445,000	\$19,425,000
Transmission and Distribution	4,120,000	4,655,000	5,355,000	5,145,000	5,395,000	24,670,000
Miscellaneous and Contingency	294,600	499,000	400,000	400,000	400,000	1,993,600
<b>Total</b>	<b>\$9,014,600</b>	<b>\$9,104,000</b>	<b>\$9,970,000</b>	<b>\$9,760,000</b>	<b>\$8,240,000</b>	<b>\$46,088,600</b>

### The Wastewater System

The wastewater system serves most of the Gainesville urban area and consists of 673 miles of gravity sewer collection system, 170 pump stations with 153 miles of associated force main, and two major wastewater treatment plants with a combined treatment capacity of 22.4 Mgd AADF.

All of the effluent from the plants is beneficially reused either for aquifer recharge through recharge wells or groundwater recharge systems, environmental restoration, irrigation, or industrial cooling. The System is continuing to expand its reuse systems at both of its treatment plants in order to conserve groundwater resources and provide additional effluent disposal capacity expansion.

#### Service Area

The wastewater system service area is essentially the same as the water system service area. Similar to the water system, extension policies and connection fees for providing wastewater facilities and service to new customers are appropriately designed to protect existing customers from rate pressure that would result from adding new customers to the wastewater system. Comprehensive land use plans for the Gainesville urban area mandate connection of new construction to the wastewater system for all but very low density residential developments. Much of the wastewater system's growth is in areas served by Clay for electricity or redevelopment of areas with higher density development. The System also provides wholesale wastewater service to the City of Waldo. The wastewater system does not serve the majority of the University of Florida campus. The wastewater system hauls and treats all the biosolids generated at the University of Florida.

#### Customers

The System has experienced average customer growth of 1.2% per year over the last five years. The following tabulation shows the average number of wastewater customers, including reclaimed water customers, for the fiscal years ended September 30, 2014 through and including 2018.

	Fiscal Years ended September 30,				
	2014	2015	2016	2017	2018
Customers (Average)	63,501	64,121	64,781	65,591	66,483

The composition of the System's wastewater customers is predominantly residential. Commercial and industrial customers comprised approximately 6.8% of the 66,483 average customers in the fiscal year ended September 30, 2018, and residential customers were the source of 66% of all the wastewater system's revenues in the fiscal year ended September 30, 2018.

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. 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.

Below are the top ten wastewater customers of the System are outlined in the table below.

<u>Rank</u>	<u>Customer</u>	<u>% of Wastewater Revenue</u>
1	University of Florida	1.1%
2	State of Florida Department of Children and Family Services	0.8
3	Alachua County Public Schools	0.7
4	North Florida Regional Medical Center	0.6
5	Sivance LLC	0.6
6	UF Health/Shands Teaching Hospital and Clinics	0.6
7	City of Gainesville	0.6
8	Cabot Carbon Oper Jump Start	0.5
9	VA Medical Center	0.5
10	Alachua County Board of Commissioners	0.5
	<b>Top 10 Wastewater Customers</b>	<b>6.6%</b>
	<b>Fiscal Year 2018 Wastewater Revenue* (000)</b>	<b>\$46,155</b>

\*Management prepared breakout of each business unit revenues (unaudited).

### 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 plant includes influent screening and grit removal, activated sludge treatment, filtrations and disinfection. Biosolids from the plant are treated via aerobic digestion and are hauled to the KWRF facility where it is combined with KWRF sludge for beneficial reuse and/or disposal. 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 MSWRF is in compliance with its National Pollutant Discharge Elimination System ("NPDES") permit. The MSWRF NPDES permit is a 5-year permit that expires March 18, 2020.

In addition, the MSWRF 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 – *Generating Facilities – South Energy Center*" above. This pipeline also provides reclaimed water for pond augmentation and irrigation at the Depot Park Project (MGP remediation site) (see "- The Natural Gas System – Manufactured Gas Plant" below) and at the System's Innovation Energy Center chilled water facility (see " - Management's Discussion of System Operations – Competition" herein). The pipeline will also provide reclaimed water for other irrigation and cooling uses that develop near the pipeline corridor.

The MSWRF East Train rehabilitation and headworks projects are scheduled to be completed in or before fiscal year 2022 at an estimated cost of \$13 million, and is part of the five-year capital improvements program. The east train is the oldest treatment train at the MSWRF, originally installed in the 1960's. The mechanical components in the east train have signs of deterioration and the aerators are nearly 40 years old. This rehabilitation project will replace the clarifier mechanism, electrical gears, control panels, programmed logic control system (PLC), aerators, and rehabilitate the concrete basin structure. The existing headworks will remain operational until construction is completed and prepared for cutover. In addition, a transfer pump station will be constructed to assist in transferring wastewater flow between the two water reclamation facilities.

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. Subsequent to the adoption of this TMDL, the FDEP promulgated its Numeric Nutrient Criteria ("NNC") Rule effective September 17, 2014. The System has implemented a cooperative environmental restoration project known as the Paynes Prairie Sheetflow Restoration project in order to achieve its TMDL limits and comply with the NNC Rule. The combination of the project and the reclaimed water distribution (described above) will allow the System to beneficially reuse 100% of the MSWRF effluent.

The MSWRF NPDES permit requires the Paynes Prairie Sheetflow Restoration project be fully operational and comply with TMDL requirements by April 2019. Construction of the project was completed in 2016 and is in the start-up phase of operation, which is anticipated to last for five years. It is expected to be fully compliant with all criteria, as required, by April 2019. In conjunction with the project, the System is currently working with the FDEP to establish site specific criteria for the Sweetwater Branch Creek in accordance with the NNC Rule. The System is following established procedures for developing site specific criteria. However, the System also has a backup plan in the unlikely event that it was not able to obtain site specific criteria. The backup plan would consist of the construction of an \$8 million pipeline which would meet numeric nutrient criteria.

Another regulatory change that the System has responded to is the reuse of biosolids generated from the wastewater treatment process. Prior to 2016, the System beneficially reused its biosolids through Class B land application in accordance with FDEP and EPA requirements. However, changes in local land use ordinances made it necessary to transition to a new program that includes biosolids dewatering and use of a contractor that will process the biosolids to produce a fertilizer product. The System has completed construction on the dewatering facilities and other plant improvements to facilitate dewatering at a cost of \$17 million and is currently in full operation. In addition, enhanced screening facilities at the KWRF were replaced to reduce solids entering the plant and thereby reducing wear and tear on the new dewatering equipment.

The KWRF is permitted to discharge into a potable zone of the Floridan aquifer. The plant was originally constructed in 1977. A capacity expansion project was completed in June 2004 to provide a total capacity of 14.9 Mgd AADF. The plant includes influent screening, grit removal, activated sludge treatment, filtration and high level disinfection. The KWRF has two distinct treatment processes incorporated into its design: a modified Ludzack-Ettinger Treatment process and a carousel advanced wastewater treatment activated sludge system. The treatment processes conclude with filtration and disinfection prior to discharge into aquifer recharge wells and a reclaimed water distribution system. The disinfection system was recently modified to meet more stringent regulatory limits. The System consistently meets the required primary and secondary drinking water standards for discharge to recharge wells as set forth in its NPDES permit.

The Southwest Reuse Project distributes reclaimed water from the KWRF to commercial and residential customers for landscape irrigation and golf course irrigation. The System also has numerous "aesthetic water features," which provide a public amenity and wildlife habitat in addition to recharging the aquifer. All reclaimed water not reused directly recharges the Floridan aquifer through deep recharge wells that discharge to a depth of 1,000 feet.

In the fiscal years ended September 30, 2018 and 2017, the System delivered approximately 2.7 Mgd AADF and 2.9 Mgd AADF, respectively, of reclaimed water. The regional water management districts encourage the use of reclaimed water to reduce demands on groundwater. The FDEP encourages reuse as an environmentally appropriate means of effluent disposal.

#### Wastewater Collection

The wastewater gravity collection system consists of 15,524 manholes with 730 miles of gravity sewer, 50% of which consists of vitrified clay pipe. New facilities are primarily constructed of PVC high density polyethylene ("HDPE") 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 of the use of slip-lining, infiltration and inflow to the System are not excessive. The System is undergoing a comprehensive inflow and infiltration remediation effort which will include a comprehensive assessment of the System's wastewater collection system and assist in prioritizing sewer system rehabilitation projects in order to reduce inflow and infiltration into the collection system and ensure reliability of the collection system.

The force main system which routes flow to the treatment plant consists of 170 pump stations and over 153 miles of pipe. Existing lines less than 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 or HDPE. 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 five-year wastewater capital improvement program requires approximately \$98.9 million in capital expenditures for the fiscal years ending September 30, 2018 through and including 2023. A breakdown of the categories included in the five-year capital improvement program is outlined below and reflects the approved program from the fiscal year 2018 budget process. See "--Funding the Capital Improvement Program - Additional Financing Requirements" below for more information regarding funding.

#### **Wastewater Capital Improvement Program**

	Fiscal Years ended September 30,					
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Total</u>
Plant Improvements	\$6,250,000	\$7,160,000	\$8,495,000	\$3,495,000	\$3,085,000	\$28,485,000
Reclaimed Water	180,000	780,000	230,000	240,000	240,000	1,670,000
Collection System	10,178,000	9,543,000	8,474,000	7,849,000	8,449,000	44,493,000
Miscellaneous and Contingency	2,500,000	6,000,000	6,500,000	4,250,000	5,000,000	24,250,000
<b>Total</b>	<b>\$19,108,000</b>	<b>\$23,483,000</b>	<b>\$23,699,000</b>	<b>\$15,834,000</b>	<b>\$16,774,000</b>	<b>\$98,898,000</b>

### **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.

#### Service Area

The natural gas system services customers within the City limits and in the surrounding unincorporated area. The natural gas system covers approximately 115 square miles and provides service to 30% of the County's population. In addition, the natural gas system serves customers within the city limits of Alachua and High Springs. Service provided to Alachua represents approximately 5.9% of total retail gas sales of the System. A franchise agreement with both Alachua and Newberry were approved during fiscal year 2018. The System has also entered into franchise agreements to provide natural gas to the City of Archer ("Archer") and Hawthorne. To date, there are no budgeted funds or anticipated timelines for capital infrastructure developments into Archer or Hawthorne.

## Customers

The following tabulation shows the average number of natural gas customers for the fiscal years ended September 30, 2014 through and including 2018. The majority of new single family developments in the Gainesville urban area have been connected to the System over this period.

	Fiscal Years ended September 30,				
	2014	2015	2016	2017	2018
Customers (Average)	33,780	34,152	34,496	34,942	35,389

The composition of the System's natural gas customers is predominantly residential. Commercial and industrial customers comprised approximately 4.7% of the 35,389 average customers served in the fiscal year ended September 30, 2018, while approximately 95.3% were residential customers. Residential customers accounted for approximately 49% of the natural gas system's revenues in the fiscal year ended September 30, 2018.

Below are the top ten natural gas customers of the System are outlined in the table below.

#	<u>Customer</u>	<u>% of Gas Revenue</u>
1	University of Florida	4.4%
2	Ology Bioservices Inc.	1.4
3	Alachua County Board of Commissioners	1.3
4	UF Health/Shands Teaching Hospital and Clinics	1.1
5	Alachua County Public Schools	1.0
6	North Florida Regional Medical Center	0.8
7	RTI Biologics Inc.	0.7
8	State of Florida Department of Children and Family Services	0.6
9	Santa Fe College	0.5
10	Anderson Columbia Co. Inc.	0.4
	<b>Top 10 Gas Customers</b>	<b>12.3%</b>
	<b>Fiscal Year 2018 Gas Revenue* (000)</b>	<b>\$21,279</b>

\*Management prepared breakout of each business unit revenues (unaudited).

## Natural Gas Supply

Natural gas is procured and delivered in much the same manner as the System's electric generation operations. TEA purchases the commodity, optimizes pipeline capacity entitlements, and executes physical and financial hedging strategies on behalf of the System as it does for electric operations. The non-coincident occurrences of electric system and gas retail distribution ("LDC") system peak demands provide opportunities to switch electric fuels to free up pipeline capacity for the LDC and/or manage pipeline entitlements to enhance the reliability and cost performance of the gas system. The average cost of gas delivered to the System for the natural gas distribution system in the fiscal year ended September 30, 2018 was \$3.61/MMBtu. Fuel costs for the natural gas system differ from those of the electric system only in that the gas system has no fuel switching capability and must carry sufficient pipeline reserve capacity to meet peak demands, resulting in higher delivered fuel costs.

### Natural Gas Distribution

The natural gas system consists of 783 miles of gas distribution mains. The predominant and standard pipe materials in service are polyethylene (591 miles) and coated steel (186 miles). All coated steel pipelines are cathodically protected using magnesium anodes. The balance of the distribution system is comprised of uncoated steel and black plastic. The replacement of these two pipeline materials has been programmed within the immediate planning/construction horizon and will be completed by the end of fiscal year 2019.

### Manufactured Gas Plant

The City'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 around 1960, 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 was implemented pursuant to a Brownfield Site Rehabilitation Agreement with the State. Following remediation, the property was redeveloped by the City as a park with stormwater ponds, nature trails, and recreational space, all of which were considered in the remediation plan's design. The duration of the groundwater monitoring program and that timeframe is open to the results of what the sampling data shows.

Based upon GRU's analysis of the cost to clean up this site, GRU has accrued a liability to reflect the costs associated with the cleanup effort. During fiscal years ended September 30, 2018 and 2017, expenditures which reduced the liability balance were approximately \$1.1 million each year. The reserve balance at September 30, 2018 and 2017 was approximately \$641,000 and \$814,000, respectively.

GRU is recovering the costs of this cleanup through customer charges. A regulatory asset was established for the recovery of remediation costs from customers. Through fiscal years ended September 30, 2018 and 2017, customer billings were \$1.1 million each year and the regulatory asset balance was \$11 million and \$12 million, respectively.

Although some uncertainties associated with environmental assessment and remediation activities remain, GRU believes that the current provision for such costs is adequate and additional costs, if any, will not have an adverse material effect on GRU's financial position, results of operations, or liquidity.

### Capital Improvement Program

The System's current five-year natural gas capital improvement program requires approximately \$13.4 million in capital expenditures during the fiscal years ended September 30, 2018 through and including 2023. A breakdown of the categories included in the five-year capital improvement program is outlined below and reflects the approved program from the fiscal year 2018 budget process. See "--

Funding the Capital Improvement Program - Additional Financing Requirements" below for more information regarding funding.

**Gas Capital Improvement Program**

	Fiscal Years ended September 30,					
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Total</u>
Distribution Mains	\$1,540,742	\$1,430,086	\$1,757,334	\$1,797,387	\$1,805,674	\$8,331,223
Meters, Services and Regulators	767,724	724,879	1,267,871	1,328,723	852,299	4,941,496
Miscellaneous and Contingency	25,923	25,923	32,218	33,185	34,181	151,430
<b>Total</b>	<b>\$2,334,389</b>	<b>\$2,180,888</b>	<b>\$3,057,423</b>	<b>\$3,159,295</b>	<b>\$2,692,154</b>	<b>\$13,424,149</b>

**GRUCom**

The System has been providing retail telecommunications services since 1995 under the brand "GRUCom." Services provided by GRUCom include Internet and data transport services to local businesses, government agencies, multiple dwelling units ("MDU") housing communities, various Internet service providers, and other telecommunications carriers. 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 and holds telecommunications licenses that allow it to provide telecommunication services throughout the state. GRUCom operates network connections to interface with all major Interexchange Carriers ("IXC") who maintain facilities in the County, as well as interconnections with both of the County's two incumbent local exchange carriers. The System, through interlocal agreements, also provides public safety radio services across the entire County.

Services Provided

The services provided by GRUCom fall primarily into the following five major product lines: telecommunications services; Internet access services; communication tower antenna space leasing; public safety radio services; and collocation services.

The telecommunications services provided by GRUCom are primarily Private Line and Special Access transport circuits (both described below) delivered in whole, or in part, on the GRUCom fiber optic network. These high bandwidth circuits are capable of carrying voice, data or video communications. Private Line circuits are point-to-point, unswitched channels connecting two or more customer locations with a dedicated communication path. Special Access circuits are also unswitched and provide a dedicated communication path, but these circuits connect a customer location to the Point of Presence of another telecommunications company. GRUCom transport services are provided at various levels ranging from 1.5 megabits per second ("Mbps") to 10 gigabit per second ("Gbps"). Part of GRUCom's business strategy is to use unbundled network elements from the incumbent local exchange carrier, AT&T, in anticipation of fiber extensions to specific service locations. GRUCom also uses the

fiber optic network to provide high speed Internet access services. Business Internet and Dedicated Internet Access ("DIA") class service connections are offered at access speeds ranging from 10 Mbps up to 10 Gbps and bulk residential Internet access service is provided to participating MDU communities at speeds up to 1 Gbps under the brand name GATOR NET. In 2017, GRUCom upgraded its bulk GATORNET services to deliver Symmetrical bandwidth, a first in the Gainesville area. GRUCom operates eleven communications towers in the Gainesville area and leases antenna space on these towers as well as on two of the System's water towers, for a total of thirteen antenna attachment sites. Two of the five transmitter sites for the countywide public safety radio system are also located on these communications towers. Wireless communications service providers lease space on the towers and, in most cases, also purchase fiber transport services from GRUCom to receive and deliver traffic at the towers. GRUCom provides transport services that carry a substantial portion of cell phone traffic in the Gainesville urban area. The GRUCom public safety radio system began operation in 2000. These services are provided over Federal Communications Commission ("FCC")-licensed 800 MHz frequencies, utilizing a trunked radio system that is compliant with the current frequency allocations enacted by the FCC in 2010 to accommodate personal communication services ("PCS") providers. The trunked radio system meets current industry standards for interagency operability. The trunked radio system consists of 22 trunked voice frequencies. Antenna sites are linked to the network controller and various dispatch centers utilizing GRUCom's transport services.

### Customers

GRUCom's customer base is growing as the fiber optic network is expanded and new product offerings are introduced. Customer types vary for each GRUCom business activity.

GRUCom's fiber transport customers include other land-line telecommunications companies, cellular telecommunications companies, private commercial and industrial businesses, federal, state and local governmental agencies, public and private schools, public libraries, Santa Fe College, the University of Florida, UF Health and the University of Florida Health Science Center. As of September 30, 2018, GRUCom had a total of 499 transport circuits in service.

Internet access services are provided to other Internet service providers, local businesses, government agencies, and participating MDU housing communities. As of September 30, 2018, GRUCom had 333 Business Internet access customer connections and bulk residential Internet agreements with 41 MDU communities. GRUCom tower space leasing services are used primarily by wireless providers, which include cellular telephone and PCS companies. As of September 30, 2018, GRUCom executed 32 tower leases, for space on eleven 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 service agreements which are 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. As of September 30, 2018, the public safety radio system had 2,599 subscriber units in service.

<b>GRUCom Projected Revenue and Customer Count</b>						
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Telecom and Data Service Sales	\$7,733,558	\$7,964,792	\$8,117,296	\$8,514,959	\$9,080,145	\$9,648,284
TRS Sales	1,718,952	1,706,112	2,451,453	2,451,453	2,451,453	2,451,453
Tower Leasing Sales	1,767,692	1,817,517	1,868,807	1,921,609	1,975,966	2,031,927
Non-Standard Sales (Non-Recurring)	35,000	35,000	35,000	35,000	35,000	35,000
<b>Total Revenue</b>	<b>\$11,255,202</b>	<b>\$11,523,421</b>	<b>\$12,472,557</b>	<b>\$12,923,020</b>	<b>\$13,542,565</b>	<b>\$14,166,665</b>

Below are the top ten GRUCom customers of the System are outlined in the table below.

<u>Rank</u>	<u>Customer</u>	<u>% of GRUCom Revenue</u>
1	GRU	12.2%
2	Alachua County Board of Commissioners	9.0
3	Verizon Wireless Personal Communications	7.3
4	Alachua County Public Schools	6.0
5	C of G	5.8
6	AT&T Wireless	4.2
7	Interstate Fibernet Inc.	4.0
8	T-Mobile USA Inc.	3.7
9	Florida Phone Systems	3.2
10	UF Health/Shands Teaching Hospital and Clinics	2.3
	<b>Top 10 GRUCom Customers</b>	<b>57.8%</b>
	<b>Fiscal Year 2018 GRUCom Revenue* (000)</b>	<b>\$11,210</b>

\*Management prepared breakout of each business unit revenues (unaudited).

#### Description of Facilities

As of September 30, 2018, GRUCom had 543 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 through Synchronous Optical Network standard protocol, GRUCom has deployed equipment manufactured by Ciena (primarily); and for services requiring transmission through 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 System's 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 is completing the process of migrating to the P25 protocol.

GRUCom maintains a point-of-presence at the Digital Realty Trust, Inc. collocation and interconnection facility located in Atlanta, Georgia (the "ATL1 data center"). The ATL1 data center 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 ATL1 data center sits on top of most of the fiber. GRUCom maintains an ultra-high bandwidth backbone transmission interconnection on diverse routes between Gainesville and the ATL1 data center to provide highly reliable Internet access to customers in Gainesville. GRUCom is also a member of the Digital Realty Internet Exchange (the "Internet Exchange"), a separate peering point in the ATL1 data center. The Internet Exchange 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. The Internet Exchange 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.

GRUCom maintains a second point-of-presence at the Equinix, Inc. Network Access Point of the Americas ("NOTA") collocation and interconnection facility which is located in Miami, Florida. NOTA is one of the most significant telecommunications projects in the world. The Tier-IV facility was the first purpose-built, carrier-neutral Network Access Point and is the only facility of its kind specifically designed to link Latin America with the rest of the world. NOTA is located in downtown Miami in close proximity to numerous other telecommunications carrier facilities, fiber loops, international cable landings and multiple power grids. More than 160 global carriers exchange data at NOTA including seven Tier-1 world-wide Internet service providers. GRUCom maintains an ultra-high bandwidth backbone transmission interconnection between Gainesville and NOTA, separate from the ATL1 data center interconnection circuits, which allows GRUCom to maintain a second, fully diverse data gateway and exchange to further enhance the reliability of the Internet services provided to customers in Gainesville. In Miami, GRUCom is also connected to the FL-IX Peering facility to provide additional and duplicate peering points with various ISPs including Content Providers, Gaming Providers and enterprises similar to the Internet Exchange connection in Atlanta.

#### Capital Improvement Program

The System's current five-year GRUCom capital improvement program requires approximately \$10 million in capital expenditures for years ended September 30, 2018 through and including 2023. A breakdown of the categories included in the five-year capital improvement program is outlined below and reflects the approved program from the fiscal year 2018 budget process. See "--Funding the Capital

Improvement Program - Additional Financing Requirements" below for more information regarding funding.

### GRUCom Capital Improvement Program

	Fiscal Years ended September 30,					<u>Total</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	
GRUCom Systems	\$1,237,660	\$693,763	\$1,170,260	\$1,714,189	\$2,244,413	\$7,060,285
Special Project	500,000	-	-	-	-	500,000
Miscellaneous and Contingency	442,817	470,272	405,640	514,386	621,631	2,454,746
<b>Total GRUCom</b>	<b>\$2,180,477</b>	<b>\$1,164,035</b>	<b>\$1,575,900</b>	<b>\$2,228,575</b>	<b>\$2,866,044</b>	<b>\$10,015,031</b>

### Rates

#### General

In general, the rates of municipal electric utilities in Florida are established by the governing bodies of such utilities. The governing bodies of municipal water, wastewater and natural gas utilities in Florida have exclusive jurisdiction over the setting of rates for said systems, subject only to certain statutory restrictions upon water and wastewater rates outside the municipal corporate limits. 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 and takes into account recommendations of the Utilities Advisory Board regarding proposed changes in fees, rates, or charges for utility services. See "—Utilities Advisory Board" above and "SECURITY FOR THE BONDS – Rates, Fees and Charges " 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. Under Chapter 366, Florida Statutes, the FPSC has jurisdiction over municipal electric utilities only to prescribe uniform systems and classifications of accounts, to require electric power conservation and reliability, to regulate electric impact fees, to establish rules and regulations regarding cogeneration, to approve territorial agreements, to resolve territorial disputes, to prescribe rate structures, to prescribe and enforce safety standards for transmission and distribution facilities and to prescribe and require the periodic filing of reports and other data. Pursuant to the rules of the FPSC, rate structure is defined as the classification system used in justifying different rates and, more specifically the rate relationship between various customer classes, as well as the rate relationship between members of a customer class." However, the FPSC and the Florida Supreme Court have determined that, except as to rate structure, the FPSC does not have jurisdiction over municipal electric utility rates. The FPSC also has the authority to determine the need for certain new transmission and generation facilities.

Although the rates of the System are not subject to federal regulation, the National Energy Act of 1978 contains provisions which require the City to hold public proceedings to consider and determine the appropriateness of adopting certain enumerated federal standards in connection with the establishment of its retail electric rates. Such proceedings have been completed and the results currently are reflected in the System's policies and electric rate structure.

#### Electric System

Each of the System's various rates for electric service consists of a "base rate" component and a "fuel and purchased power adjustment" 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 calculation, from the second month preceding the billing month, based on actual fuel costs valued on a weighted average 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 requirements, fuel and purchased power adjustment and total residential bill changes since 2013 and Management's most recent projections of future base rate revenue requirements, fuel and purchased power adjustment and total residential bill changes.

**Electric System  
Base Rate Revenue Requirements, Fuel and Purchased Power  
Adjustment and Total Bill Changes<sup>(4)</sup>**

	Percentage Base Rate Revenue Requirements <u>Increase/(Decrease)<sup>(1)</sup></u>	Percentage Fuel and Purchased Power Adjustment <u>Increase/(Decrease)<sup>(2)</sup></u>	Total Residential Bill Percentage <u>Increase/(Decrease)<sup>(3)</sup></u>
Historical (Fiscal Year Beginning):			
October 1, 2013	(5.60)%	37.20%	9.21%
October 1, 2014	(8.50)	17.00	2.71
October 1, 2015	0.00	(6.70)	(5.24)
October 1, 2016	0.00	(3.70)	(2.04)
October 1, 2017	2.00	0.00	0.88
February 1, 2018 <sup>(4)</sup>	31.40	(50.00)	(8.02)
October 1, 2018	2.00	0.00	1.55
Projected (Fiscal Year Beginning): <sup>(5)</sup>			
October 1, 2019	4.00%	2.00%	3.70%
October 1, 2020	2.65	2.00	2.80
October 1, 2021	2.25	2.00	2.60
October 1, 2022	3.00	2.00	2.70
October 1, 2023	2.00	2.00	2.40

[Footnotes continued on next page]

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- (1) Change in overall system-wide non-fuel revenue requirement. Increases or decreases are applied to billing elements to reflect the most recent cost of service studies and to yield the overall revenue requirement.
  - (2) Historical change in weighted average retail fuel adjustment.
  - (3) Based on residential monthly bill at 1,000 kWh.
  - (4) Changes resulting from the acquisition of the DHR Biomass Plant.
  - (5) 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.

The electric and natural gas systems use amounts on deposit in a reserve known as the "fuel adjustment levelization balance" that the System accumulates. The balance of the reserve as of September 30, 2018, was negative \$2,376,941 for both electric and natural gas combined. The balance of this fund is anticipated to carry a balance of approximately 5% of the annual fuel expense budget on an average year.

In 2014, the City Commission approved the addition of an Economic Development Rate for new and existing general service demand and large power commercial electric customers of the System in an effort to attract large, regionally competitive new commercial customers and incentivize local growth. Approval of the applicable changes to the City Code of Ordinances occurred in November 2014. The Economic Development rate allows for a 5-year, 20% discount to the base rate portion of the electric bill of a new customer who adds a load of at least 100,000 kWh per month or a 15% discount to the base rate portion of the electric bill of an existing customer who increases its baseline usage by a minimum of 20%. There is no discount on the fuel adjustment portion of the bill under this program, but the addition of load will distribute the fixed costs of the DHR Biomass Plant across a greater number of kWh, lowering the fuel adjustment for all customers. This program is base revenue neutral during the five year discount period, with additional base revenues after the discount ends. The System does not have any customers currently participating in this program.

Public roadways in Gainesville and in portions of the unincorporated areas of the County within the System's service territory are served by streetlights operated and maintained 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, effective October 1, 2018, are provided below by class of service. Though the rates are functionally unbundled, they are commonly presented in a bundled format.

Residential Standard Rate

Customer charge, per month .....	\$14.25
First 850 kWh, Total charge per kWh .....	\$0.070
All kWh per month over 850, Total charge per kWh .....	\$0.093

Non-Residential General Service Non-Demand Rates

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

Customer charge, per month.....	\$29.50
First 1,500 kWh per month, Total charge per kWh.....	\$0.093
All kWh per month over 1,500, Total charge per kWh .....	\$0.123

Non-Residential General Service Demand Rates

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 .....	\$9.50
Total Energy charge, per kWh.....	\$0.062

Non-Residential Large Power Rates

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 .....	\$9.75
Total Energy charge, per kWh.....	\$0.058

Customers in all classes are charged a fuel and purchased power adjustment. Chapter 203, Florida Statutes, imposes a tax at the rate of 2.5% 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 non-exempt customers residing within the City's corporate limits pay a utility tax (public service tax) of 10% on portions of their bill. All non-exempt customers not residing within the City's corporate limits are assessed a surcharge of 10% and also pay a County utility tax of 10% on portions of their bill. All non-residential taxable customers pay a State sales tax of 6.95% on portions of their bill. The minimum bill is the customer charge plus any applicable demand charge. The billing demand is defined as the highest demand (integrated for 30 minutes) established during the billing month. The City's codified rate ordinances include clauses providing for primary service metering discounts and facilities leasing adjustment.

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Comparison with Other Utilities

The table below shows the average monthly bills for electric service for certain selected Florida electric utilities, including the System. Residential bills are commonly compared at 1,000 kWh in Florida, however GRU's customers typically average closer to 800 kWh per month.

**Comparison of Monthly Electric Bills<sup>(1)</sup>**

	Residential 1,000 kWh	General Service		Large Power 430,000 kWh 1,000 kW
		Non-Demand 1,500 kWh	Demand 30,000 kWh 75 kW	
Kissimmee Utility Authority	\$99.59	\$162.00	\$2,755.39	\$36,899.12
Lakeland Electric	\$102.85	\$149.52	\$2,477.70	\$34,313.56
Orlando Utilities Commission	\$106.00	\$163.90	\$2,540.00	\$34,579.00
Florida Power & Light Company	\$96.14	\$144.76	\$2,313.44	\$32,452.98
JEA	\$108.50	\$155.64	\$2,715.10	\$37,297.40
Tampa Electric Company	\$105.16	\$161.59	\$2,484.39	\$34,704.91
City of Tallahassee	\$109.07	\$140.00	\$2,653.08	\$35,907.07
Clay Electric Cooperative, Inc.	\$112.90	\$171.05	\$2,728.25	\$35,806.00
Ft. Pierce Utilities Authority	\$111.84	\$176.93	\$3,020.85	\$45,217.20
Ocala Electric Authority	\$119.20	\$175.85	\$2,972.55	\$42,593.75
<b>Gainesville Regional Utilities</b>	<b>\$122.87</b>	<b>\$220.90</b>	<b>\$3,713.50</b>	<b>\$49,961.00</b>
City of Vero Beach	\$122.95	\$191.41	\$3,428.15	\$48,398.40
Duke (Energy Florida)	\$121.11	\$184.80	\$2,840.82	\$39,736.02
Gulf Power Company	\$128.00	\$187.69	\$2,738.93	\$38,761.50

<sup>(1)</sup> Rates in effect for October 2018 applied to noted billing units, ranked by residential bills. Excludes utility taxes, sales taxes and surcharges.

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.

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Water and Wastewater System

The table below presents water system revenue requirements and total residential bill changes since 2014 and Management's most recent projections of future revenue requirements and total bill changes. The percentage increases shown represent the aggregate amount required to fund increases in projected revenue requirements for the water system.

**Water System  
Revenue Requirement and Total Bill Changes**

	Percentage Revenue Requirement Increase <sup>(1)</sup>	Total Bill Increase <sup>(2)</sup>
Historical		
October 1, 2014	3.75%	1.90%
October 1, 2015	3.75	10.40
October 1, 2016	3.00	2.20
October 1, 2017	0.00	0.00
October 1, 2018	0.00	0.00
Projected <sup>(3)</sup>		
October 1, 2019	1.00%	1.00%
October 1, 2020	1.00	1.00
October 1, 2021	1.00	1.00
October 1, 2022	1.00	1.00
October 1, 2023	1.00	1.00

<sup>(1)</sup> Change in overall revenue requirements collected from all retail customer classes from billing elements, including monthly customer service charges and water usage charges. Increases are applied to billing elements to reflect the most recent cost of service study and to yield the overall revenue requirement.

<sup>(2)</sup> Based on monthly bill at 7 Kgal.

<sup>(3)</sup> 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.

The table below presents wastewater system revenue requirements and total residential bill changes since fiscal year 2014 and Management's most recent projections of future revenue requirement and total bill changes. The percentage increases shown represent the aggregate amount required to fund increases in projected revenue requirements for the wastewater system.

**Wastewater System  
Revenue Requirement and Total Bill Changes**

	Percentage Revenue Requirement Increase <sup>(1)</sup>	Total Bill Increase <sup>(2)</sup>
<b>Historical</b>		
October 1, 2014	4.85%	4.00%
October 1, 2015	4.85	3.30
October 1, 2016	3.00	1.50
October 1, 2017	0.00	0.00
October 1, 2018	0.00	0.00
<b>Projected<sup>(3)</sup></b>		
October 1, 2019	4.75%	4.75%
October 1, 2020	4.00	4.00
October 1, 2021	3.00	3.00
October 1, 2022	2.00	2.00
October 1, 2023	2.00	2.00

<sup>(1)</sup> 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.

<sup>(2)</sup> Based on monthly bill at 7 Kgal.

<sup>(3)</sup> 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 current schedule of fees, rates and charges, combined 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 the 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. As of October 1, 2015, the first tier pricing is applied to the first 4,000 gallons used, the second tier pricing is applied to usage between 5,000 and 16,000 gallons, and the third tier pricing is applied to usage above 16,000 gallons. A three tier billing

structure has been in place since 2001. Over time the thresholds for quantities of water billed in each block has been lowered to current break points.

The City Commission also adopted a new Multi-Family water rate as part of the fiscal year 2015 budget. The pricing for the usage charge is the same as the second tier of the three tier residential rate.

The University of Florida is charged different rates than other customers because of the City's commitment not to receive General Fund transfers from sales to the University of Florida and because the University of Florida owns and maintains its own on-campus water distribution system. The General Fund transfer policy reflects a historical commitment which enticed the University of Florida to locate in the City of Gainesville in the early 1900's. In 2004, the University of Florida rates became cost-of-service based.

Monthly Service Charges

Monthly customer charges are levied for the actual units of service rendered to individual customers. Customers pay a rate per thousand gallons of water consumed or wastewater treated, and all customers pay a monthly customer charge, as shown on Table 1 below. All wastewater customers are subject to rate surcharges for wastewater discharges which exceed normal domestic strength. Commercial customers are billed 95% of their water usage as wastewater while residential customers are billed the lesser of actual water usage or winter maximum usage, in order to better identify water used for domestic purposes for wastewater billing. Table 2 below lists the charges for water and wastewater service that will become effective October 1, 2018. These rates are unchanged from fiscal year 2018.

**Table 1. Monthly Water Customer Charge by Meter Size**

<u>Meter Size</u>	<u>Monthly Customer Charge</u>
5/8" and 3/4"	\$ 9.45
1"	9.65
1.5"	12.50
2"	20.00
3"	74.00
4"	100.00
6"	140.00
8"	200.00
10"	275.00

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**Table 2. Current Monthly Charges For Water and Wastewater Services**

Water Rates:	
Residential	
Customer Billing Charge .....	Based on meter size
Consumption Rate:	
1,000 to 4,000 gallons .....	\$2.45 per 1,000 gallons
5,000 to 16,000 gallons .....	\$3.75 per 1,000 gallons
17,000 or more gallons .....	\$6.00 per 1,000 gallons
Commercial	
Customer Billing Charge .....	Based on meter size
Consumption Rate .....	\$3.85 per 1,000 gallons
University of Florida	
Customer Billing Charge .....	Based on meter size
Consumption Rate:	
On-campus facilities .....	\$2.43 per 1,000 gallons
Off-campus facilities.....	\$3.21 per 1,000 gallons
City of Alachua <sup>(1)</sup>	
Customer Billing Charge .....	Based on meter size
Consumption Rate .....	\$1.62 per 1,000 gallons
Wastewater Rates:	
Residential and Commercial	
Customer Billing Charge.....	\$9.10 per month
All Usage <sup>(2)</sup> .....	\$6.30 per 1,000 gallons

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<sup>(1)</sup> The System provides wholesale water service to Alachua for resale to four locations.

<sup>(2)</sup> 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 with Other Cities

The System's average water and wastewater charges in effect for the month of October 2018 are compared to those other Florida cities in the table below.

**Comparison of Monthly Residential Water  
and Wastewater<sup>(1)</sup>**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Gainesville Regional Utilities</b>	<b>\$30.50</b>	<b>\$53.20</b>	<b>\$83.70</b>
Ocala	16.27	45.20	62.07
Lakeland	24.62	47.69	72.31
Orlando	14.43	50.37	64.48
Tampa	21.04	44.08	65.12
Jacksonville	23.37	46.33	69.70
Pensacola (ECUA)	29.02	50.64	79.66
Tallahassee	25.16	61.19	86.35
Ft. Pierce	39.92	55.31	95.23

<sup>(1)</sup> Comparisons are based on 7,000 gallons of metered water and 7,000 gallons of wastewater treated and rates in effect for October 2018. Excludes all taxes, surcharges, and franchise fees. Sorted in ascending order by total charges.

Source: Prepared by the Finance Department of the System based upon published rates and charges and/or personal contact with utility representatives of the applicable system.

Surcharge

Non-exempt water customers residing within the City's corporate limits are assessed a 10% utility tax. Non-exempt water customers residing outside the City's corporate limits are assessed a 25% surcharge and pay a 10% County utility tax. There is no utility tax on wastewater. However, non-exempt wastewater customers residing outside the City's corporate limits are assessed a 25% surcharge. Effective October 1, 2001, water and wastewater connection charges were subject to the 25% surcharge imposed on non-exempt customers not residing within the City's corporate limits. This surcharge on connection fees was suspended for fiscal year 2015 and was re-implemented in fiscal year 2016.

Connection Charge Methodology

Beginning October 1, 2016, GRU made a change in its assessment of connection charges to more equitably distribute the costs of demand on the System to each customer based on their anticipated demand on the System. The change is intended to be revenue neutral for the System. New single family connections and small non-residential connections will continue to pay a Minimum Connection Charge, which is similar to how GRU currently charges for these small connections. Larger non-residential connections, with an estimated use greater than 280 gallons per day, will pay a flow-based connection charge. Multi-family connections will continue to pay flow-based connection charges and are not affected by these changes.

Calculation of the estimated average water use for a non-residential customer is based on the total square footage of the business multiplied by the water use coefficient to obtain gallons per day. If the average water use is estimated to be 280 gpd or less the Minimum Connection Charge will be

assessed. If the water use is estimated to be greater than 280 gpd the customer will pay a flow-based connection charge.

Effective October 1, 2018, transmission and distribution/collection system connection charges for individual lots are \$462 to connect to the water system and \$766 to connect to the wastewater system. Water and wastewater plant connection charges for individual lots are \$695 and \$2,631, respectively. The water meter installation charge is \$697 for a typical single family dwelling (requiring 3/4 inch meter). The total water system connection charges for a typical single family dwelling (requiring 3/4 inch meter) are \$1,854 for new water service and the total wastewater connection charges are \$3,397 for new wastewater service. Total water and wastewater connection charges for a typical single family dwelling are \$5,251. Additionally, effective in the fiscal year ended September 30, 2018, GRU implemented lower water and wastewater connection charges for single family homes smaller than 1,400 square feet heated and cooled. The total water connection charge for these homes is \$1,449 and the total wastewater connection charge is \$2,208. Also, there is a 25% surcharge applied to new connections located outside of the incorporated area of the City.

#### Infrastructure Improvement Area

The System's water and wastewater extension policy requires that new development projects pay the cost for the infrastructure improvements needed to serve them. Under this policy, developers typically design and install most of these improvements, with the System's review and approval, as part of the design and construction for their development projects. In some cases, the System may construct these improvements, with the developer reimbursing the System for the cost.

The City Commission, by adoption of Ordinance No. 110541 on April 7, 2016, established the "Innovation District Infrastructure Improvement Area." Within the designated area, the System developed a master plan for major water distribution and wastewater collection capacity improvements needed to facilitate current and anticipated future development. The System is constructing these improvements according to the master plan. The System has constructed \$1.14 million in water system improvements and \$2.34 million in wastewater collection system improvements as of the date of this Official Statement. The cost for these improvements will be recovered through "infrastructure improvement area user fees" which new development projects pay at the time of connection to the System. These user fees are calculated for each development project based on the size of the project and type of project. The user fees are set based on recovering the System's expenditures with interest over a 20 year period. The City Commission enacted Ordinance No. 160725 on March 16, 2017 increasing the fees for the improvement area.

#### Natural Gas System

Each of the System's various rates for natural gas service consists of a "base rate" component and a "purchased gas adjustment" component. The base rates are evaluated annually and adjusted as required to fund projected revenue requirements for each fiscal year. The purchased gas adjustment clause provides for increases or decreases in the charge for natural gas to cover increases or decreases in the cost of gas delivered to the System. The current purchased gas adjustment is calculated with a formula using a one-month forward-looking projection and a true-up of the second month preceding the actual fuel cost in the billing month.

The table below presents natural gas system base rate revenue requirements, purchased gas adjustment and total residential bill changes since 2014 and Management's most recent projections of

future base rate revenue requirements, purchased gas adjustment and total residential bill changes. The percentage changes shown 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) <sup>(1)</sup>	Percentage Purchased Gas Adjustment Revenue Increase/(Decrease) <sup>(2)</sup>	Total Bill Increase/(Decrease) <sup>(3)</sup>
<b>Historical</b>			
October 1, 2014	4.25 <sup>(4)</sup> %	4.10%	3.90%
October 1, 2015	4.75	(36.40)	(8.30)
October 1, 2016	9.00	(13.10)	4.40
October 1, 2017	0.00	0.00 <sup>(5)</sup>	0.00 <sup>(5)</sup>
October 1, 2018	0.00	34.08	6.10
<b>Projected<sup>(4)</sup></b>			
October 1, 2019	0.00%	2.00%	0.50%
October 1, 2020	0.00	2.00	0.50
October 1, 2021	0.00	2.00	0.50
October 1, 2022	0.00	2.00	0.50
October 1, 2023	0.00	2.00	0.50

<sup>(1)</sup> 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. For additional information on the MGP site, see "-- The Natural Gas System – Manufactured Gas Plant" above.

<sup>(2)</sup> Historical purchased gas adjustment revenue increase represents the change in weighted average purchased gas adjustment.

<sup>(3)</sup> Based on monthly residential bill at 25 therms.

<sup>(4)</sup> 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.

<sup>(5)</sup> Includes purchase gas adjustment increase equal to \$0.23 per therm.

Rates and Charges for Natural Gas Service

The current natural gas rates, effective October 1, 2018, are provided below by class of service:

Residential Service Rate	
Customer Charge .....	\$9.75 per month
Non-Fuel Energy Charge .....	\$0.63 per therm
Small Commercial Rate.....	
Customer Charge.....	\$20.00 per month
Non-Fuel Energy Charge.....	\$0.62 per therm
General Firm Service Rate	
Customer Charge .....	\$45.00 per month
Non-Fuel Energy Charge .....	\$0.44 per therm
Large Volume Interruptible Rate	
Customer Charge .....	\$400.00 per month
Non-Fuel Energy Charge .....	\$0.27 per therm
Manufactured Gas Plant Cost Recovery Factor (Applied to All Rate Classes)	\$0.0556 per therm

Customers in all classes are charged a purchased gas adjustment and the Manufactured Gas Plant Cost Recovery Factor. Chapter 203, Florida Statutes, imposes a 2.5% tax based on an index price applied to the quantity of gas billed. All non-exempt customers residing within the City's corporate limits pay a City utility tax of 10% on portions of their bill. All non-exempt customers not residing within the City's corporate limits pay a 10% County utility tax on portions of their bill and a 10% surcharge on portions of their bill. All non-residential taxable customers pay a State sales tax of 6% on portions of their bill. For firm customers, the minimum bill equals the customer charge.

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Comparison with Other Utilities

The System's average natural gas charges in effect for the month of October 2017 are compared to those for eleven other municipal and private natural gas companies (based on rates effective February 2018) in the following table. The System's gas rates are among the lowest in the State.

**Comparison of Monthly Natural Gas Bills<sup>(1)</sup>**

	Residential <u>25 therms</u>	General Firm <u>300 therms</u>	Large Volume <u>30,000 therms</u>
<b>Gainesville Regional Utilities</b>	<b>\$34.64</b>	<b>\$286.68</b>	<b>\$19,468.00</b>
Okaloosa Gas District	42.83	353.39	26,829.36
Tallahassee	35.85	345.24	21,607.41
Clearwater	43.50	397.00	29,050.00
City of Sunrise	44.74	378.60	19,218.65
Ft. Pierce	46.84	324.36	22,826.19
Kissimmee <sup>(2)</sup>	50.42	379.34	30,713.80
Lakeland <sup>(2)</sup>	50.42	379.34	30,713.80
Orlando <sup>(2)</sup>	50.42	379.34	30,713.80
Tampa <sup>(2)</sup>	50.42	379.34	30,713.80
Central Florida Gas	54.32	439.37	29,474.70
Pensacola	56.93	559.21	28,485.20

<sup>(1)</sup> Rates in effect for October 2018 applied to noted billing volume (excludes all taxes).

<sup>(2)</sup> Service provided by People's Gas.

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.

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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 October 2017, based upon (a) typical average usage by the System's residential customers by category of service and (b) standard industry benchmarks for average usage by residential customers.

**Comparison of Monthly Utility Costs<sup>(1)</sup>**

	Based Upon Typical Average Usage by Residential Customers <u>of the System<sup>(2)</sup></u>	Based Upon Standard Industry Usage Benchmarks <sup>(3)</sup>
Tampa	\$176.77	\$227.01
Kissimmee	180.02	220.32
Orlando	180.17	221.22
Lakeland	184.39	225.58
<b>Gainesville Regional Utilities</b>	<b>185.37</b>	<b>241.21</b>
Jacksonville	186.68	228.62
Tallahassee	182.92	231.28
Ocala	193.12	231.70
Clay County	193.60	232.37
Vero Beach	196.37	241.70
Ft. Pierce	200.21	253.90
Pensacola	212.66	272.27

<sup>(1)</sup> Based upon rates in effect for October 2018 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.

<sup>(2)</sup> Monthly costs of service have been calculated based upon typical average annual usage by residential customers of the System during the fiscal year ended September 30, 2018, as follows: for electric service: 800 kWh; for natural gas service: 20 therms; for water service: 5,000 gallons of metered water; and for wastewater service: 4,000 gallons of wastewater treated.

<sup>(3)</sup> 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.

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.

Since the System's rates for electric, water and wastewater service are designed to encourage conservation, average usage of those utility services by residential customers of the System are lower than the standard industry benchmarks for average 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 average usage by such customers, compares favorably to what the total monthly cost of such services would have been, calculated based upon such standard industry benchmarks.

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## Summary of Combined Net Revenues

The following table sets forth a summary of combined net revenues for the fiscal years 2014, 2015, 2016 and 2017, along with combined net revenue information for the nine-month period ended June 30, 2018. The information is derived from the audited financial statements of the City for the System. Such information should be read in conjunction with the City's audited financial statements for the System and the notes thereto for the fiscal years ended September 30, 2014, 2015, 2016, 2017 and 2018, referenced in APPENDIX B-1 attached hereto or in prior audited financial statements.

	Fiscal Years Ended September 30, (in thousands)				
	2014	2015	2016	2017	Unaudited 2018 <sup>(4)</sup>
<b>Revenues:</b>					
Electric	\$280,482	\$298,914	\$308,071	\$317,644	\$285,720
Water	31,827	32,524	33,818	35,091	36,868
Wastewater	36,052	38,261	42,346	44,185	46,155
Gas	25,801	24,111	24,325	21,925	21,279
GRUCom	10,694	12,600	11,744	11,450	11,210
Total Revenues	<u>\$384,856</u>	<u>\$406,410</u>	<u>\$420,304</u>	<u>\$430,295</u>	<u>\$401,232</u>
<b>Operation and Maintenance Expenses<sup>(1)</sup>:</b>					
Electric	\$203,506	\$217,082	\$225,290	\$235,525	\$177,687
Water	13,321	13,559	14,827	15,463	16,242
Wastewater	13,968	14,334	17,388	19,052	20,213
Gas	16,726	15,318	14,577	12,902	12,993
GRUCom	6,492	8,460	7,422	7,109	6,503
Total Operation and Maintenance Expenses	<u>\$254,013</u>	<u>\$268,753</u>	<u>\$279,504</u>	<u>\$290,051</u>	<u>\$233,638</u>
<b>Net Revenues:</b>					
Electric	\$76,976	\$81,832	\$82,781	\$82,119	\$108,034
Water	18,506	18,965	18,991	19,627	20,625
Wastewater	22,084	23,927	24,958	25,133	25,942
Gas	9,075	8,793	9,748	9,023	8,286
GRUCom	4,202	4,140	4,322	4,341	4,708
Total Net Revenues	<u>\$130,843</u>	<u>\$137,657</u>	<u>\$140,800</u>	<u>\$140,243</u>	<u>\$167,595</u>
Aggregate Debt Service on Bonds	\$54,860	\$55,461	\$55,822	\$55,989	\$89,236
Debt Service Coverage Ratio for Bonds	2.39	2.48	2.52	2.50	1.88
Debt Service on Subordinated Indebtedness <sup>(2)</sup>	<u>\$5,182</u>	<u>\$6,178</u>	<u>\$6,205</u>	<u>6,583</u>	<u>859</u>
Total Debt Service on Bonds and Subordinated Indebtedness	\$60,042	\$61,639	\$62,027	\$62,572	\$90,095
Debt Service Coverage Ratio for Bonds and Subordinated Indebtedness <sup>(3)</sup>	2.18 <sup>(3)</sup>	2.23 <sup>(3)</sup>	2.27 <sup>(3)</sup>	2.24 <sup>(3)</sup>	1.86 <sup>(3)</sup>

[Footnotes appear on following page]

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- (1) Includes administrative expenses. Excludes depreciation and amortization.
- (2) Excludes principal of maturing commercial paper notes which were paid from newly-issued commercial paper notes.
- (3) The historical debt service coverage calculation described above is based on the rate covenant described in "SECURITY FOR THE BONDS – Rates, Fees and Charges" herein. At the end of 2017, the DHR Biomass Plant was acquired using proceeds of the 2017 Series A Bonds, 2017 Series B Bonds and 2017 Series C Bonds. Coverage levels thereafter significantly dropped, in part, because of the debt which was necessary to finance the costs of such acquisition. It should also be noted that financial operations information in the table above only reflects ownership of the DHR Biomass Plant by the City for 327 of 365 days during the fiscal year ended September 30, 2018, so the 1.86x coverage figure would have been slightly lower had the City owned the DHR Biomass Plan for all 365 days. However, such acquisition is not expected to adversely affect the City's ability to pay debt service on the Outstanding Bonds, or to otherwise comply with any of its obligations under the Resolution, including the rate covenant. On the contrary, such acquisition improved financial results. In particular, the City is realizing future annual cash flow savings from elimination of payments pursuant to the PPA, taking into account new annual debt service on the 2017 Bonds. When debt service coverage gets calculated on a cash flow basis rather than pursuant to the Resolution, the coverage level is expected to increase. Also, see "PLAN OF FINANCE" herein. The debt restructuring described above and therein is more consistent with the useful lives of the assets financed thereby will reduce annual debt service in the near future providing opportunities for additional rate relief.
- (4) Unaudited.

Source: Prepared by the Finance Department of the System.

The operating results of the System reflect the results of past operations and are not necessarily indicative of results of operations for any future period. Future operations will be affected by factors relating to 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.

See also "Management's Discussion and Analysis" in the audited financial statements of the System referenced in APPENDIX B attached hereto. In addition, for a discussion of derivative transactions entered into by the System, see Note 9 to the audited financial statements of the System in APPENDIX B-1 attached hereto.

## **Management's Discussion of System Operations**

### Results of Operations

The operating results of the System reflect the results of past operations and are not necessarily indicative of results of operations for any future period. Future operations will be affected by factors relating to changes in rates, fuel 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.

For the electric system, base rate revenue requirements for the fiscal year ended September 30, 2015 decreased by 8.5%. For the fiscal year ended September 30, 2016, requirements were unchanged and remained unchanged through the fiscal year ended September 30, 2017. For fiscal years ended September 30, 2018 and 2019, revenue requirements increased by 2% each year as reflected in base rate charges. For the fiscal year ended September 30, 2015, the electric system deposited \$2.3 million, to the Rate Stabilization Fund. For the fiscal years ended September 30, 2016 and 2017, the electric system withdrew \$1.0 million and \$15.5 million, respectively, from the Rate Stabilization Fund. For the fiscal year ended September 30, 2018, the electric system withdrew approximately \$7.5 million from the Rate Stabilization Fund.

Energy sales (in MWh) to retail customers increased 1.4% per year from the fiscal year ended September 30, 2014 to the fiscal year ended September 30, 2018. The number of electric customers increased at an average annual rate of 1.17% for the fiscal years ended September 30, 2014 through and including 2018. Native load fuel costs for the electric system between the fiscal years ended September 30, 2015 and 2016, the electric fuel cost decreased each year by approximately \$1.0 million (1%). Between the fiscal years ended September 30, 2016 and 2017, fuel costs increased approximately \$6.67 million (4.3%). From the fiscal year ended September 30, 2015 to the fiscal year ended September 30, 2016 fuel revenues decreased by approximately \$10.2 million (7%).

For the fiscal years ended September 30, 2014 through and including 2018, natural gas sales increased by 1.96% per year. The number of gas customers increased at an annual rate of approximately 1.17% between fiscal years ended September 30, 2014 and 2018.

The base rate revenue requirement for the natural gas system remained unchanged for the fiscal year ended September 30, 2013, with a nominal increase of 0.85% for the fiscal year ended September 30, 2014. For the fiscal year ended September 30, 2015, base rate revenue requirement for the gas system was increased by 4.75%. For the fiscal years ended September 30, 2016 and 2017, the base rate revenue requirements were increased by 4.25% and 9.0%, respectively. Base rates were not changed for the fiscal year ended September 30, 2018 and 2019. For the fiscal year ended September 30, 2014, the natural gas system withdrew approximately \$1.0 million from the Rate Stabilization Fund. For the fiscal year ended September 30, 2015, the natural gas system deposited approximately \$1.6 million to the Rate Stabilization Fund. For the fiscal year ended September 30, 2016, the natural gas system withdrew approximately \$2.0 million from the Rate Stabilization Fund. For the fiscal year ended September 30, 2017, the natural gas system deposited approximately \$1.1 million to 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 ended September 30, 2003. The estimated remaining cost to be recovered is approximately \$17.0 million. See "-- The Natural Gas System – Manufactured Gas Plant" above. The MGP has billed at a rate of \$0.0556 per therm since October 1, 2014. Natural gas fuel cost decreased by approximately \$2.6 million (28%) between the fiscal years ended September 30, 2015 and 2016, and increased by approximately \$273 thousand (4%) between the fiscal years ended September 30, 2016 and 2017. 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 the purchased gas adjustment charge each month, any natural gas cost increases or decreases are offset by purchased gas adjustment revenues.

Water system sales are impacted by seasonal rainfall. For the fiscal year ended September 30, 2014 through and including 2018, sales increased by an average annual rate of 0.37% and customers grew 0.96%. Revenues from water sales increased by approximately \$4,534,106 for the fiscal year ended September 30, 2014 through and including 2018. The water revenue increases were primarily the result of

rate increases, kept moderate by low customer growth and slow sales growth due to price sensitivity and conservation efforts.

Water base rate revenue requirements were increased by 3.5% in the fiscal year ended September 30, 2013, 3.85% in the fiscal year ended September 30, 2014, 3.75% in each of the fiscal years ended September 30, 2015 and 2016, and for the fiscal year ending September 30, 2017, the base rate revenue requirement was increased by 3.0%. Base rates were not changed for the fiscal year ended September 30, 2018 and 2019. For the fiscal years ended September 30, 2015, 2016 and 2017, the water system contributed approximately \$2.4 million, \$3.3 million, and \$2.5 million, respectively, to the Rate Stabilization Fund.

Wastewater system billings generally track water system sales. From the fiscal year ended September 30, 2014 to 2018, the wastewater system billing volumes increased 0.99% per year. Revenues during this same period increased 14.4% due to the combination of billing volumes and base rate revenue requirement increases. Approximately 1.1% more wastewater was billed for the fiscal year ended September 30, 2018, as compared to fiscal year ended September 30, 2017.

Wastewater base rate revenue requirements were increased by 3.00% in the fiscal year ended September 30, 2013, 2.4% in the fiscal year ended September 30, 2014, 4.85% in each fiscal years ended September 30, 2015 and 2016, and for the fiscal year ending September 30, 2017 and 2018, the base rate revenue requirement remained unchanged.

For the fiscal years ended September 30, 2015, 2016 and 2017, the wastewater system deposited approximately \$2.9 million, \$2.1 million and \$850 thousand, respectively, to the Rate Stabilization Fund. GRUCom's sales have increased from \$10.5 million in fiscal year ended September 30, 2013 to \$11.2 million in fiscal year ended September 30, 2017. This is a 6.7% increase over this 4 year time period. Sales were \$11.2 million, \$10.9 million and \$11.7 million in fiscal years ended September 30, 2014, 2015 and 2016, respectively. For the fiscal year ended September 30, 2015, GRUCom withdrew approximately \$1.4 million from the Rate Stabilization Fund, GRUCom deposited approximately \$7,400 from the Rate Stabilization fund, for the fiscal year ended September 30, 2016 and for the fiscal year ended September 30, 2017, GRUCom withdrew approximately \$585 thousand from the Rate Stabilization Fund.

The debt service coverage ratio ("DSCR") is a financial ratio that measures a company's ability to service its current debts by comparing its net operating income with its total debt service obligations. See "THE SYSTEM – Summary of Combined Net Revenues " above which shows GRU's DSCR for year's fiscal year 2014 through and including fiscal year 2017 and partial year.

The operating results of the System reflect the results of past operations and are not necessarily indicative of results of operations for any future period. Future operations will be affected by factors relating to 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.

#### Liquidity Position

GRU periodically updates its liquidity targets based on an internal analysis of market, operating and other risk factors in order to determine an appropriate liquidity target for the System. Also see "Cash

Balance Policy" below which may impact such targets. The following table identifies this target as well as the sources of funds and accounts, to include available capacity in GRU's commercial paper program and the SunTrust Loan that can be used to meet this liquidity target:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>Cash Reserve Targets:</b>	\$73,600,000	\$75,800,000	\$78,100,000	\$80,400,000
Operating Cash	4,404,399	4,404,399	4,404,399	4,404,399
Rate Stabilization Fund	50,036,741	36,993,156	26,793,857	19,893,729
Utilities Plant Improvement				
Fund for Reserves	<u>28,000,815</u>	<u>28,004,478</u>	<u>33,220,997</u>	<u>36,271,525</u>
<b>Total Cash Reserves</b>	<b>\$82,441,955</b>	<b>\$69,402,033</b>	<b>\$64,419,253</b>	<b>\$60,569,653</b>
SunTrust Loan <sup>(1)</sup>	25,000,000	25,000,000	25,000,000	25,000,000
Tax-Exempt CP Lines <sup>(2)</sup>	125,000,000	125,000,000	125,000,000	125,000,000
Taxable CP Lines <sup>(2)</sup>	<u>25,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>
Total Liquidity and Lines	\$257,441,955	\$244,402,033	\$239,419,253	\$235,569,653
<b>Over(Under) Target</b>	<b>\$183,841,955</b>	<b>\$168,602,033</b>	<b>\$161,319,253</b>	<b>\$155,169,653</b>

<sup>(1)</sup> The expiration date of the SunTrust Loan is August 3, 2021.

<sup>(2)</sup> The fixed rate long-term financing of the outstanding commercial paper with proceeds of the 2019 Series A Bonds and the 2019 Series B Bonds will provide full capacity to issue commercial paper under both by tax-exempt and taxable programs at least until the respective credit facility expiration dates of November 30, 2021 and August 28, 2020, respectively, at which times GRU intends to seek extensions or replacements of both credit facilities.

Source: Prepared by the Finance Department of the System.

#### Transfers to General Fund

The City Commission established a General Fund transfer formula for the System for fiscal year 2015 through and including fiscal year 2019 pursuant to Resolution Number 140166, adopted on July 23, 2014. The General Fund transfer formula will be up for renewal beginning with the fiscal year ending September 30, 2020. The transfer formula established the base amount of the fiscal year 2015 transfer, less the amount of ad valorem revenue received each year by the City from the DHR Biomass Plant. The fiscal year ended September 30, 2015 base transfer amount increases each fiscal year over the period between fiscal year 2016 through fiscal year 2019 by 1.5%. The General Fund transfer for the fiscal year ended September 30, 2017 was equal to 7.8 % of the System's operating revenue.

This transfer formula is to be reviewed at least every other year by the System's staff and the City's General Government staff. The transfer amount may be paid from any part of the System's revenue or a combination thereof. The City Commission may modify the transfer amount or the transfer formula at any time. The City Commission is in the process of determining a new formula for the transfer for the fiscal year ending September 30, 2020 and thereafter.

The transfers to the General Fund made in the fiscal years ended September 30, 2012 through and including 2018 were as follows:

<u>Fiscal Years ended September 30,</u>	<u>Transfers to General Fund</u>	
	<u>Amount</u>	<u>% Increase/(Decrease)</u>
2012	\$36,004,958	2.2%
2013	36,656,458	1.8
2014	37,316,841 <sup>(1)</sup>	1.5
2015	34,892,425	(7.1)
2016	34,994,591	0.03
2017	35,814,010	2.3
2018	36,379,079	1.6

<sup>(1)</sup> Year ended September 30, 2014 was the last year of a four year agreement regarding General Fund transfer calculation methodology, where the agreed upon value was compared to prior formulaic calculation and a gain/loss sharing was applied.

Source: Prepared by the Finance Department of the System.

The projected transfers to the General Fund made in the fiscal years ended September 30, 2019 through and including 2020 are as follows:

<u>Fiscal Years ended September 30,</u>	<u>Projected Transfers to General Fund</u>	
	<u>Amount</u>	<u>% Increase/(Decrease)</u>
2019	\$38,285,000	5.2%
2020	38,285,000	-

Source: Prepared by the Finance Department of the System.

### Investment Policies

The System's investment policy provides for investment of its funds. The primary goals of the investment policy are (1) preservation of capital, (2) providing sufficient liquidity to meet expected cash flow requirements, and (3) providing returns commensurate with the risk limitations of the program. The System's funds are invested only in securities of the type and maturity as permitted by the Resolution, Florida Statutes and its internal investment policy. The System does not presently have, nor does it intend to acquire in the future, derivative or leveraged investments or investments in mortgage-backed securities. The System does not invest its funds through any governmental or private investment pool (including, without limitation, the Florida PRIME or the former Local Government Surplus Funds Trust Fund administered by the State's Board of Administration).

### Debt Management Policy

The System's debt management policy applies to all current and future debt and related hedging instruments issued by the System and approved by the City Commission. The purpose of the policy is to provide guidance for issuing and managing debt. The System debt is required to be managed with an overall philosophy of taking a long term approach in borrowing funds at the lowest possible interest cost. To achieve this goal, the System will continuously work towards developing an optimal capital structure, including the types of variable rate exposure, in view of the System's risk tolerance to market

fluctuations, capital market outlook, future capital funding needs, rating agency considerations, and counterparty credit profiles.

### Cash Balance Policy

GRU's staff has developed, in conjunction with their Financial Advisor, a Cash Balance Policy. The purpose of this policy is to review the economic and operational risks potentially facing GRU, and to identify an appropriate level of cash to reserve against these particular risks. The Cash Balance Policy will provide GRU with a recommended level of cash to reserve against such risks and also establish a higher and lower limit (+/-15 days of cash) for this recommended Cash Balance Policy. This range allows for flexibility to meet these targets based on the financial operations of the Utility. The Cash Balance Policy was reviewed by the Utility Advisory Board and by the City Commission in January 2019 and is expected to be approved and implemented in March 2019.

### Competition

In recent years, energy-related enterprises have become more influenced by the competitive pressures of an increasingly deregulated industry, especially the wholesale power market. The Florida retail electric system is under no immediate threat of market loss due to the current laws and regulations governing the supply of electricity in Florida, which presently prohibit any form of retail competition. The System's other enterprises currently are operating in competitive environments of one form or another. These competitive environments include the natural gas system by-pass and competition against other LP distributors and alternative fuel types, private wells, septic tanks and privately owned water and wastewater systems, and the entire telecommunications arena for GRUCom.

Management's response to the increasing competition in the wholesale power market (including interchange and economy sales), and the corollary open access changes in the electric transmission network has been to stay involved and form strategic alliances. These alliances fall into two categories, joint ventures and industry associations. The most significant joint venture the System is currently involved in is TEA, a Georgia nonprofit corporation established for power marketing, fuels procurement, and financial hedging and risk management (see "– The Electric System – Energy Sales – *The Energy Authority*" above). The System's staff is very involved with the American Public Power Association, the Florida Municipal Electric Association ("FMEA"), and FMPA. These industry associations have proven to be a powerful way to stay informed, plan, and help shape federal and state policies to protect customer interests and assure the fair treatment of municipal systems.

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 where 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 rebates and distribution system construction credits are employed to encourage and stimulate customer growth. In addition, temporary LP distribution systems may be constructed to encourage and rapidly accommodate the acquisition of a customer base that is just beyond an economic expansion of the natural gas distribution system. These LP systems and customer 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 the County.

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 a fully deregulated and competitive telecommunications environment. Management has taken a targeted approach to this enterprise, seeking opportunities that maximize use of System assets, which include widely deployed fiber optic communication facilities and existing elevated antenna structures (communications towers and water tanks), while also taking advantage of its professional employee expertise in areas of utility and public safety operations, information technology and its close working relationships within the local businesses community and the commercial property development industry. GRUCom primarily engages its customer markets as a business-to-business enterprise taking a consultative sales approach to solicit its services to private companies, governments, telecommunications carriers, major institutions and other similar commercial users of high volume voice, data and Internet bandwidth applications.

GRUCom also provides data center co-location services within its telecommunications central office building providing leased access to conditioned space, redundant power and building systems and highly available communications facilities. Tenants include private businesses and government agencies co-located for the purpose of off-site data back-up and storage, on-line hosting service providers co-located for the purpose of accessing reliable high-capacity Internet connectivity, and other Internet and telecommunications service providers who gain access to GRUCom's excellent local fiber transmission services at preferential rates available only to co-located resellers.

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.

Chilled water provides an additional revenue source, while providing a more efficient, cost effective cooling system that is consistent with environmental stewardship. The System's strategy for chilled water service does not depend on extensive distribution systems. Instead, each chilled water and

generation facility is located near the premises of the development. Additionally, the chilled water systems are modular and can be expanded incrementally as the customer base grows. This strategy will limit the System's exposure for stranded assets or investing in infrastructure without having full subscription to the available service, especially at a time when development has slowed significantly.

The Innovation District is an area of approximately 80 acres between the University of Florida's campus and downtown Gainesville that has been master planned and is being transformed into an area of high urban density to house and support scientific research and development and technology based businesses as well as residential, retail, and hospitality development. The Innovation District is currently a mixture of low density office, commercial and residential uses, and includes the former Shands at Alachua General Hospital ("AGH") site. The former Shands at AGH was demolished and the entire site is now called Innovation Square. The University of Florida has constructed a three-story building known as Innovation Hub on the site and has another building known as Innovation Hub Phase II under construction. Innovation Square is a research oriented development that forms the nucleus of the Innovation District. The Innovation District is projected to be comprised of approximately 3.7 million square feet of lab, business, residential, commercial, and institutional space. The System will have the opportunity to provide commercial power, emergency power, natural gas, water, wastewater, reclaimed water, chilled water, and telecommunication services to the Innovation District. The Innovation District is projected to constitute significant utility loads, including an electric load of more than 10 MW.

Redevelopment of the Innovation District is an ambitious undertaking and has required that basic utility infrastructure be upgraded to support the dense urban development that is envisioned. Redevelopment in and around downtown Gainesville, particularly when coupled with the University of Florida's international reputation as a premier scientific research institution, presents tremendous opportunities for economic growth.

In order to help facilitate development in the Innovation District the System has designated an Innovation District "Infrastructure Improvement Area" within which the System is constructing water distribution system and wastewater collection system capacity improvements according to a master plan. The System is charging an additional fee to new development projects within the area to recover its costs. This mechanism allows critical capacity improvements to be constructed as efficiently as possible. For more information, see "-- Rates—Water and Wastewater System—*Infrastructure Improvement Area*" above.

The System owns and operates a recently constructed facility, known as the Innovation Energy Center, dedicated to serve Innovation Square. The facility provides chilled water and emergency power for the Innovation Hub building and future buildings being planned for the Innovation Square development, under an exclusive provider contract with the University of Florida Development Corporation. The modular facility has a current capacity of 870 tons of chilled water with planned expansion to 7,000 tons as additional customers are connected to the facility.

Currently, there is no initiative and little indication of interest in pursuing retail electric deregulation either in Florida or nationwide. Management has a renewed focus on maintaining and improving the projected levels of Net Revenues, debt service coverage, and the overall financial strength of the System. To be successful at this, the System will require many of the same goals and targets necessary to be prepared for retail competition. These goals and targets relate to enhancing customer loyalty and satisfaction by providing safe and reliable utility services at competitive prices.

Ratings Triggers and Other Factors That Could Affect the System's Liquidity, Results of Operations or Financial Condition

The System has entered into certain agreements that contain provisions giving counterparties certain rights and options in the event of a downgrade in the System's credit ratings below specified levels and/or the occurrence of certain other events or circumstances. Given its current levels of ratings, Management does not believe that the rating and other credit-related triggers contained in any of its existing agreements will have a material adverse effect on the System's liquidity, results of operations or financial condition. However, the System's ratings reflect the views of the rating agencies and not of the System, and therefore, the System cannot give any assurance that its ratings will be maintained at current levels for any period of time.

Liquidity Support for the System's Variable Rate Bonds

The System 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:

<u>Series</u>	<u>Bank</u>	<u>Expiration</u>
2005C	Landesbank Hessen Thüringen Girozentrale	November 24, 2020
2006A	Landesbank Hessen Thüringen Girozentrale	November 24, 2020
2007A	State Street Bank and Trust Company	April 1, 2021
2008B	Barclays Bank PLC	June 29, 2020
2012B	Citibank, N.A.	June 29, 2020

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 the System for payment upon the occurrence of certain "events of default" with respect to the System 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, provides that it is an "event of default" on the part of the System thereunder if any of the ratings fall below "A2" (or its equivalent) by Moody's Investors Service, Inc. ("Moody's") and below "A" (or its equivalent) by S&P Global Inc. ("S&P"), or below "A" (or its equivalent) by Fitch Ratings, Inc. ("Fitch") or is withdrawn or suspended. The standby bond purchase agreement relating to the 2007 Series A Bonds provides that it is an "event of default" on the part of the System 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 agreements relating to the 2008 Series B Bonds and the 2012 Series B Bonds provide that it is an "event of default" on the part of the System thereunder if any rating on the 2008 Series B Bonds or any Parity Debt, without taking into account third-party credit enhancement, is withdrawn or suspended, in either case, for credit related reasons by Moody's, S&P and/or Fitch or reduced below "A2" (or its equivalent) by Moody's, "A"

(or its equivalent) by S&P or "A" (or its equivalent) by Fitch. 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.

Additionally, the City entered into a continuing covenant agreements relating to the 2017 Series B Bonds and the 2017 Series C Bonds with Wells Fargo Bank, National Association and Bank of America, N.A, respectively. The continuing covenant agreements relating to the 2017 Series B Bonds and the 2017 Series C Bonds provide that it is an "event of default" thereunder if any ratings to any Parity Debt (as defined in the respective continuing covenant agreement) (without taking into account third party credit enhancement) is withdrawn or suspended or reduced below "A2" (or its equivalent) by Moody's below "A" (or its equivalent) by S&P or by Fitch. It shall also be an "event of default" if each rating agency then rating Parity Debt shall have withdrawn or suspended its rating assigned to Parity Debt, in either case, for credit related reasons or such rating is reduced below investment grade.

*Liquidity Support for the System's Commercial Paper Program*

The System also has entered into separate credit agreements with certain commercial banks in order to provide liquidity support for the CP Notes. The CP Notes constitute Subordinated Indebtedness under the Resolution. If, on any date on which a CP Note of a particular series matures, the System 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 the principal of such maturing CP Note. The credit agreements for the Series C Notes and the Series D Notes currently have stated termination dates of November 30, 2021 and August 28, 2020, respectively, which dates are subject to extension in the sole discretion of the respective banks.

The credit agreements provide that, upon the occurrence and continuation of certain "tender events" on the part of the System thereunder, the banks may, among other things, (a) issue "No-Issuance Instructions" to the issuing agent for the CP Notes of the applicable series, instructing such paying agent not to issue any additional CP Notes of such series thereafter, (b) terminate the commitment and the applicable bank's obligation to make loans or (c) require immediate payment from the System for any outstanding principal and accrued interest due under the respective credit agreement.

With respect to the Series C Notes, among others, it is an immediate termination event under the related credit agreement if the ratings assigned to any of the System's Bonds fall below "Baa3" by Moody's, "BBB-" by S&P or "BBB-" by Fitch or are suspended or withdrawn for credit-related reasons.

With respect to the Series D Notes, among others, it is an immediate termination event under the related credit agreement if the ratings assigned to any of the System's Bonds fall below "Baa" by Moody's, "BBB-" by S&P or "BBB-" by Fitch or are suspended or withdrawn for credit-related reasons.

Any drawing made under a credit agreement bears interest at the rate per annum set forth in such credit agreement, which rate may be significantly higher than market rates of interest borne by the related CP Notes.

### Direct Placement Transactions

The City has entered into direct placement transactions with two different lenders under agreements with respect to the 2017 Series B Bonds and 2017 Series C Bonds. The current lenders are Wells Fargo Bank, N.A., for the 2017 Series B Bonds, and Bank of America, N.A., for the 2017 Series C Bonds.

For the 2017 Series B Bonds, the City has entered into a direct placement transaction with Wells Fargo, N.A, for a three year term maturing October 1, 2044 with put date on November 7, 2020. During the term of the transaction, the City will pay to the lender, a rate equal to 70% of the one-month LIBOR rate and an applicable spread of 35 basis points. Should the City's credit rating fall below "Aa3" from Moody's and/or 'AA-"from S&P, and/or "AA-"from Fitch, then the applicable spread will be increased by 15 bps with each notch drop. Additionally, a change in the corporate tax rate will cause a change in the applicable spread. As a result of the recent decrease in marginal corporate tax rate, the rate on the 2017 Series B Bonds was increased.

For the 2017 Series C Bonds, the City has entered into a direct placement transaction with Bank of America, N.A, for a three year term, maturing on October 1, 2047 with put date on November 7, 2020. During the term of the transaction, the City will pay to the lender, a rate equal to 70% of the one-month LIBOR rate and an applicable spread of 41 basis points. Should the City's credit rating fall below "Aa3" from Moody's and/or 'AA-"from S&P, and/or "AA-"from Fitch, then the applicable spread will be increased by 10 basis points with each notch drop. Additionally, a change in the corporate tax rate will cause a change in the applicable spread. As a result of the recent decrease in marginal corporate tax rate, the rate on the 2017 Series C Bonds was increased.

The City entered into a direct placement revolving line of credit transaction in a not to exceed amount of \$25 million with SunTrust with respect to the SunTrust Loan. It expires approximately three years from the date of issuance which expiration date is on August 3, 2021. During the term of the transaction, the City will pay the lender a rate equal to equal to 81% multiplied by the sum of the LIBOR Rate plus 1.85%, and subject to adjustment to reflect changes in the LIBOR Rate. Should the City's credit rating fall below "Baa1"/"BBB+" by all rating agencies then the interest rate may be increased.

### Interest Rate Swap Transactions

The City has entered into interest rate swap transactions with four different counterparties under interest rate swap master agreements with respect to the 2005 Series B Bonds, the 2005 Series C Bonds, the 2006 Series A Bonds, the 2007 Series A Bonds, the 2008 Series B Bonds and the 2017 Series B Bonds. The current counterparties are Goldman Sachs Mitsui Marine Derivative Products, L.P., JPMorgan Chase Bank, N.A., Goldman Sachs Bank, USA and Citibank, N.A.

For the 2005 Series B Bonds, the City entered into a floating-to-floating rate interest rate swap transaction (the "2005 Series B Swap Transaction") for a pro-rata portion of each of the maturities of the 2005 Series B Bonds. 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 and will receive from the counterparty a rate equal to 77.14% of the one-month LIBOR rate. GRU notes that the United Kingdom's Financial Conduct Authority ("FCA"), a regulator of financial services firms and financial markets in the U.K., has stated that they will plan for a phase out of LIBOR with a target end to the indices in 2021. The FCA has indicated they will no longer require the LIBOR indices be used after 2021, however LIBOR indices will

not be prohibited from being used after 2021. GRU also notes that the International Swaps and Derivatives Association ("ISDA") has not issued formal directives addressing the planned phase-out of LIBOR. As of the date of this publication, it is unclear what the overall impact will be on the expected phase out of the LIBOR indices and the resulting change due to the potential alternative reference rate. 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 effect of the 2005 Series B Swap Transaction was to synthetically convert 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. The counterparty to the 2005 Series B Swap Transaction (Goldman Sachs Mitsui Marine Derivatives Products L.P.) currently has a counterparty risk rating of "Aa2" from Moody's and a counterparty credit rating of "AA-" from S&P. When entered into, 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. On August 2, 2012, \$31,560,000 of the 2005 Series B Bonds were redeemed with proceeds from the issuance of the City's 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 the 2005 Series B Swap Transaction outstanding following the issuance of the 2012 Series B Bonds, as a partial hedge against the interest rate movements. It is anticipated that the remainder of the 2005 Series B Bonds will be redeemed with proceeds of the 2019 Series B Bonds. Since the City has other taxable Bonds Outstanding, the City will leave the 2005 Series B Swap Transaction outstanding following issuance of the 2019 Series B Bonds, as a partial hedge against interest rate movements. The 2005 Series B Swap Transaction is subject to early termination by the City or the counterparty at certain times and under certain conditions. The currently scheduled termination of the 2005 Series B Swap Transaction is October 1, 2021.

The City has entered into a floating-to-fixed rate interest rate swap transaction (the "2005 Series C Swap Transaction"). During the term of the 2005 Series C Swap Transaction, the City will pay to the counterparty a fixed rate of 3.20% per annum and will receive from the counterparty a rate equal to 60.36% of the ten-year LIBOR swap rate. Initially, the term of the 2005 Series C Swap Transaction was identical to the term of the 2005 Series C Bonds, and the notional amount of the 2005 Series C Swap Transaction was scheduled to amortize at the same times and in the same amounts as the 2005 Series C Bonds. The effect of the 2005 Series C Swap Transaction was to synthetically fix the interest rate on the 2005 Series C Bonds at a rate of approximately 3.20% per annum, although the City bears basis risk which could result in a realized rate over time that may be lower or higher than the 3.20% rate. The counterparty (JPMorgan Chase Bank) currently has a counterparty credit rating of "Aa3" from Moody's and a counterparty credit rating of "A+" from S&P. The City has designated the 2005 Series C Swap Transaction as a "Qualified Hedging Transaction". On August 2, 2012, \$17,570,000 of the 2005 Series C Bonds were redeemed with proceeds from the issuance of the 2012 Series B Bonds. The City left the 2005 Series C Swap Transaction outstanding following the issuance of the 2012 Series B Bonds, as a partial hedge against the interest rate movements. It is expected that all or a portion of the outstanding 2005 Series C Bonds will be refunded with proceeds of the 2019 Series C Bonds. Since the City has other taxable Bonds Outstanding, the 2005 Series C Swap Transaction will remain outstanding following issuance of the 2019 Series C Bonds as a partial hedge against interest movements. The 2005 Series C Swap Transaction is subject to early termination by the City or the counterparty at certain times and under certain conditions. The currently scheduled termination of the 2005 Series C Swap Transaction is October 1, 2026.

In September 2005, the City entered into a forward-starting floating-to-fixed rate interest rate swap transaction (as amended, the "2006 Series A Swap Transaction"). During the term of the 2006 Series A Swap Transaction, the City will pay to the counterparty a fixed rate of 3.224% per annum and will receive from the counterparty a rate equal to 68% of the ten-year LIBOR swap rate minus 36.5 basis points. The effect of the 2006 Series A Swap Transaction was to synthetically fix the interest rate on the 2006 Series A Bonds at a rate of approximately 3.224% per annum, although the City bears basis risk, which could result in a realized rate over time that may be lower or higher than the 3.224% rate. Initially, the term of the 2006 Series A Swap Transaction was identical to the term of the 2006 Series A Bonds, and the notional amount of the 2006 Series A Swap Transaction was scheduled to amortize at the same times and in the same amounts as the 2006 Series A Bonds. The counterparty to the 2006 Series A Swap Transaction (Goldman Sachs Mitsui Marine Derivatives Products L.P.) currently has a counterparty risk rating of "Aa2" from Moody's and a counterparty credit rating of "AA-" from S&P. The City has designated the 2006 Series A Swap Transaction as a "Qualified Hedging Transaction". On August 2, 2012, \$25,930,000 of the 2006 Series A Bonds were redeemed with proceeds from the issuance of the 2012 Series B Bonds. The City left that portion of the 2006 Series A Swap Transaction outstanding as a partial hedge against the interest rate movements. Since the City has other taxable Bonds Outstanding, it is expected that all or a portion of the outstanding 2006 Series A Bonds will be refunded with proceeds of the 2019 Series C Bonds. The 2006 Series A Swap Transaction will remain outstanding following issuance of the 2019 Series C Bonds as a partial hedge against interest movements. The 2006 Series A Swap Transaction is subject to early termination by the City or the counterparty at certain times and under certain conditions. The currently scheduled termination of the 2006 Series A Swap Transaction is October 1, 2026.

The City has entered into a floating-to-fixed rate interest rate swap transaction (the "2007 Series A Swap Transaction") with respect to the 2007 Series A Bonds. The term of the 2007 Series A Swap Transaction is identical to the term of the 2007 Series A Bonds, and the notional amount of the 2007 Series A Swap Transaction will amortize at the same times and in the same amounts as the 2007 Series A Bonds. During the term of the 2007 Series A Swap Transaction, the City will pay to the counterparty a fixed rate of 3.944% per annum and will receive from the counterparty a rate equal to the SIFMA Municipal Swap Index. The effect of the 2007 Series A Swap Transaction is to synthetically fix the interest rate on the 2007 Series A Bonds at a rate of approximately 3.944% per annum. The counterparty to the 2007 Series A Swap Transaction (Goldman Sachs Mitsui Marine Derivatives Products L.P.) currently has a counterparty risk rating of "Aa2" from Moody's and a financial program rating of "AA-" from S&P. The City has designated the 2007 Series A Swap Transaction as a "Qualified Hedging Transaction" within the meaning of the Resolution. Since the City has other taxable Bonds Outstanding, it is expected that all or a portion of the outstanding 2007 Series A Bonds will be refunded with proceeds of the 2019 Series C Bonds. The 2007 Series A Swap Transaction will remain outstanding following issuance of the 2019 Series C Bonds as a partial hedge against interest movements. The 2007 Series A Swap Transaction is subject to early termination by the City or the counterparty at certain times and under certain conditions. The currently scheduled termination of the 2007 Series A Swap Transaction is October 1, 2036.

The City has entered into two floating-to-fixed rate interest rate swap transactions (the "2008 Series B Swap Transactions") with respect to the 2008 Series B Bonds. The terms of the 2008 Series B Swap Transactions are identical to the term of the 2008 Series B Bonds, and the notional amount of the 2008 Series B Swap Transactions will amortize at the same times and in the same amounts as the 2008 Series B Bonds. During the terms of the 2008 Series B Swap Transactions, the City will pay to the counterparty a fixed rate of 4.229% per annum and will receive from the counterparty a rate equal to the SIFMA Municipal Swap Index. The effect of the 2008 Series B Swap Transactions is to synthetically fix the

interest rate on the 2008 Series B Bonds at a rate of approximately 4.229% per annum. The counterparty to the 2008 Series B Swap Transactions (JPMorgan Chase Bank) currently has a counterparty risk rating of "Aa3" from Moody's and a financial program rating of "A+" from S&P. The City has designated each of the 2008 Series B Swap Transactions as a "Qualified Hedging Transaction" within the meaning of the Resolution. Since the City has other taxable Bonds Outstanding, it is expected that all or a portion of the outstanding 2008 Series B Bonds will be refunded with proceeds of the 2019 Series C Bonds. The 2008 Series B Swap Transaction will remain outstanding following issuance of the 2019 Series C Bonds as a partial hedge against interest movements. The 2008 Series B Swap Transactions are subject to early termination by the City or the counterparty at certain times and under certain conditions. The currently scheduled termination of the 2008 Series B Swap Transaction is October 1, 2038.

As detailed above, the interest rates on the 2012 Series B Bonds are hedged, in part, by the 2005 Series B and C Swap Transaction as well as the 2006 Series A Swap Transaction. However, it is expected that all or a portion of the 2012 Series B Bonds will be refunded with proceeds of the 2019 Series C Bonds.

The City has entered into a cancellable floating-to-fixed rate interest rate swap transaction (the "2017 Series B Swap Transaction") with respect to the 2017 Series B Bonds. The two counterparties for this swap transaction are Citigroup, N.A. and Goldman Sachs Bank USA. In the aggregate, terms of the 2017 Series B Swap Transactions are similar to the term of the 2017 Series B Bonds, and the notional amounts of the 2017 Series B Swap Transactions will amortize at the same times and in the same amounts as the 2017 Series B Bonds. Where Goldman Sachs Bank, USA is the counterparty, during the term of this 2017 Series B Swap Transaction, the City will pay a fixed rate per annum of 2.119% and GRU will receive from the counterparty a rate equal to 70% of 1 month LIBOR. The current notional amount with respect to Goldman Sachs Bank, USA is \$105,000,000. Where Citibank N.A. is the counterparty, during the term of this 2017 Series B Swap Transaction, the City will pay to Citibank, N.A., a fixed rate per annum of 2.11% and GRU will receive from the counterparty a rate equal to 70% of 1 month LIBOR. The effect of the 2017 Series B Swap Transaction is to synthetically fix the interest rate on the 2017 Series B Bonds. As discussed below, there is now a basis differential due to the rate changing on the 2017 Series B Bonds due to the decrease in marginal corporate tax rate. The City has designated the 2017 Series B Swap Transaction as a "Qualified Hedging Transaction" within the meaning of the Resolution. The 2017 Series B Swap Transaction is subject to early termination by the City or the counterparty or counterparties at certain times and under certain conditions. The currently scheduled termination of the 2017 Series B Swap Transaction is October 1, 2044. However, the City has an optional early terminate date of October 1, 2027 and semiannually thereafter, subject to early termination terms. The parties entered into a bilateral Credit Support Annex to which eligible collateral includes cash or Treasury securities having a remaining maturity on such date of one year or less, Treasury securities having a remaining maturity on such date greater than one up to and including five years or Treasury securities having a remaining maturity on such date of greater than five years up to and including ten years. The threshold amount for posting collateral is based upon the counterparty's or counterparties' long term unsecured and unenhanced debt ratings from S&P and Moody's and the City's credit ratings on senior lien Bonds. If the credit ratings drop below BBB- by S&P and Baa3 by Moody's, the threshold shall be \$0.

In December of 2017, the President signed the Tax Cuts and Jobs Act into law. One provision of this law was to change the maximum corporate tax rate from 35% to 21%. Based on the agreements underlying the 2017 Series B Bonds, there was an adjustment to the percent of LIBOR that GRU pays on the 2017 Series B Bonds. The effect was to change the index associated with the 2017 Series B Bonds from 70% of 1 Month LIBOR to 85% of 1 Month LIBOR (which also resulted in an adjustment to the Applicable Spread (as defined in the 2017 Series B Bonds)). Due to this change, the underlying index for the bonds

no longer matches the underlying index for the 2017 Series B Swap Transaction. GRU does not believe these changes are material in nature.

Under the master agreements, the interest rate swap transactions entered into pursuant to such master agreements are subject to early termination upon the occurrence of certain "events of default" and upon the occurrence of certain "termination events." One such "termination event" with respect to the Bonds is a suspension or withdrawal of certain credit ratings with respect to the Bonds, or a downgrade of such ratings below the levels set forth in the master agreement or in the confirmation related to a particular interest rate swap transaction. Upon the early termination of an interest rate swap transaction, the City may owe the applicable counterparty a termination payment, the amount of which could be substantial. The amount of any such potential termination payment would be determined in the manner provided in the applicable master agreement and would be based primarily upon prevailing market interest rate levels and the remaining term of the interest rate swap transaction at the time of termination. Such termination payments are Subordinated Hedging Contract Obligations pursuant to the terms of the Resolution. In general, the ratings triggers on the part of the System contained in the master agreements range from (x) if any two ratings are below "Baa2" by Moody's and/ or "BBB" by S&P and/ or "BBB" by Fitch to (y) if the City fails to have at least one rating of "Baa3" by Moody's, "BBB-" by S&P or "BBB-" by Fitch.

The System's estimated aggregate exposure under all of its outstanding interest rate swap transactions (*i.e.*, the net amount of the termination payments that the System will owe its counterparties if all of the interest rate swap transactions were terminated) is \$47,373,357.18 as of December 31, 2018. As of September 30, 2017, the System's estimated aggregate exposure under all of its then outstanding interest rate swap transactions (*i.e.*, the net amount of the termination payments that the System would owe its counterparties if all of the interest rate swap transactions were terminated) was \$64,101,764.72. As of September 30, 2016, the System's estimated aggregate exposure under all of its then outstanding interest rate swap transactions (*i.e.*, the net amount of the termination payments that the System would owe its counterparties if all of the interest rate swap transactions were terminated) was \$93,138,518.72. As of September 30, 2015, the System's estimated aggregate exposure under all of its then outstanding interest rate swap transactions was \$77,042,766.58. As of September 30, 2014, the System's estimated aggregate exposure under all of its then outstanding interest rate swap transactions was \$55,103,516.23. Termination payments are Subordinated Hedging Contract Obligations pursuant to the terms of the Resolution.

The System adopted Governmental Accounting Standards Board ("GASB") Statement No. 53, Accounting and Reporting for Financial Reporting and Derivative Instruments, which addresses the recognition, measurement and disclosure of information for derivative instruments, and was effective for periods beginning after June 15, 2009. GASB Statement No. 53 requires retrospective adoption, which requires a restatement of the financial statements for the earliest year presented. GASB Statement No. 53 requires the fair market value of derivative instruments, 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.

The System records assets and liabilities in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, which determines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurement.

Fair value is defined in Statement No. 72 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique.

As a basis for considering market participant assumptions in fair value measurements, Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. U.S. Treasury securities are examples of Level 1 inputs.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. U.S. agencies, corporate bonds and financial hedges are examples of Level 2 inputs.

Level 3 inputs are unobservable inputs that reflect GRU's own assumptions about factors that market participants would use in pricing the asset or liability (including assumptions about risk).

Valuation methods of the primary fair value measurements are as follows:

Investments in debt securities are valued using Level 2 measurements because the valuations use interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and consider the counterparty credit rating.

Commodity derivatives, such as futures, swaps and options, which are ultimately settled using prices at locations quoted through clearinghouses are valued using level 1 inputs.

Other hedging derivatives, such as swaps settled using prices at locations other than those quoted through clearinghouses and options with strike prices not identically quoted through a clearinghouse, are valued using Level 2 inputs. For these instruments, fair value is based on pricing algorithms using observable market quotes.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. GRU's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their place within the fair value hierarchy levels. GRU's fair value measurements are performed on a recurring basis.

### **Funding the Capital Improvement Program - Additional Financing Requirements**

The System's current five-year capital improvement program requires a total of approximately \$349 million in capital expenditures in the fiscal years ending September 30, 2019 through and including 2023, and does not include the DHR Biomass Plant acquisition described above. Such amount was funded in part from Revenues and approximately \$147 million of additional Bonds (including additional

commercial paper notes which are Subordinated Indebtedness). The following table shows the sources of funding for the fiscal years ending September 30, 2019 through and including 2023:

<b>Source of Funds:</b>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Total</u>
Bond Financing	\$33,000,000	\$57,000,000	\$34,500,000	\$8,000,000	\$14,500,000	\$147,000,000
Revenues	51,000,000	43,000,000	37,500,000	40,000,000	30,500,000	202,000,000
<b>Total Sources</b>	<b>\$84,000,000</b>	<b>\$100,000,000</b>	<b>\$72,000,000</b>	<b>\$48,000,000</b>	<b>\$45,000,000</b>	<b>\$349,000,000</b>

Source: Prepared by the Finance Department of the System.

The table above represents GRU's planned future capital improvements to the System and the planned sources of funds. Future City Commission approved budgets could materially change the sources and uses of funds for the capital improvement program.

### **Factors Affecting the Utility Industry**

#### General

The primary factors currently affecting the utility industry include environmental regulations, Operating, Planning and Critical Infrastructure Protection Standards promulgated by NERC under FERC jurisdiction, and the increasing strategic and price differences among various types of fuels. No state or federal legislation is pending or proposed at this time for retail competition in Florida.

The role of municipalities as telecommunications providers pursuant to the 1996 Federal Telecommunications Act resulted in a number of state-level legislative initiatives across the nation to curtail this activity. In Florida, this issue culminated in the passage, in 2005, of legislation codified in Section 350.81, Florida Statutes (Section 350.81) that defined the conditions under which municipalities are allowed to provide retail telecommunications services. Although the System has special status as a grandfathered entity under this legislation, the provision of certain additional retail telecommunications services by the System would implicate certain requirements of Section 350.81. Management of the System does not expect that any required compliance with the requirements of Section 350.81 would have a material adverse effect on the operations or financial condition of GRUCom.

#### Environmental and Other Natural Resource Regulations

The System and its operations are subject to federal, state and local environmental regulations which include, among other things, control of emissions of particulates, mercury, acid gases, SO<sub>2</sub> and NO<sub>x</sub> into the air; discharges of pollutants, including heat, into surface or ground water; the disposal of wastes and reuse of products generated by wastewater treatment and combustion processes; management of hazardous materials; and the nature of waste materials discharged into the wastewater system's collection facilities. Environmental regulations generally are becoming more numerous and more stringent and, as a result, may substantially increase the costs of the System's 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, 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 finalizing on August 3, 2015 carbon regulations, the Clean Power Plan, for existing power plants. Currently, the Clean Power Plan is being litigated and August 10, 2017, the United States Court of Appeals for the D.C. Circuit issued an order holding the challenges to the greenhouse gas new source performance standards ("GHG NSPS") in abeyance "pending further order of the court." The order also directs EPA to file status reports at 90-day intervals beginning October 27, 2017. Further litigation is expected regardless of the DC Circuit Court of Appeals decision. In addition, the EPA has been given presidential direction to review the Clean Power Plan. The court has also ordered the parties to file supplemental briefs addressing whether the challenges should be remanded to the EPA rather than held in abeyance. The briefs were filed on May 15, 2017.

On October 16, 2017, the proposed repeal of the Clean Power Plan was published in the Federal Register. Hearings were held November 28 and 29, 2017 in West Virginia. On January 11, 2018, the comment period extended to April 26, 2018 and three listening sessions were held in February and March in Missouri, California and Wyoming. The Whitehouse OMB received the EPA's proposal to replace the CPP on July 9, 2018. Then, on August 21, 2018, EPA proposed the Affordable Clean Energy (ACE) plan as a replacement to the CPP. It is currently under review.

### 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<sub>2</sub> and NO<sub>x</sub> from existing and new fossil-fueled electric generating plants, (2) provisions related to toxic or hazardous pollutants, and (3) requirements to address regional haze.

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 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 Cross-State Air Pollution Rule (CSAPR)

On July 6, 2011, the EPA released its final Cross-State Air Pollution Rule ("CSAPR"). This rule is the final version of the Transport Rule and replaces Clean Air Interstate Rule ("CAIR"). In Florida, only ozone season NO<sub>x</sub> emissions are regulated by CSAPR through the use of allowances.

Various states, local governments, and other stakeholders challenged CSAPR and, on August 21, 2012, a three-judge panel of the D.C. Circuit Court, by a 2-1 vote, held that the EPA had exceeded its statutory authority in issuing CSAPR and vacated CSAPR along with certain related federal implementation plans. As part of its holding, the D.C. Circuit Court panel held that the EPA should continue to administer the original CAIR program until the EPA promulgates a valid replacement.

On July 28, 2015, the D.C. Circuit ruled that Florida's allowance budget is invalid and remanded CSAPR to the EPA. On October 26, 2016 EPA published, in the *Federal Register* at 81 Fed. Reg. 74504, an update to the CSAPR to address the 2008 Ozone National Ambient Air Quality Standards ("NAAQS"). For three states (North Carolina, South Carolina and Florida), the EPA is removing the states from the CSAPR ozone season NO<sub>x</sub> trading program because modeling for the Final Rule indicates that these states do not contribute significantly to ozone air quality problems in downwind states under the 2008 ozone NAAQS. Therefore, GRU did not have to meet ozone season limits in 2018 and, most likely, will not in 2019.

### EPA's Rule Establishing 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 ("EGU"). 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<sub>2</sub> and NO<sub>x</sub>. On November 25, 2014, the United States Supreme Court accepted certiorari to hear challenges to the mercury rules.

On June 29, 2015, the U.S. Supreme Court issued a 5-to-4 decision reversing a prior D.C. Circuit decision to uphold MATS for electric generating units. *Michigan, et al. v. EPA, et al., No. 14-46 ("Michigan v. EPA")*. The Court granted review on a single issue: "Whether the Environmental Protection Agency unreasonably refused to consider costs in determining whether it is appropriate to regulate hazardous air pollutants emitted by electric utilities." Writing for the majority, Justice Scalia held that EPA "strayed far beyond" the "bounds of reasonable interpretation" when the Agency interpreted the Clean Air Act to mean that it "could ignore costs when deciding to regulate power plants." The Court remanded the case to the D.C. Circuit Court for further proceedings consistent with the Court's opinion. On August 10, 2015, EPA stated in a motion filed with the D.C. Circuit Court that the EPA then planned to revise its "appropriate and necessary" determination for MATS by the spring of 2016, prior to the extended MATS compliance deadline of April 15, 2016. The EPA also stated that it intended to request that the D.C. Circuit Court remand the rule without vacatur while the EPA works on this revision. Since the D.C. Circuit Court did not vacate the rule, the MATS rule is still in effect.

On April 14, 2016, the Administrator of the EPA signed the final supplemental finding in the MATS rule. The new "appropriate and necessary" finding responds to the U.S. Supreme Court decision in *Michigan v. EPA*, and explains how the EPA has taken cost into account in evaluating whether it is

appropriate and necessary to regulate coal- and- oil-fired EGUs under Section 112 of the Clean Air Act (the "CAA"). The EPA still concludes it is proper to regulate mercury emissions from power plants.

On May 6, 2016, the EPA filed a brief urging the U.S. Supreme Court to deny a *writ of certiorari* filed by 20 states, which requested that the Court review and reverse a decision by the U.S. Court of Appeals for the D.C. Circuit Court to remand MATS to the EPA without vacating the rule. According to the EPA's brief, the Supreme Court should deny review of whether MATS should have been vacated while the EPA made its "appropriate and necessary" finding because the issue was then moot since the EPA had issued the finding. Additionally, the EPA argued that the CAA, not the Administrative Procedure Act, governs whether MATS should have been vacated, and the CAA does not mandate vacatur of a rule on remand. Rather, the EPA argued that the CAA gives a court discretion on whether to vacate a remanded rule based on the circumstances. Finally, the EPA asserted that the D.C. Circuit Court was correct in not vacating MATS on remand because the EPA could quickly remedy the legal deficiency and vacating the rule would have been harmful to the public because it would have allowed an increase in emissions of hazardous air pollutants from EGUs.

Murray Energy became the first party to appeal the final MATS Appropriate and Necessary Finding, filing its petition for review on April 25, 2016, the same day the rule was published in the *Federal Register*. 81 Fed. Reg. 24,420 (Apr. 25, 2016). All petitions for review of the Finding must have been filed in the D.C. Circuit Court no later than June 24, 2016. As of this deadline, six petitions for review were filed in the D.C. Circuit Court and consolidated under the lead case *Murray Energy Corp. v. EPA*, No. 16-1127.

On October 14, 2016, the D.C. Circuit Court issued orders establishing the briefing schedule for the challenge related to MATS. In *Murray v. EPA*, 16-1127 (D.C. Cir.), industry petitioners challenge the EPA's supplemental determination that it was "appropriate and necessary" to regulate emissions of hazardous air pollutants from electric generating units.

On April 27, 2017, the D.C. Circuit Court granted the EPA's motions to postpone oral argument in the challenge to the EPA's supplemental determination that it was "appropriate and necessary" to regulate emissions of hazardous air pollutants from electric generating units ("Supplemental Finding"), *Murray v. EPA*, No. 16-1127 (D.C. Cir.), as well as in industry's challenge to the EPA's denial of administrative petitions for reconsideration of MATS, *ARIPPA v. EPA*, No. 15-1180 (D.C. Cir.). Oral argument in both cases was previously scheduled for May 18, 2017.

The court also ordered both challenges held in abeyance "pending further order of the court." EPA is directed to file status reports with the court every ninety (90) days. The parties will be directed to file motions to govern future proceedings within thirty (30) days of the EPA notifying the court and the parties of any action it has or will be taking with respect to the Supplemental Finding and the MATS reconsideration petitions.

So far, since the MATS program became effective on April 16, 2015, DH 2 (the only unit MATS applies to) has complied with all requirements.

#### 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<sub>2</sub> and NO<sub>x</sub> 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 (including Florida), 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 Facilities – 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<sub>2</sub> and NO<sub>x</sub> emissions that potentially contribute to regional haze.

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.

The reasonable further progress ("RFP") section of Florida's regional haze state implementation plan, which has been approved by EPA, applies to DH 2. The System has voluntarily requested a cap on SO<sub>2</sub> emissions, which provides DH 2 with an exemption from the RFP section. A draft permit from the FDEP was issued on June 1, 2012 approving the System's requested cap on SO<sub>2</sub> emissions, and the final permit was issued on June 26, 2012.

#### Internal Combustion Engine MACT

On August 20, 2010, the EPA published a final rule for the National Emissions Standards for Hazardous Air Pollutants for Reciprocating Internal Combustion Engines, which covers existing stationary spark ignition reciprocating internal combustion engines located at major sources of hazardous air pollutant emissions such as power plant sites. This final rule, which became effective on October 19, 2010, requires the reduction of emissions of hazardous air pollutants from covered engines. Several of the System's reciprocating engines are covered by this rule and all are in full compliance.

#### Climate Change

On June 25, 2013, President Obama issued a Presidential Memorandum directing the EPA to work expeditiously to complete GHG standards for the power sector. The agency is using its authority under Section 111(d) of the Clean Air Act to issue emission guidelines to address GHG emissions from existing power plants. The Presidential Memorandum specifically directed the EPA to build on state leadership, provide flexibility and take advantage of a wide range of energy sources and technologies towards building a cleaner power sector. It also directed the EPA to issue proposed GHG standards, regulations or guidelines, as appropriate, for existing power plants by no later than June 1, 2014, and issue final standards, regulations or guidelines, as appropriate, by no later than June 1, 2015. In addition, the Presidential Memorandum directed the EPA to include in the guidelines, addressing existing power plants, a requirement that states submit to the EPA the implementation plans required under Section 111(d) of the Clean Air Act and its implementing regulations by no later than June 30, 2016. States would

be able to request more time to submit complete implementation plans with the EPA being able to allow states until June 30, 2017 or June 30, 2018, as appropriate, to submit additional information completing the submitted plan no later than June 30, 2016.

Accordingly, on June 2, 2014, the EPA released a proposed rule, the Clean Power Plan Rule, that would limit and reduce carbon dioxide emissions from certain fossil fuel power plants, including existing plants. Finally, on August 3, 2015, the EPA released the final version of such rule, and on October 23, 2015, EPA published in the *Federal Register* the GHG existing source performance standards for power plants (the "Clean Power Plan"), and the final NSPS for GHG emissions from new, modified and reconstructed fossil fuel-fired power plants. The final Clean Power Plan was published at 80 Fed. Reg. 64662, and the final GHG NSPS were published at 80 Fed. Reg. 64510.

On October 23, 2015, the American Public Power Association ("APPA") and the Utility Air Regulatory Group ("UARG") filed a joint petition for review of the EPA's final Section 111(d) rule to regulate carbon dioxide ("CO<sub>2</sub>") emissions from existing electric generating sources in the D.C. Circuit Court. In addition, the state of West Virginia joined by Texas, Alabama, Arkansas, Colorado, Florida, Georgia, Indiana, Kansas, Kentucky, Louisiana, Michigan, Missouri, Montana, Nebraska, New Jersey, Ohio, South Carolina, South Dakota, Utah, Wisconsin, Wyoming, the Arizona Corporation Commission, and the North Carolina Department of Environmental Quality also filed their motion to stay the final Section 111(d) rule under the Clean Air Act. Such a stay would put implementation of the rule on hold until the court decides on its legality.

On January 26, 2016, 29 states requested that the U.S. Supreme Court stay implementation of the final GHG Clean Power Plan or Clean Power Plan (80 Fed. Reg. 64662 - Oct. 23, 2015), pending judicial review of the rule. On February 9, 2016, the Supreme Court granted the stay of the Clean Power Plan pending judicial review of the rule. The stay will remain in effect pending Supreme Court review if such review is sought. Since the US Supreme Court stayed the EPA rulemaking on the Clean Power Plan, that extraordinary action will delay any regulatory action. GRU continues to closely monitor any activities with respect to Climate Change and GHGs.

The D.C. Circuit Court issued an order on April 28, 2017, holding the consolidated Clean Power Plan cases in abeyance for sixty (60) days. The D.C. Circuit Court is requiring the EPA to file status reports concerning its ongoing regulatory deliberations at thirty (30) days intervals. The court also asked the parties to file supplemental briefs by May 15, 2017 addressing whether the judicial process should be ended and the matter should be remanded to the EPA.

On August 10, 2017, the United States Court of Appeals for the D.C. Circuit issued an order holding the challenges to the greenhouse GHG NSPS in abeyance "pending further order of the court. The order also directs EPA to file status reports at 90-day intervals beginning October 27, 2017.

On October 10, 2017, the EPA Administrator signed a rule proposing the repeal of the Clean Power Plan and on October 16, 2017 the proposed repeal of the Clean Power Plan was published in the *Federal Register*. On November 2, 2017, a hearing was announced for November 28 and 29, 2017 in West Virginia. On January 11, 2018, the comment period extended to April 26, 2018 and three listening sessions were announced for February and March in Missouri, California, and Wyoming.

With respect to a replacement rule, the Advance Notice of Proposed Rulemaking for the Clean Power Plan replacement was published on December 28, 2017. The Whitehouse OMB received the EPA's

proposal to replace the CPP on July 9, 2018. Then, on August 21, 2018, EPA proposed the Affordable Clean Energy (ACE) plan as a replacement to the CPP. It is currently under review.

### Coal Combustion Products

The EPA published a final rule (40 CFR 257), effective October 14, 2015, to regulate the disposal of coal combustion residuals ("CCR") as solid waste under subtitle D of the Resource Conservation and Recovery Act ("RCRA"). The rule includes national minimum criteria for existing and new CCR landfills and existing and new CCR surface impoundments. GRU is subject to the requirements of the promulgated rule that are applicable to CCR ponds and landfill at Deerhaven.

On May 1, 2017, EPA Administrator Scott Pruitt sent a letter informing states that the EPA is working on guidance for implementing state permitting programs that allow flexibility in individual permits to manage the safe disposal of coal combustion residuals, known as CCR or "coal ash." The EPA expects that its new guidance will allow for the safe disposal and continued beneficial use of coal ash, while enabling states to decide what works best for their environment. GRU, through the Florida Electric Power Coordinating Group, made contact with FDEP's Tim Bahr on May 2, 2017 and he confirmed that the EPA shared some draft CCR permit program materials (draft FAQs, draft checklist, etc.) last week. The FDEP is planning to discuss that internally. The EPA has not finished drafting the guidance document that is intended to assist States in ensuring that their permit program applications are complete. This guidance has been published in the Federal Register. GRU continues to closely follow developments related to CCR regulations.

FCG has requested FDEP to apply to EPA for program approval through FDEP's incorporation by reference of the federal CCR Rule, in the Department's rules, which may include Florida specific provisions.

### Storage Tanks

GRU 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. GRU 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, two of which are empty and out of service, and two above-ground No. 6 oil tanks which are empty and out of service. DH has one above-ground distillate and two above-ground No. 6 oil tanks, one of which is out of service. All of GRU's fuel storage tanks have secondary containment and/or interstitial monitoring and GRU is insured for the requisite amounts.

### Remediation Sites

Several site investigations have been completed at the JRK Station, most recently in 2011. According to previous assessments, the horizontal extent of soils impacted with No. 6 fuel oil extends from the northern containment wall of the aboveground storage tanks to the wastewater filter beds and from the old plant building to Sweetwater Branch Creek. The results of the most recent soil assessment document the presence of Benzo[a]pyrene in one soil sample at a concentration greater than its default commercial/industrial direct exposure based soil cleanup target levels ("SCTL"). Four of the soil samples contained Benzo[a]pyrene equivalents at concentrations greater than its default commercial/industrial

direct exposure based SCTLs. In addition, two of the soil samples contained total recoverable petroleum hydrocarbons at concentrations greater than its default commercial/industrial direct exposure based SCTLs.

In the Site-Wide Monitoring Report dated March 24, 2011, measurable free product was detected in four wells. An inspection in April 2013 showed that groundwater contains four of the polynuclear aromatic hydrocarbons ("PAH") (Benzo[a]anthracene, Benzo[a]pyrene, Benzo[b]fluoranthene, and Dibenzo[a,h]anthracene) at concentrations greater than their groundwater cleanup target levels ("GCTL"). With the exception of Benzo[a]pyrene, the concentration of the remainder of these parameters did not exceed their Natural Attenuation Default Concentrations. The groundwater quality data reported in the 2011 Site-Wide Groundwater Monitoring Report documents that groundwater quality meets applicable GCTLs at the locations sampled. It is likely that groundwater quality impacts exist in the area where residual number 6 Fuel Oil is present as a non-aqueous phase liquid.

Following the submittal of the August 2013 No Further Action Proposal, the FDEP prepared comments regarding the No Further Action Proposal and provided them to GRU in a letter dated January 10, 2014.

In August of 2014, GRU provided responses to the FDEP's January 2014 comment letter.

In March of 2016, an attempt was made to meet with the FDEP, but a time was not set up for a meeting. The delay in responding to GRU's comments was due in part to the FDEP waiting on resolution of the request to use an active hydraulic containment system as an engineering control. Ultimately, the FDEP rejected the use of the active containment system as an engineering control.

On April 17, 2017, the FDEP provided comments on GRU's August 2014 response to the FDEP January 2014 comment letter.

ECT prepared a response to the FDEP's comments which was submitted to the FDEP on October 19, 2018. The FDEP requested further assessment of the extent of No. 6 fuel oil in the subsurface. ECT's response proposed additional soil investigation to assess the extent of No. 6 fuel oil; both as a non-aqueous phase liquid and as stained soils. ECT also proposed temporarily shutting down the groundwater recovery system and evaluating whether free product returns to the wells. This information will be used to evaluate what actions will be needed to recover free product, if any is detected.

### 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 (2) 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.

#### 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. The System has received final approval of its Remedial Action Plan which entailed the excavation and landfilling of impacted soils at a specially designed facility. This plan was implemented pursuant to a Brownfield Site Rehabilitation Agreement with the State. Following remediation, the property has been redeveloped by the City as a park with stormwater ponds, nature trails, and recreational space, all of which were considered in the remediation plan's design. The duration of the groundwater monitoring program will be for the duration of the permit, and that timeframe is open to the results of what the sampling data shows.

Based upon GRU's analysis of the cost to clean up this site, GRU has accrued a liability to reflect the costs associated with the cleanup effort. During fiscal years ended September 30, 2017 and 2016, expenditures which reduced the liability balance were approximately \$1.1 million and \$1.0 million, respectively. The reserve balance at September 30, 2017 and 2016 was approximately \$814,000 and \$629,000, respectively.

GRU is recovering the costs of this cleanup through customer charges. A regulatory asset was established for the recovery of remediation costs from customers. Through fiscal years ended September 30, 2018 and 2017, customer billings were \$1.3 million and \$1.1 million, respectively, and the regulatory asset balance was \$11.7 million and \$13.1 million, respectively.

Although some uncertainties associated with environmental assessment and remediation activities remain, GRU believes that the current provision for such costs is adequate and additional costs, if any, will not have an adverse material effect on GRU's financial position, results of operations, or liquidity.

## Wholesale and Retail Electric Restructuring

### Energy Policy Act of 2005

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 nine functional categories and must comply with all standards applicable to those categories:

- Balancing Authority
- Distribution Provider
- Generation Owner
- Generation Operator
- 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. In addition to the NERC O&P reliability standards, GRU must comply with NERC's Critical Infrastructure Protection ("CIP") standards which helps ensure the cyber and physical security of GRU's Bulk Electric System ("BES"). In November, 2017, 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 identified two (2) violations, both of which were treated as "compliance exceptions" by FRCC, meaning that no penalties are levied. The System's next on-site reliability compliance audit is anticipated to occur in November, 2020.

### FERC Order 779

FERC Order 779 was issued in May 2013 to deal with the establishment of Geomagnetic Disturbances ("GMD") reliability standards in two stages. Stage one became effective in April 2015 and required the development and implementation of operating procedures that mitigate the impact of GMD events. Stage two (Notice of Proposed Rulemaking, May 14, 2015) will require that the transmission system will be planned in a manner to mitigate the risks associated with GMD events such as system instability and/or uncontrolled separation. FERC Order 779 will have a minor impact on the System.

### FERC Order 1000

FERC Order 1000 became effective sixty (60) days after publication of the final order in the Federal Register, August 11, 2011. Order 1000 affects transmission planning and cost allocation requirements and drives reform in three areas: planning, cost allocation and non-incumbent developers.

Planning element reforms:

- Each public utility transmission provider must participate in the development of a regional transmission plan.
- Regional and local transmission plans are to be driven by state or federal laws or regulation. Transmission needs and associated solutions are to be weighed against those requirements.
- Neighboring transmission regions are to coordinate the satisfaction of mutual transmission needs (efficiency and cost).

Cost allocation reforms:

- Each public utility transmission provider must participate in a regional cost sharing allocation method for the selected transmission solution.
- A similar cost allocation is required when neighboring transmission regions select an interregional solution.
- Participant finding is permitted. However, it may not be the regional or interregional allocation schema.

Developer reforms:

- With certain limitations, public utility providers must remove from their tariffs a federal right of first refusal for a regional transmission plan needs solution for the purposes of cost allocation.
- The reliability and service requirements of incumbent transmission providers may be dependent upon regional transmission infrastructure. The order requires the reevaluation of the regional transmission plan and the identification of alternative transmission solutions should the delay in infrastructure development adversely impact system reliability and/or the delivery of required services.

The System is a full participant in the regional transmission planning process through the FRCC.

Impact of Hurricane Irma

On September 10, 2017, the State of Florida was impacted by Hurricane Irma. At approximately 9:00 a.m., the center of Hurricane Irma made landfall at Cudjoe Key in the lower Florida Keys as a Category 4 storm, according to the National Weather Service. The center of Hurricane Irma made a second landfall as a Category 3 storm, at approximately 3:30 p.m., near Marco Island, which is located approximately 300 miles southwest of the City. The City recorded sustained winds of 70 mph along with approximately 12 inches of rain in the local area in a 24 hour period. As expected, due to the winds, rain and local area flooding, electric service and other outages were experienced. At the peak of the storm, about 46,000 customers were without power. GRU worked to restore power to approximately 84% of those customers without power within 48 hours after restoration efforts began, and 100% of those who lost service during the storm were restored by September 18, 2017. Any residual outages as a result of trees downed subsequent to the storm were dealt with on a case-by-case basis.

While there was some isolated structural damage and local area flooding, the electric system sustained no significant damage. None of GRU's power generating assets were damaged by the hurricane and the majority of the buildings were undamaged.

There were 50 customers that experienced a disruption to their drinking water service due to isolated incidents such as overturned trees. These individual customers were issued Precautionary Boil Water Notices and their water services were quickly restored. The overall water system maintained system pressure and delivered safe water throughout the incident.

The extreme rainfall and flooding had the biggest impact to the wastewater system. The flooding resulted in significant inflow of stormwater and floodwaters into the collection system which resulted in comingled wastewater and stormwater overwhelming portions of the collection system. There were numerous locations that the collection system experienced overflows. GRU and private pumpers hauled over 13.8 million gallons of stormwater and wastewater from the collection system to mitigate release impact and help bring the system back to normal operation. During the hurricane and in the following days, it is estimated that approximately 3.5 million gallons of combined stormwater and wastewater were released from the collection system. It is estimated that approximately 80% (or 2.8 mg) of the release was stormwater and 20% (or 0.7 mg) was wastewater. Additionally, GRU lost power to 92 of the 170 wastewater lift stations. However, GRU was able to utilize 41 generators to keep such lift stations operational. GRU restored power to most of the GRU served lift stations by September 12, 2017. There was minimal impact to customers.

GRU coordinated with Alachua County Environmental Protection Department and the Alachua County Department of Health throughout the response and recovery to ensure public health and safety and environmental health. Immediately following the storm, GRU provided an initial notice of wastewater releases to the Florida Department of Environmental Protection ("FDEP") through the State Watch Office and the FDEP Pollution Public Notification website. Environmental assessment teams were deployed throughout the service area and regular regulatory updates and notification of significant operational changes were provided through email and FDEP Storm Tracker. On September 20, 2017, a final update was provided to all regulatory agencies summarizing environmental assessments and release volumes.

In response to wastewater overflows due to Hurricane Irma, FDEP has issued Consent Orders to numerous utilities across the State. The Florida Statutes do not offer regulatory relief for wastewater overflows for any reason, including force majeure. Since GRU responded aggressively and followed prudent utility practices to protect public health and safety and the environment, FDEP issued a Short Form Consent Order (SFCO) without Corrective Actions. The SFCO includes civil penalties based on the releases. In lieu of paying the civil penalties, GRU has elected to execute an In-Kind project that will improve the wastewater collection system. In addition, GRU is committed to reducing inflow and infiltration in the wastewater collection system and is in the process of conducting a Resiliency Study. This study will identify critical areas for infrastructure improvements and will help GRU prioritize future capital improvements. Projects identified through this study will be incorporated into the capital improvement budget and will help mitigate future wastewater releases. These projects are not included in the capital improvement plan in "—Funding the Capital Improvement Plan" below.

The water and wastewater systems did not experience any significant damage to the facilities as a result of the storm.

GRU continues to analyze the System in order to determine if any additional capital improvements will be needed. Initial assessments indicate that the System did not sustain any material infrastructure damage. Overall, the System remains in good condition. Costs associated with any necessary repairs, in addition to the extraordinary operational costs incurred as a result of the power outages, are preliminarily estimated to be approximately \$5.5 million.

As a result of the temporary loss of service, the City estimates an initial loss of revenue in the approximate amount of \$1.1 million, which is based upon the loss of electric service to active customers for a period of four (4) days. The impact on the customer base caused by wind and flood damage from Hurricane Irma appears to be minimal.

In addition to federal aid that may be received to assist with offsetting potential costs and loss of revenues, GRU has property insurance, including loss of income insurance, and flood insurance. GRU will be aggressively pursuing all possible insurance claims and federal aid, including FEMA reimbursements. The City also has funds in the amount of approximately \$68 million in its Rate Stabilization Fund, as well as funds in the amount of \$41 million in unrestricted cash, that can be applied, if necessary, to pay for any damages, costs, or lost revenues that GRU may incur as a result of Hurricane Irma's impacts to the System. Based on past experience, the City expects FEMA reimbursements to approximate 75% of the expenditures.

As of September 22, 2017, electric, water, wastewater and GRUcom service was restored to 100% of the service area.

At the present time, the City does not believe the impacts of Hurricane Irma will materially adversely affect its ability to pay debt service on the 2019 Series C Bonds.

#### Plant Vogtle Litigation

JEA and the City of Jacksonville, Fla., recently filed a complaint in Florida state court for declaratory judgment regarding a power purchase agreement in place with MEAG Power since 2008. The power purchase agreement is tied to the expansion project at Plant Vogtle, a nuclear power generating facility in Georgia. Under the power purchase agreement, MEAG Power agreed to sell JEA a portion of the output of Plant Vogtle Units 3 and 4, two new nuclear generation units under construction in Burke County, Georgia. MEAG Power subsequently filed a breach of contract lawsuit against JEA. JEA and the City of Jacksonville believe the agreement violates the Constitution of the State of Florida and should be declared void and unenforceable.

JEA filed a petition with FERC asking it to make a number of legal determinations related to the power purchase agreement between JEA and MEAG Power. In the petition, JEA asked FERC to declare that it has jurisdiction over the power purchase agreement (and the transactions therein) under Section 201(b)(1) of the Federal Power Act ("FPA"), even though MEAG Power and JEA are each exempt from regulation by FERC as "public utilities" under Section 201(f) of the FPA. FERC did not accept JEA's petition.

#### Other Risk Factors

The future financial condition of the System could be affected adversely by, among other things, legislation, environmental and other regulatory actions as set forth above, changes in demand for

services, economic conditions, demographic changes, and litigation. In addition to those items listed in the preceding sentence, some of the possible changes in the future may include, but not be limited to, the following:

1. The City's electric, water and wastewater facilities are subject to regulation and control by numerous federal and state governmental agencies. Neither the City nor its consultants can predict future policies such agencies may adopt. Future changes could result in the City having to discontinue operations at certain facilities or to make significant capital expenditures and could generate substantial litigation. See "THE SYSTEM" above for more information.

2. Estimates of revenues and expenses contained in this Official Statement and the realization of such estimates, are subject to, among other things, future economic and other conditions which are unpredictable and which may adversely affect such revenues and expenses, and in turn, the payment of the 2019 Series C Bonds.

### **TAX MATTERS**

General. In the opinion of Bond Counsel, under existing law, interest on the 2019 Series C Bonds is excludable from gross income for federal income tax purposes. Further, Bond Counsel has expressed no opinion regarding the state tax consequences that may arise with respect to the 2019 Series C Bonds.

The Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the 2019 Series C Bonds in order for the interest thereon to be and remain excludable from gross income for federal income tax purposes. Examples include: the requirement that, unless an exception applies, the City rebates certain excess earnings on proceeds and amounts treated as proceeds of the 2019 Series C Bonds to the United States Treasury Department; restrictions on the investment of such proceeds and other amounts; and certain restrictions on the ownership and use of the facilities financed or refinanced with the proceeds of the 2019 Series C Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied subsequent to the issuance of the 2019 Series C Bonds to maintain the exclusion of interest on the 2019 Series C Bonds from gross income for federal income tax purposes. Failure to comply with such requirements may cause the inclusion of interest on the 2019 Series C Bonds in the gross income of the holders thereof for federal income tax purposes, retroactive to the date of issuance of the 2019 Series C Bonds. The City has covenanted to comply with each such requirement of the Code that must be satisfied subsequent to the issuance of the 2019 Series C Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The opinion of Bond Counsel is subject to the condition that the City complies with all such requirements. Bond Counsel has not been retained to monitor compliance with the described post-issuance tax requirements subsequent to the issuance of the 2019 Series C Bonds.

Bond Counsel gives no assurance that any future legislation or clarifications or amendments to the Code, if enacted into law or otherwise become effective, will not cause the interest on the 2019 Series C Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent the 2019 Series C Bondholders from realizing the full current benefit of the tax status of the interest on the 2019 Series C Bonds. During recent years, legislative proposals have been introduced in Congress, and in some cases have been enacted, that have altered or could alter certain federal tax consequences of owning obligations similar to the 2019 Series C Bonds. In some cases, these proposals have contained provisions

that were to be applied on a retroactive basis. It is possible that legislation could be introduced that, if enacted, could change the federal tax consequences of owning the 2019 Series C Bonds and, whether or not enacted, could adversely affect their market value. Prospective purchasers of the 2019 Series C Bonds are encouraged to consult their own tax advisors regarding any pending or proposed federal legislation, as to which Bond Counsel expresses no view.

As to certain questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the City and certificates of appropriate officers and public officials (including certifications as to the use of proceeds of the 2019 Series C Bonds and of the property financed or refinanced thereby).

Reference is made to the proposed form of the opinion of Bond Counsel attached hereto as "APPENDIX E – Form of Bond Counsel Opinion" for the complete text thereof. See also "LEGAL MATTERS" herein.

Alternative Minimum Tax. An alternative minimum tax is imposed by the Code on certain taxpayers other than corporations (as defined for federal income tax purposes). Interest on the 2019 Series C Bonds will not be treated as an item of tax preference for purposes of the alternative minimum tax. Interest on the 2019 Series C Bonds will therefore not be included in the alternative minimum taxable income of taxpayers other than corporations.

Original Issue Premium. The 2019 Series C Bonds maturing on \_\_\_\_\_ 1 in the years 20\_\_ through and including 20\_\_ (collectively, the "Tax-Exempt Premium Bonds") have been sold to the public at an original issue premium. Section 171(a) of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Tax-Exempt Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a Tax-Exempt Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(a)(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Tax-Exempt Premium Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Tax-Exempt Premium Bond and not as interest.

The federal income tax treatment of original issue premium under the Code, including the determination of the amount of amortizable bond premium that is allocable to each year, is complicated and holders of Tax-Exempt Premium Bonds should consult their own tax advisors in order to determine the federal income tax consequences to them of purchasing, holding, selling or surrendering Tax-Exempt Premium Bonds at their maturity.

Original Issue Discount. The 2019 Series C Bonds maturing on \_\_\_\_\_ 1 in the years 20\_\_ through and including 20\_\_ (collectively, the "Tax-Exempt Discount Bonds") have been sold to the public at an original issue discount. Generally, the original issue discount is the excess of the stated redemption price at maturity of such a Tax-Exempt Discount Bond over the initial offering price to the public (excluding underwriters and related parties thereto) at which price a substantial amount of that maturity of the Tax-Exempt Discount Bonds was sold. Under existing law, an appropriate portion of any original issue discount, depending in part on the period a Tax-Exempt Discount Bond is held by the purchaser thereof, will be treated for federal income tax purposes as interest that is excludable from gross income rather

than as taxable gain. Original issue discount will not be treated as an item of tax preference for purposes of the alternative minimum tax.

Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compounded basis. The amount of original issue discount that accrues to an owner of a Tax-Exempt Discount Bond, who acquires the Tax-Exempt Discount Bond in this initial offering, during any accrual period generally equals (i) the issue price of such Tax-Exempt Discount Bond plus the amount of original issue discount accrued in all prior accrual periods multiplied by (ii) the yield to maturity of such Tax-Exempt Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Tax-Exempt Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such Tax-Exempt Discount Bond. Proceeds received from the sale, exchange, redemption or payment of a Tax-Exempt Discount Bond in excess of the owner's adjusted basis (as increased by the amount of original issue discount that has accrued and has been treated as tax-exempt interest in such owner's hands), will be treated as a gain from the sale or exchange of such Tax-Exempt Discount Bond and not as interest.

The federal income tax consequences from the purchase, ownership and redemption, sale or other disposition of Tax-Exempt Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Owners of Tax-Exempt Discount Bonds should consult their own tax advisors with respect to the consequences of owning Tax-Exempt Discount Bonds, including the effect of such ownership under applicable state and local laws.

Other Tax Consequences. Prospective purchasers of the 2019 Series C Bonds should be aware that ownership of the 2019 Series C Bonds may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S Corporations and foreign corporations, individuals entitled to receive the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2019 Series C Bonds. Prospective purchasers of the 2019 Series C Bonds should also be aware that ownership of the 2019 Series C Bonds may result in adverse tax consequences under the laws of various states. Bond Counsel has not expressed an opinion regarding the collateral federal income tax consequences that may arise with respect to the 2019 Series C Bonds. Further, Bond Counsel has expressed no opinion regarding the state tax consequences that may arise with respect to the 2019 Series C Bonds. Prospective purchasers of the 2019 Series C Bonds should consult their tax advisors as to the collateral federal income tax and state tax consequences to them of owning the 2019 Series C Bonds.

The federal income tax consequences from the purchase, ownership and redemption, sale or other disposition of 2019 Series C Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Holders of 2019 Series C Bonds, should consult their own tax advisors with respect to the consequences of owning 2019 Series C Bonds, including the effect of such ownership under applicable state and local laws.

Information Reporting and Backup Withholding. Interest paid on tax-exempt bonds, such as the 2019 Series C Bonds, is subject to information reporting to the Internal Revenue Service in a manner

similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the 2019 Series C Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of 2019 Series C Bonds, under certain circumstances, to "backup withholding" at the fourth lowest rate applicable to unmarried individuals with respect to payments on the 2019 Series C Bonds and proceeds from the sale of 2019 Series C Bonds. Any amounts so withheld would be refunded or allowed as a credit against the federal income tax of such owner of 2019 Series C Bonds. This withholding generally applies if the owner of 2019 Series C Bonds (i) fails to furnish the paying agent (or other person who would otherwise be required to withhold tax from such payments) such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnishes the paying agent an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the paying agent or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the 2019 Series C Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding and the procedures for obtaining exemptions.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE 2019 SERIES C BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE 2019 SERIES C BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE 2019 SERIES C BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Reference is made to the proposed form of the opinion of Bond Counsel attached hereto as "APPENDIX E – Form of Opinion of Bond Counsel" for the complete text thereof. See also "LEGAL MATTERS" herein.

## RATINGS

The City has received short term ratings from Moody's and Fitch of "\_\_\_\_" and "\_\_\_" respectively. The short term ratings on the 2019 Series C Bonds were assigned solely based on the Liquidity Facility. On the date of issuance, the 2019 Series C Bonds received underlying ratings of "\_\_\_", "\_\_\_" and "\_\_\_" from S&P, Moody's and Fitch, respectively, without regard to any credit enhancement. On November 19, 2015, S&P downgraded the underlying rating to "AA-". Such underlying ratings were then affirmed by Fitch in November, 2016 and then again on October 20, 2017, and by S&P and Moody's in December, 2016. On September 26, 2017, Moody's downgraded the underlying rating from "Aa2" to "Aa3". The rating agencies have not been asked to update such underlying ratings in connection with the subject remarketing.

An explanation of the significance of any rating or outlook may be obtained only from the rating agency furnishing the same, at the following addresses: S&P Global Inc., 55 Water Street, New York, New York 10041; Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; and Fitch Ratings, Inc., One State Street Plaza, New York, New York 10004. Such rating agencies may have obtained and considered information and material which have not been included in this Official Statement. The ratings reflect only the respective views of such rating agencies, and the City makes no representation as to the appropriateness of the ratings. Generally, rating agencies base their ratings on the information and materials furnished to them and on investigations, studies and

assumptions by the rating agencies. An explanation concerning the significance of the ratings given may be obtained from the respective rating agency.

There is no assurance that such ratings will be in effect for any given period of time or that such ratings will not be revised upward or downward or withdrawn entirely by such rating agencies if, in the judgment of such rating agencies, circumstances so warrant. Neither the Remarketing Agent nor the City has undertaken any responsibility to assure the maintenance of the rating or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of ratings on the 2019 Series C Bonds may result in the suspension or termination of the Liquidity Facility. See "THE INITIAL LIQUIDITY FACILITY" herein.

### **LITIGATION**

There is no litigation or other proceeding pending or, to the knowledge of the City, threatened in any court, agency or other administrative body (either state or federal) in any way questioning or affecting (i) the proceedings under which the 2019 Series C Bonds will be issued, (ii) the validity of any provision of the 2019 Series C Bonds or the Resolution, (iii) the pledge by the City under the Resolution, (iv) the legal existence of the City or (v) the authority of the City to own and operate the System and to set utility rates.

In addition to the action described above, the City is also party to various federal, state and local claims, proceedings and lawsuits for damages claimed to result from the operation of the City and the System. Except as described above, neither the City Attorney believe that, individually or in the aggregate, the proceedings associated with 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 or the City's ability to pay debt service on the 2019 Series C Bonds.

### **CONTINGENT FEES**

The City has retained Bond Counsel, Disclosure Counsel and the Financial Advisor with respect to the mandatory tender of the 2019 Series C Bonds. Payment of the fees of such professionals is contingent upon the tender and remarketing of the 2019 Series C Bonds.

### **LEGAL MATTERS**

Certain legal matters incident to the issuance of the 2019 Series C Bonds are subject to the legal opinion of Holland & Knight LLP, Lakeland, Florida, as Bond Counsel, a form of which is attached to this Official Statement as APPENDIX E. The signed legal opinion dated and premised on law in effect as of the date of original delivery of the 2019 Series C Bonds, will be delivered to the Underwriter at the time of original delivery. Certain legal matters are also being passed upon for the City by Nicolle M. Shalley, Esq., City Attorney, Bryant Miller Olive P.A., Tampa, Florida, as Disclosure Counsel to the City, and Nixon Peabody LLP, New York, New York, as counsel to the Underwriter.

Holland & Knight LLP, Bond Counsel, has not undertaken independently to verify and therefore expresses no opinion with respect to the information or statements contained herein or in the Appendices attached hereto, except as to the accuracy of the portions thereof captioned "SECURITY FOR THE BONDS" and "THE 2019 SERIES C BONDS" to the extent those sections purport to summarize certain provisions of the Resolution and the Thirty-First Supplemental Resolution, and except as to the accuracy

of the information under the caption "TAX MATTERS." No opinion is expressed by Bond Counsel as to any financial or statistical data or information included in such sections.

The proposed text of the legal opinion of Bond Counsel is set forth in APPENDIX E. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date and subsequent distribution of it by recirculation of the Official Statement or otherwise shall create no implication that subsequent to the date of the opinion, Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion. Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances, including changes in law, which may thereafter occur or become effective.

The legal opinions delivered in connection with the 2019 Series C Bonds express the professional judgment of the attorneys rendering the opinions regarding the legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment of the transaction on which the opinion is rendered or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

#### UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter") is purchasing the 2019 Series C Bonds from the City at an aggregate purchase price of \$\_\_\_\_\_ (representing the par amount of the 2019 Series C Bonds of \$\_\_\_\_\_ plus/less an original issue premium/discount of \$\_\_\_\_\_ and less an Underwriter's discount of \$\_\_\_\_\_). The Underwriter's obligations are subject to certain conditions precedent, and they will be obligated to purchase all the 2019 Series C Bonds if any 2019 Series C Bonds are purchased. The Underwriter has furnished the information on the inside cover page of this Official Statement pertaining to the offering prices of the 2019 Series C Bonds. The 2019 Series C Bonds may be offered and sold to certain dealers (including the Underwriter and other dealers depositing such 2019 Series C Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed from time to time, by the Underwriter.

The Underwriter and its respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriter and its affiliates may have certain creditor and/or other rights against the issuer and its affiliates in connection with such activities. In the various course of their various business activities, the Underwriter and its respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any

time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The Underwriter and its respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriter and its respective affiliates have provided, and may in the future provide, a variety of these services to the City and to persons and entities with relationships with the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

#### **FINANCIAL STATEMENTS**

The audited financial statements of the System as of September 30, 2018 and for the year then ended, included in APPENDIX B attached to this Official Statement as a matter of public record and the consent of Purvis, Gray & Company LLP, independent auditors (the "Auditor") to include such documents was not requested. The Auditor was not requested to perform and has not performed any services in connection with the preparation of this Official Statement or the issuance of the 2019 Series C Bonds. .

#### **FINANCIAL ADVISOR**

The City has retained PFM Financial Advisors LLC as Financial Advisor. The Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

#### **REMARKETING AGENT**

The Remarketing Agent and its affiliates together comprise a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking,

financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Remarketing Agent and its affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Remarketing Agent and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities and financial instruments which may include bank loans and/or credit default swaps) for its own account and for the accounts of its customers and may at any time hold long and short positions in such securities and instruments. Such investment securities activities may involve securities and instruments of the City. Merrill Lynch, Pierce, Fenner & Smith Incorporated, is the initial Remarketing Agent.

#### **DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATION**

Pursuant to Section 517.051, Florida Statutes, as amended, no person may directly or indirectly offer or sell securities of the City except by an offering circular containing full and fair disclosure of all defaults as to principal or interest on its obligations since December 31, 1975, as provided by rule of the Office of Financial Regulation within the Florida Financial Services Commission (the "FFSC"). Pursuant to administrative rulemaking, the FFSC has required the disclosure of the amounts and types of defaults including whether such default related to principal and/or interest payments, dates of any defaults, the current status of any defaults, any legal proceedings resulting from such defaults, whether a trustee or receiver has been appointed over the assets of the City, and certain additional financial information, unless the City believes in good faith that such information would not be considered material by a reasonable investor. Except as described below, the City is not and has not been in default on any bond issued since December 31, 1975 that would be considered material by a reasonable investor.

The City had a payment obligation on a non-callable capital appreciation bond from its Guaranteed Entitlement Revenue Bonds, Series 1994, that was due on August 1, 2018 in the amount of \$1,095,000.00 (the "1994 CAB"). No interest payments were ever due on the 1994 CAB since it was a zero-coupon bond, and through a refinancing/redemption, the City has had no other semi-annual payment obligations with respect to any other of its Guaranteed Entitlement Revenue Bonds, Series 1994, since February 1, 2004. During the intervening 14 year period, the original Paying Agent which was Wachovia Bank, National Association sold its corporate trust business to U.S. Bank National Association ("U.S. Bank"), and for unexplained reasons, U.S. Bank states that the 1994 CAB was transferred to U.S. Bank, and thus U.S. Bank did not provide the City with the typical tickler reminder that an upcoming payment was due. The remainder of Wachovia was acquired by Wells Fargo Bank, National Association during the great recession. DTC notified the City on August 7, 2018 of the defaulted payment and the City immediately started researching who the successor paying agent was since Wachovia, who was the entity listed in the 1994 official statement and who was operative paying agent on the last regularly scheduled payment made by the City on the issue in on February 1, 2004 was no longer operating under that name. In the meantime, the City made the defaulted payment on August 14, 2018 directly through The Depository Trust Company. Since then, on November 1, 2018, U.S. Bank and the City entered into a Paying Agent/Registrar Agreement relating to the 1994 CAB. The payment default described above was not an indication of any financial difficulties of the City; rather, it resulted from an inadvertent oversight and corporate transition, and as required to be stated by rule of the FFSC within this disclosure, there was no ensuing legal proceedings resulting from such default and a trustee or receiver was not been appointed over the assets of the City. FFSC also requires the disclosure of audited financial statements for the last two (2) fiscal years. The City has attached the audited financial statements for the fiscal year ended September 30, 2018 hereto as APPENDIX B-1. Such financial statements include comparisons to

the prior fiscal year in certain instances. Since it is not customary, the City has not attached as an appendix the audited financial statements for the prior fiscal year. However, such audited financial statements, which are incorporated herein by reference, can be accessed through this link: <https://emma.msrb.org/ES1066371-ES832546-ES1233607.pdf>.

The City has not undertaken an independent review or investigation of securities for which it has served as conduit issuer. The City does not believe that any information about any default on such securities is appropriate and would be considered material by a reasonable investor in the 2019 Series C Bonds because the City would not have been obligated to pay the debt service on any such securities except from payments made to it by the private companies on whose behalf such securities were issued and no funds of the City would have been pledged or used to pay such securities or the interest thereon.

### CONTINUING DISCLOSURE

The City has covenanted for the benefit of the 2019 Series C Bondholders to provide certain financial information and operating data relating to the City and the 2019 Series C Bonds in each year, and to provide notices of the occurrence of certain enumerated material events. The City has agreed to file annual financial information and operating data and the audited financial statements with each entity authorized and approved by the SEC to act as a repository (each a "Repository") for purposes of complying with the Rule either itself or through its dissemination agent. Effective July 1, 2009, the sole Repository is the Municipal Securities Rulemaking Board. The City has agreed to file notices of certain enumerated events, when and if they occur, with the Repository either itself or through its dissemination agent.

The specific nature of the financial information, operating data, and of the type of events which trigger a disclosure obligation, and other details of the undertaking are described in "APPENDIX \_\_ - Form of Continuing Disclosure Certificate" attached hereto. The Continuing Disclosure Certificate shall be executed by the City upon the issuance of the 2019 Series C Bonds. These covenants have been made in order to assist the Underwriter in complying with the continuing disclosure requirements of the Rule.

With respect to the 2019 Series C 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. The City: (i) did not timely file its audited financial statements and notices of failure to file related thereto for Fiscal Years 2015 and 2016 with respect to its then outstanding loan from the proceeds of the then outstanding First Florida Governmental Financing Commission Revenue Bonds; (ii) did not timely file its audited financial statements and operating data and notices of failure to file related thereto for Fiscal Year 2015 with respect to certain of its Outstanding Utilities System Revenue Bonds; (iii) failed to file certain operating data and notice of failure to file related thereto for Fiscal Years 2015 and 2016 with respect to certain of its Outstanding Utilities System Revenue Bonds; and (iv) failed to file certain notices of defeasance and bond calls which occurred in Fiscal Years 2015 and 2016 with respect to certain of its Utilities System Revenue Bonds and its then outstanding loan from the proceeds of the then outstanding First Florida Governmental Financing Commission Revenue Bonds. In the past five years, except as described above, 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 (i) filed certain operating data in a different format than required, failed to file certain operating data for Fiscal Years 2013, 2015 and 2016 and a failure to file notice related thereto with respect to certain of its outstanding Utilities System Revenue Bonds; (ii) failed to link certain operating data for Fiscal Years 2012 and 2014 with respect to certain of its Outstanding Utilities System Revenue Bonds; (iii) failed to file certain notices of defeasance

and bond calls occurred in Fiscal Year 2012 with respect to with respect to certain of its Outstanding Utilities System Revenue Bonds, and (iv) did not timely filed certain operating data for Fiscal Years 2012 and 2013 with respect to its outstanding Guaranteed Entitlement Revenue Refunding Bonds, Series 2004. All such required information has been filed as of this date. The City fully anticipates satisfying all future disclosure obligations required pursuant to the Rule. While the City does not believe that such failures constitute material failures to comply with any prior agreements to provide continuing disclosure information pursuant to the Rule, in order to demonstrate its continued commitment to continuing disclosure best practices, the City has included notice of this non-material instance of non-compliance in the interest of being fully transparent. The City has entered into a contract with Digital Assurance Certification, LLC to provide continuing disclosure dissemination agent services for all of its outstanding bond issues.

#### **ACCURACY AND COMPLETENESS OF OFFICIAL STATEMENT**

The references, excerpts, and summaries of all documents, statutes, and information concerning the City and certain reports and statistical data referred to herein do not purport to be complete, comprehensive and definitive and each such summary and reference is qualified in its entirety by reference to each such document for full and complete statements of all matters of fact relating to the 2019 Series C Bonds, the security for the payment of the 2019 Series C 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 2019 Series C Bonds.

The appendices attached hereto are integral parts of this Official Statement and must be read in their entirety together with all foregoing statements.

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**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 2019 Series C 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 and its book-entry only system of registration, information provided by the Underwriter under the caption "Underwriting" and the information contained under the caption "TAX MATTERS" as to which no view shall be expressed), as of its date and as of the date of delivery of the 2019 Series C Bonds, contains an untrue statement of a material fact or omits to state a material fact which should be included therein for the purposes for which the Official Statement is intended to be used, or which is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

CITY OF GAINESVILLE, FLORIDA

By: \_\_\_\_\_  
General Manager for Utilities

**APPENDIX A**

**GENERAL INFORMATION REGARDING THE CITY**

## APPENDIX A

### GENERAL INFORMATION REGARDING THE CITY

#### General

The City of Gainesville (the "City"), home of the University of Florida, is located in North Central Florida midway between Florida's Gulf and the Atlantic coast. The City is approximately 125 miles north of Tampa, approximately 110 miles northwest of Orlando and approximately 75 miles southwest of Jacksonville. The Bureau of Economic and Business Research at the University of Florida estimated a 2018 population of 263,291 in the Alachua County (the "County") with an estimated 131,217 persons residing within the City limits. The economic base of Gainesville consists primarily of light industrial, commercial, health care and educational activities. The University of Florida is the State's oldest university and, with approximately 50,000 students, is one of the largest universities in the nation.

#### Organization and Administration

The City was established in 1854, incorporated in 1869 and has operated under a Commission-Manager form of government since 1927. The City Commission consists of seven elected officials (a Mayor and six Commissioners) who are responsible for enacting the ordinances and adopting the resolutions which govern the City. The elected officials each serve for three-year terms. The Mayor presides over public meetings and ceremonial events.

The following are the current members of the City Commission:

	Term <u>Expires</u>
Mayor Lauren Poe, At Large .....	May 2019
Mayor-Commissioner Pro-Tem Adrian Hayes-Santos, District 4 .....	May 2019
Commissioner David Arreola, District 3.....	May 2020
Commissioner Gail Johnson, At Large .....	May 2021
Commissioner Gigi Simmons, District 1 .....	May 2021
Commissioner Harvey Ward, District 2.....	May 2020
Commissioner Helen K. Warren, At-Large .....	May 2020

The City Commission appoints the City Manager, General Manager for Utilities, City Auditor, City Attorney, Clerk of the City Commission and Equal Opportunity Director. As chief executive officers, the City Manager and General Manager for Utilities are charged with the enforcement of all ordinances and resolutions passed by the City Commission. They accomplish this task through the selection and supervision of two Assistant City Managers, Utilities Executive Team, and numerous department heads.

The City provides its constituents with a wide variety of public services: building inspections, code enforcement, community development, cultural affairs, economic development, electrical power, golf course, mass transit, natural gas distribution, parks and recreation, homeless services, police and fire protection, refuse collection, small business development, stormwater management, street maintenance, traffic engineering and parking, water and wastewater and telecommunications and data transfer.

Internal support services include the following: accounting and reporting, accounts payable and payroll, billing and collections, budgeting and budget monitoring, cash management, City-wide management, computer systems support, debt management, equal opportunity, fleet maintenance, facilities maintenance, human resources, information systems, investment management, labor relations, mail services, pension administration, property control, purchasing, risk management and strategic planning. In addition to these activities, the City exercises oversight responsibility for the Community Redevelopment Agency and the Gainesville Enterprise Zone Development Agency.

**Population**

The following table depicts historical and projected population growth of the City, the County and the State of Florida:

**POPULATION GROWTH**

<u>Year</u>	<u>City of Gainesville Population</u>	<u>Percentage Increase</u>	<u>Alachua County Population</u>	<u>Percentage Increase</u>	<u>State of Florida Population</u>	<u>Percentage Increase</u>
2018	131,217	--	263,291	--	20,840,568	--
2020	n/a <sup>(1)</sup>	n/a	267,727	4.1%	21,372,207	6.1%
2030	n/a <sup>(1)</sup>	n/a	289,502	8.1	24,070,978	12.6
2040	n/a <sup>(1)</sup>	n/a	309,385	6.9	26,252,141	9.1

<sup>(1)</sup> Information is no longer available through the U.S. Bureau of Census and University of Florida, Bureau of Business and Economic Research Florida Statistical Abstracts for the City.

Source: U.S. Bureau of Census and University of Florida, Bureau of Business and Economic Research Florida Statistical Abstracts.

**Employment**

The following table sets forth the unemployment rate for the City over the past ten years.

**EMPLOYMENT**

<u>Year</u>	<u>Unemployment Rate</u>
2008	4.70
2009	7.40
2010	8.30
2011	8.10
2012	6.90
2013	5.30
2014	4.90
2015	4.50
2016	4.20
2017	3.50

Source: Source: Finance Department, City of Gainesville, Florida.

**TEN LARGEST EMPLOYERS  
(SEPTEMBER 30, 2017)**

<u>Firm</u>	<u>Product/Business</u>	<u>Employees</u>
University of Florida	Education	27,567
UF Health	Health Care	12,705
Veterans Affairs Medical Center	Health Care	6,127
Alachua County School Board	Education	3,904
City of Gainesville	Municipal Government	2,072
North Florida Regional Medical Center	Health Care	2,000
Gator Dining Services	Food Services	1,200
Nationwide Insurance Company	Insurance	960
Alachua County	Government	809
Publix Supermarkets	Grocer	780

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Source: Finance Department, City of Gainesville, Florida.

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**Property Tax Data**

The following data is provided for information and analytical purposes only. The Utilities System Variable Rate Bonds are not secured by ad valorem tax revenues of the City.

**ASSESSED VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS**

Fiscal Year Ended	Tax Year	Just Value			Exemptions					Total Taxable Assessed Value	Total Direct Tax Rate
		Real Property	Personal Property	Centrally Assessed Property	Governmental	Agricultural	Institutional	Homestead	Other <sup>(1)</sup>		
2008	2007	\$10,059,735,400	\$1,931,740,674	\$1,111,824	\$4,354,225,897	\$28,451,900	\$574,033,101	\$1,385,629,369	\$16,885,367	\$5,633,362,264	4.2544
2009	2008	10,599,500,250	1,732,004,529	1,149,322	4,195,267,980	35,549,700	647,733,978	1,773,423,757	14,341,607	5,666,337,079	4.2544
2010	2009	10,534,674,944	2,245,414,910	1,234,487	4,251,801,982	39,408,200	874,389,881	1,594,957,710	134,747,020	5,886,019,548	4.3963
2011	2010	10,570,350,300	2,241,373,073	987,726	4,815,548,071	37,517,700	896,937,822	1,313,405,085	141,081,893	5,608,220,528	4.2544
2012	2011	10,756,478,800	2,308,068,145	1,130,083	5,343,081,038	39,115,900	1,029,746,160	1,134,254,774	117,240,859	5,402,238,297	4.2544
2013	2012	10,437,604,712	2,386,565,278	1,073,991	5,408,327,315	37,576,500	1,112,522,902	993,996,869	109,161,684	5,163,658,711	4.4946
2014	2013	10,480,490,440	2,587,608,797	2,138,554	5,609,545,384	39,389,400	1,095,790,104	916,778,157	234,075,511	5,174,659,235	4.5780
2015	2014	10,508,455,900	2,979,114,148	2,210,823	5,603,063,413	39,298,000	1,129,921,784	895,414,243	178,766,271	5,643,317,160	4.5079
2016	2015	10,815,607,700	2,912,715,109	2,251,700	5,651,530,893	40,988,400	1,094,785,940	992,344,032	181,396,571	5,769,528,673	4.5079
2017	2016	11,183,742,495	3,179,982,350	2,303,808	5,923,396,413	42,466,700	1,065,499,494	1,041,502,131	267,520,476	6,025,643,439	4.5079

<sup>(1)</sup> Includes non-homestead residential and certain nonresidential property differentials between just value and capped value.

Source: Finance Department, City of Gainesville, Florida and Alachua County Property Appraiser Final Ad Valorem Assessment Rolls.

**HISTORY OF LOCAL AD VALOREM  
TAX RATES AND TAX LEVIES**

Tax Roll <u>Year<sup>(1)</sup></u>	City Fiscal <u>Year<sup>(2)</sup></u>	Net Taxable Value for <u>Local Levies<sup>(3)</sup></u>	Local Property	Local Property	Total Taxes <u>Levied</u>
			Tax Rates (Mills) General <u>Government<sup>(4)</sup></u>	Tax Levies (\$) General <u>Government</u>	
2007	2007-08	\$5,633,362,264	4.2544	\$23,966,576	\$23,966,576
2008	2008-09	5,666,337,079	4.2544	24,106,864	24,106,864
2009	2009-10	5,886,019,548	4.3963	25,876,708	25,876,708
2010	2010-11	5,608,220,528	4.2544	23,859,613	23,859,613
2011	2011-12	5,402,238,297	4.2544	22,983,283	22,983,283
2012	2012-13	5,163,658,711	4.4946	23,208,580	23,208,580
2013	2013-14	5,174,659,235	4.5780	23,689,590	23,689,590
2014	2014-15	5,643,317,160	4.5079	25,439,509	25,439,509
2015	2015-16	5,769,528,673	4.5079	26,008,458	26,008,458
2016	2016-17	6,025,643,439	4.5079	26,153,549	26,153,549

(1) Tax roll year as of January 1.

(2) Fiscal year beginning October 1 and ending the next September 30.

(3) Sum of real and personal property value.

(4) (a) Tax rates are set by the City Commission effective October 1.

(b) Chapter 200.181, Florida Statutes, allows unrestricted ad valorem tax rate levies for debt service for general obligation bonds approved by citizen referendum and imposes a 10 mill limitation on ad valorem tax rates levied for general government operations.

Source: Finance Department, City of Gainesville, Florida and Alachua County Property Appraiser Final Ad Valorem Assessment Rolls.

**PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

Fiscal Year Ended <u>September 30,</u>	Total Tax Levy for <u>Fiscal Year</u>	Collected within the <u>Fiscal Year of the Levy</u>		Collections in Subsequent <u>Years</u>	Total Collections to Date	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2008	\$23,854,419	\$23,035,894	96.6%	\$38,651	\$23,074,545	96.7%
2009	24,020,009	23,191,605	96.6	59,492	23,251,097	96.8
2010	25,782,262	24,912,341	96.6	78,396	24,990,737	96.9
2011	23,802,971	23,007,885	96.7	25,880	23,033,765	96.8
2012	22,865,258	22,085,295	96.6	62,971	22,148,266	96.9
2013	23,164,346	22,259,404	96.1	87,462	22,346,866	96.5
2014	23,556,658	22,573,803	95.8	122,992	22,696,795	96.3
2015	25,408,150	24,342,225	95.8	57,859	24,400,084	96.0
2016	25,989,724	24,924,172	95.9	27,208	24,951,380	96.0
2017	27,150,814	26,030,596	95.9	N/A	26,030,596	95.9

Source: Finance Department, City of Gainesville, Florida.

**PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS  
(rate per \$1,000 assessed value)**

Fiscal Year	Tax Year	City of Gainesville Direct Rate	Alachua County School District	Overlapping Rates			Total Direct & Overlapping Rates
				Alachua County School District	St. Johns Water Management District	Alachua County Library District	
2008	2007	4.2544	7.8968	8.3950	0.4158	1.3560	22.3180
2009	2008	4.2544	7.8208	8.3590	0.4158	1.3406	22.1906
2010	2009	4.3963	8.2995	9.4080	0.4158	1.3771	23.8967
2011	2010	4.2544	8.6263	9.1070	0.4158	1.4736	23.8771
2012	2011	4.2544	8.5956	9.0920	0.3313	1.4790	23.7523
2013	2012	4.4946	8.5956	8.5490	0.3313	1.4768	23.4473
2014	2013	4.5780	8.7990	8.4020	0.3283	1.4588	23.5661
2015	2014	4.5079	8.7990	8.4100	0.3164	1.4588	23.4921
2016	2015	4.5079	8.7950	8.3420	0.3023	1.4538	23.3830
2017	2016	4.7474	8.4648	7.6250	0.2724	1.2655	22.3751

Source: Finance Department, City of Gainesville, Florida.

The following table sets forth certain information regarding direct and overlapping debt for the City, as of September 30, 2017.

**OVERLAPPING GENERAL OBLIGATION DEBT<sup>(1)</sup>**

Taxing Authority	Taxable Property Value <sup>(2)</sup>	General Obligation Bonded Debt <sup>(3)</sup>	Percent of Debt Applicable to City <sup>(4)</sup>	City's Share of General Obligation Debt <sup>(5)</sup>
City of Gainesville	\$6,025,643,439	\$0	100.00%	\$0
Alachua County	0	0	n/a	0
Alachua County School Board	0	0	0	0
Alachua County Library District	0	0	0	<u>0</u>
				<u>\$0</u>

(1) The above information on bonded debt does not include self supporting and non-self supporting revenue bonds, certificates, and notes (reserves and/or sinking fund balances have not been deducted).

(2) Homestead property of certain qualified residents is eligible for up to \$50,000 value exemption.

(3) Reserves and sinking fund balances have not been deducted.

(4) Percentages were recalculated by the Finance Department, City of Gainesville, Florida.

(5) Chapter 200.181, Florida Statutes, allows unrestricted ad valorem tax rate levies for debt service for general obligation bonds approved by voter referendum.

Source: Finance Department, City of Gainesville, Florida.

**OVERLAPPING SELF SUPPORTING AND  
NON-SELF SUPPORTING DEBT  
As of September 30, 2017**

<u>Taxing Authority</u>	<u>Self Supporting</u>	<u>Non-Self Supporting</u>	<u>Totals</u>
Alachua County <sup>(1)</sup>		\$64,777,220	\$64,777,220
Alachua County Schools		56,412,724	56,412,724
Alachua County Library District <sup>(1)</sup>		0	0
City of Gainesville:			
Utilities	930,440,000	0	930,440,000
Other than Utilities	1,502,220	125,524,025	127,026,265

Source: Finance Department, City of Gainesville, Florida.

**DEBT SUMMARY<sup>(1)</sup>  
AS OF SEPTEMBER 30, 2017**

	<u>Gross</u>	<u>Net</u>
General Obligation Debt	\$0	\$0
Debt Payable from Non-Ad Valorem Revenues <sup>(2)</sup>	125,524,025	125,524,025
General Obligation Overlapping Debt <sup>(3)</sup>	<u>0</u>	<u>0</u>
Total	\$125,524,025	\$125,524,025

Maximum Annual Debt Service on Debt Payable from Non-Ad Valorem Revenues after 10/01/2016	\$15,005,625
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- <sup>(1)</sup> This includes only City of Gainesville general government debt. The City of Gainesville d/b/a Gainesville Regional Utilities and other self-liquidating debt are not included.
- <sup>(2)</sup> Includes all debt to which a pledge and/or lien on a specific non-ad valorem revenue source has been provided by the City, and all loans made by the First Florida Governmental Financing Commission to the City.
- <sup>(3)</sup> Includes general obligation debt of Alachua County School District.

Source: Finance Department, City of Gainesville, Florida.

## PRINCIPAL TAXPAYERS

Tax Roll Year 2017

<u>Owner/Taxpayer</u>	Total <u>Assessed</u>	Percentage of Total Taxable <u>Assessed</u>
Gainesville Renewable Energy Center Inc.	\$301,247,900	5.00%
Oaks Mall Gainesville LTD	137,399,380	2.28
HCA Health Services of Florida, Inc.	80,328,240	1.33
Stanley Robert E	63,165,500	1.05
AT&T Mobility LLC	61,263,706	1.02
North Florida Regional Medical Center Inc.	57,660,710	0.96
Oak Hammock at the University of Florida, Inc.	55,555,790	0.92
CoxComm LLC	37,508,473	0.62
CH Realty VII-Preiss SH Gainesville Cabana Beach, LLC	36,237,700	0.60
Sivance LLC	35,638,240	0.59
<b>TOTAL PRINCIPAL TAXPAYERS</b>	<b>\$866,005,639</b>	<b>14.37%</b>

Source: Finance Department, City of Gainesville, Florida.

## LIABILITIES OF THE CITY

### Insurance Considerations Affecting the City

#### General

The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City accounts for its uninsured risk of loss depending on the source of the estimated loss. For estimated losses attributable to activities of the System, the estimates are accounted for in the System enterprise funds. For estimated losses attributable to all operations of general government, the City maintains a General Insurance Fund (an internal service fund) to account for some of its uninsured risk of loss.

#### Workers' Compensation, Auto, and General Liability Insurance

Section 768.28, Florida Statutes, provides limits on the liability of the State and its subdivisions of \$200,000 to any one person, or \$300,000 for any single incident or occurrence. See "LIABILITIES OF THE CITY – Ability to be Sued, Judgments Enforceable" below. Under the protection of this limit and Chapter 440, Florida Statutes, covering Workmen's Compensation, the City currently is self-insured for workers' compensation, auto, and general liability. Third-party coverage is currently maintained for workers' compensation claims in excess of \$350,000. Settlements have not exceeded insurance coverage for each of the last three years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs), and are shown at current dollar value.

All funds other than the System enterprise fund (the "Utility Fund") participate in the general insurance program. Risk management/insurance related activities of the Utility Fund are accounted for within the Utility Fund. The Utility Fund purchases plant and machinery insurance from a commercial carrier. In addition, an actuarially computed liability of \$3,337,000 is recorded in the Utility Fund as a fully amortized deferred credit. The present value calculation assumes a rate of return of 4.5% with a confidence level of 75%. All claims for fiscal year 2017 were paid from current year's revenues.

Changes in the Utility Fund's claims liability for fiscal years 2017 and 2016 were as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Incurred</u>	<u>Payments</u>	<u>End of Fiscal Year Liability</u>
2016-2017	\$3,337,000	\$2,253,000	\$2,253,000	\$3,337,000
2015-2016	3,337,000	1,178,000	1,178,000	3,337,000

There is a claims liability of \$6,854,000 included in the General Insurance Fund as the result of actuarial estimates. Changes in the General Insurance Fund's claims liability for fiscal years 2016 and 2017 were as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Incurred</u>	<u>Payments</u>	<u>End of Fiscal Year Liability</u>
2016-2017	\$6,854,000	\$2,466,244	\$2,466,244	\$6,854,000
2015-2016	6,854,000	2,280,237	2,280,237	6,854,000

Health Insurance

The City is also self-insured for its Employee Health and Accident Benefit Plan (the "Plan"). The Plan is accounted for in an internal service fund and is externally administered, for an annually contracted amount which is based upon the volume of claims processed. Contributions for City employees and their dependents are shared by the City and the employee. Administrative fees are paid primarily out of this fund. Stop-loss insurance is maintained for this program at \$300,000 per individual. No claims have exceeded insurance coverage in the last three years. Changes in claims liability for fiscal years 2016 and 2017 were as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Incurred</u>	<u>Payments</u>	<u>End of Fiscal Year Liability</u>
2016-2017	\$1,310,671	\$21,883,325	\$21,883,325	\$1,310,671
2015-2016	1,310,671	24,243,566	24,243,566	1,310,671

**Other Post-Employment Benefit & Retiree Health Care Plan**

Plan Description.

By ordinance enacted by the City Commission, the City has established the Retiree Health Care Plan (RHCP), 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 City of Gainesville issues a publicly available financial report that includes financial statements and required supplementary information for the RHCP. That report may be obtained by writing to City of Gainesville, Finance Department, P.O. Box 490, Gainesville, Florida 32627 or by calling (352) 334-5054.

The RHCP has 746 retirees receiving benefits, 1,052 retirees not currently electing medical coverage and has a total of 1,867 active participants and 133 DROP participants for a total of 3,798. Ordinance 991457 of the City assigned the authority to establish and amend benefit provisions to the City Commission.

Annual OPEB Cost and Net OPEB Obligation

For the fiscal year ended September 30, 2017, the City's annual Other Post-Employment Benefit ("OPEB") cost for the RHCP was \$2,481,058. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended September 30, 2017 were as follows:

Annual required contribution	\$1,820,901
Interest on net OPEB obligation	(1,531,517)
Adjustment to annual required contribution	<u>2,191,674</u>
<b>Annual OPEB cost</b>	<b><u>\$2,481,058</u></b>
Contributions made	<u>1,622,729</u>
Change in net OPEB obligation (asset)	\$858,329
Net OPEB obligation (asset), beginning of year	<u>(18,907,614)</u>
<b>Net OPEB obligation (asset), end of year</b>	<b><u>\$(18,049,285)</u></b>

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB Obligation (Asset)</u>
09/30/15	\$3,585,790	\$2,972,451	82.90%	\$(17,669,214)
09/30/16	1,677,380	2,915,780	173.83	(18,907,614)
09/30/17	2,481,058	1,622,729	65.40	(18,049,284)

Fiscal year ended September 30, 2005 was the year of implementation of GASB 43 and 45 and the City elected to implement prospectively. The City's contributions include \$1,006,642, \$2,375,230 and \$2,441,107 in payments made by the City for the implicit rate subsidy included in the blended rate premiums for active employees which fund the implicit rate subsidy discount provided to the retirees for fiscal years ended September 30, 2017, 2016 and 2015, respectively.

Funding Policy

In 1995, the City instituted a cost sharing agreement with retired employees for individual coverage only, based on a formula taking into account age at the time the benefit is first accessed and service at time of retirement. The contribution requirements of plan members and the City are established and may be amended by the City Commission. These contributions are neither mandated nor guaranteed. The City has retained the right to unilaterally modify its payment for retiree health care benefits. Administrative costs are financed through investment earnings.

RHCP members receiving benefits contribute a percentage of the monthly insurance premium. Based on this plan, the RHCP pays up to 50% of the individual premium for each insured according to the age/service formula factor of the retiree. Spouses and other dependents are eligible for coverage, but the employee is responsible for the entire cost, there is no direct RHCP subsidy. The employee contributes the premium cost each month, less the RHCP subsidy calculated as a percentage of the individual premium.

The State prohibits the City from separately rating retirees and active employees. The City therefore charges both groups an equal, blended rate premium. Although both groups are charged the same blended rate premium, GAAP require the actuarial figures presented above to be calculated using age adjusted premiums approximating claim costs for retirees separate from active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. However, the City has elected to contribute to the RHCP at a rate that is based on an actuarial valuation prepared using the blended rate premium that is actually charged to the RHCP.

In July 2005, the City issued \$35,210,000 Taxable OPEB bonds to retire the unfunded actuarial accrued liability then existing in the RHCP Trust Fund which were fully paid in fiscal year 2015. This allowed the City to reduce its contribution rate. The City's actual regular contribution was less than the annual required contribution calculated using the age-adjusted premiums instead of the blended rate premiums. The difference between the annual required calculation and the City's actual regular contribution was due to two factors. The first is the amortization of the negative net OPEB obligation created in the fiscal year ended September 30, 2005 by the issuance of the OPEB bonds. The other factor is that the City has elected to contribute based on the blended rate premium instead of the age-adjusted premium, described above as the implicit rate subsidy.

In September 2008, the City approved Ordinance No. 0-08-52, terminating the existing program and trust and creating a new program and trust, effective January 1, 2009. This action changed the benefits provided to retirees, such that the City will contribute towards the premium of those who retire after August 31, 2008 under a formula that provides ten dollars per year of credited service, adjusted for age at first access of the benefit. Current retirees receive a similar benefit, however the age adjustment is modified to be set at the date the retiree first accesses the benefit or January 1, 2009, whichever is later. For current retirees that are 65 or older as of January 1, 2009, the City's contribution towards the premium will be the greater of the amount calculated under this method or the amount provided under the existing ordinance. The City's contribution towards the premium will be adjusted annually at the rate of 50% of the annual percentage change in the individual premium compared to the prior year.

#### Actuarial Methods and Assumptions

Calculations of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions used included an 8.2% investment rate of return, compounded annually, net of investment expenses. The annual healthcare cost trend rate of 4.5% is the ultimate rate, which decreased

from 6% from the prior year. The select rate was 12% but was decreased to the ultimate rate in 2002. Both the rate of return and the healthcare cost trend rate include an assumed inflation rate of 3.75%.

The actuarial valuation of RHCP assets was set at fair market value of investments as of the measurement date. The RHCP's initial unfunded actuarial accrued liability ("UAAL") as of 1994 is being amortized as a level percentage of projected payroll over a closed period of twenty years from 1994 and changes in the UAAL from 1994 through 2003 are amortized over the remaining portion of the twenty-year period. Future changes in the UAAL will be amortized on an open period of ten years from inception.

Funded Status

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/c
9/30/17	\$63,500,353	\$67,590,558	\$4,090,205	93.95%	\$122,798,859	3.33%

**Ability to be Sued, Judgments Enforceable**

Notwithstanding the liability limits described below, the laws of the State provide that each city has waived sovereign immunity for liability in tort to the extent provided in Section 768.28, Florida Statutes. Therefore, the City is liable for tort claims in the same manner and, subject to limits stated below, to the same extent as a private individual under like circumstances, except that the City is not liable for punitive damages or interest for the period prior to judgment. Such legislation also limits the liability of a city to pay a judgment in excess of \$200,000 to any one person or in excess of \$300,000 because of any single incident or occurrence. Judgments in excess of \$200,000 and \$300,000 may be rendered, but may be paid from City funds only pursuant to further action of the Florida Legislature in the form of a "claims bill." See "LIABILITIES OF THE CITY –Insurance Considerations Affecting the City" herein. Notwithstanding the foregoing, the City may agree, within the limits of insurance coverage provided, to settle a claim made or a judgment rendered against it without further action by the Florida Legislature, but the City shall not be deemed to have waived any defense or sovereign immunity or to have increased the limits of its liability as a result of its obtaining insurance coverage for tortuous acts in excess of the \$200,000 or \$300,000 waiver provided by Florida Statutes.

**Debt Issuance and Management**

The City utilizes a financing team when assessing the utilization of debt as a funding source for City capital projects. This team consists of the Assistant Finance Director, Finance Director, and the following external professionals: bond counsel, disclosure counsel, financial advisor, and underwriters. The City has multi-year contractual arrangements with bond counsel, disclosure counsel, and financial advisor.

## Direct Debt

The City has met certain of its financial needs through debt financing. The table which follows is a schedule of the outstanding debt of the City General Government as of October 1, 2016. This table is exclusive of the City's discretely reported component unit debt and all enterprise fund debt, including the debt of the System.

	<u>Principal Amount Issued</u>	<u>Principal Amount Outstanding as of October 1, 2017</u>
Revenue Bonds: <sup>(1)</sup>		
Guaranteed Entitlement Revenue and Refunding Bonds, Series 1994	\$15,892,220	\$1,502,220
Taxable Pension Obligation Bonds, Series 2003A (Employees' Plan)	40,042,953	31,479,045
Taxable Pension Obligation Bonds, Series 2003B (Consolidated Plan)	49,851,806	41,385,000
Guaranteed Entitlement Revenue and Refunding Bonds, Series 2004	9,805,000	0
Capital Improvement Revenue Bonds, Series 2010	3,036,907	2,185,177
Capital Improvement Revenue Bonds, Series 2014	<u>12,535,000</u>	<u>11,221,635</u>
Total Revenue Bonds <sup>(2)</sup>	\$131,063,886	\$87,773,077
Loans: <sup>(3)</sup>		
Capital Improvement Revenue Note, Series 2009	11,500,000	1,220,000
Refunding Revenue Note, Series 2011	6,230,000	3,220,000
Capital Improvement Revenue Note, Series 2011A	3,730,000	1,625,000
Refunding Revenue Note, Series 2014	14,715,000	11,810,000
Revenue Refunding Note, Series 2016A	11,007,000	11,920,000
Capital Improvement Revenue Note, Series 2016B	<u>6,630,000</u>	<u>6,630,000</u>
Total Loans	\$53,812,000	\$36,425,000
Total Debt	<u>\$184,875,886</u>	<u>\$124,198,077</u>

(1) The City's outstanding Guaranteed Entitlement Revenue and Refunding Bonds, Series 1994 and Series 2004 are secured by a first lien upon and pledge of the guaranteed entitlement portion of the State Revenue Sharing funds. All other bonds listed below are secured by a covenant to budget and appropriate funds sufficient to pay the debt service on the loan from legally available non-ad valorem revenues of the City.

(2) Does not include the CP Notes or SunTrust Loan.

(3) All loans listed below are secured by a covenant to budget and appropriate funds sufficient to pay the debt service on the loan from legally available non-ad valorem revenues of the City.

## Defined Benefit Pension Plans

The City sponsors and administers two single-employer retirement plans, which are accounted for in separate Pension Trust Funds.

- The Employees' Pension Plan (Employees' Plan)
- The Consolidated Police Officers' and Firefighters' Retirement Plan (Consolidated Plan)

Employees' Plan

The Employees' Plan is a contributory defined benefit single-employer pension plan that covers all permanent employees of the City, including GRU, except certain personnel who elected to participate in the Defined Contribution Plan and who were grandfathered into that plan, and police officers and firefighters who participate in the Consolidated Plan. Benefits and refunds of the defined benefit pension plan are recognized when due and payable in accordance with the terms of the plan. 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.

The City of Gainesville issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Plan. That report may be obtained by writing to City of Gainesville, Budget & Finance Department, P.O. Box 490, Gainesville, Florida 32627 or by calling (352) 334-5054.

*Benefits Provided.* The Employees' Plan provides retirement, disability and death benefits. Prior to April 2015, disability benefits were provided through a separate plan which was subsequently terminated. Existing and future pension assets and pension liabilities were transferred to the Employees' Plan at that time.

Retirement benefits for employees are calculated as a fixed percent (often referred to as "the multiplier") of the employee's final average earnings (FAE) times the employee's years of service. The fixed percentage and final average earnings vary depending on the date of hire as follows:

<u>Date of Hire</u>	<u>Fixed percent of FAE (multiplier)</u>	<u>Final Average Earnings</u>
On or before 10/01/2007	2.0%	Highest 36 consecutive months
10/02/2007 – 10/01/2012	2.0%	Highest 48 consecutive months
On or after 10/02/2012	1.8%	Highest 60 consecutive months

For service earned prior to 10/01/2012, the lesser number of unused sick leave or personal critical leave bank credits earned on or before 09/30/2012 or the unused sick leave or personal critical leave bank credits available at the time of retirement may be credited towards the employee's years of service for that calculation. For service earned on or after 10/01/2012, no additional months of service will be credited for unused sick leave or personal critical leave bank credits.

Retirement eligibility is also tiered based on date of hire as follows:

Employees are eligible for normal retirement:

- If the date of hire occurred on or before 10/02/2007, after accruing 20 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 65 while still employed.
- If the date of hire was between 10/02/2007 and 10/01/2012, after accruing 25 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 65 while still employed.

- If the date of hire was on or after 10/02/2012, after accruing 30 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 65 while still employed.

Employees are eligible for early retirement:

- If the date of hire occurred on or before 10/01/2012, after accruing 15 years of pension service credit and reaching age 55 while still employed.
- If the date of hire was on or after 10/02/2012, after accruing 20 years of pension service credit and reaching age 60 while still employed.
- Under the early retirement option, the benefit is reduced by 5/12th of one percent for each month (5% for each year) by which the retirement date is less than the date the employee would reach age 65.

Employees receive a deferred vested benefit if they are terminated after accruing five years of pension service credit but prior to eligibility for regular retirement. Those employees will be eligible to receive a benefit starting at age 65.

A 2% cost of living adjustment (COLA) is applied to retirements benefits each October 1<sup>st</sup> if the retiree has reached eligibility for COLA prior to that date. Eligibility for COLA is determined as follows:

- If the retiree had at least 20 years of credited service prior to 10/01/2012 and had at least 20 years but less than 25 years of credited service upon retirement, COLA begins after reaching age 62.
- If the retiree had at least 20 years of credited service prior to 10/01/2012 and had at least 25 years of credited service upon retirement, COLA begins after reaching age 60.
- If the retiree was hired on or before 10/01/2012 and had less than 20 years of credited service on or before 10/01/2012 and 25 years or more of credited service upon retirement, COLA begins after reaching age 65.
- If the retiree was hired after 10/01/2012 and had 30 years or more of credited service upon retirement, COLA begins after age 65.

Employees hired on or before 10/01/2012 are eligible to participate in the deferred retirement option plan ("DROP") when they have completed 27 years of credited service and are still employed by the City. Such employees retire from the Employees' Plan but continue to work for the City. The retirement benefit is calculated as if the employee had terminated employment and is paid to a DROP account held within the pension plan until the employee actually leaves the employment of the City. While in DROP, these payments earn a guaranteed rate of annual interest, compounded monthly. For employees who entered DROP on or before 10/01/2012, DROP balances earn 6% annual interest. For employees who entered DROP on or after 10/02/2012, DROP balances earn 2.25% annual interest. Employees may continue in the DROP for a maximum of 5 years or until reaching 35 years of service, whichever occurs earlier. Upon actual separation from employment, the monthly retirement benefits begin being paid directly to the retiree and the retiree must take their DROP balance plus interest as a lump-sum cash disbursement, roll into a retirement account or choose a combination of the two options.

Death benefits are paid as follows:

- If an active member retires after reaching normal retirement eligibility and had selected a tentative benefit option, benefit payments will be made to the beneficiary in accordance with the option selected.
- If an active member who is married dies after reaching normal retirement eligibility and did not previously select a tentative benefit option, the plan assumes the employee retired the day prior to death and elected the Joint & Survivor option naming their spouse as their beneficiary.
- If an active member who is not married dies after reaching normal retirement eligibility and did not previously select a tentative benefit option, or if an active member dies prior to reaching normal retirement eligibility, or if a non-active member with a deferred vested benefit dies before age 65, the death benefit is a refund of the member's contributions without interest to the beneficiary on record.
- Continuation of retirement benefits after the death of a retiree receiving benefits is contingent on the payment option selected upon retirement. If the retiree has chosen a life annuity and dies prior to receiving benefits greater than the retiree's contributions to the plan, a lump sum equal to the difference is paid to the beneficiary on record.

Disability benefits are paid to eligible regular employees of the City who become totally and permanently unable to perform substantial work for pay within a 50-mile radius of the home or city hall, whichever is greater, and who is wholly and continuously unable to perform any and every essential duty of employment, with or without a reasonable accommodation, or of a position to which the employee may be assigned. The basic disability benefit is equal to the greater of the employee's years of service credit times 2% with a minimum 42% for in line of duty disability and a minimum 25% for other than in line of duty disability, times the employee's final average earnings as would be otherwise calculated under the plan. The benefit is reduced by any disability benefit percent up to a maximum of 50% multiplied by the monthly Social Security primary insurance amount to which the employee would be initially entitled to as a disabled worker, regardless of application status. The disability benefit is limited to the lesser of \$3,750 per month or an amount equal to the maximum benefit percent, less reductions above and the initially determined wage replacement benefit made under workers' compensation laws.

*Employees covered by benefit terms.* At September 30, 2017, the following employees were covered by the benefit terms:

Active employees	1,519
Inactive employees:	
Retirees and beneficiaries currently receiving benefits	1,266
Terminated Members and survivors of deceased members entitled to benefits but not yet receiving benefits	<u>428</u>
Total	3,213

*Contribution Requirements.* The contribution requirements of plan members and the City are established and may be amended by City Ordinance approved by the City Commission. The City is required to contribute at an actuarially determined rate recommended by an independent actuary. The

actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City contributes the difference between the actuarially determined rate and the contribution rate of employees. Plan members are required to contribute 5% of their annual covered salary. The rate for fiscal year 2017 was 17.45% of covered payroll. This rate was influenced by the issuance of the Taxable Pension Obligation Bonds, Series 2003A. The proceeds from this issue were utilized to retire the unfunded actuarial accrued liability at that time in the Employees' Plan. Differences between the required contribution and actual contribution are due to actual payroll experiences varying from the estimated total payroll used in the generation of the actuarially required contribution rate. Administrative costs are financed through investment earnings.

*Net Pension Liability.* The net pension liability related to the Employee's Plan was measured as of September 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2016.

The components of the net pension liability at September 30, 2017 were as follows:

Components of Net Pension Liability

Total pension liability	\$537,712,710
Plan fiduciary net position	<u>(396,313,562)</u>
City's net pension liability	<u>\$141,399,148</u>
Plan fiduciary net position as a percentage of the total pension liability	73.70%

*Significant Actuarial Assumptions.* The total pension liability as of September 30, 2017 was determined based on a roll-forward of entry age normal liabilities from the October 1, 2016 actuarial valuation to the pension plan's fiscal year end of September 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Assumptions

Inflation	3.75%
Salary Increases	3.00% to 5.00%
Investment Rate of Return	8.10%, net of pension investment expenses

Mortality Rate:

Mortality rates were updated to the assumptions used in the 2016 FRS valuation as it applies to "other than special risk" participants.

Long-term Expected Rate of Return:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

Development of Long Term Discount Rate for General Employees' Pension Plan

	<u>Inflation</u>	Real Risk Free <u>Return</u>	Risk <u>Premium</u>	Total Expected <u>Return</u>	Policy <u>Allocation</u>	Policy <u>Return</u>
Domestic Equity	3.00%	2.00%	4.50%	9.50%	50.00%	4.75%
Intl Equity	3.00	2.00	5.50	10.50	30.00	3.15
Domestic Bonds	3.00	2.00	0.50	5.50	2.00	0.11
Intl Bonds	3.00	2.00	1.50	6.50	0.00	0.00
Real Estate	3.00	2.00	2.50	7.50	16.00	1.20
Alternatives	3.00	2.00	3.50	7.50	0.00	0.00
US Treasuries	3.00	0.00	0.00	3.00	0.00	0.00
Cash	3.00	(2.00)	0.00	1.00	<u>2.00</u>	<u>0.02</u>
Total					100.00	9.23

Discount Rate:

The discount rates used to measure the total pension liability were 8.10% as of September 30, 2017. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the actuarially determined contribution rates less the member contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net Pension <u>Liability</u>
Balances at 10/01/2016	\$499,347,420	\$357,298,271	\$142,049,149
Changes for the year:			
Service cost	8,355,553	-	8,355,553
Interest	39,789,214	-	39,789,214
Differences between expected and actual experience	7,646,058	-	7,646,058
Transfer from terminated Disability Plan	-	-	-
Changes to assumptions	21,043,627	-	21,043,627
Contributions – employer	-	14,654,934	(14,654,934)
Contributions – employee	-	4,829,122	(4,829,122)
Net investment income	-	58,605,302	(58,605,302)
Benefit payments, including refunds and DROP payouts	(38,469,162)	(38,469,162)	-
Administrative expense	-	(604,905)	604,905
Net changes	<u>38,365,290</u>	<u>39,015,291</u>	<u>(650,001)</u>
Balances at 09/30/2017	<u>\$537,712,710</u>	<u>\$396,313,562</u>	<u>\$141,399,148</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

The following presents the net pension liability, calculated using the discount rate of 8.1%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (7.1%) or 1 percentage-point higher (9.1%) than the current rate:

	1% Decrease <u>(7.1%)</u>	Current Discount Rate <u>(8.1%)</u>	1% Increase <u>(9.1%)</u>
Net pension liability	\$202,787,977	\$141,399,148	\$89,907,875

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Employees' Plan financial report.

*Pension expense and deferred outflows of resources and deferred inflows of resources.* For the year ended September 30, 2017, the City recognized pension expense for the Employees' Plan of \$22,320,071. At September 30, 2017, the City reported deferred outflows of resources related to the Employees' Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$7,719,277	\$-
Changes to assumptions	27,523,573	-
Changes between projected and actual investment	<u>12,456,239</u>	<u>(31,349,541)</u>
Total	<u>\$47,699,089</u>	<u>\$(31,349,541)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Employees' Plan will be recognized in pension expense as follows:

<u>Fiscal Year</u>	<u>Net Deferred Outflows/(Inflows) of Resources</u>
2018	7,859,825
2019	7,859,828
2020	1,382,370
2021	(752,473)
Thereafter	-

Consolidated Plan

The Consolidated Plan is a contributory defined benefit single-employer pension plan that covers City sworn police officers and firefighters. The Plan is established under City of Gainesville Code of Ordinances, Article 7, Chapter 2, Division 8. It complies with the provisions of Chapter 112, Part VII, Florida Statutes; Chapter 22D-1 of the Florida Administrative Code; Chapters 175 and 185, Florida Statutes; and Article X, Section 14 of the Florida Constitution, governing the establishment, operation and administration of plans.

The basis of accounting for the Consolidated Plan is accrual. Benefits and refunds of the defined benefit pension plan are recognized when due and payable in accordance with the terms of the plan. 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.

The City of Gainesville issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to City of Gainesville, Finance Department, P.O. Box 490, Gainesville, Florida 32627 or by calling (352) 334-5054.

*Benefits Provided for Police Officers.* The Consolidated Plan provides retirement, disability and death benefits. Retirement benefits for employees are calculated as a fixed percent (often referred to as "the multiplier") of the employee's final average earnings (FAE) times the employee's years of service. For Police Officers, the final average monthly earnings (FAME) is the average of pensionable earnings during the 36 to 48 month period (depending on date of hire) that produces the highest earnings. For Police Officers, the benefit multiplier is 2.5% for credited service before 10/01/2005, 2.625% for credited service from 10/01/2005 to 07/01/2013 and 2.5% for credited service on and after 07/01/2013.

Retirement eligibility for Police Officers is tiered based on date of hire as follows:

Employees are eligible for normal retirement:

- If the date of hire occurred prior to 07/01/2013, after accruing 20 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 55 while still employed, or attaining a combination of credited service and age that equals seventy (Rule of Seventy).
- If the date of hire was on or after 07/01/2013, after accruing 25 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 55 while still employed, or attaining a combination of credited service and age that equals seventy.

Employees are eligible for early retirement:

- After accruing 10 years of pension service credit and reaching age 50 while still employed.
- Under the early retirement option, the benefit is reduced 3% for each year by which the retirement date is less than the date the employee would reach age 55.

Employees may choose to receive a refund on contributions to the plan or to receive a deferred vested benefit if they are terminated after accruing 10 years of pension service credit but prior to eligibility for regular retirement. Those employees will be eligible to receive a benefit starting at age 55 with no reduction or at age 50 with the early retirement penalty above.

A 1-2% cost of living adjustment (COLA) is applied to retirement benefits each October 1<sup>st</sup> if the retiree has reached eligibility for COLA prior to that date. Eligibility for COLA is determined as follows:

- If the retiree was eligible for retirement on or before 07/01/2013 and had at least 25 years of credited service upon retirement, 2% COLA begins after reaching age 55.
- If the retiree was eligible for retirement on or before 07/01/2013 had 20 years of credited service upon retirement, 2% COLA begins after reaching age 62.
- If the retiree was eligible for retirement after 07/01/2013 and had 25 years of credited service upon retirement 1% COLA begins after reaching age 55 and the COLA increases to 2% after reaching age 62.
- If the retiree retired under the Rule of Seventy with less than 20 years of credited service upon retirement, COLA begins after age 62. Effective July 1, 2013, Police Officers retiring under the Rule of Seventy are ineligible for COLA.

*Benefits Provided for Firefighters.* The Consolidated Plan provides retirement, disability and death benefits. Retirement benefits for employees are calculated as a fixed percent (often referred to as "the multiplier") of the employee's final average earnings (FAE) times the employee's years of service. For Firefighters, the final average monthly earnings (FAME) is the average of pensionable earnings during the 36 month period that produces the highest earnings. For Firefighters, the benefit multiplier is 2.5% for credited service before 10/01/2005, 2.625% for credited service from 10/01/2005 to 12/31/2013 and 2.5% for credited service on and after 01/01/2014.

For service earned prior to 01/01/2014, the lesser number of unused sick leave credits earned on or before 12/31/2013 or the unused sick leave bank credits available at the time of retirement may be

credited towards the employee's years of service for that calculation. For service earned on or after 01/01/2014, no additional months of service will be credited for unused sick leave credits.

Retirement eligibility for Firefighters is as follows:

Employees are eligible for normal retirement:

- If the date of hire occurred prior to 01/01/2014, after accruing 20 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 55 while still employed, or attaining a combination of credited service and age that equals seventy (Rule of Seventy).
- If the date of hire was on or after 01/01/2014, after accruing 25 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 55 while still employed, or attaining a combination of credited service and age that equals seventy.

Employees are eligible for early retirement:

- After accruing 10 years of pension service credit and reaching age 50 while still employed.
- Under the early retirement option, the benefit is reduced 3% for each year by which the retirement date is less than the date the employee would reach age 55.

Employees may choose to receive a refund on contributions to the plan or to receive a deferred vested benefit if they are terminated after accruing 10 years of pension service credit but prior to eligibility for regular retirement. Those employees will be eligible to receive a benefit starting at age 55 with no reduction or at age 50 with the early retirement penalty above.

A 2% cost of living adjustment (COLA) is applied to retirement benefits each October 1<sup>st</sup> if the retiree has reached eligibility for COLA prior to that date. Eligibility for COLA is determined as follows:

- If the retiree had at least 25 years of credited service upon retirement, COLA begins after reaching age 55.
- If the retiree had 20 years of credited service upon retirement, COLA begins after reaching age 62.
- If the retiree retired under the Rule of Seventy with less than 20 years of credited service upon retirement, COLA begins after age 62.

*Benefits Provided to Both Police Officers and Firefighters.* Employees are eligible to participate in the deferred retirement option plan (DROP) when they have completed 25 years of credited service and are still employed by the City (or meet the Rule of Seventy). Such employees retire from the Consolidated Plan but continue to work for the City. The retirement benefit is calculated as if the employee had terminated employment and is paid to a DROP account held within the pension plan until the employee actually leaves the employment of the City. While in DROP, these payments earn a guaranteed rate of annual interest, (5.5% for Firefighters and 4.5% for Police Officers) compounded monthly. Employees may continue in the DROP for a maximum of 5 years or until reaching 35 years of service, whichever occurs earlier. Upon actual separation from employment, the monthly retirement benefits begin being paid directly to the retiree and the retiree must take their DROP balance plus interest as a lump-sum cash

disbursement, roll into a retirement account or choose a combination of the two options. The Consolidated Plan also provides for a reverse DROP option.

Death benefits are paid as follows:

- If an active member retires after reaching normal retirement eligibility and had selected a tentative benefit option, benefit payments will be made to the beneficiary in accordance with the option selected.
- If an active member with less than ten years of service dies before reaching normal retirement eligibility, the death benefit is a refund to the beneficiary of 100% of the member contributions without interest.
- If an active member with at least ten years of service dies before reaching normal retirement eligibility, the beneficiary is entitled to the benefits otherwise payable to the employee at early or normal retirement age, based on the accrued benefit at the time of death.
- Continuation of retirement benefits after the death of a retiree receiving benefits is contingent on the payment option selected upon retirement. If the retiree has chosen a life annuity and dies prior to receiving benefits greater than the retiree's contributions to the plan, a lump sum equal to the difference is paid to the beneficiary on record.

Disability Benefits – The monthly benefit for a service-incurred disability is the greater of the employee's accrued benefit as of the date of disability or 42% of the FAME. The monthly benefit for a non-service-incurred disability is the greater of the accrued benefit as of the date of disability or 25% of the FAME. Payments continue until the death of the member or until the 120<sup>th</sup> payment, payable to the designated beneficiary if no option is elected. There is no minimum eligibility requirement if the injury or disease is service-incurred. If the injury or disease is not service-incurred, the employee must have at least five years of service to be eligible for disability benefits.

*Employees covered by benefit terms.* At September 30, 2017, the following employees were covered by the benefit terms:

Active employees	393
Inactive employees:	
Retirees and beneficiaries currently receiving benefits	427
Vested terminated members entitled to future benefits	<u>20</u>
Total	840

*Contribution Requirements.* The contribution requirements of plan members and the City are established and may be amended by City Ordinance approved by the City Commission in accordance with Part VII, Chapter 112, Florida Statutes.

The City is required to contribute at an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Firefighters contribute 9.0% of gross pay and Police Officers contribute 7.5% of gross pay. The City's contribution rate for fiscal year 2017 was 15.76%

of covered payroll for police personnel and 20.31% for fire personnel. This rate was influenced by the issuance of the Taxable Pension Obligation Bonds, Series 2003B. In addition, State contributions, which totaled \$1,258,283, are also made to the plan on behalf of the City under Chapters 175/185, Florida Statutes. These State contributions are recorded as revenue and personnel expenditures in the City's General Fund before they are recorded as contributions in the Consolidated Pension Fund. Differences between the required contribution and actual contribution are due to actual payroll experiences varying from the estimated total payroll used in the generation of the actuarially required contribution rate. Administrative costs are financed through investment earnings.

*Net Pension Liability.* The net pension liability related to the Consolidated Plan was measured as of September 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2016.

The components of the net pension liability at September 30, 2017 were as follows:

Components of Net Pension Liability

Total pension liability	\$277,576,074
Plan fiduciary net position	<u>(241,763,801)</u>
City's net pension liability	<u>\$35,812,273</u>
Plan fiduciary net position as a percentage of the total pension liability	87.10%

*Significant Actuarial Assumptions.* The total pension liability as of September 30, 2017 was determined based on a roll-forward of entry age normal liabilities from the October 1, 2016 actuarial valuation, using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Assumptions

Inflation	3.00%
Salary Increases for police employees with less than 5 years of service	6.00%
Salary Increases for fire employees with less than 5 years of service	5.00%
Salary Increases for police employees with 5 to 9 years of service	5.00%
Salary Increases for fire employees with 5 to 9 years of service	4.00%
Salary Increases for police employees with 10 to 14 years of service	4.00%
Salary Increases for fire employees with 10 to 14 years of service	3.00%
Salary Increases for police employees with more than 14 years of service	3.00%
Salary Increases for fire employees with more than 14 years of service	2.00%
Investment Rate of Return	8.10%, net of pension investment expenses

Mortality Rate:

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with Blue Collar adjustment based on Mortality Improvement Scale AA. 50% of deaths among active members are assumed to be service incurred, and 50% are assumed to be non-service incurred. Disabled mortality is based on the RP-2000 Disability Retiree Mortality Table.

Other Assumptions:

The actuarial assumptions used as of September 30, 2016 were based on the assumptions approved by the Board in conjunction with an experience study covering the 5 year period ending on September 30, 2010. Due to plan changes first valued in the October 1, 2012 actuarial valuation, changes to the assumed retirement rates and the valuation methodology for the assumed increase in benefit service for accumulated sick leave and accumulated vacation paid upon termination were made. Payroll growth assumptions were updated in 2012 and investments were reviewed by the Board in February of 2015 based on an asset liability study reflecting the current investment policy.

Long-Term Expected Rate of Return:

The long-term expected rate of return on pension plan investments was determined over a 30 year time horizon based on the allocation of assets as shown in the current investment policy using the expected geometric return, expected arithmetic return and the standard deviation arithmetic return. The analysis represented investment rates of return net of investment expenses. The return is expected to be above 8.75% for 60% of market simulations and below 8.75% for 40% of the market simulations.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

Development of Long Term Discount Rate – Arithmetic

	<u>Inflation</u>	<u>Total Expected Return</u>	<u>Policy Allocation</u>	<u>30-Year Policy Return</u>
US Large Cap	3.04%	11.56%	35.00%	4.05%
US Small Cap	3.04	13.70	20.00	2.74
Global Equity ex US	3.04	10.70	20.00	2.14
US Govt Credit	3.04	4.84	12.50	0.61
NCREIF	3.04	9.87	<u>12.50</u>	<u>1.23</u>
Total			100.00%	10.76%

Discount Rate:

The discount rate used to measure the total pension liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the actuarially determined contribution rates less the member and State contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net Pension <u>Liability</u>
Balances at 10/01/2016	\$263,488,192	\$219,000,182	\$44,488,010
Changes for the year:			
Service cost	4,254,335	-	4,254,335
Interest	21,463,554	-	21,463,554
Differences between expected and actual experience	2,311,687	-	2,311,687
Changes to assumptions	2,158,450	-	2,158,450
Contributions - employer	-	4,294,312	(4,294,312)
Contributions - employee	-	2,024,693	(2,024,693)
Contributions - state	-	1,254,172	(1,254,172)
Net investment income	-	31,854,789	(31,854,789)
Benefit payments, including refunds and DROP payouts	(16,100,144)	(16,100,144)	-
Administrative expense	-	(564,203)	564,203
Net changes	14,087,882	22,763,619	(8,675,737)
Balances at 09/30/2017	<u>\$277,576,074</u>	<u>\$241,763,801</u>	<u>\$35,812,273</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

The following presents the net pension liability, calculated using the discount rate of 8.1%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (7.1%) or 1 percentage-point higher (9.1%) than the current rate:

	1% Decrease <u>(7.1%)</u>	Current Discount Rate <u>(8.1%)</u>	1% Increase <u>(9.1%)</u>
Net pension liability	\$68,232,826	\$35,812,273	\$8,957,911

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Consolidated Plan financial report.

*Pension expense and deferred outflows of resources and deferred inflows of resources.* For the year ended September 30, 2017, the City recognized pension expense for the Consolidated Plan of \$1,676,563. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the Consolidated Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$-	\$(4,959,714)
Changes in assumptions	4,820,848	-
Difference between projected and actual investment earnings	10,552,283	(6,852,923)
Contributions after measurement date	<u>4,294,312</u>	<u>-</u>
Total	<u>\$19,667,443</u>	<u>\$(11,812,637)</u>

The \$4,294,312 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Consolidated Plan will be recognized in pension expense as follows:

<u>Fiscal Year</u>	
2017	\$1,612,733
2018	1,612,732
2019	2,209,101
2020	(1,688,012)
Thereafter	(186,060)

**APPENDIX B**  
**AUDITED FINANCIAL STATEMENTS**

**APPENDIX C**

**COMPOSITE OF THE RESOLUTION AND  
THIRTY-FIRST SUPPLEMENTAL RESOLUTION**

**APPENDIX D**

**DEBT SERVICE REQUIREMENTS**

**APPENDIX E**

**PROPOSED FORM OF OPINION OF BOND COUNSEL**

**APPENDIX F**

**PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE**

**EXHIBIT F**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

## APPENDIX F

### PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Gainesville, Florida (the "Issuer") in connection with the issuance of its \$\_\_\_\_\_ Variable Rate Utilities System Revenue Bonds, 2019 Series C (the "Bonds"). The Bonds are being issued pursuant to Resolution No. 170395 incorporating by reference the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the Issuer on September 21, 2017, and as amended by the Thirtieth Supplemental Utilities System Revenue Bond Resolution No. \_\_\_\_ adopted by the Issuer on \_\_\_\_\_, 2019, and as supplemented by the Thirty-First Supplemental Utilities System Revenue Bond Resolution No. \_\_\_\_ adopted by the Issuer on March 21, 2019 (collectively, the "Resolution").

SECTION 1. PURPOSE OF THE DISCLOSURE CERTIFICATE. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and Beneficial Owners (defined below) of the Bonds and in order to assist the Participating Underwriter in complying with the continuing disclosure requirements of the Rule (defined below).

SECTION 2. DEFINITIONS. In addition to the definitions set forth in the Resolution which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined herein, the following capitalized terms shall have the following meanings:

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

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean initially Digital Assurance Certification, LLC, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access web portal of the MSRB, located at <http://www.emma.msrb.org>.

"Event of Bankruptcy" shall be considered to have occurred when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Obligated Person" shall mean any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity or credit facilities).

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each entity authorized and approved by the Securities and Exchange Commission from time to time to act as a repository for purposes of complying with the Rule. As of the date hereof, the Repository recognized by the Securities and Exchange Commission for such purpose is the MSRB, which currently accepts continuing disclosure submissions through EMMA.

"Rule" shall mean the continuing disclosure requirements of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Florida.

### SECTION 3. PROVISION OF ANNUAL REPORTS.

(a) The Issuer shall, or shall cause the Dissemination Agent to, by not later than April 30<sup>th</sup> following the end of the prior fiscal year, beginning with the fiscal year ending September 30, [2018] with respect to the report for the [2017-2018] fiscal year, provide to any Repository in electronic format as prescribed by such Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date provided, further, in such event unaudited financial statements are required to be delivered as part of the Annual Report in accordance with Section 4(a) below. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5.

(b) If on the fifteenth (15<sup>th</sup>) day prior to the annual filing date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 3(a). Upon such reminder, the Issuer shall either (i) provide the

Dissemination Agent with an electronic copy of the Annual Report no later than two (2) business days prior to the annual filing date, or (ii) instruct the Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Agreement, state the date by which the Annual Report for such year will be provided and instruct the Dissemination Agent that a failure to file has occurred and to immediately send a notice to the Repository in substantially the form attached as Exhibit A, accompanied by a cover sheet completed by the Dissemination Agent in the form set forth in Exhibit B.

- (c) The Dissemination Agent shall:
  - (i) determine each year prior to the date for providing the Annual Report the name and address of any Repository;
  - (ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing any Repository to which it was provided; and
  - (iii) if the Dissemination Agent has not received an Annual Report by 6:00 p.m. Eastern time on the annual filing date (or, if such annual filing date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a failure to file shall have occurred and the Issuer irrevocably directs the Dissemination Agent to immediately send a notice to the Repository in substantially the form attached as Exhibit A without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Dissemination Agent in the form set forth in Exhibit B.

SECTION 4. CONTENT OF ANNUAL REPORTS. The Annual Report shall contain or include by reference the following:

(a) the audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement dated \_\_\_\_\_, 2019 (the "Official Statement"), and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; and

(b) updates to the financial information and operating data contained in "THE SYSTEM" section of the Official Statement under the captions entitled:

- (i) "The Electric System – Customers", "- Retail and Wholesale Energy Sales", "- Generating Facilities" and "- Capital Improvement Program";
- (ii) "The Natural Gas System – Customers" and "- Capital Improvement Program";
- (iii) "The Water System – Customers" and "- Capital Improvement Program";
- (iv) "The Wastewater System – Customers" and "- Capital Improvement Program";

- (v) "Rates"; and
- (vi) "Summary of Combined Net Revenues" (fiscal year only).

The information provided under Section 4(b) may be included by specific reference to documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the Repository's Internet Web site or filed with the Securities and Exchange Commission.

The Issuer reserves the right to modify from time to time the specific types of information provided in its Annual Report or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Issuer; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule.

#### SECTION 5. REPORTING OF SIGNIFICANT EVENTS.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds. Such notice shall be given in a timely manner not in excess of ten (10) business days after the occurrence of the event, with the exception of the event described in number 15 below, which notice shall be given in a timely manner:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. modifications to rights of the holders of the Bonds, if material;
8. Bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the Bonds, if material;
11. ratings changes;
12. an Event of Bankruptcy or similar event of an Obligated Person;

13. the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. notice of any failure on the part of the Issuer to meet the requirements of Section 3 hereof;
16. Incurrence of a Financial Obligation of the Issuer or Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer or Obligated Person, any of which affect security holders, if material; and
17. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the Issuer or Obligated Person, any of which reflect financial difficulties.

(b) The notice required to be given in paragraph 5(a) above shall be filed with any Repository, in electronic format as prescribed by such Repository.

SECTION 6. IDENTIFYING INFORMATION. In accordance with the Rule, all disclosure filings submitted pursuant to this Disclosure Certificate to any Repository must be accompanied by identifying information as prescribed by the Repository. Such information may include, but not be limited to:

- (a) the category of information being provided;
- (b) the period covered by any annual financial information, financial statement or other financial information or operation data;
- (c) the issues or specific securities to which such documents are related (including CUSIPs, issuer name, state, issue description/securities name, dated date, maturity date, and/or coupon rate);
- (d) the name of any Obligated Person other than the Issuer;
- (e) the name and date of the document being submitted; and
- (f) contact information for the submitter.

SECTION 7. TERMINATION OF REPORTING OBLIGATION. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds, so long as there is no remaining liability of the Issuer, or if the Rule is repealed or no longer in effect. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 8. DISSEMINATION AGENT. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may

discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Digital Assurance Certification, LLC.

SECTION 9. AMENDMENT. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate provided that the following conditions are satisfied:

(a) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer, or the type of business conducted;

(b) The undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does (i) does not materially impair the interests of the holders, as determined either by parties unaffiliated with the Issuer (such as the trustee or bond counsel), or by approving vote of bondholders pursuant to the terms of the governing instrument at the time of the amendment.

In the event of any amendment of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. ADDITIONAL INFORMATION. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. DEFAULT. The continuing disclosure obligations of the Issuer set forth herein constitute a contract with the holders of the Bonds. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate; provided, however, the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with the provisions of this Disclosure Certificate shall be an action to compel performance. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution.

SECTION 12. DUTIES, IMMUNITIES AND LIABILITIES OF DISSEMINATION AGENT. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. BENEFICIARIES. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated as of \_\_\_\_\_, 2019

CITY OF GAINESVILLE, FLORIDA

By: \_\_\_\_\_  
Chief Financial Officer,  
Gainesville Regional Utilities

ACKNOWLEDGED BY:

DIGITAL ASSURANCE CERTIFICATION L.L.C.,  
as Dissemination Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: City of Gainesville, Florida

Name of Bond Issue: Utilities System Revenue Bonds, 2019 Series C

Date of Issuance: \_\_\_\_\_, 2019

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate between the Issuer and Digital Assurance Certification, L.L.C., as Dissemination Agent. The Issuer has notified the Dissemination Agent that it anticipates that the Annual Report will be filed by\_\_\_\_\_.

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

Digital Assurance Certification, L.L.C., as Dissemination Agent, on behalf of the Issuer

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

Name: \_\_\_\_\_

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

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

**EXHIBIT B**  
**EVENT NOTICE COVER SHEET**

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

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Issuer's Six-Digit CUSIP Number:

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or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

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Number of pages attached: \_\_\_\_\_

\_\_\_\_ Description of Notice Events (Check One):

1. \_\_\_\_\_ "Principal and interest payment delinquencies;"
2. \_\_\_\_\_ "Non-Payment related defaults, if material;"
3. \_\_\_\_\_ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. \_\_\_\_\_ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. \_\_\_\_\_ "Substitution of credit or liquidity providers, or their failure to perform;"
6. \_\_\_\_\_ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. \_\_\_\_\_ "Modifications to rights of securities holders, if material;"
8. \_\_\_\_\_ "Bond calls, if material;"
9. \_\_\_\_\_ "Defeasances;"
10. \_\_\_\_\_ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. \_\_\_\_\_ "Rating changes;"
12. \_\_\_\_\_ "Tender offers;"
13. \_\_\_\_\_ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. \_\_\_\_\_ "Merger, consolidation, or acquisition of the obligated person, if material;"
15. \_\_\_\_\_ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material."
16. \_\_\_\_\_ "Incurrence of a Financial Obligation of the Issuer or Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer or Obligated Person, any of which affect security holders, if material;" and
17. \_\_\_\_\_ "Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the Issuer or Obligated Person, any of which reflect financial difficulties."

\_\_\_\_ Failure to provide annual financial information as required.

\_\_\_\_ Change in fiscal year of the Issuer.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

---

Name: \_\_\_\_\_

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

Digital Assurance Certification, L.L.C.  
390 N. Orange Avenue  
Suite 1750  
Orlando, FL 32801  
407-515-1100

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

**EXHIBIT G**  
**FORM OF TENDER AGENCY AGREEMENT**

**TENDER AGENCY AGREEMENT RELATING TO  
VARIABLE RATE UTILITIES SYSTEM REVENUE BONDS, 2019 SERIES C**

**TENDER AGENCY AGREEMENT RELATING TO VARIABLE RATE UTILITIES SYSTEM REVENUE BONDS, 2019 SERIES C**, dated as of \_\_\_\_\_ 1, 2019, by and between **THE CITY OF GAINESVILLE, FLORIDA**, a municipal corporation organized and existing under the laws of the State of Florida, and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association (the "Bank").

**WHEREAS**, the City proposes to issue its Variable Rate Utilities System Revenue Bonds, 2019 Series C in the aggregate principal amount of \$\_\_\_\_\_ (the "Bonds"), which Bonds will be issued under and pursuant to Resolution No. 170395 incorporating by reference the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on September 21, 2017, as amended and supplemented by a resolution adopted by the City on \_\_\_\_\_, 2019 entitled "Thirty-First Supplemental Utilities System Revenue Bond Resolution" authorizing the Bonds (the "Thirty-First Supplemental Resolution"); and

**WHEREAS**, the Bonds and the Thirty-First Supplemental Resolution provide, among other things, that, under certain circumstances, the Bonds (or portions thereof or beneficial ownership interests therein) may be tendered or deemed tendered for purchase; and

**WHEREAS**, the City desires to appoint the Bank as Tender Agent for the Bonds under the Thirty-First Supplemental Resolution, and the Bank desires to accept such appointment; and

**WHEREAS**, the Bank possesses the qualifications to serve as Tender Agent for the Bonds under the Thirty-First Supplemental Resolution.

**NOW, THEREFORE**, the parties hereby agree as follows:

**Section 1. Defined Terms.** Capitalized terms used in this Agreement and not defined herein shall have the meanings assigned to them in the Thirty-First Supplemental Resolution.

**Section 2. Appointment of Tender Agent; Acceptance of Duties.** (a) Subject to the terms and conditions herein contained, the City hereby appoints the Bank, and the Bank hereby accepts such appointment, as Tender Agent for the Bonds under the Thirty-First Supplemental Resolution.

(b) The Bank hereby accepts the duties and obligations of Tender Agent for the Bonds hereunder and under the Thirty-First Supplemental Resolution, including, without limitation, the duties and obligations set forth in Article III, Article IV, Article VI, Article VII, Article VIII and Section 10.01 of the Thirty-First Supplemental Resolution, and under any Liquidity Facility or any Credit Facility.

**Section 3. Removal or Resignation of the Bank.** The Bank may at any time resign and be discharged of the duties and obligations of Tender Agent created by this Agreement and the Thirty-First Supplemental Resolution by giving at least thirty (30) days' notice to the other Notice Parties. The Bank may be removed as Tender Agent at any time by the City upon at least seven (7) days' notice to the other Notice Parties and the Holders of the Bonds. No such resignation or removal shall take effect until the appointment of, and the acceptance of such appointment by, a successor Tender Agent. Upon the resignation or removal of the Bank as Tender Agent, the Bank shall deliver any Bonds (or beneficial ownership interests therein) and moneys, Liquidity Facilities and other records held by it in such capacity to its successor. This Agreement is subject to termination at the option of the City in accordance with Section 287.135, Florida Statutes.

**Section 4. Miscellaneous.** (a) The City will pay the Bank a fee for its services hereunder, and will reimburse it for out-of-pocket expenses incurred in providing such services, in such amounts as may be agreed upon by the City and the Bank from time to time.

(b) To the extent permitted by applicable law, the City will indemnify and hold harmless the Bank against any claim made against it by reason of its acting or failing to act in connection with any of the transactions contemplated hereby and against any loss, liability or expense, including the expense of defending itself against any claim of liability, it may sustain in carrying out the terms of this Agreement, except such claims which are occasioned by its negligence or willful misconduct. This indemnity shall survive the termination of this Agreement. The Bank agrees to notify the City promptly of any claim, demand or action levied against the Bank arising out of this Agreement. Consistent with this agreement, the Bank shall not, except at its own cost and for its own account, make any payment, admit any liability, settle any claim, assume any obligation, or incur any expense without prior consultation with the City.

(c) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Bank shall not assign any of its obligations hereunder without the prior written consent of the City.

(d) This Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

(e) Venue shall lie in Alachua County, Florida.

(f) 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers or agents thereunto duly authorized as of the date first above written.

**THE CITY OF GAINESVILLE, FLORIDA**

By: \_\_\_\_\_  
Name: Claudia Rasnick  
Title: Utility Interim Chief Financial Officer

Approved as to Form and Legality

By: \_\_\_\_\_  
City Attorney

**U.S. BANK NATIONAL ASSOCIATION**

By: \_\_\_\_\_  
Name: Jean Clarke  
Title: Vice President

#62894194\_v2

**EXHIBIT H**  
**FORM OF REMARKETING AGREEMENT**

**REMARKETING AGREEMENT**

Between

**CITY OF GAINESVILLE, FLORIDA**

Issuer

**MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED**

Remarketing Agent

Dated as of [\_\_\_\_] 1, 2019

Relating to

**CITY OF GAINESVILLE, FLORIDA**

**\$\_[\_\_\_\_] Variable Rate Utilities System Revenue Bonds, 2019 Series C**

This REMARKETING AGREEMENT, dated as of [\_\_\_\_] 1, 2019 (the “Agreement”), between CITY OF GAINESVILLE, FLORIDA (the “City” or the “Issuer”) and MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED (“BAML” or the “Remarketing Agent”).

WITNESSETH:

WHEREAS, the Issuer is issuing its \$[\_\_\_\_] aggregate principal amount of Variable Rate Utilities System Revenue Bonds, 2019 Series C (the “Bonds”), pursuant to the Utilities System Revenue Bond Resolution adopted by the Issuer on June 6, 1983, as heretofore amended, restated and supplemented (the “Bond Resolution”), including as supplemented by the Thirty-First Supplemental Utilities System Revenue Bond Resolution, adopted by the Issuer on [\_\_\_\_], 2019 (the “Supplemental Resolution” and, together with the Bond Resolution the “Resolution”);

WHEREAS, the Bonds and the Resolution provide, among other things, that the owners of the Bonds (the “Owners”), may elect (or may be required) in certain instances to tender their Bonds for purchase upon the terms and conditions contained in the Bonds and the Resolution;

WHEREAS, the Resolution provides for the appointment of a Remarketing Agent to perform certain duties, including the use of its best efforts to remarket any Bonds tendered for purchase by the Owners and the setting of the interest rates on the Bonds; and

NOW, THEREFORE, for and in consideration of the mutual covenants made herein and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. Unless otherwise defined herein, all capitalized terms shall have the meanings ascribed to them in the Supplemental Resolution.

In addition, as used herein, “Rule G-34 Documents” shall mean: (i) the letter of credit agreement, reimbursement agreement, standby bond purchase agreement, loan agreement, guaranty agreement or any other document establishing an obligation to provide credit and/or liquidity support with respect to the Bonds; (ii) the Supplemental Resolution, indenture, bond resolution, and any supplemental or series indenture(s) or resolution(s) or any other authorizing document under which the Bonds were issued; (iii) any amendments, extensions, renewals, replacements or terminations thereof; and (iv) any other document related to the Bonds required to comply with Municipal Securities Rulemaking Board (“MSRB”) Rule G-34(c), as it may be amended from time to time; and, in each case where required to be delivered, such delivery shall be by electronic means in a word-searchable PDF file (or in such other form as the Remarketing Agent shall notify the Issuer in writing) labeled with the following information: (a) CUSIP number; (b) name of issuer; (c) name of transaction; (d) name of document; and (e) whether the document is an execution version or a redacted version.

Section 2. Appointment of Remarketing Agent. Subject to the terms and conditions contained herein, the Issuer hereby appoints BAML as exclusive Remarketing Agent for the Bonds, and BAML hereby accepts such appointment.

Section 3. Conditions to Remarketing Agent's Obligations. The obligations of the Remarketing Agent under this Agreement have been undertaken in reliance upon, and shall be subject to, the due performance of the obligations and agreements hereunder to be performed by the Issuer and to the accuracy of and compliance with the representations, warranties, covenants and agreements of the Issuer contained herein, in each case on and as of the date of delivery of this Agreement and on and as of each date on which Bonds are to be remarketed pursuant to this Agreement. The obligations of the Remarketing Agent hereunder with respect to each date on which Bonds are subject to optional or mandatory tender are subject, in the discretion of the Remarketing Agent, to the following further conditions:

(a) The Resolution, the Liquidity Facility and all other documents and agreements referenced in the Resolution or the Official Statement of the Issuer dated [\_\_ \_\_], 2019 relating to the Bonds (the "Official Statement") shall be in full force and effect and shall not have been amended, modified or supplemented in any way which would materially and adversely affect the Bonds, except as may have been agreed to in writing by the Remarketing Agent, and there shall be in full force and effect additional resolutions, agreements, certificates and opinions which shall be reasonably satisfactory in form and substance to Bond Counsel.

(b) At or prior to the closing date (the "Closing Date") under the Contract of Purchase, dated [\_\_ \_\_], 2019, between the Issuer and BAML, as underwriter (the "Underwriter"), relating to the Bonds (the "Contract of Purchase"), the Underwriter shall have received or waived receipt of all closing documents required by, and delivered pursuant to, the Contract of Purchase and all conditions precedent to the delivery of the Bonds described therein shall have been satisfied or waived.

Section 4. Responsibilities of Remarketing Agent. Subject to the terms and conditions set forth in this Agreement, BAML agrees to perform the duties of Remarketing Agent set forth in the Supplemental Resolution. It is understood that in undertaking to perform such duties, and in the performance thereof, it is the intention of the parties that the Remarketing Agent will act solely as an agent and not as a principal except as expressly provided in Section 14 hereof.

(a) Determination of Interest Rates. The Remarketing Agent shall determine the interest rates on, and Interest Periods for, the Bonds in the manner and at the times specified therefor in the Supplemental Resolution.

(b) Remarketing of Tendered Bonds.

(i) The Remarketing Agent shall use its best efforts to remarket the applicable Bonds to be purchased as described in the Supplemental Resolution.

(ii) The Remarketing Agent:

(A) will suspend its remarketing efforts with respect to Bonds upon receipt of written notice of the termination of a Liquidity Facility relating to such Bonds; and

(B) may suspend its remarketing efforts with respect to the Bonds at any time by notifying the Issuer in writing of its election to do so,

if after the date of this Agreement any one or more of the following occurs and is continuing as to Bonds:

(1) suspension or material limitation in trading in securities generally on the New York Stock Exchange;

(2) a general moratorium on commercial banking activities in New York is declared by either federal or New York State authorities or a material disruption in commercial banking or securities settlement or clearance services shall have occurred;

(3) there shall have occurred any new engagement in major hostilities by the United States or any declaration of war by the United States or an escalation of any existing conflict or hostilities in which the United States is involved or there shall have occurred any other calamity or crisis in the United States or abroad relating to the effective operation of the government of, or financial community in, the United States, which, in the opinion of the Remarketing Agent, makes it impractical or inadvisable to proceed with the solicitation of offers to purchase Bonds;

(4) legislation shall be introduced by committee, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the United States Securities and Exchange Commission (the "Commission") or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the offering or sale of obligations of the general character of the Bonds, as contemplated hereby, is or would be in violation of any provision of the Securities Act of 1933, as amended and as then in effect (the "Securities Act") or the Securities Exchange Act of 1934, as amended and as then in effect (the "Exchange Act") or with the purpose or effect of otherwise prohibiting the offering or sale of obligations of the general character of the Bonds, as contemplated hereby;

(5) any event shall occur or information shall become known, which, in the Remarketing Agent's reasonable opinion, makes untrue, incorrect or misleading in any material respect any statement or information contained in the disclosure documents provided to the Remarketing Agent in connection with the performance of its duties hereunder, whether provided pursuant to Section 7 hereof or otherwise, or causes such documents to contain an untrue, incorrect or misleading statement of a material fact or to omit to state a material fact required to be stated therein or necessary

to make the statements made therein, in light of the circumstances under which they were made, not misleading (in either such case, other than the statements contained in the Official Statement under the caption “THE 2019 BONDS — [Disclosure Concerning Sales of Variable Rate Demand Obligations by Remarketing Agent]” (or any similar statements contained in any other disclosure document), except to the extent that such statements expressly summarize certain provisions of the Resolution);

(6) any of the representations and warranties of the Issuer made hereunder shall not have been true and correct in any material respect on the date made;

(7) the Issuer fails to observe any of the material covenants or agreements made herein or in the Resolution;

(8) any of the rating agencies then rating the Bonds or the Bank shall downgrade the ratings assigned to either the Bonds or the Bank so that the Bonds are not “Eligible Securities” as defined under Rule 2a-7 of the Commission under the Investment Company Act of 1940, as amended on the effective date of this Agreement; or

(9) an actual or imminent default or a moratorium in respect of payment of any U.S. Treasury bills, bonds or notes the effect of which in the Remarketing Agent’s judgment makes it impractical to market Bonds or to enforce contracts for the sale of such Bonds.

Section 5. Certain Agreements of the City. (a) To assist the Remarketing Agent in complying with its obligations under MSRB Rule G-34(c), the City shall provide the following to the Remarketing Agent:

(i) On the effective date of this Agreement, a copy of each executed and currently effective Rule G-34 Document;

(ii) no later than ten Business Days prior to the proposed date of any amendment, extension or renewal, replacement or termination of any of the then current Rule G-34 Documents, written notice that such document is proposed to be amended, extended, renewed, replaced or terminated, as the case may be, and the expected date of execution and delivery of such amendment, extension, renewal, replacement or termination, as the case may be;

(iii) within two Business Days after the execution and delivery of any amendment, extension, renewal, replacement or termination, as the case may be, of any of the then current Rule G-34 Documents a copy thereof; and

(iv) no later than three Business Days after receiving a request from the Remarketing Agent for any Rule G-34 Document, a copy thereof.

(b) In each instance that Rule G-34 Documents are delivered to the Remarketing Agent pursuant to this Section 5, the City shall provide: (1) a clean final execution copy of each relevant document; or (2) in any such document where any redactions are made, a redacted final execution copy of such document.

(c) If the City determines that any information in the Rule G-34 Documents is confidential or proprietary, the City shall discuss such information and the potential redaction thereof with the Remarketing Agent and its counsel to ensure compliance with Rule G-34(c).

(d) In the event that the City does not provide the Remarketing Agent with a copy of a document described in subsection (a) above, the Remarketing Agent may file a notice with the Short-term Obligation Rate Transparency System (“SHORT System”) that such document will not be provided at such times as specified by the MSRB and in the SHORT System Users Manual.

(e) The City acknowledges and agrees that the Remarketing Agent will have no liability to the City with respect to: any confidential or proprietary information that is: (i) identified and/or redacted by the City in the Rule G-34 Documents; or (ii) made public when the Remarketing Agent files the Rule G-34 Documents with the SHORT System.

(f) If there are any additional regulatory requirements, amendments or modifications to the securities laws with which the Remarketing Agent must comply relating to the Remarketing Agent’s obligations under this Agreement, the City shall take all steps reasonably requested by the Remarketing Agent or its counsel necessary to comply with such additional requirements.

(g) The City shall provide the Rule G-34 Documents to the Remarketing Agent at no cost to the Remarketing Agent.

Section 6. Resignation and Removal of Remarketing Agent. The Remarketing Agent may at any time resign and be discharged of its duties and obligations hereunder upon providing the other Notice Parties with sixty (60) calendar days’ prior written notice. The Remarketing Agent may be removed at any time by a written notice filed by the Issuer with the Remarketing Agent and the other Notice Parties (i) generally, at least thirty (30) days prior to the effective date of such removal or (ii) in the event of a suspension of remarketing pursuant to Section 4(b)(ii) hereof, immediately upon appointment, and acceptance by, a successor Remarketing Agent. No such removal shall be effective until a successor Remarketing Agent shall have been appointed and shall have accepted such appointment, provided that if a notice of resignation is given by the Remarketing Agent pursuant to the first sentence of this paragraph, such resignation shall be effective on the date which is sixty calendar days after such notice is given, notwithstanding the lack of appointment of a successor Remarketing Agent or the lack of acceptance of such appointment by such successor Remarketing Agent. Upon removal or resignation of the Remarketing Agent, the Issuer shall promptly cause the Trustee to give notice thereof by mail to all Owners and to any rating agency which has assigned a rating to the Bonds. Upon removal or resignation of the Remarketing Agent, the Remarketing Agent shall pay over, deliver and assign any moneys and Bonds held by it in such capacity, other than Bonds held for its own account, to its successor, and each party shall pay to the other any amounts owing at the time of termination.

Section 7. Disclosure Materials.

(a) General. If it becomes necessary in the reasonable judgment of the Remarketing Agent to supplement or amend the Official Statement, as supplemented or amended to the date thereof, when read in conjunction with the total mix of information provided by such document with any filing, annual report, official statement or offering document or any other document or other information that is filed on the Electronic Municipal Market Access system operated by the MSRB (“EMMA”) and specifically incorporated by reference into any offering document, (the “Current Offering Materials”) or to prepare a disclosure document in connection with the remarketing of Bonds, then the Issuer shall at its expense prepare such supplement, amendment or disclosure document, which may take the form of a material event notice, to be filed on EMMA (the “Disclosure Document”).

(i) The City agrees to promptly notify the Remarketing Agent (i) if any event shall have occurred or information shall become known as a result of which (A) the Current Offering Materials would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein not misleading in light of the circumstances under which they were made or (B) any representation or warranty of the City under the Resolution, the [Bank Documents], the Continuing Disclosure Undertaking, or this Agreement (the “Financing Documents”) would become false in any material respect and (ii) of any material fact that the City is aware of that may affect the remarketing of the Bonds or the marketability of the Bonds including, but not limited to, (A) any material adverse change in the condition (financial or otherwise), prospects (financial or otherwise) or general affairs of the City, (B) any reduction or threatened reduction (by way of credit watch or similar rating agency action) in the ratings of the Bonds, (C) any adverse change (threatened or otherwise) in the tax treatment of interest on the Bonds received by the holders of the Bonds or (D) any other material adverse change that may affect the remarketing of the Bonds or any fact or circumstance which constitutes, or with the passage of time would constitute, an event of default under the Financing Documents.

(ii) The City hereby agrees that it will make file such a Disclosure Document that is necessary such that the Current Offering Materials do not contain an untrue statement of material fact or omit a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the City shall not effect any such amendment or supplement to the Current Offering Materials without the written consent of the Remarketing Agent (which consent shall not be unreasonably withheld); provided, further, that if the Remarketing Agent determines that an updating or supplementing of the Current Offering Materials is required to comply with federal or state securities laws, the City will promptly update the Current Offering Materials in form and substance reasonably satisfactory to the Remarketing Agent.

(iii) Upon any dissemination of any Disclosure Document, Remarketing Memorandum or any amendment, update or supplement of the Current Offering Materials issued subsequent to the initial issuance of the Bonds, the City agrees to provide (in form and substance reasonably satisfactory to the Remarketing Agent) such certificates and opinions as reasonably requested, including the requisite certificates of the City or the Bank and opinions of Bond Counsel or Disclosure Counsel that the effect that the information contained in the Disclosure Document, Remarketing Memorandum or Current Offering Materials, as so amended, updated or

supplemented, does not contain any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

(iv) The City hereby agrees that, in connection with any dissemination of a Disclosure Document, Remarketing Memorandum and any amendment, update or supplement of the Current Offering Materials issued subsequent to the initial issuance of the Bonds and from time to time upon the reasonable request of the Remarketing Agent, the City (i) will permit the Remarketing Agent to perform reasonable inquiries and investigations into, (ii) will make appropriate City officials available to answer such reasonable questions of the Remarketing Agent concerning, and (iii) will provide to the Remarketing Agent copies of such documents and other information reasonably relating to, in each case of (i), (ii) and (iii), the finances, operations and affairs of the City and the terms and conditions of the Bonds.

(v) The City shall furnish such information, execute such instruments and take such other action in cooperation with the Remarketing Agent as the Remarketing Agent may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Remarketing Agent may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification under clause (i) in effect so long as required for distribution of the Bonds by the Remarketing Agent; provided, however, that in no event shall the City be required to consent to suit or to service of process in any jurisdiction or to take any action which would subject it to service of process in any jurisdiction in which it is not now so subject.

(b) Compliance with Rule 15c2-12. In the event the Remarketing Agent is asked to remarket Bonds in connection with any remarketing that constitutes a “primary offering”, or wherein there is a mandatory tender of all of the Bonds, a change in interest rate mode, or a substitution of any Credit Facility supporting the Bonds, within the meaning of Rule 15c2-12 of the Commission under the Exchange Act (the “Rule”):

(i) the Issuer will provide the Remarketing Agent with a reoffering statement or other disclosure document prepared in connection therewith (the “Reoffering Statement”) which the Issuer deems final as of its date (exclusive of pricing and other sales information), prior to the date the Remarketing Agent bids for, offers or sells any Bonds;

(ii) the Issuer will provide the Remarketing Agent with such number of copies of any Reoffering Statement as the Remarketing Agent may need to supply at least one copy thereof to each potential customer who requests it;

(iii) the Issuer shall provide the Remarketing Agent within seven (7) Business Days after the interest rate is determined or by the time “money confirmations” are to be sent to customers, whichever is earlier, with a number of copies of the final Reoffering Statement adequate to provide at least one copy of such final Reoffering Statement to any customer or any potential customer for a period commencing on the date such final Reoffering Statement is available and extending to the twenty-fifth day following the “end of the underwriting period” as defined in the Rule (the “Underwriting Period”). During the Underwriting Period, the Issuer

agrees to update, by written supplement or amendment or otherwise, the final Reoffering Statement such that at all times during such period the final Reoffering Statement will not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (other than any statements contained therein that are similar to the statements contained in the Official Statement under the captions “THE 2019 BONDS —[Disclosure Concerning Sales of Variable Rate Demand Obligations by Remarketing Agent],” except to the extent that such statements expressly summarize certain provisions of the Resolution, and “[THE BANK]”); and

(c) Continuing Disclosure Obligation. The Issuer will provide the Remarketing Agent with an executed continuing disclosure undertaking evidencing the Issuer’s intent to provide the information required to be provided by paragraph (b)(5) of the Rule, at the times required thereby.

Section 8. Fees and Expenses. For the Remarketing Agent’s services under this Agreement and the Resolution, the Issuer shall pay the Remarketing Agent directly, as compensation for its services hereunder, a fee equal to [(i) \_\_\_\_\_ (.\_\_%) per annum, while the Bonds bear interest at the Daily Rate, and (ii) \_\_\_\_\_ (.\_\_%) per annum, while the Bonds bear interest at the Weekly Rate,] calculated on the weighted average principal amount of the Bonds outstanding during each three-month period, or such other amount as may be agreed upon from time to time by the Issuer and the Remarketing Agent, payable [quarterly in arrears on each January 1, April 1, July 1, and October 1, commencing October 1, 2019.] The Remarketing Agent will not be entitled to compensation for any period after conversion of the interest rate on the Bonds to a Fixed Rate or Auction Mode Rate (whichever is earlier) or the termination or suspension of the Liquidity Facility except for a pro rata portion of the fee in respect of the quarter in which such conversion or termination or suspension occurs. The parties anticipate that separate fee arrangements will be made for the remarketing of Bonds accruing interest at a Term Rate, Flexible Rate or at a Fixed Rate.

The Issuer will pay all expenses of delivering remarketed Bonds and reimburse the Remarketing Agent for all direct, out-of-pocket expenses incurred by it as Remarketing Agent, including reasonable counsel fees and disbursements.

Section 9. Representations, Warranties, Covenants and Agreements of the Remarketing Agent. The Remarketing Agent, by its acceptance hereof, represents, warrants and covenants and agrees with the Issuer as follows:

(i) the Remarketing Agent is a member of the Financial Industry Regulatory Authority, having a capitalization of at least \$50,000,000 and otherwise meets the requirements for the Remarketing Agent set forth in the Resolution;

(ii) the Remarketing Agent has been duly organized, is validly existing and is in good standing under the laws of the state of its organization, and is authorized by law to perform all the duties and obligations imposed upon it as Remarketing Agent by this Agreement and the Resolution;

(iii) the Remarketing Agent has full power and authority to take all actions required or permitted to be taken by the Remarketing Agent by or under, and to perform and observe the covenants and agreements on its part contained in, this Agreement and the Resolution;

(iv) the Remarketing Agent shall keep such books and records regarding its remarketing of Bonds (or beneficial ownership interests therein) and determinations of interest rates and interest periods on the Bonds as provided in the Resolution as shall be consistent with prudent industry practice and shall make such books and records available for inspection by the other Notice Parties at all reasonable times; and

(v) [to the extent that any of the statements and information contained in the Official Statement under the caption “THE 2019 BONDS — [Disclosure Concerning Sales of Variable Rate Demand Obligations by Remarketing Agent]” summarizes certain of the Remarketing Agent’s practices and procedures in its capacity as remarketing agent for variable rate demand obligations, such statements are a fair and accurate summary of such practices and procedures.]

Section 10. Representations, Warranties, Covenants and Agreements of the Issuer. The Issuer, by its acceptance hereof, represents, warrants, covenants, and agrees with the Remarketing Agent that:

(a) the representations, warranties and agreements of the Issuer set forth in the Contract of Purchase are hereby incorporated herein as if made on the date hereof and are true and correct in all material respects;

(b) any Bonds that have been tendered for purchase and would otherwise be subject to remarketing shall not have been called for redemption or mandatory tender pursuant to the Resolution unless the remarketing of such Bonds is permitted under the Resolution or under the applicable optional or mandatory tender provisions in the Bonds;

(c) as of any date on which the City disseminates a Remarketing Memorandum Disclosure Document, or supplements or amends the Current Offering Materials, such Remarketing Memorandum, Disclosure Document, or amendment or supplement to the Current Offering Materials will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and

(d) it will promptly notify the Remarketing Agent of any fact or circumstance which may constitute, or with passage of time will constitute, an Event of Default under the Financing Documents.

Section 11. No Advisory or Fiduciary Role. The City acknowledges and agrees that: (i) the transactions contemplated by this Agreement are arm’s length, commercial transactions between the City and the Remarketing Agent in which the Remarketing Agent is not acting as a municipal advisor, financial advisor or fiduciary to the City and in which the Remarketing Agent has financial and other interests that differ from those of the City; (ii) the Remarketing Agent has not assumed any advisory or fiduciary responsibility to the City with respect to the

transactions contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Remarketing Agent or its affiliates have provided other services or are currently providing other services to the City on other matters) or other contractual, advisory or fiduciary obligation to the City related to this Agreement except the contractual obligations expressly set forth in this Agreement; (iii) the Remarketing Agent has a duty to deal with the City in a fair and reasonable manner, but must balance that duty with its duty to determine interest rates on the Bonds and perform its other responsibilities as Remarketing Agent in a manner that is fair and reasonable to investors; (iv) the City has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate; and (v) the responsibilities and obligations of the Remarketing Agent under this Agreement are purely contractual in nature and the Remarketing Agent is not undertaking and is not serving in the capacity as agent under the law of agency.

Section 12. Term of Agreement. This Agreement shall become effective on the date hereof and shall continue in full force and effect until the payment in full of the Bonds or the earlier conversion of all Bonds to the Auction Mode and/or the Fixed Mode, subject to the right of termination as provided herein; *provided, however*, this Agreement is subject to termination at the option of the City in accordance with Section 287.135, Florida Statutes.

Section 13. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York. ANY RIGHTS TO TRIAL BY JURY WITH RESPECT TO ANY CLAIM, ACTION OR PROCEEDING, DIRECTLY OR INDIRECTLY, ARISING OUT OF, OR RELATING TO, THIS AGREEMENT ARE EXPRESSLY AND IRREVOCABLY WAIVED BY THE PARTIES HERETO.

Section 14. Dealing in Bonds by the Remarketing Agent. The Remarketing Agent, in its individual capacity, either as principal or agent, may in good faith buy, sell, own, hold and deal in any of the Bonds, including, without limitation, any Bonds offered and sold by the Remarketing Agent pursuant to this Agreement, and may join in any action which any Owner may be entitled to take with like effect as if it did not act in any capacity hereunder. The Remarketing Agent may sell any of such Bonds at prices above or below par, at any time. The Remarketing Agent, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Issuer and may act as depository, trustee, or agent for any committee or body of Owners or owners of other obligations of the Issuer as freely as if it did not act in any capacity hereunder. Nothing in this Agreement shall obligate the Remarketing Agent to purchase any Bonds at any time.

Section 15. Intention of Parties. It is the express intention of the parties hereto that any purchase, sale or transfer of any Bonds, as herein provided, shall not constitute or be construed to be the extinguishment of any Bonds or the indebtedness represented thereby or the reissuance of any Bonds or the refunding of any indebtedness represented thereby.

Section 16. Miscellaneous. (a) All notices, requests and other communications shall be in electronic, telephonic or written form (including telecopier) and shall be given to the party to whom addressed, at its address or telephone or telecopier number set forth below, or such other address or telephone or telecopier number as such party may hereafter specify for the purpose by notice to the other parties listed below. Each such notice, request or communication shall be

effective (i) if given by telephone, when given to the number indicated below to a person which the transmitting party reasonably believes to be an authorized representative of the party to whom the notice is directed, (ii) if given by telecopy, when such communication is transmitted to the address specified below and the appropriate answerback is received, (iii) if given by mail, 3 days after such communication is deposited in the United States mail with first class postage prepaid, addressed as aforesaid or (iv) if given by any other means, when delivered at the address specified below:

The Remarketing Agent:

Merrill Lynch, Pierce, Fenner & Smith Incorporated  
One Bryant Park, 12th Floor,  
New York, New York 10036  
Attention: Andrew K. Hildreth  
Telephone: 646-743-1607  
Fax: [\_\_\_\_]-[\_\_\_\_]-[\_\_\_\_]

With copies to:

Bank of America, N.A.  
One Bryant Park, 12th Floor,  
New York, New York 10036  
Attention: Andrew K. Hildreth  
Telephone: 646-743-1607  
Fax: [\_\_\_\_]-[\_\_\_\_]-[\_\_\_\_]

The Issuer:  
City of Gainesville, Florida  
301 S.E. Fourth Avenue  
Gainesville, Florida 32601  
Attention: Chief Financial Officer, Utilities  
Telephone: (352) 393-1312  
Fax: (352) 334-2774

The Remarketing Agent and Issuer may, by notice given under this Agreement, designate other addresses to which subsequent notices, requests, reports or other communications shall be directed.

(b) This Agreement shall inure to the benefit of and be binding only upon the parties hereto and their respective successors and assigns. The terms “successors” and “assigns” shall not include any purchaser of any of the Bonds merely because of such purchase. Neither the Bank nor any Owner or other third party shall have any rights or privileges hereunder. The City and Remarketing Agent hereby agree that the Remarketing Agent may, without notice to the City, assign its rights and obligations under this Agreement to any other wholly-owned subsidiary of Bank of America Corporation to which all or substantially all of Remarketing Agent’s municipal markets business may be transferred following the date of this Agreement.

(c) The City acknowledges and agrees that the Remarketing Agent shall have no obligation under this Agreement to provide any services, provide any advice or take any other

action to the extent that the Remarketing Agent determines, in its sole discretion, would cause the Remarketing Agent to be considered a “municipal advisor” as defined under Section 15B of the Exchange Act and SEC Rule 15Ba1-1.

(d) All of the representations and warranties of the Issuer and the Remarketing Agent in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of the Remarketing Agent or the Issuer, (ii) the offering and sale of and any payment for any Bonds hereunder or (iii) termination or cancellation of this Agreement.

(e) This Agreement and each provision hereof may be amended, changed, waived, discharged or terminated only by an instrument in writing signed by the parties hereto.

(f) Nothing herein shall be construed to make any party an employee of the other or to establish any fiduciary relationship between the parties except as expressly provided herein.

(g) If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable for any reason, such circumstances shall not have the effect of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatsoever.

(h) This Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

(i) The Remarketing Agent shall incur no liability to the Issuer or any person for its actions as Remarketing Agent pursuant to the terms of this Agreement and the Resolution except for its willful misconduct or negligence.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

CITY OF GAINESVILLE, FLORIDA

By: \_\_\_\_\_  
Chief Financial Officer, Utilities

Approved as to Form and Legality:

By: \_\_\_\_\_  
City Attorney

MERRILL LYNCH, PIERCE, FENNER & SMITH  
INCORPORATED

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

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

[Signature Page of 2019 Series C Remarketing Agreement]