

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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

Definitions

The following are summaries of certain definitions in the Resolution:

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

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

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

Adjusted Aggregate Debt Service for any period means, as of any date of calculation, the Aggregate Debt Service for such period except that (a) if any Refundable Principal Installment for any Series of Bonds is included in Aggregate Debt Service for such period, Adjusted Aggregate Debt Service shall mean Aggregate Debt Service determined (i) in the case of Refundable Principal Installments other than Parity Commercial Paper Notes and Parity Medium-Term Notes as if each such Refundable Principal Installment had been payable, over a period extending from the due date of such Principal Installment through the later of (x) the 30th anniversary of the issuance of such Series of Bonds or (y) the 10th anniversary of the due date of such Refundable Principal Installment, in installments which would have required equal annual payments of principal and interest over such period and (ii) in the case of Refundable Principal Installments relating to Parity Commercial Paper Notes or Parity Medium-Term Notes, in accordance with the then current Commercial Paper Payment Plan or Medium-Term Note Payment Plan, as applicable, with respect thereto and (b) the principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds shall be included in the calculation of Adjusted Aggregate Debt Service at the times and in the manner provided in the Resolution. Interest deemed payable in any Fiscal Year after the actual due date of any Refundable Principal Installment of any Series of Bonds shall be calculated at such rate of interest as the City, or a banking or financial institution selected by the City, determines would be a reasonable estimate of the rate of interest that would be borne on Bonds maturing at the times determined in accordance with the provisions of the preceding sentence.

Aggregate Debt Service for any period means, as of any date of calculation, the sum of (a) the amounts of Debt Service for such period with respect to all Series of Bonds; provided, however, that (i) for purposes of estimating Aggregate Debt Service for any future period (X) any Variable Rate Bonds Outstanding during such period shall be assumed to bear interest during such period at the greater of (1) the actual rate of interest then borne by such Variable Rate Bonds or (2) the Certified Interest Rate applicable thereto and (Y) any Option Bonds Outstanding during such period shall be assumed to mature on the stated maturity date thereof and (ii) the principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds shall be included in the calculation of Aggregate Debt Service at the times and in the manner provided in the Resolution; and provided, further, that if the calculation of the Debt Service Reserve Requirement for any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund takes into account Aggregate Debt Service, then, for purposes of such calculation, Aggregate Debt Service shall be calculated only with respect to the Bonds of the Series secured thereby and (b) the amounts of Debt Service for such period with respect to all Parity Hedging Contract Obligations.

Amended and Restated Resolution means the Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on January 30, 2003, as amended by Article V of the Thirteenth Supplemental Utilities System Revenue Bond Resolution adopted by the City on July 14, 2003, which, as so amended, amended and restated the Resolution as theretofore in effect on November 26, 2003 upon the satisfaction of the conditions to its effectiveness.

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

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

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

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

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

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

Cost of Acquisition and Construction means the City's costs, expenses and liabilities paid or incurred or to be paid or incurred by the City in connection with the planning, engineering, designing, acquiring, constructing, installing, financing, operating, maintaining, retiring, decommissioning and disposing of the System or any part thereof and the obtaining of all governmental approvals, certificates, permits and licenses with respect thereto, including, but not limited to, any good faith or other similar payment or deposits required in connection with the purchase of such part of the System, the cost of acquisition by or for the City of real and personal property or any interests therein, costs of physical construction of such part of the System and costs of the City incidental to such construction or acquisition, the cost of acquisition of fuel or fuel inventory or facilities for the production or transportation of fuel and working capital and reserves therefor and working capital and reserves for reload fuel and for additional fuel inventories, all costs relating to such part of the System, the cost of any indemnity or surety bonds and premiums on insurance, preliminary investigation and development costs, engineering fees and expenses, contractors' fees and expenses, the costs of labor, materials, equipment and utility services and supplies, legal and financial advisory fees and expenses, interest and financing costs, including, without limitation, bank commitment and letter of credit fees, bond insurance and indemnity premiums, discounts to the underwriters or other purchasers thereof, if any, amounts required to be paid under any interest rate exchanges or swaps, cash flow exchanges, options, caps, floors or collars, in each case made in connection with the issuance of Bonds, Subordinated Indebtedness or other evidences of indebtedness of the City relating to the System, payments under any Qualified Hedging Contract, fees and expenses of the Fiduciaries, administration and general overhead expense and costs of keeping accounts and making reports required by the Resolution prior to or in connection with the completion of construction of such

part of the System, amounts, if any, required by the Resolution to be paid into the Debt Service Fund to provide, among other things, for interest accruing on Bonds and to provide for the Debt Service Reserve Requirement or to be paid into the Utilities Plant Improvement Fund or for payments when due (whether at the maturity of principal or the due date of interest or upon redemption) on any indebtedness of the City, including notes and Subordinated Indebtedness, incurred in respect of any of the foregoing, amounts, if any, required by a Supplemental Resolution to be paid into the Rate Stabilization Fund, and amounts required for working capital for the System and reserves therefor, and all federal, state and local taxes and payments in lieu of taxes legally required to be paid in connection with any part of the System and shall include reimbursements to the City for any of the above items theretofore paid by or on behalf of the City. It is intended that this definition be broadly construed to encompass all costs, expenses and liabilities of the City related to the System which on the date of the Resolution or in the future shall be permitted to be funded with the proceeds of Bonds pursuant to the provisions of Florida law.

Credit Enhancement means, with respect to any Bonds of a Series, the issuance of an insurance policy, letter of credit, surety bond or any other similar obligation, whereby the issuer thereof becomes unconditionally obligated to pay when due, to the extent not paid by the City or otherwise, the principal of and interest on such Bonds.

Credit Enhancer means, with respect to any Bonds, any person or entity which, pursuant to a Supplemental Resolution, is designated as a Credit Enhancer and which provides Credit Enhancement for such Bonds.

Credit Obligation means any obligation of the City to make payments out of Revenues for property, services or commodities whether or not the same are made available, furnished or received.

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

Debt Service for any period means, as of any date of calculation (a) with respect to any Series of Bonds, an amount equal to the sum of (i) interest accruing during such period on Bonds of such Series, except to the extent that such interest is to be paid from deposits into the Debt Service Account in the Debt Service Fund made from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of the City (including amounts, if any, transferred thereto from the Construction Fund) and (ii) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, (x) in the case of Bonds other than Parity Reimbursement Obligations, if (1) there shall be no such preceding Principal Installment due date or (2) such preceding Principal Installment due date is more than one year prior to the due date of such Principal Installment, then, from a date one year preceding the due date of such Principal Installment or

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

Debt Service Reserve Requirement means with respect to each subaccount, if any, in the Debt Service Reserve Account, the amount specified in the Supplemental Resolution pursuant to which such subaccount shall be established; provided, however, that if at any time the City at its option shall have established one or more Reserve Deposits in connection with the issuance of any Additionally Secured Series of Bonds, the Debt Service Reserve Requirement for such Additionally Secured Series of Bonds as of any date of calculation shall be reduced by an amount equal to the sum of all Reserve Deposits not due and payable in such current or future Fiscal Year to which the calculation relates. For purposes of the foregoing calculation, it shall be assumed that Variable Rate Bonds will bear interest during such period at the greater of (i) the

actual rate of interest then borne by such Bonds or (ii) the Certified Interest Rate applicable thereto.

Defeasance Securities means, unless otherwise provided with respect to the Bonds of a Series in the Supplemental Resolution authorizing such Bonds,

(a) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, and any certificates or any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this clause (a), in any such case, which shall not be subject to redemption prior to their maturity other than at the option of the holder thereof or as to which an irrevocable notice of redemption of such securities on a specified redemption date has been given and such securities are not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof,

(b) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (A) which are (x) not callable prior to maturity or (y) as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (B) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) hereof which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (C) as to which the principal of and interest on the bonds and obligations of the character described in clause (a) hereof which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (b) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (A) of this clause (b), as appropriate, and any certificates or any other evidences of an ownership interest in obligations or specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this clause (b);

(c) obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision which are not callable for redemption prior to maturity, or which have been duly called for redemption by the obligor on a date or dates specified and as to which irrevocable instructions have been given to a trustee in respect of such obligations by the obligor to give due notice of such redemption on such date or dates, which date or dates shall also be specified in such instructions, and which shall be rated in the highest whole rating category by two nationally recognized rating agencies,

(d) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by a nationally recognized rating agency in its highest rating category, and by at least one other nationally recognized rating agency in either of its two highest rating categories, for comparable types of debt obligations so long as such securities evidence ownership of the right to payments of principal and/or interest on obligations described in clauses (a) and (b) hereof or obligations described in the foregoing clause (c), in any such case, which shall not be subject to redemption prior to their maturity other than at the option of the holder thereof or as to which an irrevocable notice of redemption of such obligations on a specified redemption date has been given and such obligations are not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof,

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

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

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

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

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

Medium-Term Note Payment Plan means, with respect to any installment of Medium-Term Notes and as of any time, the then current Medium-Term Note Payment Plan for such notes contained in a certificate of an Authorized Officer of the City delivered on or prior to the date of the first issuance of such Medium-Term Notes and setting forth the sources of funds expected to be utilized by the City to pay the principal of and interest on such Medium-Term

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

Net Revenues for any period mean the Revenues during such period plus (x) the amounts, if any, paid from the Rate Stabilization Fund into the Revenue Fund during such period (excluding from (x) amounts already included in the Revenues for such period representing interest earnings transferred from the Rate Stabilization Fund to the Revenue Fund) and minus (y) the sum of (a) the Operation and Maintenance Expenses during such period and (b) the amounts, if any, paid from the Revenue Fund into the Rate Stabilization Fund during such period.

Operation and Maintenance Expenses mean all expenses incurred in connection with the operation and maintenance of the System including, without limiting the generality of the foregoing, all operating and maintenance expenses included in the Uniform System of Accounts exclusive of interest, depreciation and amortization charges. Operation and Maintenance Expenses may include Credit Obligations. See “Application of Revenues” in this Appendix C.

Parity Obligation means any Parity Commercial Paper Note, Parity Medium-Term Note, Parity Reimbursement Obligation or Parity Hedging Contract Obligation.

Prior Bonds means the Bonds Outstanding under the Resolution immediately prior to November 26, 2003, the effective date of the amendment and restatement of the Resolution as theretofore in effect provided for by the Amended and Restated Resolution.

Qualified Hedging Contract means, to the extent from time to time permitted by law, any financial arrangement (i) which is entered into by the City with an entity that is a Qualified Hedging Contract Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; an interest rate swap, including a forward rate or future rate swap; asset, index, price or market-linked-transaction or agreement; other exchange or rate protection transaction agreement; agreement for the future delivery or price management of fuel or other commodities; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, executed by the City for the purpose of moderating interest rate or commodity price fluctuations or otherwise, and (iii) which has been designated in writing to the Trustee by an Authorized Officer of the City as a Qualified Hedging Contract (which writing shall specify, in the case of a Qualified Hedging Contract that is entered into in connection with any Bonds, the Bonds with respect to which such Qualified Hedging Contract is entered into).

Qualified Hedging Contract Provider means an entity whose senior unsecured long-term debt obligations, financial program rating, counterparty rating or claims paying ability is rated, or whose payment obligations under a financial arrangement of the type referred in clause (ii) of the definition of Qualified Hedging Contract are guaranteed or insured by an entity whose senior unsecured long-term obligations, financial program rating, counterparty rating or claims paying ability is rated, on the date a Qualified Hedging Contract is entered into, either (i) at least as high as the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Hedging Contract Provider, but in no event lower than any Rating Category designated by each such Rating Agency for the Bonds, or (ii) at any such lower Rating Categories which each such Rating Agency indicates in writing to the City and the Trustee will not, by itself, result in a reduction or withdrawal of its rating on the Outstanding Bonds that is in effect prior to entering into such Qualified Hedging Contract and which is an authorized counterparty pursuant to the City's investment policy as from time to time approved by the City.

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

Reserve Deposit, in respect of the Bonds of any of Additionally Secured Series, means an amount which shall be deposited monthly into the subaccount in the Debt Service Reserve Account in the Debt Service Fund established with respect to the Bonds of such Additionally Secured Series equal to the product of a fraction, the numerator of which shall be one and the denominator of which shall equal the number of months (which shall be not greater than sixty (60) months), designated by the City in the Supplemental Resolution authorizing the issuance of the Bonds of such Additionally Secured Series, in which the Reserve Deposit for the Bonds of such Additionally Secured Series is to be paid, times, the excess (if any) of the Debt Service Reserve Requirement on such date on all Additionally Secured Series of Bonds secured by such subaccount Outstanding including such Additionally Secured Series of Bonds, over the Debt Service Reserve Requirement on all Additionally Secured Series of Bonds secured by such subaccount excluding such Additionally Secured Series of Bonds, such excess to be reduced by (i) the amount, if any, by which the amount on deposit in the separate subaccount in the Debt Service Reserve Account on the date of issuance of such Series of Bonds exceeds the Debt Service Reserve Requirement on all Additionally Secured Series of Bonds secured by such

subaccount excluding such Additionally Secured Series of Bonds being issued, and (ii) the amount of proceeds of the Bonds of such Additionally Secured Series being issued or other funds, if any, deposited in such subaccount in the Debt Service Reserve Account on the date of issuance of the Additionally Secured Series of Bonds being issued; provided, however, that the Reserve Deposit may be reduced whenever any additional deposit allocable to the Reserve Deposits for such Additionally Secured Series is made into the separate subaccount in the Debt Service Reserve Account.

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

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

System means the entire combined and consolidated electric system, water system, wastewater system, natural gas system and telecommunications system of the City, now existing and hereafter acquired by lease, contract, purchase or otherwise or constructed by the City, including any interest or participation of the City in any facilities in connection with said system, together with all additions, betterments, extensions and improvements to said system or any part thereof hereafter constructed or acquired and together with all lands, easements, licenses and rights of way of the City and all other works, property or structures of the City and contract rights and other tangible and intangible assets of the City now or hereafter owned or used in connection with or related to said System; provided, however, that upon compliance with certain provisions of the Resolution, the term System shall be deemed to include other utility functions added to the System such as the production, distribution and sale of process steam, the providing of cable television services, or other utility functions that are, in accordance with Prudent Utility Practice, reasonably related to the services provided by the System. Notwithstanding the foregoing definition of the term System, such term shall not include any properties or interests in properties of the City which the City determines shall not constitute a part of the System for the purpose of the Resolution. See "Additional Utility Functions" in this Appendix C.

Trust Estate shall mean (i) the proceeds of the sale of the Bonds, (ii) the Revenues and (iii) all Funds established by the Resolution (other than the Debt Service Reserve Account in the Debt Service Fund 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.

Pledge

The Bonds are direct and special obligations of the City payable solely from and secured as to the payment of the principal and Redemption Price thereof, and interest thereon, in accordance with their terms and the provisions of the Resolution solely by the Trust Estate and the Trust Estate is pledged and assigned to the Trustee for the benefit of the Bondholders, 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.

Application of Revenues

Revenues are pledged by the Resolution to the payment of principal and interest and Redemption Price on the Bonds of all Series, subject to the provisions of the Resolution permitting application for other purposes. The Resolution establishes the following Funds for the application of revenues:

<u>Funds</u>	<u>Held By</u>
Revenue Fund.....	City
Rate Stabilization Fund	City
Debt Service Fund	Trustee
Subordinated Indebtedness Fund.....	Trustee
Utilities Plant Improvement Fund	City

The Resolution also provides for the establishment of one or more funds that may be required from time to time by Federal, State or local regulations, by contractual obligations, or in order to operate the System in accordance with Prudent Utility Practice, so as to provide, among other things, for costs of decommissioning, retirement or disposal of Facilities for costs of nuclear waste storage and disposal including the cost of disposal of spent fuel, for maintaining financial responsibility for the closure of hazardous waste storage facilities, or for self insurance. Deposits into any such funds may be made only after the required deposits have been made into the funds specified above. Deposits into any such funds may be made only with amounts defined by the Resolution to be available for use by the City for any lawful purpose. If and when established, such funds shall not be governed by the Resolution and will not be pledged as security for the Bonds.

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

Outstanding is paid from Bond proceeds, are at least equal to 1.25 times the Aggregate Debt Service for such Fiscal Year.

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

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

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

Amounts in the Debt Service Reserve Account are applied to make up any deficiency in the Debt Service Account. Whenever the amount in the Debt Service

Reserve Account, without giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in such Account pursuant to the Resolution, together with the amount in the Debt Service Account, is sufficient to pay in full all Outstanding Bonds and Parity Obligations in accordance with their terms, the funds on deposit in the Debt Service Reserve Account will be transferred to the Debt Service Account. Whenever the moneys on deposit in the Debt Service Reserve Account shall exceed the Debt Service Reserve Requirement, after giving effect to any surety bond, insurance policy, letter of credit, or other similar obligation deposited in such Account pursuant to the Resolution, such excess shall upon the request of the City be transferred to the City and credited upon the City's receipt thereof to make up any deficiencies in the Subordinated Indebtedness Fund and the Utilities Plant Improvement Fund, in that order. Any balance of such excess shall be credited to the Revenue Fund.

In the event of the refunding or defeasance of any Bonds of an Additionally Secured Series, the Trustee shall, if the City so directs, withdraw from the Debt Service Account and the Debt Service Reserve Account in the Debt Service Fund all, or any portion of, the amounts accumulated therein and deposit such amounts with itself as Trustee to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless (i) immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to the Resolution, and (ii) (a) in the case of the Debt Service Account, the amount remaining therein, after giving effect to the issuance of the Refunding Bonds and the disposition of the proceeds thereof, shall not be less than the Accrued Aggregate Debt Service and (b) in the case of the Debt Service Reserve Account, the amount remaining therein, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in such Account, and after giving effect to the issuance of the Refunding Bonds and the disposition of the proceeds thereof, shall not be less than the Debt Service Reserve Requirement.

In lieu of the required transfers of moneys to the Debt Service Reserve Account, the City may cause to be deposited into any subaccount established in the Debt Service Reserve Account for the benefit of the holders of the Bonds of each Additionally Secured Series secured thereby an irrevocable surety bond, an insurance policy, a letter of credit or any other similar obligation in an amount equal to the difference between the Debt Service Reserve Requirement related thereto and the sums of moneys or value of Investment Securities then on deposit in such subaccount, if any. The surety bond, insurance policy, letter of credit or other similar obligation shall be payable (upon the giving of notice as required thereunder) on any due date on which moneys will be required to be withdrawn from such subaccount and applied to the payment of a Principal Installment of or interest on any Bonds of each Additionally Secured Series secured thereby and such withdrawal cannot be met by amounts on deposit in such subaccount. The entity providing any such surety bond, insurance policy, letter of credit or similar obligation shall have the qualifications set forth in the Supplemental Resolution establishing such subaccount. If a disbursement is made pursuant to a surety bond, an insurance policy, a letter of credit or any other similar obligation provided pursuant to this subsection, the City shall within twelve months either (i) reinstate the maximum limits of such surety bond, insurance policy, letter of credit or other similar obligation or

(ii) deposit into the subaccount established in the Debt Service Reserve Account funds in the amount of the disbursement made under such surety bond, insurance policy, letter of credit or other similar obligation, or a combination of such alternatives, as shall provide that the amount in such subaccount equals the Debt Service Reserve Requirement related thereto. In the event that the rating attributable to any insurer providing any surety bond, insurance policy or other similar obligation or any bank or trust company providing any letter of credit or other similar obligation held as above provided in any separate subaccount in the Debt Service Reserve Account shall fall below that required as above provided, the City shall within twelve months either (i) replace such surety bond, insurance policy, letter of credit or other similar obligation with a surety bond, insurance policy, letter of credit or other similar obligation which shall meet the above provided requirements or (ii) deposit into such separate subaccount in the Debt Service Reserve Account sufficient funds, or a combination of such alternatives, as shall provide that the amount in the separate subaccount in such Debt Service Reserve Account equals the Debt Service Reserve Requirement related thereto.

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

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

Maintenance Expenses, then such excess may be used for the payment of Operation and Maintenance Expenses.

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

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

The balance of any moneys remaining in the Revenue Fund after the required payments have been made can be used by the City for any lawful purpose; provided, however, that none of the remaining moneys can be used for any purpose other than those specified hereinabove 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 has complied fully with all covenants and provisions of the Resolution.

Construction Fund

The Resolution establishes a Construction Fund, held by the City, into which are paid amounts required to be so paid by the provisions of the Resolution and any Supplemental Resolution. At the option of the City, any moneys received for or in connection with the System by the City, unless required to be otherwise applied as provided in the Resolution, may also be deposited into the Construction Fund.

The City will withdraw from the Construction Fund amounts for the payment of the Cost of Acquisition and Construction of the System. Amounts in the Construction Fund which the City at any time determines to be in excess of the amounts required for the purposes thereof are to be transferred to the Debt Service Reserve Account, to the extent necessary for the funds in any separate subaccount therein to equal the Debt Service Reserve Requirement, and the balance is to be paid to the City for credit to the Utilities Plant Improvement Fund. To the extent that other moneys are not available therefor, amounts in the Construction Fund will be applied to the payment of principal of and interest on Bonds and Parity Obligations when due.

The City may discontinue the acquisition or construction of any portion of the System which is being paid out of the Construction Fund, if the City Commission determines that to do so is necessary or desirable in the conduct of the business of the City and not disadvantageous to Bondholders and holders of Subordinated Bonds.

Investment of Certain Funds and Accounts

The Resolution provides that certain Funds and Accounts held thereunder may, and in the case of the Debt Service Account, the Debt Service Reserve Account, the Sinking Fund Account and the Amortization Account in the Debt Service Fund and the Subordinated Indebtedness Fund must, be invested to the fullest extent practicable in Investment Securities. The Resolution provides that such investments will mature no later than such times as necessary to provide moneys when needed for payments from such Fund and Accounts and provides specific limitations of the term of investments for moneys in certain Funds. Investment Securities are to be valued as of each September 30 and at such other times as the City shall determine. Investment Securities are to be valued at the amortized cost thereof. In the event that the City deposits in the Debt Service Reserve Account in the Debt Service Fund an irrevocable surety bond, an insurance policy, letter of credit or other obligation, such surety bond, insurance policy, letter of credit or other obligation shall be valued at the lesser of the face amount thereof or the maximum amount available thereunder.

Unless otherwise determined by the City, net interest earned on any moneys or investments in such Funds or Accounts, other than the Construction Fund, is to be paid into the Revenue Fund; provided, however, that if the City so directs, such interest earned on moneys or investments in any Fund or Account, or any portion thereof, is to be deposited in the Construction Fund. Interest earned on any moneys or investments in the Construction Fund is to be held in such Fund, or deposited into the Revenue Fund if so directed by the City.

Additional Bonds, Conditions to Issuance

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

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

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

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

Subordinated Indebtedness

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

Issuance of Other Indebtedness

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

Rate Covenant

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

Creations of Liens

The City will not issue any other evidences of indebtedness, other than the Bonds and Parity Hedging Contract Obligations, payable out of or secured by the Trust Estate, any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund or other moneys, securities or funds held or set aside under the Resolution nor create any lien or charge thereon, except (1) evidences of indebtedness (a) payable out of moneys in the Construction Fund as part of the Cost of Acquisition and Construction of the System or (b) payable out of, or secured by a security interest in or pledge of assignment of, Revenues to be received after the discharge of the lien on such Revenues provided in the Resolution or (2) Subordinated Indebtedness.

Disposition of System

Except as described in this paragraph, the City may not sell, lease, mortgage or otherwise dispose of any part of the System. The City may sell or exchange property or facilities of the System if the sale or exchange of such property or facilities will not impair the ability of the City to comply with the rate covenant described above. The proceeds of any such sale or exchange

not used to acquire other property for the System are to be deposited in the Utilities Plant Improvement Fund. If certain conditions are satisfied, the City also may lease or make contracts or grant licenses, easements or rights for the operation or use of or with respect to, any part of the System. Payments received by the City under any such arrangement will constitute Revenues. The City may also enter into certain sale leaseback arrangements if certain conditions are satisfied. The proceeds of any such transaction, after payment of expenses, are to be deposited into the Utilities Plant Improvement Fund.

Insurance

The City is required to provide protection for the System consisting of insurance, self insurance and indemnities both in accordance with the requirements of all agreements to which the City may at any time be a party with respect to joint ownership by the City with others of electric, water, wastewater, natural gas, telecommunications or other System facilities, and in accordance with Prudent Utility Practice. The City will keep the properties of the System insured and will carry other insurance against fire and other risks to the extent and of the kinds usually insured against by those operating properties similar to the properties of the System. Any self insurance shall be in the amount, manner and type provided by those operating properties similar to the properties of the System.

Reconstruction; Application of Insurance Proceeds

In the event of any loss or damage to the System covered by insurance, the City will promptly repair, reconstruct or replace the parts of the System affected by such loss or damage to the extent necessary to the proper conduct of the operation of the business of the System. The proceeds of insurance paid on account of such damage or destruction will be used for the cost of such reconstruction or replacement with any excess insurance proceeds being transferred to the Revenue Fund.

Governmental Reorganization

The Resolution does not prevent any lawful reorganization of the governmental structure of the City, including a merger or consolidation of the City with another public body or the transfer of a public function of the City to another public body, provided that any reorganization which affects the System shall provide that the System shall be continued as a single enterprise and that any public body which succeeds to the ownership and operation of the System shall also assume all rights, powers, obligations, duties and liabilities of the City under the Resolution and pertaining to all Bonds.

Additional Utility Functions

The City may expand the utility functions of the System as they exist on the date of the Resolution as permitted by the proviso contained in the definition of "System" only if the City files with the Trustee a certified copy of resolutions of the Commission to the effect that, based upon such certificates and opinions of its Consulting Engineers, independent certified public accountants, bond counsel, financial advisors or other appropriate advisors as the Commission shall deem necessary or appropriate, the addition of such utility functions (a) will not impair the ability of the City to comply during the current or any future Fiscal Year with the provisions of

the Resolution, including specifically the rate covenant, and (b) will not materially adversely affect the rights of the holders of the Bonds. Pursuant to such provisions of the Resolution, (1) in 1990 the City filed with the Trustee a certified copy of a resolution of the Commission to such effect in connection with the acquisition by the City of the assets of the natural gas system and (2) in 1995 the City filed with the Trustee a certified copy of a resolution of the Commission to such effect in connection with the telecommunications system. Accordingly, the properties, assets and other rights of the natural gas system and the telecommunications system constitute a part of the System for all purposes of the Resolution, and all references in the Resolution to the "System" are deemed to include such properties, assets and other rights.

Amendment of Resolution

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

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

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

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

thereon without consent of each affected holder, or (B) reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect any such modification or amendment. For purposes of the foregoing, the holders of Bonds may include the initial holders thereof regardless of whether such Bonds are being held for subsequent resale.

At such time as none of the Prior Bonds shall remain Outstanding under the Resolution, the following provision shall be applicable to amendments to the Resolution that require the consent of the holders of the Bonds:

The Resolution and the rights and obligations of the City and of the holders of the Bonds may be amended by a Supplemental Resolution with the written consent of the holders of a majority in principal amount in each case of (i) all Bonds then Outstanding affected by the modification or amendment, and (ii) in case the modification or amendment changes the terms of any Sinking Fund Installment, the Bonds of the particular Series and maturity entitled to the benefit of the Sinking Fund Installment. No such modification or amendment may (A) permit a change in the terms of redemption or maturity or any installment of interest or a reduction in the principal, Redemption Price or rate of interest thereon without consent of each affected holder, or (B) reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect any such modification or amendment. For purposes of the foregoing, the holders of Bonds may include the initial holders thereof regardless of whether such Bonds are being held for subsequent resale.

Defeasance

The lien of the Resolution, the pledge of the Trust Estate and each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund, and all covenants, agreements and other obligations of the City under the Resolution will cease, terminate and become void and be discharged and satisfied whenever all Bonds are paid in full. If any Bonds are paid in full, such Bonds shall cease to be entitled to any lien, benefit or security under the Resolution and all covenants, agreements and obligations of the City to the holders of such Bonds shall cease, terminate and be discharged. Bonds are deemed to have been paid and are not entitled to the lien, benefit and security of the Resolution whenever the following conditions are met: (i) in case any Bonds are to be redeemed prior to their maturity, the City has given to the Trustee instructions in accordance with the Resolution to give notice of redemption therefor, (ii) there has been deposited with the Trustee either moneys or Defeasance Securities which, together with other moneys, if any, also deposited, will be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on such Bonds, and (iii) in the event such Bonds are not subject to redemption within the next succeeding 60 days, the City has given the Trustee instructions in accordance with the Resolution to give notice to the holders of such Bonds that the above deposit has been made and that such Bonds are deemed to have been paid and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds.

Defeasance Securities described in clause (f) of the definition above may be included in the Defeasance Securities deposited with the Trustee for purposes of defeasance only if the

determination as to whether the moneys and Defeasance Securities to be deposited with the Trustee would be sufficient to pay when due, either at the maturity date thereof or, in the case of any Bonds to be redeemed prior to the maturity date thereof, on the redemption date or dates specified in any notice of redemption to be published by the Trustee or in the instructions to publish a notice of redemption provided to the Trustee in accordance with the Resolution, the principal and Redemption Price, if applicable, and interest on the Bonds is made both on the assumption that the Defeasance Securities described in clause (f) of the definition above were not redeemed at the option of the issuer prior to the maturity date thereof and on the assumption that such Defeasance Securities would be redeemed by the issuer thereof at its option on each date on which such option could be exercised and that as of such date or dates interest ceased to accrue on such Defeasance Securities and that the proceeds of such redemption would not be reinvested by the Trustee.

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

Events of Default; Remedies

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

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

During the continuance of an event of default under the Resolution, the Trustee is to apply all moneys, securities, funds and Revenues received by the Trustee (other than amounts on

deposit in any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund) as follows and in the following order: (i) charges, expenses and liabilities of the Trustee, the Co-Trustee, any Paying Agents, the Depositories and the Bond Registrar; (ii) reasonable and necessary Operation and Maintenance Expenses and reasonable renewals, repairs and replacements of the System necessary in the judgment of the Trustee to prevent a loss of Revenues; and (iii) to the interest and principal or Redemption Price due on the Bonds.

No Bondholder has any right to institute any suit, action or proceeding for the enforcement of any provision of the Resolution or the execution of any trust under the Resolution or for any remedy under the Resolution, unless (1) such Bondholder previously has given the Trustee written notice of the Event of Default, (2) the holders of at least 25% in principal amount of the Bonds then Outstanding have filed a written request with the Trustee and have afforded the Trustee a reasonable opportunity to exercise its powers or institute such suit, action or proceeding, (3) there has been offered by such holders to the Trustee adequate security and indemnity against its costs, expenses and liability to be incurred and (4) the Trustee has refused to comply with such request within 60 days after receipt of such notice, request and offer of indemnity. Nothing in the Resolution or the Bonds affects or impairs the City's obligation to pay the Bonds and interest thereon when due from the Trust Estate or the right of any Bondholder to enforce such payment.

Trustee and Paying Agents

The Trustee or the Co-Trustee may at any time resign and be discharged from the duties and obligations created by the Resolution by giving notice of such resignation as provided in the Resolution. Such notice shall specify the date when such resignation shall take effect, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the City or the Bondholders as provided in the Resolution, in which event such resignation shall take effect immediately on the appointment of such successor. Such notice shall be mailed by first class mail, postage prepaid, not less than 60 days prior to the proposed date on which such resignation shall become effective, to the City, the Co-Trustee and the Holders of all Outstanding Bonds, at their last addresses, if any, appearing upon the registration books of the City kept by the Bond Registrar.

The Trustee or the Co-Trustee may be removed at any time with or without cause by an instrument or concurrent instruments in writing, filed with the Trustee or the Co-Trustee, and signed by the Holders of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized. So long as no Event of Default or an event which, with notice or passage of time, or both, would become an Event of Default, shall have occurred and be continuing, the Trustee or the Co-Trustee may be removed at any time for cause by resolution of the City filed with the Trustee or the Co-Trustee, as the case may be.

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, a successor may be appointed by the City by a duly executed written instrument signed by an Authorized Officer of the City, but if the City does not appoint a successor Trustee within 60 days, then by the Holders of a majority in

principal amount of the Bonds then Outstanding, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondholders or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the City and the predecessor Trustee. The City shall give notice of any such appointment made by it or the Bondholders by first class mail, postage prepaid, within 20 days after such appointment, to the Holders of all Outstanding Bonds, at their last addresses, if any, appearing upon the registration books of the City kept by the Bond Registrar.

Action by Credit Enhancer When Action by Holders of the Bonds Required

Except as otherwise provided in a Supplemental Resolution authorizing Bonds for which Credit Enhancement is being provided, if not in default in respect of any of its obligations with respect to Credit Enhancement for the Bonds of a Series, or a maturity within a Series, the Credit Enhancer for, and not the actual Holders of, the Bonds of a Series, or a maturity within a Series, for which such Credit Enhancement is being provided, shall be deemed to be the Holder of Bonds of any Series, or maturity within a Series, as to which it is the Credit Enhancer 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 Resolution as specified in the Resolution or any other provision thereof, which requires the written approval or consent of Holders; provided, however, that these provisions shall not apply to any change in the terms of redemption or maturity of the principal of any Outstanding 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 shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto and (ii) giving any approval or consent, exercising any remedies or taking any other action in accordance with the provisions of the Resolution.

Reimbursement Obligations

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

respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration, or may be secured by a pledge and assignment of the Subordinated Indebtedness Fund which pledge and assignment shall be subordinate in all respects to the pledge of the Trust Estate created by the Resolution in favor of the Bonds and Parity Hedging Contract Obligations but on a parity with the pledge and lien securing Subordinated Indebtedness (a "Subordinated Reimbursement Obligation"), as determined by the City. Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification or other obligations to any provider of Credit Enhancement, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds, which payments shall be Subordinated Reimbursement Obligations.

Special Provisions Relating to Capital Appreciation Bonds

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

Special Provisions Relating to Deferred Income Bonds

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

Special Provisions Relating to Parity Reimbursement Obligations

Except as otherwise provided in a Supplemental Resolution authorizing a Series of Reimbursement Obligations, for the purposes of (i) receiving payment of a Parity Reimbursement Obligation, whether at maturity, upon redemption or if the principal of all Bonds is declared immediately due and payable following an Event of Default, or (ii) computing the principal amount of Bonds held by the registered owner of a Parity Reimbursement Obligation in giving to the City or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever, the principal amount of a Parity Reimbursement Obligation shall be deemed to be the actual principal amount that the City shall owe thereon, which shall equal the aggregate of the amounts advanced to, or on behalf of, the City in connection with the Bonds of the Series or maturity or interest rate within a maturity for which such Parity Reimbursement Obligation has been issued to evidence the City's obligation to repay any advances or loans made in respect of the Credit Enhancement or liquidity support provided for such Bonds, less any prior repayments thereof.

Provisions Concerning Qualified Hedging Contracts

The City may, to the extent from time to time permitted pursuant to law, enter into Qualified Hedging Contracts. The City's obligation to pay any amount under any Qualified Hedging Contract may be secured by a pledge and assignment of the Trust Estate on a parity with the pledge and assignment created by the Resolution to secure the Bonds (a "Parity Hedging Contract Obligation"), or may be secured by a pledge and assignment of the Subordinated Indebtedness Fund which pledge and assignment shall be subordinate in all respects to the pledge of the Trust Estate created by the Resolution in favor of the Bonds but on a parity with the pledge and assignment securing Subordinated Indebtedness (a "Subordinated Hedging Contract Obligation"), as determined by the City. Notwithstanding the foregoing, Parity Hedging Contract Obligations shall not include any payments of any termination payments owed to a counterparty to a Qualified Hedging Contract, which payments shall be Subordinated Hedging Contract Obligations.

Commercial Paper Notes

Commercial Paper Notes may be issued from time to time in Series secured by a pledge and assignment of the Trust Estate on a parity with the pledge and assignment created by the Resolution to secure the Bonds ("Parity Commercial Paper Notes"). Commercial Paper Notes may also be issued from time to time in series secured by a pledge and assignment of the Subordinated Indebtedness Fund which pledge shall be subordinate in all respects to the pledge of the Trust Estate created by the Resolution in favor of the Bonds but on a parity with the pledge and lien securing Subordinated Indebtedness ("Subordinated Commercial Paper Notes"). The Trustee shall authenticate and deliver Commercial Paper Notes to the City or upon its order, but only upon satisfaction of the conditions specified in the Resolution.

Medium-Term Notes

Medium-Term Notes may be issued from time to time in Series secured by a pledge and assignment of, the Trust Estate on a parity with the pledge and lien created by the Resolution to secure the Bonds ("Parity Medium-Term Notes"). Medium-Term Notes may also be issued from time to time in series secured by a pledge and assignment of the Subordinated Indebtedness Fund which pledge shall be subordinate in all respects to the pledge of the Trust Estate created by the Resolution in favor of the Bonds but on a parity with the pledge and lien securing Subordinated Indebtedness ("Subordinated Medium-Term Notes"). The Trustee shall authenticate and deliver Medium-Term Notes to the City or upon its order, but only upon satisfaction of the conditions specified in the Resolution.

Special Provisions Relating to 2008 Series B Bonds

In the Twentieth Supplemental Utilities System Revenue Bond Resolution, the City will covenant as follows:

"Tax Covenants. 1. The City covenants that it shall not take any action or inaction, or fail to take any action, or permit any action to be taken on its behalf or cause or permit any circumstance within its control to arise or continue, if any such action or inaction would adversely affect the exclusion from gross income for federal income tax

purposes of the interest on the 2008 Series B Bonds under Section 103 of the Internal Revenue Code of 1986 and the applicable Treasury Regulations promulgated thereunder. Without limiting the generality of the foregoing, the City covenants that it will comply with the instructions and requirements of the Tax Certificate to be executed and delivered on the date of issuance of the 2008 Series B Bonds concerning certain matters pertaining to the use of proceeds of the 2008 Series B Bonds, including any and all exhibits attached thereto (the 'Tax Certificate'). This covenant shall survive payment in full or defeasance of the 2008 Series B Bonds.

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

3. Notwithstanding any provisions of this Section, if the City shall provide to the Trustee an Opinion of Counsel of an attorney or firm of attorneys of nationally recognized standing in matters pertaining to the federal income tax treatment of interest on bonds issued by states and their political subdivisions to the effect that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest on the 2008 Series B Bonds, the City and the Trustee may conclusively rely on such opinion in complying with the requirements of this Section and of the Tax Certificate, and the covenants hereunder shall be deemed to be modified to that extent.

4. Notwithstanding any other provision of the Resolution to the contrary, (a) upon the City's failure to observe or refusal to comply with the above covenants, the Holders of the 2008 Series B Bonds, or the Trustee acting on their behalf, shall be entitled to the rights and remedies provided to Bondholders under the Resolution, other than the right (which is hereby abrogated solely in regard to the City's failure to observe or refusal to comply with the covenants of this Section) to declare the principal of all 2008 Series B Bonds then outstanding, and the interest accrued thereon, to be due and payable and (b) neither the Holders of the Bonds of any Series other than the 2008 Series B Bonds, nor the Trustee acting on their behalf, shall be entitled to exercise any right or remedy provided to Bondholders under the Resolution based upon the City's failure to observe, or refusal to comply with, the above covenants."

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**CERTAIN DEFINITIONS APPLICABLE
TO THE 2008 SERIES B BONDS**

Set forth below are certain definitions applicable to the 2008 Series B Bonds. Capitalized terms used without definition shall have the respective meanings to be assigned thereto in the Twentieth Supplemental Resolution.

Bank means (a) The Bank of New York and (b) in the event that a Substitute Liquidity Facility is substituted for the Initial Liquidity Facility, the bank or banks that is or are party to the Liquidity Facility then in effect.

Bank Rate shall have the meaning ascribed to such term in the Initial Liquidity Facility as originally executed; *provided, however*, that if the City shall receive an opinion of an attorney or firm of attorneys of nationally recognized standing in matters pertaining to the federal income tax treatment of interest on bonds issued by states and their political subdivisions to the effect that an amendment of such definition (including, for this purpose, any replacement thereof with another definition) will not cause the interest on the 2008 Series B Bonds to become includable in gross income for federal income tax purposes, then "Bank Rate" shall be deemed to refer to such definition as so amended (or replaced); and *provided, further*, that if any such amendment to such definition shall be scheduled to take effect other than in connection with the substitution of a Substitute Liquidity Facility for the Liquidity Facility then in effect, then such amendment shall not become effective unless consented to in writing by the Bank(s) that is (or are) a party to the Liquidity Facility then in effect.

Business Day means 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 2008 Series B 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 are open for business during their respective normal business hours and (c) if the 2008 Series B 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.

Custody Agreement means the Bank Bond Custody Agreement to be entered into between the Bank and U.S. Bank Trust National Association, as custodian, as amended from time to time, pursuant to which U.S. Bank Trust National Association will act as custodian for the Bank with respect to any 2008 Series B Bank Bonds.

Daily Mode means the Interest Mode during which the 2008 Series B Bonds bear interest at Daily Rates.

Daily Rate means the interest rate applicable to the 2008 Series B Bonds during the Daily Mode, determined as provided in the Twentieth Supplemental Resolution.

Default, with respect to the Initial Liquidity Facility, means the occurrence of any event which, with the giving of notice or the passage of time, or both, would (unless cured or waived) constitute an Event of Default under the Initial Liquidity Facility.

Fixed Mode means the Interest Mode during which the 2008 Series B Bonds bear interest at the Fixed Rate.

Fixed Rate means the interest rate applicable to the 2008 Series B Bonds during the Fixed Mode, determined as provided in the Twentieth Supplemental Resolution.

Flexible Mode means the Interest Mode during which the 2008 Series B Bonds bear interest at Flexible Rates.

Flexible Rate means the interest rate applicable to the 2008 Series B Bonds during the Flexible Mode, determined as provided in the Twentieth Supplemental Resolution.

Governmental Authority means 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.

Indebtedness means, 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 and (b) obligations under leases which shall have been or should be, in accordance with generally accepted accounting principles as in effect from time to time, 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.

Initial Liquidity Facility means the Standby Bond Purchase Agreement Relating to Variable Rate Utilities System Revenue Bonds, 2008 Series B, dated as of February 1, 2008, between the City and The Bank of New York, as amended from time to time.

Interest Accrual Period means the period from and including each Interest Payment Date to but excluding the next Interest Payment Date. The initial Interest Accrual Period for the 2008 Series B Bonds shall begin on (and include) the Delivery Date. The final Interest Accrual Period for any 2008 Series B Bond shall end on the day next preceding the maturity or redemption date of such 2008 Series B Bond.

Interest Mode means a period of time relating to the frequency with which the interest rate on the 2008 Series B Bonds is determined pursuant to the provisions of the Twentieth Supplemental Resolution. 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 means, with respect to each 2008 Series B Bond (a) each date on which the 2008 Series B Bonds shall be subject to mandatory tender for purchase pursuant to the Twentieth Supplemental Resolution; (b) except as to any 2008 Series B Bank Bond, (i) as to 2008 Series B Bonds in the Daily Mode or the Weekly Mode, the first Business Day of each calendar month; (ii) as to 2008 Series B Bonds in the Flexible Mode, the first Business Day following the end of each Interest Period with respect thereto; and (iii) as to 2008 Series B 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 2008 Series B Bank Bond, unless otherwise provided in the Liquidity Facility, each date determined pursuant to the Twentieth Supplemental Resolution; and (d) the maturity or redemption date thereof.

Interest Period means 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 2008 Series B 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 2008 Series B Bond shall be the period from and including the last Rate Adjustment Date preceding the maturity or redemption date of such 2008 Series B Bond to but excluding such maturity or redemption date.

Liquidity Facility means the Initial Liquidity Facility and, upon the effectiveness thereof as provided in the Twentieth Supplemental Resolution, each Substitute Liquidity Facility.

Liquidity Facility Expiration Date means the date upon which the Liquidity Facility is stated to expire or terminate, as such date may be extended from time to time, either by extension or renewal of such then existing Liquidity Facility or the issuance or entry into of a Substitute Liquidity Facility.

Liquidity Facility Requirement means an amount equal to the principal amount of the Outstanding 2008 Series B Bonds (other than 2008 Series B Bank Bonds), plus, if the 2008 Series B Bonds shall be in the Daily Mode or the Weekly Mode, 36 days' interest thereon computed at a rate per annum equal to the Maximum Rate and on the basis of a 365-day year.

Mode Adjustment Date means any date on which the Interest Mode or Interest Period to which the 2008 Series B Bonds are subject is to be changed to another Interest Mode or Interest Period, as the case may be, determined as provided in the Twentieth Supplemental Resolution.

Moody's means 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 means the City, the Trustee, the Paying Agent, the Bond Registrar, the Remarketing Agent, the Tender Agent and the Bank.

Purchase Date means a Business Day on which 2008 Series B 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 of the Twentieth Supplemental Resolution.

Purchase Price means an amount equal to 100% of the principal amount of any 2008 Series B Bonds (or portions thereof or beneficial ownership interests therein) tendered or deemed tendered or remarketed pursuant to the Twentieth Supplemental Resolution, plus accrued and unpaid interest, if any, at the 2008 Series B Bond Rate or Rates in effect 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 2008 Series B 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 2008 Series B Bonds (other than 2008 Series B Bank Bonds) and on or prior to such Interest Payment Date, in which case the accrued and unpaid interest on such 2008 Series B Bonds being remarketed on such date shall not be paid as part of the Purchase Price.

Rate Adjustment Date means the day on which each Auction Mode Rate, Daily Rate, Weekly Rate, Flexible Rate, Term Rate or Fixed Rate on a 2008 Series B Bond shall become effective.

Rate Determination Date means the time and date as of which an interest rate for the 2008 Series B Bonds shall be determined, which date shall be determined as provided in the Twentieth Supplemental Resolution.

Rating Agency means Moody's if the 2008 Series B Bonds are then rated by Moody's, and S&P if the 2008 Series B Bonds are then rated by S&P.

Record Date means (a) except as provided in clause (b) below, (i) with respect to an Interest Payment Date for 2008 Series B 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 2008 Series B Bonds in the Auction Mode Rate, Daily Mode, the Weekly Mode or the Flexible Mode and 2008 Series B 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.

S&P means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., and its successors and assigns, and, if such division 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.

Substitute Liquidity Facility means any standby bond purchase agreement (other than the Initial Liquidity Facility), 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 2008 Series B Bonds upon the tender (or deemed tender) thereof for purchase and as to which the conditions set forth in the Twentieth Supplemental Resolution are satisfied, in each case, with administrative provisions reasonably satisfactory to the Tender Agent.

Substitution Date means the Business Day on which the City (a) causes or permits a new bank or banks to be substituted for one or more of the Banks that is (or are) a party to the Liquidity Facility then in effect or (b) substitutes the Liquidity Facility then in effect with a Substitute Liquidity Facility, which Business Day shall be specified in a certificate of an authorized officer of the City delivered to the Notice Parties on or before the day on which the City shall notify the Tender Agent as to the substitution of the new bank or banks or shall deliver such Substitute Liquidity Facility to the Tender Agent, as the case may be (such day being hereinafter referred to in this paragraph as the “notice date”), and shall be (i) not later than the fifth Business Day immediately preceding the Liquidity Facility Expiration Date for the Liquidity Facility then in effect, (ii) if the 2008 Series B Bonds shall be in the Flexible Mode, not earlier than the day that is the latest Interest Payment Date in effect with respect to any 2008 Series B Bond, determined as of such notice date and (iii) if the 2008 Series B Bonds shall be in the Term Mode, a Rate Adjustment Date; any date specified as a Substitution Date in a notice of mandatory tender mailed to Holders of 2008 Series B Bonds shall be treated as a Substitution Date for purposes of the Twentieth Supplemental Resolution even if the substitution of the new bank(s) or the Substitute Liquidity Facility fails to occur.

Term Mode means the Interest Mode during which the 2008 Series B Bonds bear interest at Term Rates.

Term Rate means the interest rate applicable to the 2008 Series B Bonds during the Term Mode, determined as provided in the Twentieth Supplemental Resolution.

2008 Series B Bank Bond means any 2008 Series B Bond (or portion thereof or beneficial ownership interest therein) purchased by the Bank (or a nominee thereof) pursuant to the provisions of the Twentieth Supplemental Resolution; *provided, however*, that any such 2008 Series B Bond shall cease to be a 2008 Series B Bank Bond on the date on which such 2008 Series B 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 Bank elects not to sell such 2008 Series B Bond to a purchaser identified by the Remarketing Agent).

2008 Series B Bond Purchase Fund means the fund by that name to be created and established pursuant to the provisions of the Twentieth Supplemental Resolution and held by the Tender Agent separate and apart from any funds, accounts or subaccounts under the Resolution and which shall not constitute a fund or an account for purposes of the Resolution.

2008 Series B Bond Rate means the interest rate on 2008 Series B Bonds determined as provided in the Twentieth Supplemental Resolution, but shall not include the interest rate on any 2008 Series B Bank Bonds.

Weekly Mode means the Interest Mode during which the 2008 Series B Bonds bear interest at Weekly Rates.

Weekly Rate means the interest rate applicable to the 2008 Series B Bond during the Weekly Mode, determined as provided in the Twentieth Supplemental Resolution.

DEBT SERVICE REQUIREMENTS ON SENIOR LIEN BONDS ⁽¹⁾
(ACCRUAL BASIS)
[TO BE UPDATED]

Period Ending September 30,	Total Debt Service on Bonds Outstanding Prior to Issuance of 2008 Series B Bonds ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	Plus: Debt Service on 2008 Series B Bonds ⁽⁶⁾			Total Debt Service on Bonds to be Outstanding after Issuance of 2008 Series B Bonds
		Principal	Interest	Total	
2007	\$ 40,749,023	-	\$ 3,209,545	\$ 3,209,545	\$ 37,491,793
2008	46,462,596	\$ 245,000	5,502,077	5,747,077	45,742,898
2009	46,460,255	255,000	5,492,414	5,747,414	45,740,894
2010	47,527,268	265,000	5,482,357	5,747,357	46,807,850
2011	47,556,646	275,000	5,471,906	5,746,906	46,836,777
2012	47,527,052	290,000	5,461,060	5,751,060	46,811,337
2013	47,565,672	300,000	5,449,622	5,749,622	46,848,519
2014	28,323,844	310,000	5,437,790	5,747,790	27,604,859
2015	33,879,268	325,000	5,425,564	5,750,564	33,163,057
2016	33,698,554	340,000	5,412,746	5,752,746	32,984,525
2017	33,510,248	355,000	5,399,336	5,754,336	32,797,809
2018	33,326,832	365,000	5,385,335	5,750,335	32,610,392
2019	31,257,194	385,000	5,370,939	5,755,939	30,546,358
2020	31,267,445	1,775,000	5,355,755	7,130,755	30,556,425
2021	31,295,765	1,850,000	5,285,749	7,135,749	30,586,926
2022	29,692,038	1,925,000	5,212,785	7,137,785	28,986,360
2023	24,143,827	400,000	5,136,863	5,536,863	23,442,290
2024	24,146,952	2,095,000	5,121,087	7,216,087	23,444,639
2025	24,159,341	2,185,000	5,038,460	7,223,460	23,463,401
2026	24,154,621	2,270,000	4,952,284	7,222,284	23,460,755
2027	20,974,325	2,365,000	4,862,755	7,227,755	20,283,430
2028	20,973,900	2,460,000	4,769,479	7,229,479	20,286,979
2029	20,978,075	2,565,000	4,672,457	7,237,457	20,296,132
2030	20,975,163	15,695,000	4,571,293	20,266,293	20,649,306
2031	20,978,975	16,345,000	3,952,282	20,297,282	20,313,669
2032	20,973,475	17,015,000	3,307,636	20,322,636	20,339,023
2033	20,973,225	17,720,000	2,636,564	20,356,564	20,372,951
2034	18,240,975	15,720,000	1,937,687	17,657,687	17,674,074
2035	18,241,225	16,370,000	1,317,690	17,687,690	17,704,077
2036	18,236,975	17,040,000	672,058	17,712,058	18,073,445
	<u>\$908,250,753</u>	<u>\$139,505,000</u>	<u>\$137,303,573</u>	<u>\$276,808,573</u>	<u>\$885,920,951</u>

(footnotes on following page)

(footnotes from previous page)

- (1) Columns and rows may not add due to rounding.
- (2) Interest on the 2005 Series B Bonds has been calculated at the actual rates of interest borne by such Bonds. The amounts shown in this table do not take into account amounts payable by and to the City pursuant to the 2005 Series B Swap Transaction. See note 1 to the table under "OUTSTANDING DEBT" in the Official Statement to which this APPENDIX E is attached. To the extent that the City makes or receives net payments under the 2005 Series B Swap Transaction during any fiscal year, net debt service on the 2005 Series B Bonds will be greater or less than the respective amount shown in this table for such fiscal year.
- (3) Interest on the 2005 Series C Bonds has been calculated at an assumed rate of 3.20% per annum, the fixed rate payable by the City under the 2005 Series C Swap Transaction. See note 2 to the table under "OUTSTANDING DEBT" in the Official Statement to which this APPENDIX E is attached. To the extent that amounts payable to the City under the 2005 Series C Swap Transaction during any fiscal year differ from interest payable on the 2005 Series C Bonds during such fiscal year, net debt service on the 2005 Series C Bonds will be greater or less than the respective amount shown in this table for such fiscal year.
- (4) Interest on the 2006 Series A Bonds has been calculated at an assumed rate of 3.224% per annum, the fixed rate payable by the City under the 2006 Series A Swap Transaction. See note 3 to the table under "OUTSTANDING DEBT" in the Official Statement to which this APPENDIX E is attached. To the extent that amounts payable to the City under the 2006 Series A Swap Transaction during any fiscal year differ from interest payable on the 2006 Series A Bonds during such fiscal year, net debt service on the 2006 Series A Bonds will be greater or less than the respective amount shown in this table for such fiscal year.
- (5) Interest on the 2007 Series A Bonds has been calculated at an assumed rate of 3.944% per annum, the fixed rate payable by the City under the 2007 Series A Swap Transaction. See note 4 to the table under "OUTSTANDING DEBT" in the Official Statement to which this APPENDIX E is attached. To the extent that amounts payable to the City under the 2007 Series A Swap Transaction during any fiscal year differ from interest payable on the 2007 Series A Bonds during such fiscal year, net debt service on the 2007 Series A Bonds will be greater or less than the respective amount shown in this table for such fiscal year.
- (6) Interest on the 2008 Series B Bonds has been calculated at an assumed rate of [4.222]% per annum, the fixed rate payable by the City under the 2008 Series B Swap Transaction. See "PLAN OF FINANCE" in the Official Statement to which this APPENDIX E is attached. To the extent that amounts payable to the City under the 2008 Series B Swap Transaction during any fiscal year differ from interest payable on the 2008 Series B Bonds during such fiscal year, net debt service on the 2008 Series B Bonds will be greater or less than the respective amount shown in this table for such fiscal year.

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the 2008 Series B Bonds, Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the City, proposes to render its final approving opinion with respect to such Bonds in substantially the following form:

February __, 2008

City of Gainesville, Florida
Gainesville, Florida 32614-7117

City of Gainesville, Florida
Variable Rate
Utilities System Revenue Bonds,
2008 Series B

Ladies and Gentlemen:

We have acted as bond counsel to the City of Gainesville, Florida (the "City"), a municipal corporation of the State of Florida, in connection with the issuance of \$90,000,000 aggregate principal amount of Variable Rate Utilities System Revenue Bonds, 2008 Series B (the "2008 Series B Bonds"), issued pursuant to the Constitution and statutes of the State of Florida, and particularly Chapter 90-394, Laws of Florida, 1990, as amended, being the Charter of the City, Chapter 166, Part II, Florida Statutes, as amended, and other applicable provisions of law (collectively, the "Act"), and under and pursuant to Resolution No. R-83-27, duly adopted by the City on June 6, 1983, incorporating by reference and adopting a resolution entitled "Utilities System Revenue Bond Resolution" (the "Bond Resolution"), as heretofore supplemented, amended and restated, including as supplemented by a resolution duly adopted by the City on January 28, 2008 incorporating by reference and adopting a resolution entitled "Twentieth Supplemental Utilities System Revenue Bond Resolution," authorizing the 2008 Series B Bonds (such Bond Resolution as so supplemented, amended and restated, including as supplemented by the Twentieth Supplemental Utilities System Revenue Bond Resolution, being herein called the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

The Resolution provides that the 2008 Series B Bonds are being issued (a) to provide funds for the payment of the cost of acquisition and construction of certain improvements to the System and (b) to pay costs of issuance of the 2008 Series B Bonds. The City heretofore has issued certain other Bonds under the Resolution and the City reserves the right to issue additional Bonds under the Resolution on the terms and conditions and for the purposes stated therein. Under the provisions of the Resolution, all Outstanding Bonds and all Parity Hedging Contract Obligations shall rank equally as to security and payment from the Trust Estate.

In such connection, we have reviewed a certified copy of the Resolution, the Tax Certificate executed and delivered by the City on the date hereof in connection with the issuance of the 2008 Series B Bonds (the "Tax Certificate"), an opinion of the City Attorney of the City,

certificates of the City, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based upon an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the 2008 Series B Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, including matters essential to the exclusion of interest on the 2008 Series B Bonds from gross income for federal income tax purposes, and of the legal conclusions contained in the opinions, referred to in the third paragraph hereof (except that we have not relied on any such legal conclusions that are to the same effect as the opinions set forth herein). Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2008 Series B Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the 2008 Series B Bonds, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations of the State of Florida. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement of the City, dated _____, 2008, relating to the 2008 Series B Bonds or other offering material relating to the 2008 Series B Bonds and express no opinion with respect thereto.

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

1. The City has the right and power under the Act to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the City, is in full force and effect, is valid and binding upon the City and is enforceable in accordance with its terms, and no other authorization for the Resolution is required. The Resolution creates the valid pledge which it purports to create of the Trust Estate, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

2. The City is duly authorized and entitled to issue the 2008 Series B Bonds and the 2008 Series B Bonds have been duly and validly authorized and issued by the City in accordance with the Constitution and statutes of the State of Florida, and particularly the Act, and the Resolution, and constitute the valid and binding obligations of the City as provided in the Resolution, enforceable in accordance with their terms and

the terms of the Resolution, and entitled to the benefits of the Act and the Resolution. The 2008 Series B Bonds are direct and special obligations of the City and 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, nor constitute a lien on any property of or in the City, other than the pledge of the Trust Estate as provided in the Resolution. No holder of the 2008 Series B Bonds shall 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 2008 Series B Bonds or the making of any payments under the Resolution. The 2008 Series B Bonds rank equally as to security and payment with the Bonds that will remain Outstanding after the issuance of the 2008 Series B Bonds and with all Parity Hedging Contract Obligations.

3. The City is legally authorized to operate the System, and to levy, collect, receive, hold and apply rates and charges for services provided from the System, as provided in the Resolution.

4. Interest on the 2008 Series B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the 2008 Series B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income.

5. The 2008 Series B Bonds and the interest thereon are exempt from taxation under existing laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, banks and savings associations.

6. **The amount by which the issue price of the 2008 Series B Bonds maturing on October 1, 20 and October 1, 20 (collectively, the "Discount Bonds") is less than the amount to be paid at maturity of the Discount Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds) constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Discount Bonds which is excluded from gross income for federal income tax purposes to the same extent as set forth in paragraph 4 hereof. For this purpose, the issue price of the Discount Bonds of each maturity is the first price at which a substantial amount of the Bonds of such maturity is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers).**

Except as stated in paragraphs 4, 5 and 6 hereof, we express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2008 Series B Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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