

The 2007 Series A Bonds bear interest at variable rates, as more fully described herein. The 2007 Series A Bonds currently bear interest at the Weekly Rates (as defined herein). While the 2007 Series A Bonds bear interest at Weekly Rates, interest is payable on the first Business Day (as defined herein) of each calendar month. As more fully described herein, the Interest Mode (as defined herein) applicable to the 2007 Series A Bonds may be changed at the election of the City.

The 2007 Series A Bonds are subject to optional and mandatory redemption prior to maturity and to optional and mandatory tender for purchase as set forth herein.

Liquidity support in connection with tenders for purchase of the 2007 Series A Bonds (in an amount equal to the principal amount thereof plus 36 days' interest thereon computed at a rate per annum of 12% and on the basis of a 365-day year) is provided by State Street Bank and Trust Company (the "Bank"), pursuant to a standby bond purchase agreement between the Bank and the City (the "Liquidity Facility"). See "LIQUIDITY FACILITY" and "THE BANK" herein. **The obligation of the Bank to purchase 2007 Series A Bonds under the Liquidity Facility will, however, be subject to certain conditions, and such obligation may be terminated or suspended without prior notice or payment thereunder under certain circumstances.** The Liquidity Facility has a stated termination date of **April 1, 2021**. The purchase price of 2007 Series A Bonds tendered or deemed tendered for purchase is payable solely from the proceeds of the remarketing thereof and moneys drawn under the Liquidity Facility, and is not payable from any funds of the City.

The 2007 Series A 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 or the taxing power 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 Trust Estate (as defined herein) as provided in the Resolution.

Certain legal matters were passed upon in connection with the original issuance of the 2007 Series A Bonds by Orrick, Herrington & Sutcliffe LLP, New York, New York, former Bond Counsel to the City, and by Marion J. Radson, Esq., former City Attorney of the City. Certain legal matters in connection with the mandatory tender will be passed upon for the City by Holland & Knight LLP, Lakeland, Florida Bond Counsel to the City, and by Nicolle M. Shalley, Esq., City Attorney. Bryant Miller Olive P.A. is Disclosure Counsel to the City.

**Goldman Sachs & Co. LLC
as Remarketing Agent**

CITY OF GAINESVILLE, FLORIDA

ELECTED OFFICIALS⁽¹⁾

Lauren Poe Mayor (At Large)
David Arreola Commissioner
Adrian Hayes-Santos Commissioner
Gail Johnson Commissioner (At Large)
GiGi Simmons Commissioner
Harvey Ward Commissioner
Helen K. Warren Commissioner (At Large)

APPOINTED OFFICIALS

Anthony R. Lyons City Manager
Edward J. Bielarski, Jr. General Manager for Utilities
Nicolle M. Shalley, Esq. City Attorney
Omichele Gainey Clerk of the Commission
Carlos L. Holt City Auditor
Bridget Lee Equal Opportunity Director (Interim)

BOND COUNSEL

Holland & Knight LLP
Lakeland, Florida

DISCLOSURE COUNSEL

Bryant Miller Olive P.A.
Tampa, Florida

FINANCIAL ADVISOR

Public Financial Management, Inc.
Charlotte, North Carolina

⁽¹⁾ The Mayor-Commissioner Pro-Tem will be chosen at the May 17, 2018 City Commission meeting.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations in connection with the 2007 Series A Bonds, other than as contained in this Reoffering Memorandum, and, if given or made, such information or representations must not be relied upon as having been authorized by the City. This Reoffering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2007 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

The Remarketing Agent has reviewed the information in this Reoffering Memorandum in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agent does not guarantee the accuracy or completeness of such information.

All summaries set forth or incorporated herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the 2007 Series A Bonds are qualified in their entirety by reference to the form thereof included in the aforesaid documents and agreements.

NO REGISTRATION STATEMENT RELATING TO THE 2007 Series A BONDS HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR WITH ANY STATE SECURITIES COMMISSION. IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATIONS OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE 2007 Series A BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS REOFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS REOFFERING MEMORANDUM CONSTITUTE "FORWARD LOOKING STATEMENTS." SUCH STATEMENTS GENERALLY ARE IDENTIFIABLE BY THE TERMINOLOGY USED, SUCH AS "PLAN," "EXPECT," "ESTIMATE," "BUDGET" OR OTHER SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, SUBJECT TO ANY CONTRACTUAL OR LEGAL RESPONSIBILITIES TO THE CONTRARY.

THIS REOFFERING MEMORANDUM DOES NOT CONSTITUTE A CONTRACT BETWEEN THE CITY AND ANY ONE OR MORE OF THE OWNERS OF THE 2007 Series A BONDS.

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**REOFFERING MEMORANDUM
RELATING TO
\$139,505,000
CITY OF GAINESVILLE, FLORIDA**

**VARIABLE RATE UTILITIES SYSTEM REVENUE BONDS,
2007 Series A**

INTRODUCTORY STATEMENT

General

This Reoffering Memorandum, which includes the cover page and inside cover page hereof and the appendices attached hereto, provides certain information in connection with the mandatory tender and reoffering in the secondary market from time to time of \$139,505,000 in aggregate principal amount of Variable Rate Utilities System Revenue Bonds, 2007 Series A (the "2007 Series A Bonds") previously issued by the City of Gainesville, Florida ("Gainesville" or the "City"). The City's mailing address is Utilities Administration Building, 301 SE 4th Avenue, Gainesville, Florida 32601. The City can be contacted by telephone at (352) 334-3434.

The City, located in Alachua County in north-central Florida (the "County"), is a municipal corporation of the State of Florida (the "State"), organized and existing under the laws of the State including the City's Charter, Chapter 90-394, Laws of Florida, 1990, as amended (the "Charter"). The 2007 Series A Bonds were issued pursuant to the Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on June 6, 1983, as amended, supplemented and restated (the "Resolution"), including as supplemented by the Eighteenth Supplemental Utilities System Revenue Bond Resolution (the "Eighteenth Supplemental Resolution"), authorizing the 2007 Series A Bonds, adopted by the City on January 28, 2008; Chapter 166, Part II, Florida Statutes; and the Charter. Resolution No. 170395, incorporating by reference a resolution captioned "Second Amended and Restated Utilities System Revenue Bond Resolution" adopted by the City on September 21, 2017 contains certain amendments to the Resolution which will become effective only after consents of the holders of at least a majority of the principal amount of Outstanding Bonds and of certain parties have been obtained (the "Springing Amendments"). See "SPRINGING AMENDMENTS" herein, "APPENDIX C-1 – Composite of the Resolution" and "APPENDIX C-2 – Springing Amendments to the Resolution" attached hereto for a more complete description of such amendments. **By purchasing the 2007 Series A Bonds, the Registered Owners and Beneficial Owners thereof shall be deemed to have consented in writing to such Springing Amendments as further described herein.** U.S. Bank National Association, currently is Trustee, Paying Agent and Bond Registrar under the Resolution.

The 2007 Series A Bonds are payable from and secured on a parity with all other bonds issued under the Resolution by a pledge of and lien on the Trust Estate (hereinafter defined). As of April 1, 2018, there were \$1,534,340,000 aggregate principal amount of Bonds Outstanding (and as defined in) under the Resolution. The 2007 Series A Bonds were issued by the City to finance or refinance costs of acquisition and construction of certain improvements to the electric system, natural gas system, water system, wastewater system and telecommunications system owned by the City and operated as a single combined public utility (the "System" or "Gainesville Regional Utilities" or "GRU").

The 2007 Series A Bonds constitute "Bonds" within the meaning of the Resolution. The 2007 Series A Bonds, the Bonds Outstanding on the date of this Reoffering Memorandum and any additional Bonds (excluding Subordinated Indebtedness) which may be issued in the future are referred to herein collectively as the "Bonds."

For a more detailed discussion of the City's outstanding debt and its plan of financing, see "THE SYSTEM -- Outstanding Debt" herein and "THE SYSTEM -- Additional Financing Requirements" herein. APPENDIX D hereto shows total debt service requirements on all Bonds Outstanding as of the date of this Reoffering Memorandum.

The City covenants in the Resolution to collect rates sufficient so that the Revenues (as defined in the Resolution) of the System are expected to yield Net Revenues (as defined in the Resolution) which shall be equal to at least 1.25 times the Aggregate Debt Service (as defined in the Resolution) on the Bonds for the forthcoming twelve-month period. Additional Bonds may be issued under the Resolution on a parity with the 2007 Series A Bonds subject to certain conditions provided in the Resolution.

The purchase price for 2007 Series A Bonds tendered or deemed tendered for purchase (see "THE 2007 SERIES A BONDS -- Optional Tender for Purchase", "-- Mandatory Tender for Purchase" and "-- Remarketing and Purchase Price" herein) is payable solely from the sources described under the caption "THE 2007 SERIES A BONDS -- Remarketing and Purchase Price" herein, and is not payable from any funds of the City.

In addition to its Outstanding Bonds, as of April 1, 2018, the City also had outstanding \$45,000,000 in aggregate principal amount of its Utilities System Commercial Paper Notes, Series C (the "Series C CP Notes"). The Series C CP Notes are authorized to be issued in an aggregate principal amount outstanding at any time not to exceed \$85,000,000. The City also has authorized the issuance of its Utilities System Commercial Paper Notes, Series D (the "Series D Taxable CP Notes" and, together with the Series C CP Notes, the "CP Notes"), which are authorized to be issued in an aggregate principal amount outstanding at any time not to exceed \$25,000,000. As of April 1, 2018, the City had outstanding \$8,000,000 in aggregate principal amount of its Series D Taxable CP Notes. The CP Notes constitute Subordinated Indebtedness under (and as defined in) the Resolution, and are issued pursuant to the Amended and Restated Subordinated Utilities System Revenue Bond Resolution adopted by the City on December 8, 2003, as heretofore amended, supplemented and restated. Subordinated Indebtedness is subordinate in all respects to Bonds issued under the Resolution. With respect to the City's Series C CP Notes, the City intends to issue an additional \$40,000,000 in aggregate principal amount of Series C CP Notes (the "Series 2018 Notes") to finance a portion of the Cost of Acquisition and Construction of the System. Additionally, the City intends on amending the Series C CP Notes to increase the amount allowed outstanding at any time from \$85,000,000 to \$125,000,000 and to extend the CP Notes program for an additional thirty (30) years.

In addition to the Subordinated Indebtedness listed above, the City intends to issue on or about 2018 a revolving line of credit with SunTrust Bank as Subordinated Indebtedness to finance the Cost of Acquisition and Construction of the System (the "SunTrust Loan").

Liquidity Support for the 2007 Series A Bonds

Liquidity support in connection with tenders for purchase of 2007 Series A Bonds currently is provided by State Street Bank and Trust Company (the "Bank"), pursuant to a standby bond purchase agreement, dated as of February 21, 2018, between the City and the Bank (the "Liquidity Facility").

The Liquidity Facility has a stated termination date of April 1, 2021 (such date, as the same may be extended as provided in the Liquidity Facility, is referred to herein as the Liquidity Facility's "Stated Termination Date"). The Liquidity Facility contains provisions for renewal, in the sole discretion of the Bank.

With respect to the 2007 Series A Bonds, the Eighteenth Supplemental Resolution contains provisions for obtaining a Substitute Liquidity Facility (as defined in APPENDIX C hereto) in substitution for the Liquidity Facility then in effect. See "THE 2007 SERIES A BONDS – Substitution of Liquidity Facility" herein.

Remarketing Agent

Goldman Sachs & Co. LLC (formerly named Goldman, Sachs & Co.) ("Goldman Sachs") is the remarketing agent for the 2007 Series A Bonds pursuant to a remarketing agreement, dated as of February 1, 2008, between Goldman Sachs and the City (the "Remarketing Agreement").

Tender Agent

U.S. Bank National Association, New York, New York ("U.S. Bank"), is the tender agent for the 2007 Series A Bonds (in such capacity, the "Tender Agent"). U.S. Bank has entered into a tender agency agreement with the City, dated as of March 1, 2007, with respect to the 2007 Series A Bonds (the "Tender Agency Agreement").

The City and the System

For general information with respect to the City see "APPENDIX A – General Information Regarding the City" attached hereto. For information with respect to the electric system, natural gas system, water system, wastewater system and telecommunications system owned by the City and operated as a single combined public utility (the "System"), including the service areas, history, organization, operations and management, regulatory matters, capital improvement program, additional financing requirements and historical financial information, see "THE SYSTEM" herein.

No Continuing Disclosure Undertaking

Except as described below, the City has not committed to provide continuing disclosure with respect to the 2007 Series A Bonds. The City has covenanted and agreed in the Remarketing Agreement that if, as a result of a change in the Interest Mode (as defined in APPENDIX C hereto) applicable to the 2007 Series A Bonds, the 2007 Series A Bonds cease to be exempt under Rule 15c2-12, the City will execute a continuing disclosure agreement with respect to the 2007 Series A Bonds for the benefit of the holders and beneficial owners of such Bonds, in order to assist the Remarketing Agent in complying with Rule 15c2-12.

Book-Entry Only System

The 2007 Series A Bonds have been issued in book-entry form through the book-entry system of DTC. Any 2007 Series A Bonds issued in book-entry form through the book-entry system of DTC shall be subject to the discussion set forth below.

THE FOLLOWING INFORMATION CONCERNING THE DEPOSITORY TRUST COMPANY ("DTC") AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CITY BELIEVES TO BE RELIABLE. THE CITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2007 SERIES A BONDS, AS NOMINEE OF DTC, CERTAIN REFERENCES IN THIS REOFFERING MEMORANDUM TO THE 2007 SERIES A BONDHOLDERS OR REGISTERED OWNERS OF THE 2007 SERIES A BONDS SHALL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE 2007 SERIES A BONDS. THE DESCRIPTION WHICH FOLLOWS OF THE PROCEDURES AND RECORD KEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE 2007 SERIES A BONDS, PAYMENT OF INTEREST AND PRINCIPAL ON THE 2007 SERIES A BONDS TO DIRECT PARTICIPANTS (AS HEREINAFTER DEFINED) OR BENEFICIAL OWNERS OF THE 2007 SERIES A BONDS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE 2007 SERIES A BONDS, AND OTHER RELATED TRANSACTIONS BY AND BETWEEN DTC, THE DIRECT PARTICIPANTS AND BENEFICIAL OWNERS OF THE 2007 SERIES A BONDS IS BASED SOLELY ON INFORMATION FURNISHED BY DTC. ACCORDINGLY, THE CITY NEITHER MAKES NOR CAN MAKE ANY REPRESENTATIONS CONCERNING THESE MATTERS.

DTC will act as securities depository for the 2007 Series A Bonds. The 2007 Series A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2007 Series A Bonds certificate will be issued for the 2007 Series A Bonds in the aggregate principal amount thereof, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship

with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Direct Participants and the Indirect Participants are collectively referred to herein as the "DTC Participants." DTC has an S&P Global Inc. ("S&P") rating of AA+. The DTC Rules applicable to its DTC Participants are on file with the Securities and Exchange Commission (the "SEC"). More information about DTC can be found at www.dtcc.com.

Purchases of 2007 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2007 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2007 Series A Bondholder ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2007 Series A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2007 Series A Bonds, except in the event that use of the book-entry system for the 2007 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 2007 Series A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2007 Series A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2007 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2007 Series A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2007 Series A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2007 Series A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 2007 Series A Bonds may wish to ascertain that the nominee holding the 2007 Series A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2007 Series A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2007 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal and interest on the 2007 Series A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the

City, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by DTC Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2007 Series A Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, the 2007 Series A Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2007 Series A Bonds certificates will be printed and delivered to DTC.

Other

Certain capitalized terms used in this Reoffering Memorandum have the same meanings assigned to such terms in the Resolution, except as otherwise indicated herein. See "Copies of the Resolution and the Eighteenth Supplemental Bond Resolution" attached hereto as APPENDIX C. In addition, certain definitions applicable to the 2007 Series A Bonds are set forth in "Copies of the Resolution and the Eighteenth Supplemental Bond Resolution" in APPENDIX C hereto.

There follows in this Reoffering Memorandum brief descriptions of the security for the Bonds, the 2007 Series A Bonds, the Liquidity Facility, the Bank, the System, the City, the Resolution and certain financial statements. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City as described under "INTRODUCTORY STATEMENT – General" herein.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

- the impact of recent and future federal and state regulatory changes or judicial opinions, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry, implementation of the 2005 Energy Policy Act (hereinafter defined), the Clean Power Plan (as hereinafter defined), environmental laws and regulations affecting water quality, coal combustion byproducts, and emissions of sulfur dioxide, nitrogen oxides, greenhouse gases ("GHG"), particulate matter and hazardous air pollutants including mercury, financial reform legislation, and also changes in tax and other laws and regulations to which the System is subject, as well as changes in application of existing laws and regulations;
- current and future litigation, regulatory investigations, proceedings, or inquiries;
- the effects, extent, and timing of the entry of additional competition in the markets in which the System operates;
- variations in demand for electricity, including those relating to weather, the general economy and recovery from the recent recession, population and business growth (and declines), and the effects of energy conservation measures;
- available sources and costs of fuels;
- effects of inflation;
- ability to control costs and avoid cost overruns during the development and construction of facilities, including those relating to unanticipated conditions encountered during construction, risks of non-performance or delay by contractors and subcontractors and potential contract disputes;
- investment performance of the System's invested funds;
- advances in technology;
- the ability of counterparties of the City to make payments as and when due and to perform as required;
- the direct or indirect effect on the System's business resulting from terrorist incidents and the threat of terrorist incidents, including cyber intrusion;
- interest rate fluctuations and financial market conditions and the results of financing efforts, including the System's credit ratings;
- the impacts of any potential U.S. credit rating downgrade or other sovereign financial issues, including impacts on interest rates, access to capital markets, impacts on currency exchange rates, counterparty performance, and the economy in general;
- the ability of the System to obtain additional generating capacity at competitive prices;
- the ability of the System to dispose of surplus generating capacity at competitive prices;
- the ability of the System to mitigate the cost impacts associated with integrating additional generating capacity into the System's energy supply portfolio;

- catastrophic events such as fires, earthquakes, explosions, floods, hurricanes, droughts, pandemic health events such as influenzas, or other similar occurrences;
- the direct or indirect effects on the System's business resulting from incidents affecting the U.S. electric grid or operation of generating resources;
- the effect of accounting pronouncements issued periodically by standard-setting bodies; and
- other factors discussed elsewhere herein, such as potential legislation for the creation of a utility authority, including the Appendices attached hereto.

The City expressly disclaims any obligation to update any forward-looking statements. Prospective purchasers of the 2007 Series A Bonds should make a decision to purchase the 2007 Series A Bonds only after reviewing this entire Reoffering Memorandum (including the Appendices attached hereto) and making an independent evaluation of the information contained herein, including the possible effects of the factors described above.

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OUTSTANDING DEBT

The following table sets forth the outstanding debt of the City issued for the System as of April 1, 2018.

Outstanding Debt of the City Issued for the System⁽¹⁾

Description	As of April 1, 2018 ⁽¹⁾		
	Interest Rates	Due Dates (October 1)	Principal Outstanding ⁽¹⁾
Utilities System Revenue Bonds			
2005 Series A	4.75%	2029 – 2036	\$405,000
2005 Series B (federally taxable)	5.31% ⁽²⁾⁽³⁾	2017 – 2021	13,990,000
2005 Series C	Variable ⁽²⁾⁽⁴⁾	2026	26,225,000
2006 Series A	Variable ⁽²⁾⁽⁵⁾	2026	18,410,000
2007 Series A	Variable ⁽²⁾⁽⁶⁾	2036	136,545,000
2008 Series A (federally taxable)	5.02 – 5.27% ⁽²⁾⁽³⁾	2017 – 2020	16,475,000
2008 Series B	Variable ⁽²⁾⁽⁷⁾	2038	90,000,000
2009 Series B (federally taxable)	4.498 – 5.655%	2017 – 2039	147,905,000
2010 Series A (federally taxable)	5.874%	2027 – 2030	12,930,000
2010 Series B (federally taxable)	6.024%	2034 – 2040	132,445,000
2010 Series C	5.00 – 5.25%	2017 – 2034	13,025,000
2012 Series A	2.50 – 5.00%	2021 – 2028	81,860,000
2012 Series B	Variable ⁽⁸⁾	2042	100,470,000
2014 Series A	2.50% – 5.00%	2021 – 2044	37,835,000
2014 Series B	3.125 – 5.00%	2017 – 2036	24,900,000
2017 Series A	4.00-5.00%	2018-2040	415,920,000
2017 Series B	Variable ⁽²⁾⁽⁹⁾		150,000,000
2017 Series C	Variable ⁽²⁾		115,000,000
Total Utilities System Revenue Bonds			<u>\$1,534,340,000</u>
Utilities System Commercial Paper Notes			
Series C	Variable ⁽²⁾⁽¹⁰⁾	(11)	\$45,000,000 ⁽¹²⁾
Series D	Variable ⁽²⁾	(13)	8,000,000
Total Subordinated Bonds ⁽¹⁴⁾			<u>\$53,000,000</u>

[Footnotes continued on following pages]

(1) Information in this table, Outstanding Debt of the City Issued for the System, reflects principal balances as of April 1, 2018. Given the audit reflects the fiscal year ending on September 30th, the principal amounts in the audit will be different than the principal amounts in the table if that series of bonds had principal amortization on October 1, 2017.

(2) See Note 9 to the audited financial statement of the System for the fiscal year ending September 30, 2017 included as Appendix B to this Reoffering Memorandum for a discussion of the various risks borne by the City relating to interest rate swap transactions.

(3) The City has entered into a floating-to-floating rate interest rate swap transaction (the "2005 Series B Swap Transaction") with respect to a pro rata portion of each of the maturities of the Utilities System Revenue Bonds, 2005 Series B (Federally Taxable) (the "2005 Series B Bonds"). The initial notional amount of the 2005 Series B Swap Transaction was \$45,000,000, which corresponded to approximately 73.1% of the principal amount of each maturity of the 2005 Series B Bonds. The counterparty to the 2005 Series B Swap transaction currently has a counterparty risk rating of "Aa2" from Moody's Investors Service, Inc. ("Moody's") and a counterparty credit rating of "AA-" from S&P. The term of the 2005 Series B Swap Transaction was identical to the term of the 2005 Series B Bonds, and the notional amount of the 2005 Series B Swap Transaction was scheduled to amortize at the same times and in the same amounts as the pro rata portion of the 2005 Series B Bonds to which it related. The 2005 Series B Swap Transaction is subject to termination by the City or the counterparty at certain times and under certain conditions. During the term of the 2005 Series B Swap Transaction, the City will pay to the counterparty a rate equal to the SIFMA Municipal Swap Index (formerly known as the BMA Municipal Swap Index) and will receive from the counterparty a rate equal to 77.14% of the one-month LIBOR rate. The effect of the 2005 Series B Swap Transaction was to synthetically convert the interest rate on such pro rata portion of the 2005 Series B Bonds from a taxable rate to a tax-exempt rate. The City has designated the 2005 Series B Swap Transaction as a "Qualified Hedging Transaction" within the meaning of the Resolution. On August 2, 2012, \$31,560,000 of the taxable 2005 Series B Bonds (the "Refunded Taxable 2005 Bonds") were redeemed with proceeds from the issuance of the City's tax-exempt Variable Rate Utilities System Revenue Bonds, 2012 Series B (the "2012 Series B Bonds"). As a result, the 2005 Series B Swap Transaction no longer served as a hedge against the 2005 Series B Bonds. However, since the City had other taxable Bonds outstanding, the City left that portion of the 2005 Series B Swap Transaction allocable to the Refunded Taxable 2005 Bonds outstanding following the issuance of the 2012 Series B Bonds, as a partial hedge against the interest rates to be borne by such other taxable Bonds, although such portion of the 2005 Series B Swap Transaction does not specifically match, in terms of its notional amount and amortization, any particular Series and maturity of such other taxable Bonds.

(4) In connection with the issuance of the 2005 Series C Bonds, the City entered into a floating-to-fixed rate interest rate swap transaction (the "2005 Series C Swap Transaction") with respect to the 2005 Series C Bonds. The counterparty to the 2005 Series C Swap Transaction currently has a counterparty credit rating of "Aa3" from Moody's and a counterparty credit rating of "A+" from S&P. The term of the 2005 Series C Swap Transaction was identical to the term of the 2005 Series C Bonds, and the notional amount of the 2005 Series C Swap Transaction was scheduled to amortize at the same times and in the same amounts as the 2005 Series C Bonds. The 2005 Series C Swap Transaction is subject to termination by the City or the counterparty at certain times and under certain conditions. During the term of the 2005 Series C Swap Transaction, the City will pay to the counterparty a fixed rate of 3.20% per annum and will receive from the counterparty a rate equal to 60.36% of the ten-year LIBOR swap rate. The effect of the 2005 Series C Swap

Transaction was to synthetically fix the interest rate on the 2005 Series C Bonds at a rate of approximately 3.20% per annum, although the City bears basis risk, which may be positive or negative, between the rate received on the 2005 Series C Swap Transaction and the rate paid on the 2005 Series C Bonds, which could result in a realized rate over time that may be lower or higher than the 3.20% rate payable by the City under the 2005 Series C Swap Transaction. The City has designated the 2005 Series C Swap Transaction as a "Qualified Hedging Transaction" within the meaning of the Resolution. On August 2, 2012, \$17,570,000 of the 2005 Series C Bonds (such portion of the 2005 Series C Bonds is referred to herein as the "Refunded Tax-Exempt 2005 Bonds") were redeemed with proceeds from the issuance of the 2012 Series B Bonds. The City left that portion of the 2005 Series C Swap Transaction allocable to the Refunded Tax-Exempt 2005 Bonds outstanding following the issuance of the 2012 Series B Bonds, as a partial hedge against the interest rates to be borne by the 2012 Series B Bonds, although such portion of the 2005 Series C Swap Transaction does not specifically match, in terms of its notional amount and amortization, the 2012 Series B Bonds.

(5) In contemplation of the issuance of the 2006 Series A Bonds, in September 2005, the City entered into a forward-starting floating-to-fixed rate interest rate swap transaction (as amended, the "2006 Series A Swap Transaction") with respect to the 2006 Series A Bonds. The counterparty to the 2006 Series A Swap Transaction currently has a counterparty risk rating of "Aa2" from Moody's and a counterparty credit rating of "AA-" from S&P. The term of the 2006 Series A Swap Transaction was identical to the term of the 2006 Series A Bonds, and the notional amount of the 2006 Series A Swap Transaction was scheduled to amortize at the same times and in the same amounts as the 2006 Series A Bonds. The 2006 Series A Swap Transaction is subject to termination by the City or the counterparty at certain times and under certain conditions. During the term of the 2006 Series A Swap Transaction, the City will pay to the counterparty a fixed rate of 3.224% per annum and will receive from the counterparty a rate equal to 68% of the ten-year LIBOR swap rate minus 36.5 basis points. The effect of the 2006 Series A Swap Transaction was to synthetically fix the interest rate on the 2006 Series A Bonds at a rate of approximately 3.224% per annum, although the City bears basis risk, which may be positive or negative, between the rate received on the 2006 Series A Swap Transaction and the rate paid on the 2006 Series A Bonds, which could result in a realized rate over time that may be lower or higher than the 3.224% rate payable by the City under the 2006 Series A Swap Transaction. The City has designated the 2006 Series A Swap Transaction as a "Qualified Hedging Transaction" within the meaning of the Resolution. On August 2, 2012, \$25,930,000 of the 2006 Series A Bonds (such portion of the 2006 Series A Bonds is referred to herein the "Refunded Tax-Exempt 2006 Bonds") were redeemed with proceeds from the issuance of the 2012 Series B Bonds. The City left that portion of the 2006 Series A Swap Transaction allocable to the Refunded Tax-Exempt 2006 Bonds outstanding following the issuance of the 2012 Series B Bonds, as a partial hedge against the interest rates to be borne by the 2012 Series B Bonds, although such portion of the 2006 Series A Swap Transaction does not specifically match, in terms of its notional amount and amortization, the 2012 Series B Bonds.

(6) The City has entered into a floating-to-fixed rate interest rate swap transaction (the "2007 Series A Swap Transaction") with respect to the Variable Rate Utilities System Revenue Bonds, 2007 Series A (the "2007 Series A Bonds"). The counterparty to the 2007 Series A Swap Transaction currently has a counterparty risk rating of "Aa2" from Moody's and a financial program rating of "AA-" from S&P. The term of the 2007 Series A Swap Transaction is identical to the term of the 2007 Series A Bonds, and the notional amount of the 2007 Series A Swap Transaction will amortize at the same times and in the same amounts as the 2007 Series A Bonds. The 2007 Series A Swap Transaction is subject to termination by the City or the counterparty at certain times and under

certain conditions. During the term of the 2007 Series A Swap Transaction, the City will pay to the counterparty a fixed rate of 3.944% per annum and will receive from the counterparty a rate equal to the SIFMA Municipal Swap Index (formerly known as the BMA Municipal Swap Index). The effect of the 2007 Series A Swap Transaction is to synthetically fix the interest rate on the 2007 Series A Bonds at a rate of approximately 3.944% per annum. The City has designated the 2007 Series A Swap Transaction as a "Qualified Hedging Transaction" within the meaning of the Resolution.

(7) The City has entered into two floating-to-fixed rate interest rate swap transactions (the "2008 Series B Swap Transactions") with respect to the Variable Rate Utilities System Revenue Bonds, 2008 Series B (the "2008 Series B Bonds"). The counterparties to the 2008 Series B Swap Transactions currently have a counterparty risk rating of "Aa3" from Moody's and a financial program rating of "A+" from S&P, and a counterparty risk rating of "Aa3" from Moody's and a financial program rating of "A+" from S&P, respectively. The terms of the 2008 Series B Swap Transactions are identical to the term of the 2008 Series B Bonds, and the notional amount of the 2008 Series B Swap Transactions will amortize at the same times and in the same amounts as the 2008 Series B Bonds. The 2008 Series B Swap Transactions are subject to termination by the City or the counterparties at certain times and under certain conditions. During the terms of the 2008 Series B Swap Transactions, the City will pay to the counterparties a fixed rate of 4.229% per annum and will receive from the counterparties a rate equal to the SIFMA Municipal Swap Index (formerly known as the BMA Municipal Swap Index). The effect of the 2008 Series B Swap Transactions is to synthetically fix the interest rate on the 2008 Series B Bonds at a rate of approximately 4.229% per annum. The City has designated each of the 2008 Series B Swap Transactions as a "Qualified Hedging Transaction" within the meaning of the Resolution.

(8) The interest rates on the 2012 Series B Bonds are hedged, in part, by the 2005 Series C Swap Transaction and the 2006 Series A Swap Transaction. See notes (3) and (4) above.

(9) The City has entered into a cancellable floating-to-fixed rate interest rate swap transaction (the "2017 Series B Swap Transaction") with respect to the 2017 Series B Bonds. The two counterparties for this swap transaction are Citigroup, N.A. and Goldman Sachs Bank USA. In the aggregate, terms of the 2017 Series B Swap Transactions are identical to the term of the 2017 Series B Bonds, and the notional amounts of the 2017 Series B Swap Transactions will amortize at the same times and in the same amounts as the 2017 Series B Bonds. Where Goldman Sachs Bank, USA is the counterparty, during the term of this 2017 Series B Swap Transaction, the City will pay a fixed rate per annum of 2.119% and GRU will receive from the counterparty a rate equal to 70% of 1 month LIBOR. The current notional amount with respect to Goldman Sachs Bank, USA is \$105,000,000. Where Citibank N.A. is the counterparty, during the term of this 2017 Series B Swap Transaction, the City will pay to Citibank, N.A., a fixed rate per annum of 2.11% and GRU will receive from the counterparty a rate equal to 70% of 1 month LIBOR. The effect of the 2017 Series B Swap Transaction is to synthetically fix the interest rate on the 2017 Series B Bonds.

(10) The City has entered into a floating-to-fixed rate interest rate swap transaction (the "Series C CP Notes Swap Transaction") with respect to a portion of the Series C CP Notes. The counterparty to the Series C CP Notes Swap Transaction currently has a counterparty risk rating of "A" from Fitch Ratings, Inc. ("Fitch"), "Baa1" from Moody's and "BBB+" from S&P. The term of the Series C CP Notes Swap Transaction is identical to the expected final maturity date of the Series C CP Notes, and the notional amount of the Series C CP Notes Swap Transaction will amortize at the same times and in the same amounts as the Series C CP Notes related to the swap are expected to be amortized. The Series C CP Notes Swap Transaction is subject to termination by the City or the counterparty at certain times and under certain conditions. During the term of the Series C CP Notes Swap Transaction, the City will pay to the counterparty a fixed rate of 4.10% per annum

and will receive from the counterparty a rate equal to the SIFMA Municipal Swap Index (formerly known as the BMA Municipal Swap Index). The effect of the Series C CP Notes Swap Transaction is to synthetically fix the interest rate on a portion of the Series C CP Notes at a rate of approximately 4.10% per annum. The City has not designated the Series C CP Notes Swap Transaction as a "Qualified Hedging Transaction" within the meaning of the Resolution. All amounts owed by the City under the Series C CP Notes Swap Transaction are payable from amounts remaining on deposit in the Revenue Fund established pursuant to the Resolution following the payment of, among other things, Operation and Maintenance Expenses, debt service on the Bonds, debt service on Subordinated Indebtedness and required deposits to the Utilities Plant Improvement Fund established pursuant to the Resolution.

- (11) The Series C CP Notes will mature no more than 270 days from their date of issuance, but in no event later than October 5, 2022.
- (12) See "INTRODUCTORY STATEMENT – General" above for more information about the issuance of additional Series C CP Notes.
- (13) The Series D CP Notes will mature no more than 270 days from their date of issuance, but in no event later than June 14, 2030.
- (14) Does not include the Series 2018 Notes or the SunTrust Loan. See "INTRODUCTORY STATEMENT – General" above for more information.

APPENDIX D attached hereto shows total debt service requirements on all Bonds Outstanding as of October 1, 2017.

SECURITY FOR THE 2007 SERIES A BONDS

Pledge Under the Resolution

All Bonds issued under the Resolution, including the 2007 Series A Bonds, are direct and special obligations of the City payable solely from and secured as to the payment of the principal and premium, if any, and interest thereon, in accordance with their terms and the provisions of the Resolution by (i) proceeds of the sale of the Bonds, (ii) Revenues and (iii) all Funds established by the Resolution (other than the Debt Service Reserve Account in the Debt Service Fund which secures only certain designated Series of Bonds and any fund which may be established pursuant to the Resolution for decommissioning and certain other specified purposes), including the investments and income, if any, thereof (collectively, the "Trust Estate"), and the Trust Estate is pledged and assigned to the Trustee for the benefit of the holders of the Bonds subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

THE 2007 SERIES A BONDS DO NOT CONSTITUTE A GENERAL INDEBTEDNESS OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION OF INDEBTEDNESS. NO HOLDER OF THE 2007 SERIES A BONDS WILL HAVE THE RIGHT, DIRECTLY OR INDIRECTLY, TO REQUIRE OR COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE CITY FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2007 SERIES A BONDS OR THE MAKING OF ANY PAYMENTS UNDER THE RESOLUTION. THE 2007 SERIES A BONDS AND THE OBLIGATIONS EVIDENCED THEREBY DO NOT CONSTITUTE A LIEN ON ANY PROPERTY OF OR IN THE CITY, OTHER THAN THE TRUST ESTATE. THE CITY MAY ISSUE, PURSUANT TO THE RESOLUTION, ADDITIONAL BONDS ON A PARITY BASIS WITH THE 2007 SERIES A BONDS. See

"THE SYSTEM -- Additional Financing Requirements" herein for a discussion of the City's present intentions with respect to the issuance of additional Bonds and Subordinated Indebtedness.

Rates, Fees and Charges

The City shall at all times establish and collect rates, fees and charges for the use or the sale of the output, capacity or service of the System which, together with other available Revenues, are reasonably expected to yield Net Revenues which shall be equal to at least 1.25 times the Aggregate Debt Service for the forthcoming 12-month period and, in any event, as shall be required, together with other available funds, to pay or discharge all other indebtedness, charges and liens whatsoever payable out of Revenues under the Resolution; provided, however, that any Principal Installment which is a Refundable Principal Installment may be excluded from Aggregate Debt Service for purposes of the foregoing but only to the extent that the City intends to pay such Principal Installment from sources other than Revenues. Promptly upon any material change in the circumstances which were contemplated at the time such rates, fees and charges were most recently reviewed, but not less frequently than once in each Fiscal Year, the City shall review the rates, fees and charges so established and shall promptly revise such rates, fees and charges as necessary to comply with the foregoing requirements, provided that such rates, fees and charges shall in any event produce moneys sufficient to enable the City to comply with all its covenants under the Resolution.

No free service or service otherwise than in accordance with the established rates, fees and charges shall be furnished by the System, which rates, fees and charges shall not permit the granting of preferential rates, fees or charges among the users of the same class of customers. If and to whatever extent the City receives the services and facilities of the System, it shall pay for such services and facilities according to the City's established rate schedule, and the amounts so paid shall be included in the amount of Revenues.

In estimating Aggregate Debt Service on any Variable Rate Bonds, Parity Commercial Paper Notes or Parity Medium-Term Notes for purposes of first paragraph above, the City shall be entitled to assume that such Variable Rate Bonds, Parity Commercial Paper Notes or Parity Medium-Term Notes will bear such interest rate or rates as the City shall determine; provided, however, that the interest rate or rates assumed shall not be less than the interest rate borne by such Variable Rate Bonds, Parity Commercial Paper Notes or Parity Medium-Term Notes, as the case may be, at the time of determination of Aggregate Debt Service. See "APPENDIX C-1 - Composite of the Resolution" attached hereto.

Additional Bonds; Conditions to Issuance

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

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

Projected Debt Service Coverage. The issuance of any Series of additional Bonds (except for Refunding Bonds) is further conditioned upon the delivery by the City of a certificate of an Authorized Officer of the City to the effect that, for each fiscal year in the period beginning with the year in which the additional Series of Bonds is to be issued and ending on the later of (a) the fifth full fiscal year thereafter or (b) the first full fiscal year in which less than 10% of the interest coming due on Bonds estimated by the City to be Outstanding is to be paid from Bond proceeds, Net Revenues are estimated to be at least equal to 1.40 times the Adjusted Aggregate Debt Service for each such fiscal year. For purposes of estimating future Net Revenues, the City may base its estimate upon such factors as it shall consider reasonable.

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

Refunding Bonds. 1. One or more series of Refunding Bonds may be issued at any time to refund any Outstanding Bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Funds and Accounts under the Resolution required by the provisions of the Supplemental Resolution authorizing such Bonds.

2. Refunding Bonds of each Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (with copies of all documents to the Co-Trustee, if any), in addition to the documents required by the Resolution, of:

(a) Instructions to the Trustee, satisfactory to it, to give due notice of redemption, if applicable, of all the Bonds to be refunded on a redemption date or dates specified in such instructions;

(b) If the Bonds to be refunded are not by their terms subject to redemption or paid at maturity within the next succeeding 60 days, instructions to the Trustee, satisfactory to it, to give due notice of defeasance in the manner provided for in the Resolution or the Supplemental Resolution authorizing the Bonds of the Series being refunded; and

(c) Either (i) moneys (including moneys withdrawn and deposited pursuant to the Resolution) in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be redeemed and at the principal amount of the Bonds to be paid at maturity together with accrued interest on such Bonds to the redemption date or maturity date, as applicable, which moneys shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, or (ii) Defeasance Securities in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications and any moneys, as shall be necessary to comply (x) with the provisions of the Resolution, which Defeasance Securities and moneys shall be held in trust and used only as provided in the Resolution or (y) the provisions relating to defeasance of the Bonds being refunded set forth in the Supplemental Resolution authorizing the Bonds of the Series being refunded, as applicable, which Defeasance Securities and moneys shall be held in trust and used only as provided in said provisions.

The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied simultaneously with the delivery of such Bonds for the purposes of making deposits in such Funds and Accounts under the Resolution as shall be provided by the Supplemental Resolution authorizing such

Series of Refunding Bonds and shall be applied to the refunding purposes thereof in the manner provided in said Supplemental Resolution.

Subordinated Indebtedness. The City may also issue Subordinated Indebtedness under the Resolution without compliance with any of the above conditions. References herein and in the Resolution to Bonds do not include such Subordinated Indebtedness.

There are certain Springing Amendments to the covenants related to the issuance of additional Bonds, including with respect to the issuance of Refunding Bonds, described above which will go into effect after the requisite consents have been obtained. These amendments, with respect to additional Bonds, modify the historical and projected debt service coverage tests. See "SPRINGING AMENDMENTS", "APPENDIX C-1 - Composite of the Resolution" and "APPENDIX C-2 Springing Amendments to the Resolution" attached hereto for a description of the applicable Springing Amendments to the Resolution.

Flow of Funds Under the Resolution

The City has covenanted to deposit all Revenues of the System to the credit of the Revenue Fund. Each month, the City is to pay from the Revenue Fund amounts necessary to meet Operation and Maintenance Expenses for such month. After such payment, the City is to pay from the Revenue Fund, in the following order of priority, amounts, if any, budgeted or otherwise necessary for the Rate Stabilization Fund, amounts required for the Debt Service Account in the Debt Service Fund and amounts, if any, required for credit to any separate subaccount established in the Debt Service Reserve Account in the Debt Service Fund for a particular Series of Bonds, amounts, if any, required for the Subordinated Indebtedness Fund, and amounts to be deposited in the Utilities Plant Improvement Fund. 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 other lawful purpose, provided that all current payments have been made and the City has otherwise fully complied with the Resolution. All amounts held in any Funds under the Resolution may be invested in Investment Securities; such investments will be valued at the amortized cost thereof. The 2007 Series A Bonds are not secured by the Debt Service Reserve Account, or any subaccount therein.

For a more extensive discussion of the terms and provisions of the Resolution, the levels at which the funds and accounts established thereby are to be maintained and the purposes to which moneys in such funds and accounts may be applied, see "APPENDIX C-1 - Composite of the Resolution" attached hereto. *Additionally, there are certain amendments which will go into effect relating to the flow of funds after the requisite consents have been obtained. See "SPRINGING AMENDMENTS", "APPENDIX C-1 - Composite of the Resolution" and "APPENDIX C-2 - Springing Amendments to the Resolution" attached hereto for a description of the applicable Springing Amendments to the Resolution.*

SPRINGING AMENDMENTS

The City desires to implement Springing Amendments which, upon becoming effective, will modify certain provisions of the Resolution in the future. Specifically, the Second Amended and Restated Utilities System Bond Resolution adopted by the City on September 21, 2017 contains amendments that will only become effective upon receipt of the written consent of holders of at least a majority of the principal amount of Outstanding Bonds and of the following other parties: certain Credit Enhancers, liquidity providers or swap counterparties. Notwithstanding any other provision of the Resolution, to the extent permitted by law, at the time of issuance or remarketing of Bonds under the Resolution, a

broker, dealer or municipal securities dealer, serving as underwriter or remarketing agent for such Bonds, or as agent for or in lieu of Holders of a particular Series of Bonds, may provide consent to amendments to the Resolution pursuant to Section 1003 of the Resolution. The principal amount of Outstanding Bonds (including the reissued 2007 Series A Bonds) constitutes a majority of principal amount of the Outstanding Bonds. The Springing Amendments will become effective forty (40) days following the reissuance of the 2007 Series A Bonds on or about _____, 2018, so long as no legal action or equitable proceeding is commenced pursuant to Section 1103 of the Resolution within such forty (40) day period. The Registered Owners and Beneficial Owners of 2007 Series A Bonds will not be notified when such amendments go into effect. For a complete description of such Springing Amendments see "APPENDIX C-2 - Springing Amendments to the Resolution" attached hereto.

By purchasing the 2007 Series A Bonds, the Registered Owners and Beneficial Owners thereof shall be deemed to have consented in writing to such Springing Amendments as described in "APPENDIX C-2 - Springing Amendments to the Resolution" attached hereto.

SEE THE SPRINGING AMENDMENTS IN "APPENDIX C-2 - SPRINGING AMENDMENTS TO THE RESOLUTION" ATTACHED HERETO FOR THE COMPLETE TEXT OF THE ABOVE-REFERENCED AMENDMENTS.

THE 2007 SERIES A BONDS

General

The 2007 Series A Bonds were issued on May 1, 2007 in the aggregate principal amount of \$139,505,000, all of which currently remains Outstanding. The 2007 Series A Bonds mature on October 1, 2038. The 2007 Series A Bonds are currently subject to the Weekly Mode and bear interest at the Weekly Rates determined as described under the caption "Interest Rates and Interest Modes; Determination of Interest Rates" below. While the 2007 Series A Bonds are in the Weekly Mode, interest is payable on the first Business Day (as defined in APPENDIX C hereto) of each calendar month.

As described under the caption "Change in Interest Modes" below, at the option of the City, and upon the satisfaction of certain conditions, the 2007 Series A Bonds may be changed from time to time to another Interest Mode. As more fully described under the caption "Interest Rates and Interest Modes; Determination of Interest Rates" below, (a) while the 2007 Series A Bonds are in the Daily Mode, such Bonds will bear interest at Daily Rates, (b) while the 2007 Series A Bonds are in the Weekly Mode, such Bonds will bear interest at Weekly Rates, (c) while the 2007 Series A Bonds are in the Flexible Mode, such Bonds will bear interest at Flexible Rates, (d) while the 2007 Series A Bonds are in the Term Mode, such Bonds will bear interest at Term Rates and (e) while the 2007 Series A Bonds are in the Fixed Mode, such Bonds will bear interest at the Fixed Rate. The Eighteenth Supplemental Resolution also provides that the 2007 Series A Bonds may be changed to a "Dutch auction" Interest Mode (referred to in the Eighteenth Supplemental Resolution as the "Auction Mode"), but requires that the City adopt an amendment to the Eighteenth Supplemental Resolution prior to the date on which such change is to be effective, to add to the Eighteenth Supplemental Resolution procedures relating to, among other things, (a) the determination of the dates on which auctions will be held and the length of the periods between auctions, (b) the conduct of auctions and (c) the determination of the interest rates to be borne by the 2007 Series A Bonds while subject to the Auction Mode. As a result, the provisions of the Auction Mode are not described in this Reoffering Memorandum. Instead, it is anticipated that, should the 2007 Series A Bonds

be changed to the Auction Mode, a remarketing memorandum or remarketing circular will be distributed describing the 2007 Series A Bonds during the Auction Mode.

The 2007 Series A Bonds are issuable only in fully registered form in the Authorized Denominations. "Authorized Denominations" means (i) for 2007 Series A Bonds bearing interest at a Daily Rate, a Weekly Rate or a Flexible Rate, \$100,000 or any integral multiple of \$5,000 in excess thereof and (ii) for 2007 Series A Bonds bearing interest at a Term Rate or a Fixed Rate, \$5,000 or any integral multiple thereof. The 2007 Series A Bonds were issued in book-entry only form and are registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). See "INTRODUCTORY STATEMENT - Book-Entry Only System" herein.

As more fully described under the captions "Optional Tender for Purchase" and "Mandatory Tender for Purchase" below, the 2007 Series A Bonds (or, for so long as the 2007 Series A Bonds are subject to the book-entry only system of registration and transfer described in "Book-Entry Only System" herein, beneficial ownership interests therein) are subject to optional tender for purchase and, under certain circumstances, mandatory tender for purchase. The Purchase Price (as defined in APPENDIX C hereto) for 2007 Series A Bonds (or portions thereof or beneficial ownership interests therein) tendered or deemed tendered for purchase is payable solely from the sources described under the caption "Remarketing and Purchase Price" below, and is not payable from any funds of the City.

Except as described below, the principal or redemption price of the 2007 Series A Bonds is payable at the principal office of the Paying Agent. Except as described below, interest on the 2007 Series A Bonds is payable on each Interest Payment Date (as defined in APPENDIX C hereto) to the Holders thereof at the Record Date (as defined in APPENDIX C hereto) therefor, by check or draft of the Paying Agent mailed to each registered Holder at such person's address as it appears on the books of registry kept at the principal office of the Bond Registrar pursuant to the Resolution or, at the option of any Holder of at least \$1,000,000 in principal amount of 2007 Series A Bonds, by wire transfer on such Interest Payment Date to such Holder thereof upon written notice from such Holder to the Paying Agent containing the wire transfer address (which shall be in the continental United States) to which such Holder wishes to have such wire directed and any other necessary instructions, if such written notice is received by the Paying Agent not less than five days prior to the related Record Date, it being understood that such notice may refer to multiple interest payments. So long as the 2007 Series A Bonds are subject to the book-entry only system of registration and transfer described in "INTRODUCTORY STATEMENT - Book-Entry Only System" herein, all payments with respect to the principal or redemption price of, and interest on, the 2007 Series A Bonds will be made to DTC.

Goldman Sachs & Co. LLC is the current Remarketing Agent for the 2007 Series A Bonds. Subject to the terms of the Remarketing Agreement, the Remarketing Agent will determine the interest rates on the 2007 Series A Bonds and will remarket 2007 Series A Bonds tendered or required to be tendered for purchase on a best efforts basis. The Remarketing Agent may resign upon 30 days' notice or be removed at any time by the City upon 30 days' notice.

U.S. Bank National Association, New York, New York has been appointed as the Tender Agent for the 2007 Series A Bonds by the City. The Tender Agent may be removed or replaced by the City.

For definitions of certain terms applicable to the 2007 Series A Bonds that are not otherwise defined herein, see "Copies of the Resolution and the Eighteenth Supplemental Bond Resolution" in APPENDIX C hereto.

Interest on the 2007 Series A Bonds

Interest on the 2007 Series A Bonds is payable on each Interest Payment Date therefor. Holders of the 2007 Series A Bonds other than the Bank will be paid interest for the applicable Interest Period (as defined in APPENDIX C hereto) only in the amount that would have accrued at the applicable 2007 Series A Bond Rate (as defined in APPENDIX C hereto) or Rates in effect during the applicable Interest Accrual Period (as defined in APPENDIX C hereto), regardless of whether any of such 2007 Series A Bonds was a 2007 Series A Bank Bond (as defined in APPENDIX C hereto) during any portion of such Interest Accrual Period.

The Interest Payment Dates with respect to each 2007 Series A Bond (other than any 2007 Series A Bank Bond) are as follows: (a) each date on which the 2007 Series A Bonds are subject to mandatory tender for purchase (see "Mandatory Tender for Purchase" below); (b) for 2007 Series A Bonds in the Daily Mode or the Weekly Mode, the first Business Day of each calendar month; (c) for 2007 Series A Bonds in the Flexible Mode, the first Business Day following the end of each Interest Period with respect thereto; (d) for 2007 Series A Bonds in the Term Mode or the Fixed Mode, semi-annually on each April 1 and October 1 commencing on the first April 1 or October 1 occurring after the conversion to such Interest Mode; provided, however, that if such first date occurs less than three months after such conversion, the first Interest Payment Date will be on the second such date following such conversion; and (e) the maturity or redemption date thereof.

An "Interest Accrual Period" is the period from and including each Interest Payment Date to but excluding the next Interest Payment Date.

Interest is payable to the Holders of the 2007 Series A Bonds at the relevant Record Date. The "Record Date" (a) with respect to an Interest Payment Date for 2007 Series A Bonds in the Term Mode or the Fixed Mode, is the close of business on the fifteenth day (whether or not a Business Day) of the next preceding calendar month (except that in the case of any Interest Payment Date occurring on any date on which the 2007 Series A Bonds are subject to mandatory tender for purchase, the Record Date therefor is the close of business on the Business Day immediately preceding such Interest Payment Date) and (b) with respect to an Interest Payment Date for 2007 Series A Bonds in the Daily Mode, the Weekly Mode or the Flexible Mode, is the close of business on the Business Day immediately preceding such Interest Payment Date.

The maximum rate of interest (the "Maximum Rate") permitted to be borne by 2007 Series A Bonds (other than 2007 Series A Bank Bonds) is 12% per annum, or such higher rate as shall be approved by the City if (a) 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 shall have been delivered to the Notice Parties (as defined in APPENDIX C hereto) to the effect that any such change in the Maximum Rate (i) is authorized or permitted by the Resolution and the Act (as defined in the Resolution) and (ii) will not cause the interest on the 2007 Series A Bonds to become includable in gross income for federal income tax purposes and (b) if the 2007 Series A Bonds are in the Daily Mode or the Weekly Mode, the Liquidity Facility is modified (if necessary) so that its stated amount or the commitment of the Bank thereunder, as the case may be, is increased to give effect to the increased Maximum Rate.

Interest on the 2007 Series A Bonds in the Daily, Weekly or Flexible Mode will be computed on the basis of a 365- or 366-day year, as applicable, for actual days elapsed and interest on the 2007 Series A

Bonds in the Term or Fixed Mode will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Interest Rates and Interest Modes; Determination of Interest Rates

The 2007 Series A Bonds currently are in the Weekly Mode and will bear interest at Weekly Rates until such time (if any) as the 2007 Series A Bonds are changed to the Auction Mode, the Daily Mode, the Flexible Mode, the Term Mode or the Fixed Mode. The interest rate to be in effect with respect to a particular 2007 Series A Bond (or beneficial ownership interest therein) for a particular period of time as described below (an "Interest Period") will be determined by the Remarketing Agent as the minimum interest rate necessary in its judgment to be borne by such 2007 Series A Bond (or beneficial ownership interest therein) for the relevant Interest Period to enable the Remarketing Agent to remarket such 2007 Series A Bond (or beneficial ownership interest therein) on the Rate Adjustment Date (as defined in APPENDIX C hereto) therefor at a price (without regard to accrued interest) equal to 100% of the principal amount thereof (each such rate being referred to as a "Market Rate"), but not in excess of the Maximum Rate. Each date on which an interest rate is determined for any 2007 Series A Bond (or beneficial ownership interest therein) is referred to as a "Rate Determination Date."

If for any reason the Remarketing Agent fails to determine the Market Rate for any 2007 Series A Bond (or beneficial ownership interest therein) on the Rate Determination Date therefor, or any Market Rate determined by the Remarketing Agent is determined by a court of competent jurisdiction to be invalid or unenforceable, then, commencing on such Rate Determination Date or the date with respect to which such court's determination shall be effective, as the case may be, such 2007 Series A Bond (or beneficial ownership interest therein) will bear interest at a rate equal to 100% of the SIFMA Index most recently announced on or prior to each Rate Determination Date, but not in excess of the Maximum Rate. The "SIFMA Index" is an index based upon the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specific criteria established by the Securities Industry and Financial Markets Association and effective for a particular Rate Determination Date. If the SIFMA Index ceases to be published, it will be replaced by the most comparable published index designated by the Remarketing Agent, or in the absence of such designation, any other dealer bank or broker-dealer competent in such matters and chosen by the City.

The various interest rates for the 2007 Series A Bonds will be determined as follows, and will be effective for the periods described below:

Weekly Rate. While in the Weekly Mode, the 2007 Series A Bonds will bear interest at Weekly Rates determined by the Remarketing Agent as the Market Rate for each Interest Period during such Mode. Each Interest Period during the Weekly Mode will commence on a Wednesday and extend through Tuesday of the following week. The Weekly Rate for each such Interest Period will be determined by the Remarketing Agent not later than 5:00 p.m., New York City time, on Tuesday of each week, or if such day is not a Business Day, on the next preceding Business Day (or such other day as may be specified by the Remarketing Agent after notice to the Tender Agent and the Holders of the 2007 Series A Bonds).

Daily Rate. While in the Daily Mode, the 2007 Series A Bonds will bear interest at Daily Rates determined by the Remarketing Agent as the Market Rate therefor not later than 12:30 p.m., New York City time, on each Business Day. Each Daily Rate will remain in effect for the Interest Period beginning

on the Business Day of its determination and ending on the day preceding the next succeeding Business Day.

Flexible Rate. While in the Flexible Mode, the 2007 Series A Bonds (or beneficial ownership interests therein) will bear interest at Flexible Rates and for Interest Periods determined by the Remarketing Agent. The duration of each Interest Period for each 2007 Series A Bond (or beneficial ownership interest therein) in the Flexible Mode will be the period determined by the Remarketing Agent to be the Interest Period which, in its judgment, will produce the greatest likelihood of the lowest overall debt service costs on the 2007 Series A Bonds prior to the maturity thereof; given prevailing market conditions, and will be a period of not less than one (1) nor more than 270 days in length and will end on a day preceding a Business Day; provided, however, that no Interest Period during the Flexible Mode may extend beyond the fifth Business Day preceding the Liquidity Facility Expiration Date (as defined in APPENDIX C hereto) of the Liquidity Facility then in effect. While in the Flexible Mode, different 2007 Series A Bonds (or beneficial ownership interests therein) may have different Interest Periods. The Remarketing Agent will determine the Flexible Rates and Interest Periods for the 2007 Series A Bonds (or beneficial ownership interests therein) in the Flexible Mode not later than 12:30 p.m., New York City time, on the first Business Day in each Interest Period, and each Flexible Rate will be the Market Rate determined by the Remarketing Agent for the relevant Interest Period.

Term Rate. The City may designate a Term Mode for the 2007 Series A Bonds with an Interest Period of any duration specified by the City that is longer than a year and ends on the last day of any March or September; provided, however, that no Interest Period during a Term Mode may extend beyond the fifth Business Day preceding the Liquidity Facility Expiration Date of the Liquidity Facility then in effect. During each such Interest Period, the 2007 Series A Bonds will bear interest at the Term Rate for such Interest Period, which will be determined by the Remarketing Agent as the Market Rate therefor on any date designated by the Remarketing Agent which is not more than 35 days before, nor later than the last Business Day preceding, such Interest Period.

Fixed Rate. The City may direct that the interest rate on the 2007 Series A Bonds be fixed to the maturity date thereof. The Fixed Rate to be borne by the 2007 Series A Bonds to their maturity will be determined by the Remarketing Agent as the Market Rate therefor on any date designated by the Remarketing Agent which is not more than 35 days before, nor later than the last Business Day preceding, the effective date of such Fixed Rate.

The determination by the Remarketing Agent of each interest rate for the 2007 Series A Bonds shall be conclusive and binding on the City, the Tender Agent, the Remarketing Agent, the Bank and the owners of the 2007 Series A Bonds. The interest rates in effect for the 2007 Series A Bonds from time to time will be available to each owner of the 2007 Series A Bonds who requests such information, by telephone or in writing (including by facsimile or other electronic means), (a) if the 2007 Series A Bonds are in the Daily Mode, the Weekly Mode or the Flexible Mode, from the Remarketing Agent and (b) if the 2007 Series A Bonds are in the Term Mode or the Fixed Mode, from the Tender Agent.

Change in Interest Modes

If the 2007 Series A Bonds are in any Interest Mode other than the Fixed Mode, the City may cause the 2007 Series A Bonds to be changed to a different Interest Mode or to a Term Mode with an Interest Period of different duration. A change from the Daily or Weekly Mode to any other Interest Mode may be made on any Interest Payment Date. A change from the Flexible Mode to any other

Interest Mode may be made on the day that is the latest Interest Payment Date for all Interest Periods for all of the 2007 Series A Bonds (or beneficial ownership interests therein) then in effect or any Business Day thereafter. A change from the Term Mode to any other Interest Mode or to an Interest Period of different duration may be made on any day on which the 2007 Series A Bonds may be redeemed at the election of the City at a redemption price of 100% of the principal amount thereof, plus accrued interest, if any, thereon (see "Redemption Provisions – Optional Redemption" below). In any such case, the 2007 Series A Bonds will be subject to mandatory tender for purchase on the date on which the proposed change is to occur (see "Mandatory Tender for Purchase" below). Any date on which a change to a different Interest Mode or to an Interest Period of different duration in the Term Mode is proposed to occur is referred to as a "Mode Adjustment Date."

Any change in an Interest Mode or an Interest Period in the Term Mode is subject to (a) receipt by the Tender Agent and the Remarketing Agent on the first day of such Interest Mode or Interest Period, as the case may be, of 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 the change in Interest Mode or Interest Period, as the case may be, will not adversely affect the exclusion of interest on any 2007 Series A Bond from gross income for federal income tax purposes and is authorized by applicable law and (b) the Liquidity Facility then in effect being in an amount at least equal to the Liquidity Facility Requirement (as defined in APPENDIX C hereto) applicable to the Interest Mode to become effective. If either of the above conditions is not met, then the 2007 Series A Bonds will remain in the Interest Mode which they are then in or remain subject to the same Interest Period as then is applicable, as the case may be; provided, however, that if the proposed change was from the Term Mode to any other Interest Mode and the City causes to be delivered to the Tender Agent and the Remarketing Agent an opinion of 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 such change in Interest Mode will not adversely affect the exclusion of interest on any 2007 Series A Bond from gross income for federal income tax purposes and is authorized by applicable law, then, so long as the Liquidity Facility then in effect (taking into account any amendments being made thereto in connection therewith) shall provide that the amount available to be drawn or advanced thereunder shall be at least equal to the principal amount of the Outstanding 2007 Series A Bonds (other than 2007 Series A Bank Bonds) plus 36 days' interest thereon computed at a rate per annum equal to the Maximum Rate and on the basis of a 365-day year, the 2007 Series A Bonds will be changed to the Weekly Mode. In any such event, the 2007 Series A Bond will remain subject to mandatory tender to the same extent as if the change in Interest Mode or Interest Period, as the case may be, took place.

When a change in Interest Mode is to be made, the Tender Agent is required to give notice of the proposed change to the Holders of the 2007 Series A Bonds (a) if the 2007 Series A Bonds are then in the Daily Mode or the Weekly Mode, not less than fifteen nor more than 60 days prior to the proposed Mode Adjustment Date and (b) if the 2007 Series A Bonds are in any other Interest Mode, not less than thirty nor more than 60 days prior to the proposed Mode Adjustment Date. Such notice will state, among other things, that the 2007 Series A Bonds will be subject to mandatory tender for purchase on the proposed Mode Adjustment Date.

Optional Tender for Purchase

2007 Series A Bonds in the Daily Mode or the Weekly Mode (or portions thereof or beneficial ownership interests therein in a principal amount equal to; and leaving untendered, an Authorized

Denomination) are subject to tender for purchase at the option of the Holder thereof (or, if the 2007 Series A Bonds are subject to the book-entry only system of registration and transfer described in "INTRODUCTORY STATEMENT - Book-Entry Only System" herein, at the option of the Beneficial Owner (as defined in "Book-Entry Only System" herein) thereof), from and to the extent of the funds described under the caption "Remarketing and Purchase Price" below, at the Purchase Price therefor, on the following dates (each such date being referred to herein as a "Purchase Date"):

Weekly Mode. 2007 Series A Bonds (or portions thereof or beneficial ownership interests therein) in the Weekly Mode may be tendered for purchase on any Business Day, upon irrevocable notice of tender given to the Tender Agent as described below in writing (including by facsimile or other electronic means) no later than 5:00 p.m., New York City time, on a Business Day at least seven calendar days prior to the Purchase Date.

Daily Mode. 2007 Series A Bonds (or portions thereof or beneficial ownership interests therein) in the Daily Mode may be tendered for purchase on any Business Day, upon irrevocable notice of tender given to the Tender Agent as described below by telephone, facsimile or other electronic means no later than 11:00 a.m., New York City time, on the Purchase Date.

Each notice of exercise of the election to have a 2007 Series A Bond (or portion thereof or beneficial ownership interest therein) purchased will be irrevocable and effective upon receipt, and must specify the principal amount of the 2007 Series A Bond (or portion thereof or beneficial ownership interest therein) to be purchased, the Purchase Date and the name of the Holder of the 2007 Series A Bond (or, if the 2007 Series A Bonds are subject to the book-entry only system of registration and transfer described in "Book-Entry Only System" herein, the name and number of the account to which such beneficial ownership interest is credited by DTC) and must be given by the Holder thereof or such Holder's attorney duly authorized in writing (or, if the 2007 Series A Bonds are subject to such book-entry only system of registration and transfer, by the Beneficial Owner thereof or such Beneficial Owner's attorney duly authorized in writing).

Holders (or, if applicable, Beneficial Owners) of 2007 Series A Bonds (or portions thereof or beneficial ownership interests therein) that have elected to require purchase as described above will be deemed, by such election, to have agreed irrevocably to sell the 2007 Series A Bonds (or portions thereof or beneficial ownership interests therein) to any purchaser determined in accordance with the provisions of the Eighteenth Supplemental Resolution on the date fixed for purchase at the Purchase Price therefor, and will be required to deliver (or cause to be delivered) such tendered 2007 Series A Bonds (or portions thereof) to the office of the Tender Agent by 12:00 p.m., New York City time, on the Purchase Date, in each such case, endorsed in blank (or accompanied by a bond power executed in blank). See "Remarketing and Purchase Price" below.

Mandatory Tender for Purchase

The 2007 Series A Bonds must be tendered for purchase, from and to the extent of the funds described under the caption "Remarketing and Purchase Price" below, at the Purchase Price therefor, on the following dates (each such date being referred to herein as a "Purchase Date"):

Expiration of Liquidity Facility: on the fifth Business Day prior to the Liquidity Facility Expiration Date,

Substitution of Liquidity Facility: on any Substitution Date (as defined in APPENDIX C hereto) while the 2007 Series A Bonds are in the Daily Mode or the Weekly Mode; provided, however, that if the City shall have delivered to the Notice Parties, by not later than the Business Day prior to the date on which the Tender Agent is required to give notice of such mandatory tender pursuant to the Eighteenth Supplemental Resolution, written evidence from each Rating Agency (as defined in APPENDIX C hereto) then rating the 2007 Series A Bonds to the effect that such Rating Agency has reviewed the proposed Substitute Liquidity Facility and that the substitution of such Substitute Liquidity Facility for the Liquidity Facility then in effect will not result in a withdrawal, suspension or reduction in such Rating Agency's ratings on the 2007 Series A Bonds, then the 2007 Series A Bonds shall not be subject to mandatory tender for purchase on the Substitution Date,

Interest Mode or Interest Period Changes: on any Mode Adjustment Date designated by an authorized officer of the City pursuant to the provisions of the Eighteenth Supplemental Resolution whether or not such change to a new Interest Mode or Interest Period, as applicable, is effected,

Rate Adjustment Dates: on each Rate Adjustment Date while the 2007 Series A Bonds are in (a) the Flexible Mode or (b) the Term Mode,

City Option in Term Mode: at the option of the City while the 2007 Series A Bonds are in the Term Mode, on any day on which such 2007 Series A Bonds may then be redeemed at the election of the City at a redemption price of 100% of the principal amount thereof, plus accrued interest, if any, thereon (see "Redemption Provisions – Optional Redemption" below),

Amendment to the Eighteenth Supplemental Resolution or the Resolution: on (a) any Business Day while the 2007 Series A Bonds are in the Daily Mode or Weekly Mode, (b) any Rate Adjustment Date while the 2007 Series A Bonds are in the Flexible Mode, or (c) any Business Day on which the 2007 Series A Bonds may then be redeemed at the election of the City at a redemption price of 100% of the principal amount thereof, plus accrued interest, if any, thereon (see "Redemption Provisions – Optional Redemption" below) while such 2007 Series A Bonds are in the Term Mode, in any such case, that is at least fifteen days following delivery to the Notice Parties of a certificate of an authorized officer of the City to the effect that the City is causing the 2007 Series A Bonds to become subject to mandatory tender in order to enable any Supplemental Resolution amending the Eighteenth Supplemental Resolution or the Resolution to take effect; provided, however, that such certificate is accompanied by 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 such amendments are authorized or permitted by the Resolution and will not cause the interest on the 2007 Series A Bonds to become includable in gross income for federal income tax purposes, and

Liquidity Facility Default: on the fifteenth day (or if such day is not a Business Day, on the next preceding Business Day) after receipt by the Tender Agent of notice from the Bank to the effect that an "event of default" (or similar provision) on the part of the City has occurred and is continuing under the Liquidity Facility, and directing the Tender Agent to make a draw or request for funding, as the case may be, under the Liquidity Facility to effect a mandatory tender of all of the 2007 Series A Bonds.

Except in the case of (a) a Rate Adjustment Date for 2007 Series A Bonds in the Flexible Mode and (b) a mandatory tender described under "Liquidity Facility Default" above, the Tender Agent will give notice of mandatory tender for purchase to each Holder of the 2007 Series A Bonds by mail, first-class postage prepaid, (i) if the 2007 Series A Bonds are then in the Daily Mode or the Weekly Mode, not less

than fifteen nor more than 60 days prior to the Purchase Date and (ii) if the 2007 Series A Bonds are in any other Interest Mode, not less than 30 nor more than 60 days prior to the Purchase Date. In the case of a mandatory tender described under "Liquidity Facility Default" above, the Tender Agent will give notice of mandatory tender for purchase to each Holder of the 2007 Series A Bonds by mail, first-class postage prepaid, as promptly as practicable following receipt by it of the notice from the Bank referred to under "Liquidity Facility Default" above. While the 2007 Series A Bonds are subject to the book-entry only system of registration and transfer described in "Book-Entry Only System" herein, such notice will be given only to DTC.

Holders (or, if applicable, Beneficial Owners) of 2007 Series A Bonds (or beneficial ownership interests therein) will be deemed to have agreed irrevocably to sell 2007 Series A Bonds (or portions thereof or beneficial ownership interests therein) subject to mandatory tender for purchase to any purchaser determined in accordance with the provisions of the Eighteenth Supplemental Resolution on the date fixed for purchase at the Purchase Price therefor, and will be required to deliver (or cause to be delivered) such tendered 2007 Series A Bonds (or portions thereof) to the office of the Tender Agent by 12:00 p.m., New York City time, on the Purchase Date, endorsed in blank (or accompanied by a bond power executed in blank). See "Remarketing and Purchase Price" below.

Remarketing and Purchase Price

In the event that notice is received of any optional tender of 2007 Series A Bonds (or portions thereof or beneficial ownership interests therein) or if the 2007 Series A Bonds become subject to mandatory tender for purchase, except in the case of a mandatory tender (a) in connection with the expiration of the Liquidity Facility then in effect and (b) upon a default on the part of the City under the Liquidity Facility then in effect, the Remarketing Agent will use its best efforts, subject to certain conditions, to sell the tendered 2007 Series A Bonds (or portions thereof or beneficial ownership interests therein) at a price equal to the Purchase Price therefor, on the forthcoming optional or mandatory tender date.

The Purchase Price of 2007 Series A Bonds (or portions thereof or beneficial ownership interests therein) tendered for purchase is payable, first, from and to the extent of moneys derived from the remarketing of 2007 Series A Bonds (or portions thereof or beneficial ownership interests therein) by the Remarketing Agent and, if such remarketing proceeds are insufficient, from moneys drawn by the Tender Agent under the Liquidity Facility. The obligation of the Bank to purchase 2007 Series A Bonds under the Liquidity Facility is subject to certain conditions, and such obligation may be terminated without prior notice or payment thereunder under certain circumstances. See "LIQUIDITY FACILITY" herein.

The City is not required under the Eighteenth Supplemental Resolution to pay the Purchase Price of the tendered 2007 Series A Bonds (or portions thereof or beneficial ownership interests therein) which are not remarketed or purchased with funds drawn under the Liquidity Facility.

Upon tender for purchase of any 2007 Series A Bond (or portion thereof) on the Purchase Date therefor or of any Untendered 2007 Series A Bond (hereinafter defined) on or after the Purchase Date therefor at the office of the Tender Agent, endorsed in blank (or accompanied by a bond power executed in blank) to the extent of the portion to be purchased, the Tender Agent will pay to the Holder of such 2007 Series A Bond (or portion thereof) or such Untendered 2007 Series A Bond, as the case may be, the Purchase Price therefor from funds available for such purchase held in the applicable account in the 2007 Series A Bond Purchase Fund (as defined in APPENDIX C hereto), in each such case, by 5:00 p.m., New York City time, on the date of payment.

While the 2007 Series A Bonds are subject to the book-entry only system of registration and transfer described in "Book-Entry Only System" herein, to the extent permitted pursuant to the procedures of DTC, any beneficial ownership interest in such 2007 Series A Bonds will be deemed tendered to the Tender Agent endorsed in blank when DTC or any Direct Participant or Indirect Participant (as such terms are defined in "Book-Entry Only System" herein) which owns such beneficial ownership interest as nominee for the Beneficial Owner thereof has received sufficient instructions from the person to whose account at DTC such beneficial ownership interest is credited to transfer such beneficial ownership interest to the account of the Tender Agent and such transfer is effected, and payment of the Purchase Price of such beneficial ownership interest will be deemed to be made when the Tender Agent gives sufficient instructions to (while maintaining sufficient funds at or delivering such funds to) DTC or such Participant to credit such Purchase Price to the account of such person or such Participant.

Untendered 2007 Series A Bonds

With respect to any 2007 Series A Bond (or portion thereof) (a) for which notice was given in connection with an optional tender but which is not tendered for purchase by 12:00 p.m., New York City time, on the applicable Purchase Date or (b) which is required to be tendered in connection with a mandatory tender and which is not tendered for purchase by 12:00 p.m., New York City time, on the applicable Purchase Date (such 2007 Series A Bonds (or portions thereof) being referred to herein as "Untendered 2007 Series A Bonds"), such 2007 Series A Bond (or portion thereof) will, upon deposit in the applicable account in the 2007 Series A Bond Purchase Fund of an amount sufficient to pay the Purchase Price of such 2007 Series A Bond (or portion thereof) on such Purchase Date, be deemed to have been tendered and sold on such Purchase Date and thereafter, the person who has failed to deliver such 2007 Series A Bond (or portion thereof) will not be entitled to any payment (including any interest accrued subsequent to such Purchase Date) in respect thereof other than the Purchase Price for such 2007 Series A Bond (or portion thereof) and, unless such Purchase Price includes accrued interest to such Purchase Date, such accrued interest, and such Untendered 2007 Series A Bond will no longer be entitled to the benefit of the Resolution, except for the payment of the Purchase Price and accrued interest, if any.

2007 Series A Bank Bonds

Any 2007 Series A Bond (or portion thereof or beneficial ownership interest therein) which has been tendered or deemed tendered for purchase on a Purchase Date and which has been purchased with the proceeds of a drawing under the Liquidity Facility will be and constitute a 2007 Series A Bank Bond under the Eighteenth Supplemental Resolution. Each 2007 Series A Bank Bond will bear interest from and including the date on which such 2007 Series A Bond was so purchased (the "Bank Purchase Date") at the applicable Bank Rate (as defined in APPENDIX C hereto) or Rates in effect from time to time during such period.

The Eighteenth Supplemental Resolution provides that any 2007 Series A Bond that is a 2007 Series A Bank Bond will be subject to mandatory redemption through sinking fund installments as follows: Each 2007 Series A Bank Bond outstanding will be redeemed during the period commencing with a date (the "Term-Out Date") which is 180 days after the Bank Purchase Date (or, if the purchase was made as a result of the Bank's election to cause the 2007 Series A Bonds to become subject to mandatory tender for purchase following the occurrence of an "event of default" (or similar provision) under the Liquidity Facility then in effect (see "Mandatory Tender for Purchase -- Liquidity Facility Default" above), the earlier of (i) 180 days after the Bank Purchase Date or (ii) the Liquidity Facility Expiration Date) and

extending to the earlier of (a) the date that is the fifth anniversary of the relevant Bank Purchase Date or (b) the maturity date of the 2007 Series A Bonds, in equal semi-annual installments, payable on the Term-Out Date and at the end of each six-month period thereafter. In order to provide for such retirement, the Eighteenth Supplemental Resolution establishes sinking fund installments with respect to each such 2007 Series A Bank Bond, which sinking fund installments will be due in semi-annual installments, on the Term-Out Date and at the end of each six-month period thereafter with respect to each such 2007 Series A Bank Bond. For purposes of the two preceding sentences, each semi-annual payment date or due date, as the case may be, will be the date that numerically corresponds with the Term-Out Date or, if there is no such numerically corresponding date in the applicable month, on the last day of such month (or, if such day is not a Business Day, the next succeeding Business Day). The redemption price will be the principal amount of the 2007 Series A Bank Bonds to be redeemed plus accrued interest thereon to the date of redemption. In the event that the principal amount of 2007 Series A Bank Bonds to be redeemed on any such redemption date is not equal to an Authorized Denomination, the principal amount of 2007 Series A Bank Bonds to be redeemed will be rounded to the next higher Authorized Denomination. Notwithstanding anything to the contrary contained in the Resolution, no credits shall be applied against any sinking fund installment due as described in this paragraph.

The Eighteenth Supplemental Resolution also provides that each 2007 Series A Bank Bond will constitute an "Option Bond" within the meaning of the Resolution and, as such, may be tendered or deemed tendered to the City for payment upon the occurrence of certain "events of default" on the part of the City under the Liquidity Facility. See "LIQUIDITY FACILITY - Liquidity Events of Default; Remedies" herein. Upon any such tender or deemed tender for purchase, the 2007 Series A Bank Bonds so tendered or deemed tendered will be due and payable immediately.

Disclosure Concerning Sales of Variable Rate Demand Obligations by Remarketing Agent

No representation is made by the City as to the accuracy, completeness or adequacy of such information to the extent this section reflects the internal practices and procedures of the Remarketing Agent.

The Remarketing Agent is Paid by the City. The Remarketing Agent's responsibilities include determining the interest rates borne by the 2007 Series A Bonds (or beneficial ownership interests therein) from time to time and remarketing 2007 Series A Bonds (or beneficial ownership interests therein) that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Eighteenth Supplemental Resolution and the Remarketing Agreement), all as further described in this Reoffering Memorandum. The Remarketing Agent is appointed by the City and is paid by the City for its services. As a result, the interests of the Remarketing Agent may differ from those of existing owners and potential purchasers of 2007 Series A Bonds.

The Remarketing Agent Routinely Purchases Variable Rate Demand Obligations for its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account in order to achieve a successful remarketing of such obligations (i.e., because there otherwise are not enough buyers to purchase such obligations) or for other reasons. The Remarketing Agent is permitted, but not obligated, in its sole discretion, to purchase tendered 2007 Series A Bonds for its own account. However, the Remarketing Agent is not obligated to purchase 2007 Series A Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the 2007 Series A Bonds by routinely purchasing and selling 2007 Series A Bonds other than in connection with an optional or

mandatory tender and remarketing. Such purchases and sales may be at prices at or below par. However, the Remarketing Agent is not required to make a market in the 2007 Series A Bonds. The Remarketing Agent may also sell any 2007 Series A Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the 2007 Series A Bonds. The purchase of 2007 Series A Bonds by the Remarketing Agent may create the appearance that there is greater third-party demand for the 2007 Series A Bonds in the market than is actually the case. The practices described above also may result in fewer 2007 Series A Bonds being tendered in a remarketing.

2007 Series A Bonds May be Offered at Different Prices on Any Date Including a Rate Determination Date. Pursuant to the Eighteenth Supplemental Resolution and the Remarketing Agreement, on each Rate Determination Date, the Remarketing Agent is required to determine the 2007 Series A Bond Rate, which shall be the rate of interest that, in the Remarketing Agent's judgment, is the minimum interest rate necessary to be borne by the affected 2007 Series A Bonds (or beneficial ownership interests therein) for the relevant Interest Period to enable the Remarketing Agent to remarket such 2007 Series A Bonds (or beneficial ownership interests therein) on the Rate Determination Date therefor at a price (without regard to accrued interest) equal to 100% of the principal amount thereof; provided, however, that in no event shall any rate so determined exceed the Maximum Rate. The interest rate will reflect, among other factors, the level of market demand for the 2007 Series A Bonds (including whether the Remarketing Agent is willing to purchase 2007 Series A Bonds for its own account). There may or may not be 2007 Series A Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any 2007 Series A Bonds tendered for purchase on such date at par and the Remarketing Agent may sell 2007 Series A Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third-party buyers for all of the 2007 Series A Bonds at the remarketing price. In the event the Remarketing Agent owns any 2007 Series A Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer 2007 Series A Bonds on any date, including the Rate Determination Date, at a discount to par to some investors.

The Ability to Sell the 2007 Series A Bonds Other Than Through the Tender Process May Be Limited. The Remarketing Agent may buy and sell 2007 Series A Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require owners that wish to tender their 2007 Series A Bonds (or beneficial ownership interests therein) to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the 2007 Series A Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2007 Series A Bonds other than by tendering the 2007 Series A Bonds (or beneficial ownership interests therein) in accordance with the tender process.

Under certain circumstances, pursuant to the Liquidity Facility the Bank is not obligated to purchase tendered 2007 Series A Bonds. In addition, the Bank may fail to purchase tendered 2007 Series A Bonds even when it is obligated to do so. In both cases, tendered 2007 Series A Bonds would be returned to the holders thereof and bear interest at an interest rate established by the Remarketing Agent that will not exceed the Maximum Rate (or, in the event that the Remarketing Agent fails to determine the interest rate, such 2007 Series A Bond will bear interest at a rate equal to 100% of the SIFMA Index (as defined in APPENDIX C hereto) most recently announced on or prior to each Rate Determination Date). It is not certain that following a failure to purchase 2007 Series A Bonds a secondary market for the 2007 Series A Bonds will develop.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the 2007 Series A Bonds, Without a Successor Being Named. Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Eighteenth Supplemental Resolution and the Remarketing Agreement. In the event that the Remarketing Agent is removed or resigns without a successor having been named or the Remarketing Agent ceases its remarketing efforts as aforesaid, the only source of funds for payment of the Purchase Price of 2007 Series A Bonds (or beneficial ownership interests therein) tendered or deemed tendered for purchase would be amounts drawn under the Liquidity Facility then in effect. See "Remarketing and Purchase Price" above. In addition, if for any reason the Remarketing Agent fails to determine the Market Rate for any 2007 Series A Bond (or beneficial ownership interest therein) on a Rate Determination Date, the interest rate to be borne by such 2007 Series A Bond (or beneficial ownership interest therein) shall be determined in the manner described in the second paragraph under "Interest Rates and Interest Modes; Determination of Interest Rates" above.

Following an Immediate Termination Event or suspension of the Liquidity Facility, the Remarketing Agent is no longer obligated to remarket the 2007 Series A Bonds, but is obligated to continue to establish the Market Rate on the 2007 Series A Bonds.

Redemption Provisions

Optional Redemption

The 2007 Series A Bonds are subject to redemption prior to maturity at the election of the City as follows, in whole or in part, at a redemption price of 100% of the principal amount thereof together with accrued interest, if any, to the redemption date:

- (a) if the 2007 Series A Bonds are in a Daily or Weekly Mode, on any Business Day;
- (b) if the 2007 Series A Bonds are in a Flexible or Term Mode, on any Rate Adjustment Date for the 2007 Series A Bonds to be redeemed; and
- (c) if the 2007 Series A Bonds are in the Fixed Mode, on the first day of the Fixed Mode for the 2007 Series A Bonds to be redeemed.

In addition, if the 2007 Series A Bonds are in the Term Mode or the Fixed Mode, the 2007 Series A Bonds are subject to redemption at the election of the City on any date prior to their stated maturity, in whole or in part:

- (a) unless clause (b) below applies, during any Interest Period therefor, on any day, but only after the fifth anniversary of the first day of such Interest Period, at a redemption price equal to 100% of the principal amount thereof; or
- (b) during any Interest Period therefor, on any alternate dates and at any alternate prices stated in a certificate of an authorized officer of the City delivered to the Notice Parties prior to the Rate Determination Date for such Interest Period and accompanied by an opinion of 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 such substitution of interest on bonds issued by states and their political subdivisions to the effect that such substitution of interest on bonds issued by states and their political subdivisions to the effect that such substitution of interest on any 2007 Series A Bond from the gross income of the owner thereof for federal income tax purposes;

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

Sinking Fund Redemption

The 2007 Series A Bonds are subject to redemption through mandatory sinking fund installments on October 1 in the years and in the amounts shown below, at a redemption price of 100% of the principal amount thereof, together with accrued interest, if any, to the redemption date:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2018	\$365,000	2028	\$2,460,000
2019	385,000	2029	2,565,000
2020	1,775,000	2030	15,695,000
2021	1,850,000	2031	16,345,000
2022	1,925,000	2032	17,015,000
2023	400,000	2033	17,720,000
2024	2,095,000	2034	15,720,000
2025	2,185,000	2035	16,370,000
2026	2,270,000	2036	17,040,000*
2027	2,365,000		

*Final maturity.

The particular 2007 Series A Bonds or portions thereof to be redeemed through mandatory sinking fund installments shall be selected by the Trustee in the manner described below under "Selection of 2007 Series A Bonds to be Redeemed." So long as a book-entry system is used for determining ownership of the 2007 Series A Bonds, DTC or its successor and Direct Participants and Indirect Participants will determine the particular ownership interests of 2007 Series A Bonds to be redeemed through mandatory sinking fund installments.

In determining the amount of 2007 Series A Bonds to be redeemed with any sinking fund installment, there will be deducted the principal amount of any 2007 Series A Bonds which have been purchased, to the extent permitted by the Resolution, with amounts in the Debt Service Account (exclusive of amounts deposited from proceeds of Bonds). In addition, if there is any redemption or purchase of any 2007 Series A Bonds with amounts other than moneys on deposit in the Debt Service Account, such 2007 Series A Bonds may be credited against any future sinking fund installment established for the 2007 Series A Bonds as specified by the City at any time, except as described in the penultimate paragraph under "2007 Series A Bank Bonds" above.

Selection of 2007 Series A Bonds to be Redeemed

If fewer than all of the 2007 Series A Bonds of like maturity or interest rate within a maturity of any Series shall be called for prior redemption, the particular 2007 Series A Bonds or portions of 2007 Series A Bonds to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that for any Bond of a denomination of more than the minimum denomination for such Series, the portion of such Bond to be redeemed shall, unless otherwise specified in the Supplemental Resolution relating to such Series, be in a principal amount equal to such minimum denomination or an integral multiple thereof, and that, in selecting portions of such 2007 Series A Bonds for redemption, the Trustee shall treat each such Bond as

representing that number of 2007 Series A Bonds of such minimum denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by the amount of such minimum denomination.

Notice of Redemption

The Trustee shall give notice, in the name of the City, of the redemption of such 2007 Series A Bonds, which notice shall specify the Series and maturities and interest rates within maturities, if any, of the 2007 Series A Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if fewer than all of the 2007 Series A Bonds of any like and maturity and interest rate within maturities are to be redeemed, the letters and numbers or other distinguishing marks of such 2007 Series A Bonds so to be redeemed, and, in the case of 2007 Series A Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall be mailed by first class mail, postage prepaid, or electronically, not less than 20 nor more than 60 days before the redemption date, to the Registered Owners of any 2007 Series A Bonds or portions of 2007 Series A Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books. Failure to give notice by mail, or any defect in such notice, shall not affect the validity of the proceedings for the redemption of 2007 Series A Bonds. Notwithstanding any other provision in the Resolution, notice of optional redemption may be conditioned upon the occurrence or non-occurrence of such event or events as shall be specified in such notice of optional redemption and may also be subject to rescission by the City if expressly set forth in such notice.

Substitution of Liquidity Facility

At any time prior to the giving by the Tender Agent of notice of the mandatory tender of the 2007 Series A Bonds as a result of the expiration of the Liquidity Facility then in effect (see "Mandatory Tender for Purchase - Expiration of Liquidity Facility" above), the City may deliver to the Tender Agent a Substitute Liquidity Facility in substitution for the Liquidity Facility then in effect. In the event of any such substitution, 2007 Series A Bonds in the Daily Mode or the Weekly Mode will be subject to mandatory tender for purchase on the Substitution Date unless the City shall have delivered to the Notice Parties, by not later than the Business Day prior to the date on which the Tender Agent is required to give notice of such mandatory tender pursuant to the Eighteenth Supplemental Resolution, written evidence from each Rating Agency then rating the 2007 Series A Bonds to the effect that such Rating Agency has reviewed the proposed Substitute Liquidity Facility and that the substitution of such Substitute Liquidity Facility for the Liquidity Facility then in effect will not result in a withdrawal, suspension or reduction in such Rating Agency's ratings on the 2007 Series A Bonds. See "Mandatory Tender for Purchase - Substitution of Liquidity Facility" above.

A Substitute Liquidity Facility supporting the 2007 Series A Bonds shall be in an amount at least equal to the Liquidity Facility Requirement for the 2007 Series A Bonds. Any Substitute Liquidity Facility shall become effective with respect to the 2007 Series A Bonds on the Substitution Date therefor established pursuant to the Eighteenth Supplemental Resolution (see the definition of "Substitution Date" in APPENDIX C hereto); provided, however, that the City furnishes to the Tender Agent (i) an opinion of 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 the substitution of such Substitute Liquidity Facility for the Liquidity Facility then in effect is authorized or permitted by the Resolution and will not cause the interest on the 2007 Series A Bonds to

become includable in gross income for federal income tax purposes; (ii) either (A) written evidence from each Rating Agency then rating the 2007 Series A Bonds to the effect that such Rating Agency has reviewed the proposed Substitute Liquidity Facility and stating the ratings of the 2007 Series A Bonds after substitution of such Substitute Liquidity Facility or (B) a statement of an authorized officer of the City that no ratings have been obtained; (iii) if such Substitute Liquidity Facility is other than a letter of credit issued by a domestic commercial bank, an opinion of counsel to the effect that no registration of the 2007 Series A Bonds or such Substitute Liquidity Facility is required under the Securities Act of 1933, as amended; (iv) an opinion of counsel satisfactory to an authorized officer of the City to the effect that such Substitute Liquidity Facility is a valid and enforceable obligation of the issuer or provider thereof; and (v) all information required to give the notice of mandatory tender for purchase of the 2007 Series A Bonds, if required by the Eighteenth Supplemental Resolution.

In the event that the 2007 Series A Bonds are in the Daily Mode or the Weekly Mode, if, in connection with the substitution of a Substitute Liquidity Facility for the Liquidity Facility then in effect, the 2007 Series A Bonds are not subject to mandatory tender for purchase on a Substitution Date (see "Mandatory Tender for Purchase -- Substitution of Liquidity Facility" above), the Tender Agent will give notice as hereinafter described to the Holders of such 2007 Series A Bonds by mail, first-class postage prepaid, not less than fifteen and not more than 60 days preceding such Substitution Date. Such notice will (a) state the Substitution Date on which such substitution is expected to become effective; (b) contain a description of such Substitute Liquidity Facility and the bank that is the issuer or provider thereof; and (c) state that if any Holder of a 2007 Series A Bond (or, if the 2007 Series A Bonds are subject to the book-entry only system of registration and transfer described in "Book-Entry Only System" herein, any Beneficial Owner thereof) does not desire to continue to hold such 2007 Series A Bond (or beneficial ownership interest therein) following such substitution, such Holder (or Beneficial Owner) must give notice of the tender of such 2007 Series A Bond (or beneficial ownership interest therein) by the time and in the manner described under the caption "Optional Tender for Purchase" above.

Registration and Transfer; Payment

The 2007 Series A Bonds may be transferred only on the books of the City held at the principal corporate trust office of the Trustee, as Bond Registrar. Neither the City nor the Bond Registrar will be required to transfer or exchange 2007 Series A Bonds (a) for a period beginning with the applicable Record Date and ending with the next succeeding Interest Payment Date, or (b) for a period beginning with a date selected by the Trustee not more than fifteen nor less than ten days prior to a date fixed for the payment of any interest which, at the time, is payable, but has not been punctually paid or duly provided for, and ending with the date fixed for such payment. Interest on any 2007 Series A Bonds will be paid to the person in whose name such 2007 Series A Bond is registered on the applicable Record Date. At such time, if any, as the 2007 Series A Bonds no longer shall be subject to the book-entry only system of registration and transfer described in "INTRODUCTORY STATEMENT - Book-Entry Only System" herein, interest on the 2007 Series A Bonds will be payable by check or draft of the Trustee, as Paying Agent, mailed to the registered owners by first-class mail (or, to the extent permitted by the Resolution, by wire transfer (see "General" above)). At such time, if any, as the 2007 Series A Bonds no longer shall be subject to such book-entry only system of registration and transfer, the principal of all 2007 Series A Bonds will be payable on the date of maturity or redemption or acceleration thereof upon presentation and surrender at the principal corporate trust office of the Paying Agent.

For so long as a book-entry system is used for determining beneficial ownership of the 2007 Series A Bonds, such principal and interest shall be payable to DTC or its nominee. Disbursement of such

payments to the Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners of the 2007 Series A Bonds is the responsibility of the Direct Participants or the Indirect Participants. See "Book-Entry Only System" herein.

LIQUIDITY FACILITY

General

The following summarizes certain provisions of the Liquidity Facility, to which reference is made for the detailed provisions thereof. Copies of the Liquidity Facility may be obtained from the City or its Financial Advisor.

Until its Stated Termination Date (see "INTRODUCTORY STATEMENT — General" herein), liquidity support in connection with tenders for purchase of the 2007 Series A Bonds will be provided by the Bank pursuant to the Liquidity Facility.

Pursuant to the Liquidity Facility, the Bank will agree, subject to the receipt of specified notices and the absence of certain "events of default" (or events which, with the giving of notice or the passage of time, or both, would (unless cured or waived) constitute an "event of default") on the part of the City under the Liquidity Facility, to purchase, for its own account or for the account of a nominee, any 2007 Series A Bonds that are tendered or deemed tendered for purchase and not remarketed (hereinafter referred to as "Tendered Bonds"), at the Purchase Price therefor. Funds provided by the Bank for such purpose will be required to be deposited on the Purchase Date into the 2007 Series A Bond Liquidity Proceeds Account in the 2007 Series A Bond Purchase Fund held by the Tender Agent, and are to be applied, on such Purchase Date, to the purchase, for the account of the Bank (or such nominee), of such Tendered Bonds. The events that permit the Bank not to purchase Tendered Bonds under the Liquidity Facility are described in clauses (d), (f), (g), (h), (i) and (j) under "Events of Default" below.

The commitment of the Bank to purchase 2007 Series A Bonds will terminate on the Stated Termination Date of the Liquidity Facility; *provided, however*, that the Bank's commitment will be immediately terminated or suspended upon the occurrence of certain "events of default" (or events which, with the giving of notice or the passage of time, or both, would (unless cured or waived) constitute an "event of default") on the part of the City under the Liquidity Facility as described in the first two paragraphs under "Remedies of the Bank" below.

Events of Default

Each of the following events will constitute an "Event of Default" under the Liquidity Facility:

- (a) the City shall fail to pay when due any fees or any other amount payable under the Liquidity Facility;
- (b) the City shall fail to observe or perform any covenant or agreement contained in the Liquidity Facility, other than those covered by clause (a) above, or in the Resolution, the Tender Agency Agreement, the Custody Agreement (as defined in APPENDIX D hereto) and the 2007 Series A Bonds (such documents being hereinafter referred to collectively as the

"Financing Documents") for 45 days after written notice thereof has been given to the City by the Bank;

(c) any representation, warranty, certification or statement made by the City (or incorporated by reference) in the Liquidity Facility or any Financing Document or in any certificate, financial statement or other document delivered pursuant to the Liquidity Facility or any Financing Document shall prove to have been incorrect in any material respect when made (or deemed made);

(d) the City shall fail to make any payment in respect of any regularly scheduled principal or interest on any Bonds or any payment in respect of accelerated Bonds (other than any 2007 Series A Bank Bonds the principal of which has become payable as described in the fourth paragraph under "Remedies of the Bank" below) when due or within any applicable grace period;

(e) any event or condition shall occur which (i) results in the acceleration of the maturity of any Bond or any of the City's other Indebtedness (as defined in APPENDIX D hereto) relating to the System or (ii) enables (or, with the giving of notice or lapse of time or both, would enable) the holder of such Bond or Indebtedness or any person acting on such holder's behalf to accelerate the maturity thereof; in either such case, other than any event or condition that entitles the Bank to tender 2007 Series A Bank Bonds to the City for payment as described in the fourth paragraph under "Remedies of the Bank" below;

(f) the City shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due; or shall take any action to authorize any of the foregoing;

(g) an involuntary case or other proceeding shall be commenced against the City seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 90 days; or an order for relief shall be entered against the City under the federal bankruptcy laws or applicable state law as now or hereafter in effect;

(h) a final, non-appealable judgment (or judgments) or an order (or orders) for the payment of money, or a portion thereof pursuant to a payment schedule, shall, individually or in the aggregate, be payable by the City from the revenues of the System in an amount equal to or greater than \$35,000,000 in a particular fiscal year of the City, and such judgment(s) or order(s) (or portions thereof) shall continue unsatisfied, unstayed or not bonded for a period of 60 days;

(i) any material provision of the Liquidity Facility or any Financing Document related to the payment of principal of or interest on the 2007 Series A Bonds or the security for the 2007 Series A Bonds shall, in either case, at any time cease to be valid and binding on the City, or shall be declared to be null and void, in either such case, as a result of a final, non-appealable judgment of a court of competent jurisdiction or by any Governmental Authority (as defined in APPENDIX D hereto) having jurisdiction, or any Governmental Authority having jurisdiction shall find or rule in a final non-appealable judgment or order that any material provision of the Liquidity Facility or any Financing Document related to the payment of principal of or interest on the 2007 Series A Bonds or the security for the 2007 Series A Bonds is not valid or binding on the City, or the validity or enforceability thereof shall be contested by the City; or

(j) the long-term portions of the ratings of the 2007 Series A Bonds (without taking into account third-party credit enhancement) are withdrawn or suspended or reduced below "Baa3" by Moody's and "BBB-" by S&P for credit-related reasons.

Remedies of the Bank

Upon the occurrence and continuance of an Event of Default described in clause (d), clause (f), clause (g), clause (h), clause (i) or clause (j) under "Events of Default" above (each, an "Immediate Termination Event"), without any notice to the City, the Remarketing Agent or the Tender Agent or any other act by the Bank, the commitment of the Bank to purchase Tendered Bonds under the Liquidity Facility will thereupon terminate. Promptly upon the occurrence of such Event of Default, the Bank will be required to give written notice of the same to the City, the Tender Agent and the Remarketing Agent, but the Bank will not incur any liability or responsibility whatsoever by reason of its failure to give such notice and such failure will in no way affect the termination of the commitment of the Bank to purchase Tendered Bonds pursuant to the Liquidity Facility.

Upon the occurrence and continuance of any Event of Default (other than as specified in the preceding paragraph), the Bank may, at its option, elect to terminate its commitment to purchase Tendered Bonds under the Liquidity Facility, by giving written notice to the City, the Remarketing Agent and the Tender Agent to the effect that an Event of Default on the part of the City has occurred and is continuing under the Liquidity Facility, and directing the Tender Agent to effect a mandatory tender of all of the Bonds. The obligation of the Bank to purchase Tendered Bonds under the Liquidity Facility shall terminate on the thirtieth (30th) day (or if such day is not a Business Day, the next following Business Day) after such written notice is received by the Tender Agent. See "THE 2007 SERIES A BONDS -- Mandatory Tender for Purchase -- *Liquidity Facility Default*" herein.

Upon the occurrence and during the continuance of a Default (as defined in APPENDIX D hereto) described in clause (g) under "Events of Default" above (a "Suspension Event"), the obligation of the Bank to purchase Tendered Bonds under the Liquidity Facility will be immediately and automatically suspended, without notice, and the Bank will be under no further obligation under the Liquidity Facility to purchase Tendered Bonds until the bankruptcy, insolvency or similar proceeding referred to therein is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated, then the obligation of the Bank to purchase Tendered Bonds under the Liquidity Facility will be automatically reinstated and the terms of the Liquidity Facility will continue in full force and effect (unless the obligation of the Bank to purchase Tendered Bonds under the Liquidity Facility otherwise has terminated as provided

therein) as if there had been no such suspension. If at any time prior to the earlier of (i) the Stated Termination Date and (ii) the date that is four (4) years following the suspension of the obligation of the Bank to purchase Tendered Bonds, (x) the Default which gave rise to such suspension is cured or has ceased to be continuing and (y) the obligation of the Bank to purchase Tendered Bonds under the Liquidity Facility has not otherwise terminated, then, upon written notice from the Tender Agent to the Bank to such effect, the obligation of the Bank to purchase Tendered Bonds under the Liquidity Facility will be automatically reinstated. If the Default which gave rise to the suspension of the obligation of the Bank to purchase Tendered Bonds under the Liquidity Facility has not been cured or has not ceased to be continuing prior to the four (4) year anniversary of such occurrence and the obligation of the Bank to purchase Tendered Bonds under the Liquidity Facility has not otherwise terminated, then the obligation of the Bank to purchase Tendered Bonds will be automatically terminated. Promptly upon the occurrence of such termination, the Bank will be required to give written notice of the same to the City, the Tender Agent and the Remarketing Agent, but the Bank will not incur any liability or responsibility whatsoever by reason of its failure to give such notice and such failure will in no way affect the termination of the Bank's obligation to purchase Tendered Bonds under the Liquidity Facility.

Upon the occurrence and continuance of any Event of Default described under "Events of Default" above, the Bank may, at its option, by notice to the City, tender any or all 2007 Series A Bank Bonds for payment to the City and the City will thereupon be obligated to pay immediately the outstanding principal amount of each 2007 Series A Bank Bond (together with accrued interest thereon) so tendered, without presentment, demand, protest or other notice of any kind, all of which will be waived by the City; *provided, however*, that in the case of any of the Immediate Termination Events, without any notice to the City or any other act by the Bank, all 2007 Series A Bank Bonds will immediately be deemed to be tendered for payment to the City and the City will be obligated to pay immediately the outstanding principal amount of such 2007 Series A Bank Bonds (together with accrued interest thereon) without presentment, demand, protest or notice of any kind, all of which will be waived by the City.

In addition, upon the occurrence and continuance of any Event of Default described under "Events of Default" above, the Bank will be entitled to exercise any other remedies available to it at law or in equity, including, without limitation, the remedy of specific performance.

THE BANK

The information relating to the Bank set forth below has been furnished by the Bank for inclusion in this Reoffering Memorandum. No representation is made herein by the City as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date of this Reoffering Memorandum. The City has not made any independent investigation of the Bank.

The Bank is a wholly-owned subsidiary of State Street Corporation (the "Corporation"). The Corporation (NYSE: STT) through its subsidiaries, including the Bank, provides a broad range of financial products and services to institutional investors worldwide. With \$33.12 trillion in assets under custody and administration and \$2.78 trillion in assets under management as of December 31, 2017, the Corporation operates in more than 100 geographic markets worldwide. As of December 31, 2017, the Corporation had consolidated total assets of \$238.43 billion, consolidated total deposits (including deposits in non-U.S. offices) of \$184.90 billion, total investment securities of \$97.58 billion, total loans and

leases, net of unearned income and allowance for loan losses, of \$23.24 billion, and total shareholders' equity of \$22.32 billion.

The Bank's *Consolidated Reports of Condition and Income for A Bank With Domestic and Foreign Offices Only* -- FFIEC 031 (the "Call Reports") through December 31, 2017 have been submitted through the Federal Financial Institutions Examination Council and provided to the Board of Governors of the Federal Reserve System, the primary U.S. federal banking agency responsible for regulating the Corporation and the Bank. Publicly available portions of those Call Reports, and future Call Reports so submitted by the Bank, are available on the Federal Deposit Insurance Corporation's website at www.fdic.gov. The Call Reports are prepared in conformity with regulatory instructions that do not in all cases follow U.S. generally accepted accounting principles.

Additional financial and other information related to the Corporation and the Bank, including the Corporation's Annual Report on Form 10-K for the year ended December 31, 2017 and additional annual, quarterly and current reports subsequently filed or furnished by the Corporation with the U.S. Securities and Exchange Commission (the "SEC"), can be accessed free of charge on the SEC's website at www.sec.gov.

Any statement contained in any document referred to above shall be deemed to be modified or superseded for purposes of this Reoffering Memorandum to the extent that a statement contained herein or in any subsequently submitted, filed or furnished document that also is referred to above modifies or supersedes such statement. The delivery hereof shall not create any implication that there has been no change in the affairs of the Bank or the Corporation since the date hereof, or that information contained or referred to in this section is correct as of any time subsequent to this date. The information concerning the Corporation, the Bank or any of their respective affiliates is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced here.

A copy of any or all of the publicly available portions of the documents referred to above, other than exhibits to such documents, may be obtained without charge to each person to whom a copy of this Reoffering Memorandum has been delivered, on the written request of any such person. Written requests for such copies should be directed to Investor Relations, State Street Corporation, One Lincoln Street, Boston, Massachusetts 02111, telephone number 617-786-3000.

The Liquidity Facility is an obligation solely of the Bank and is not an obligation of, or otherwise guaranteed by, the Corporation or any of its affiliates (other than the Bank). Neither the Corporation nor any of its affiliates (other than the Bank) is required to make payments under the Liquidity Facility. None of the Bank, the Corporation or any of their respective affiliates makes any representation as to, or is responsible for the suitability of the 2007 Series A Bonds for any investor, the feasibility or performance of any project or compliance with any securities or tax laws or regulations. The 2007 Series A Bonds are not direct obligations of, or guaranteed by, the Bank, the Corporation or any of their respective affiliates, except to the extent provided by in the Liquidity Facility.

Neither the Bank nor its affiliates make any representation as to the contents of this Reoffering Memorandum (except as to this caption to the extent it relates to the Bank), the suitability of the 2007 Series A Bonds for any investor, the feasibility or performance of any project or compliance with any securities or tax laws or regulations.

THE CITY

General

The City, home of the University of Florida, is located in North Central Florida midway between Florida's Gulf and the Atlantic coast. The City is approximately 125 miles north of Tampa, approximately 110 miles northwest of Orlando and approximately 75 miles southwest of Jacksonville. The Bureau of Economic and Business Research at the University of Florida estimated a 2017 population of 260,003 in the Alachua County (the "County") with an estimated 129,816 persons residing within the City limits. The economic base of Gainesville consists primarily of light industrial, commercial, health care and educational activities. The University of Florida is the State's oldest university and, with approximately 50,000 students, is one of the largest universities in the nation.

For additional information with respect to the City and the County, see APPENDIX A attached hereto.

Government

The City is governed by the City Commission, which currently consists of seven members. Four are elected from single member districts and three are elected Citywide. The Mayor is elected by the residents of the City.

The following are the current members of the City Commission:

	<u>Term Expires</u>
Mayor Lauren Poe, At Large	May 2019
Commissioner David Arreola, District 3.....	May 2020
Commissioner Adrian Hayes-Santos, District 4.....	May 2019
Commissioner Gail Johnson, At Large.....	May 2021
Commissioner Gigi Simmons, District 1	May 2021
Commissioner Harvey Ward, District 2.....	May 2020
Commissioner Helen K. Warren, At-Large	May 2020

THE SYSTEM

General

Under its home rule powers and pursuant to the Charter, the City owns and operates the System, which provides the City and certain unincorporated areas of the County with electric, natural gas, water, wastewater, and telecommunications service (including certain utility services to the University of Florida). The System provides wholesale wastewater service to the City of Waldo. Natural gas service is also provided to retail customers within the corporate limits of the City of Alachua, Florida ("Alachua"), and the City of High Springs, Florida ("High Springs"). All facilities of the System are owned and operated by the City. The System is governed by the City Commission.

The electric system was established in 1912 to provide street lighting and electric service to the downtown area. Continuous expansion of the electric system and its generating capacity has resulted in the electric system serving an average of 96,272 customers (11,043 of which were commercial and

industrial customers) in the fiscal year ended September 30, 2017, and having a maximum net summer generating capacity of 626 MW.

The water and wastewater systems were established in 1891 to provide water and wastewater service to the City. The water and wastewater systems served an average of 72,136 and 65,591 customers, respectively, in the fiscal year ended September 30, 2017. The water system has a nominal capacity of 54 million gallons per day ("Mgd") and the wastewater system has a treatment capacity of 22.4 Mgd annual average daily flow ("AADF").

The natural gas system was acquired from the Gainesville Gas Company in 1990 to provide gas distribution throughout the City. The gas system served an average of 34,942 customers in the fiscal year ended September 30, 2017.

The telecommunications system, GRUCom, was established in 1995 to provide communication services to the Gainesville area in a manner that would minimize duplication of facilities, maximize interconnectivity, simplify access, and promote the evolution of new technologies and business opportunities. GRUCom operates a state-of-the-art fiber optic network and current product lines include telecommunications transport services, Internet access services, communication tower antenna space leasing services, and public safety radio services. GRUCom served an average of 6,564 internet access customer connections and 173 dial-up customers in the fiscal year ended September 30, 2017.

Utility Advisory Board

On November 19, 2015 the City Commission enacted Ordinance No. 140384 which created a new utility advisory board (the "Utility Advisory Board") to advise and make recommendations to the City Commission on all aspects of governance of the System's electric, gas, telecommunications, water and wastewater utilities. The Utility Advisory Board is comprised of seven members appointed by the City Commission, all of whom reside within the System's service area and receive utility service from GRU. The Utility Advisory Board serves as an advisor to the City Commission on all policy and governance decisions to be made by the City Commission regarding utility services; serves as a channel of communications between the City Commission, utility staff and the utility customers; and considers and makes recommendations regarding proposed changes in fees, rates, or charges for utility services. The Utility Advisory Board has no rate setting authority. However, since July 18, 2017, the City Commission and Utility Advisory Board have been holding joint meetings to study and evaluate whether to vest the Board with some level of final decision-making authority. Any such changes in decision-making authority with respect to utility matters would require revisions to the City Code of Ordinances and may, depending on the extent of the changes, require revisions to the City Charter.

Legislative Matters Affecting the City

On February 9, 2017, State Representative Chuck Clemons, Sr. filed House Bill 759 which would change the governance of the City's utilities. The bill generally proposes a voter referendum to amend the City's Charter by creating a utility authority that is a unit of the City, with a non-salaried five member board appointed by the City Commission. The utility authority board would replace the City Commission as the governing body vested with final decision making authority over certain utility matters including, but not limited to, the authority to employ a utilities manager, set rates, and reduce over time the percentage of revenue (up to 3% each year) that is transferred from the System to the City's General Fund.

House Bill 759 was approved by both the House and Senate and was signed into law by the Governor on June 6, 2017. The referendum is scheduled for November 2018. The City is unable to predict whether or not such referendum will be approved.

The City and the System may, from time to time in the future, be subject to changes in laws or regulations, many of which are beyond the control of the City, and which could have an effect on the existence, governance, revenues, management, operations and finances of the City and the System.

Management of the System

The daily operations of the System are managed by the General Manager for Utilities. In addition to the General Manager for Utilities, key members of the System's leadership team include five operational managers, a Chief Operating Officer, the Chief Financial Officer and the Utilities Attorney. The operational managers consist of an Energy Delivery Officer, Water/Wastewater Officer, Chief Customer Officer, Energy Supply Officer and a Chief Business Services Officer.

Mr. Edward J. Bielarski, Jr., General Manager for Utilities, joined the System as a Charter Officer and General Manager in June of 2015. Mr. Bielarski has over 20 years of experience in the utility industry, having worked with Constellation Energy Group (Maryland) as a Project General Manager and a Project Chief Financial Officer, and Lehigh County Authority (Pennsylvania) as a Chief Operating Officer and Chief Financial Officer. As a Charter Officer, he reports directly to the seven-member City Commission and to the Utilities Advisory Board. Mr. Bielarski currently serves on the Board of Directors for The Energy Authority, Inc. ("TEA") and the Florida Reliability Coordinating Council (the "FRCC"). In his role as General Manager, Mr. Bielarski oversees all operations of the combined electric, natural gas, water, wastewater and telecommunications utilities. Principal responsibilities include management for all planning, administration, customer service, engineering, organizational development, construction and operations for all utility responsibility areas in accordance with City policies. Additionally, he oversees the preparation and administration of the annual budget and is responsible for policy development and the implementation of policies adopted by the City Commission.

Ms. Claudia Rasnick, Interim Chief Financial Officer, [bio will be included here]

Mr. Thomas R. Brown, P.E., Chief Operating Officer, joined the System in September of 2015 and was appointed to this role in July 2016. Mr. Brown has worked as an energy industry executive for 37 years, including most recently as the Vice President/Commercial Manager of Leidos-Plainfield Renewable Energy in Plainfield, Connecticut. He also served in executive management positions with Cogentrix, El Paso Merchant Energy and Ridgewood Power Corporation. Mr. Brown holds a Master of Business Administration degree from Indiana University of Pennsylvania and a Bachelor of Science degree in Mechanical Engineering from Pennsylvania State University, and is a registered Professional Engineer. In his current role, Mr. Brown oversees and manages the System's Energy Supply, Energy Delivery, and Water/Wastewater business operations.

Mr. Dino De Leo, Energy Supply Officer, joined the System in September 2006 and formerly served as Production Assurance Support Director. Mr. De Leo was appointed interim Energy Supply Officer in February 2016 and was made permanent in January 2017. Mr. De Leo has worked as an executive in the energy industry for over 36 years and, prior to joining GRU, served in various leadership roles in the US Navy Submarine force where he retired after 26 years of service in 2006. He holds a Bachelor of Science in Nuclear Engineering from the University of Florida, a Bachelor of Science in

Business Administration degree from Columbia College and a Master of Business Administration from Brenau University. Mr. De Leo is responsible for planning, directing, coordinating and administering all activities and personnel for the System's Energy Supply Department including the System's power generation functions, a power engineering group, and a fuels management group, and oversees the design, construction, operation, and maintenance of related systems, projects, and contracts. He also assists with risk management oversight on an executive team and acts as the System's Energy Supply Department's liaison with local, state, and federal agencies.

Mr. Anthony Cunningham, P.E., Water/Wastewater Officer, has been with the System for over 15 years, was appointed to his position in 2016 and previously served as Water/Wastewater Engineering Director. Mr. Cunningham's entire 22 year professional career has been in the water and wastewater industry including 7 years as a consulting civil engineer at Causseux & Ellington, Inc. He has held various positions through his years at the System including; Strategic Planning Engineer, Senior Environmental Engineer, Acting Water Distribution and Wastewater Collection Director, and Engineering Director. He holds a Bachelor of Science degree in Engineering from the University of Florida and is a registered Professional Engineer in the State of Florida. Mr. Cunningham is responsible for planning, directing, coordinating and administering all activities and personnel of the Water and Wastewater Department. He directs the design, construction, operation and maintenance of all the water and wastewater systems to deliver safe, reliable, and competitively priced services.

Mr. Gary L. Baysinger, Energy Delivery Officer, joined the System in 2006. He was appointed interim Energy Delivery Officer in January 2016 and was made permanent in January 2017. Mr. Baysinger previously served as Work & Resource Management Manager and holds a Bachelor of Science in Industrial Engineering from Kent State University. Mr. Baysinger currently serves as Vice-Chair of the Florida Society of Maintenance and Reliability Professionals and maintains CMRP and CMM credentials. As the Energy Delivery Officer, Mr. Baysinger oversees the construction, operation and maintenance of the System's electric transmission and distribution facilities and the natural gas transmission and distribution facilities, and is also responsible for operations engineering, system control, substations and relay/control, city gate stations, electric and gas metering, and field services.

Mr. J. Lewis Walton, Chief Business Services Officer, joined the System in March 2008, and has more than 20 years of experience developing, implementing, marketing and managing customer-driven products and services in both competitive markets and the utility industry. Before his appointment to Chief Business Services Officer in September 2015, Mr. Walton served progressively as Marketing & Communications Manager, Director of Marketing and Business Solutions, and most recently as Chief of Staff for GRU's combined utility systems. Mr. Walton holds a Communications Degree from Auburn University and previous to his arrival at GRU, progressed through various operations, sales, marketing, and management positions at both Roadway Package Systems, which is now FedEx Ground, and at Lee County Electric Cooperative in Southwest Florida. Mr. Walton oversees the planning, operations and administration of GRUCom, the System's competitive fiber optic telecommunications unit, as well as the natural gas marketing program, economic development and development of ancillary products and services for the combined System.

Mr. William J. Shepherd, Chief Customer Officer, has been with the System for over 23 years, was appointed to his position in September 2015 and previously served as the Director of Customer Operations. The majority of Mr. Shepherd's career has been in Energy and Business services where he has played a critical part in the design and development of the System's nationally recognized energy efficiency programs. Mr. Shepherd holds a Masters of Business Administration from the University of

Florida and a Bachelor of Science in Aeronautical Science from Embry Riddle Aeronautical University, and is a Certified Energy Manager ("CEM"). Mr. Shepherd is responsible for customer service, billing, collections, mail services, quality control, facilities, purchasing, cashiers, energy and business services, and new services.

Cheryl McBride, Chief People Officer, is GRU's chief liaison with the City, and the primary contact for GRU's personnel matters. Prior to joining GRU, Ms. McBride worked in the City's Human Resources Department for 10 years, serving as the H. R. Director for the past three years. Ms. McBride has also worked in human resources at Walt Disney World, Sprint, and Harris Corporation; however, her first job out of high school was with GRU. She later went on to earn her degree in business administration from the University of Florida.

Michelle Smith Lambert, Acting Chief Change Officer, has practiced law in the City for more than a decade. Founder of Balanced Life Wellness Consulting, she holds a Juris Doctorate degree and a Master of Exercise and Sports Science degree from the University of Florida.

Walter Banks, Chief Information Officer, has been planning, implementing and leading information technology solutions for public organizations for nearly 20 years. He most recently served as Director of Information Technologies for Frederick County, Virginia, following more than a decade managing the IT needs of school districts in central New Jersey and eastern Pennsylvania.

Keino Young, Esq., Utilities Attorney, has been with the City since April, 2017. The Utilities Attorney works under the direction and supervision of the City Attorney.

Nicolle M. Shalley, Esq., City Attorney, has been with the City Attorney's Office since 2006 and has been the City Attorney and supervisor of the Utilities Attorney since October 2012.

Labor Relations

The System presently employs approximately 850 persons. All personnel are City employees and are solely under the management of the City. Florida law prohibits public employees from striking.

The City has historically maintained good labor relations with respect to the System. Approximately 560 of the System's employees are represented by Local No. 3170 of the Communications Workers of America (the "CWA"). The current agreements with the CWA (Non-Supervisory and Supervisory), expires on December 31, 2018.

Permits, Licenses and Approvals

Management believes that all principal permits, licenses and approvals required to construct and operate the System's facilities have been acquired. Management further believes that the System is operating in compliance in all material respects with all such permits, licenses and approvals and with all applicable federal, state and local regulations, codes, standards and laws.

The Electric System

Service Area

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

Customers

The System has experienced modest growth in customers averaging 0.81% per year since 2013. The following tabulation shows the average number of electric customers for the fiscal years ended September 30, 2013, through and including September 30, 2017.

	Fiscal Years ended September 30,				
	2013	2014	2015	2016	2017
Retail Customers (Average):					
Residential	82,440	83,117	83,796	84,069	85,229
Commercial and Industrial	10,467	10,602	10,677	10,726	11,043
Total	92,907	93,719	94,473	94,795	96,272

Of the 96,272 customers in the fiscal year ended September 30, 2017, 11,043 commercial and industrial customers provided approximately 59% of revenues from retail energy sales.

Energy Sales

The Energy Authority

TEA is a Georgia nonprofit corporation founded by publicly-owned utilities in 1997 to maximize the value of their generation and energy resources in a competitive wholesale market. The System became an equity member of TEA on May 1, 2000. Other equity members include City Utilities of Springfield, Missouri, Cowlitz County Public Utility District, JEA (Jacksonville), the Municipal Electric Authority of Georgia ("MEAG Power"), Nebraska Public Power District, South Carolina Public Service Authority, and American Municipal Power. TEA has offices in Jacksonville, Florida and Seattle, Washington and provides power marketing, trading, and risk management services throughout most of the United States.

TEA currently works with over 50 public power clients that represent 24,000 MW of peak demand and 30,000 MW of installed generation capacity across the U.S. TEA manages a diverse generation portfolio that has proven advantageous in terms of market presence. Operations include the purchase and sale of power, transmission capacity acquisition and scheduling, natural gas and oil purchase and transportation, and financial trading and hedging under strictly observed risk policies.

Other than for retail load and applicable pre-existing bi-lateral long-term wholesale power agreements, TEA markets the System's generating resources in real-time, day-ahead, and longer-term power markets up to twelve months ahead. TEA also purchases all of the System's natural gas and optimizes the System's gas transportation entitlements. TEA's ability to execute energy transactions on behalf of the System includes arranging for any transmission services required to accommodate such transactions. Each transaction is accomplished through the execution of a letter of commitment between the System and TEA for a specific capacity amount and duration, and with negotiated terms and prices. Examples of these power sales include short-term, emergency and economy sales, ranging from a period of months to a single hour. TEA also executes and manages financial hedges for its members, primarily in the form of NYMEX natural gas futures and options. TEA constantly monitors the credit of counterparties and manages credit security requirements on behalf of the System as well as other TEA members.

TEA settles the transactions it makes for its members under terms set forth in settlement procedures adopted by its Board of Directors. The excess (or deficiency) of TEA's revenues over (or under) its costs are also allocated among its members pursuant to such procedures.

The System provides guarantees to TEA and to TEA's banks to secure letters of credit issued by the banks to cover purchase and sale contracts for electric energy, natural gas and related transmission. In accordance with the membership agreement between the System and its joint venture members and with the executed guaranties delivered to TEA and to TEA's banks, the System's aggregate obligation for electric energy marketing transactions entered into by TEA on behalf of its members was \$9.6 million as of each of September 30, 2017 and September 30, 2016. The System's aggregate obligation for TEA's natural gas marketing transactions, under similar agreements and executed guaranties as of September 30, 2017 and 2016, was \$9.9 million and \$13.5 million, respectively.

For a discussion of the System's investment in TEA and its commitments to TEA as of September 30, 2017 and 2016, see Note 3 to the audited financial statements of the System "Investment in The Energy Authority" referenced in APPENDIX B-1 attached hereto. See also "-- Energy Supply System -- Fuel Supply -- Natural Gas" below for additional discussion of TEA's role in supplying natural gas for the System.

With support from TEA, GRU explored the benefits and consequences of combining GRU's generation with that of another entity and economically dispatching the combined fleet through coordinated dispatch. The coordinated dispatch model allows JEA (also part owner of TEA) and GRU to dispatch their generation fleets as if they were one. The most economical units can supply power to meet the combined demand.

The coordinated dispatch model creates another option to provide power at a lower price point, but is not an obligation. GRU and JEA would dispatch their two systems as one and establish day-ahead (and in the potential future, week-ahead and month-ahead transactions) schedules for power flows between the entities. The pricing of the power flowing during each hour is determined by the avoided

cost of the entity selling the power plus a margin. The margin is determined by the savings between dispatching the systems separately versus together.

The analysis of the benefits showed the ability to reduce JEA's production cost by running their fleet at a point of better thermal efficiency when serving part of the GRU demand. GRU's savings were the result of serving load with lower-cost power generated by JEA, rather than from its own fleet. The agreement was signed in March 2016 and coordinated dispatch began in May 2016. As of February 2018, GRU has realized approximately \$2.3 million in savings as a result of the agreement.

Retail and Wholesale Energy Sales

In the fiscal year ended September 30, 2017, the System sold [2,018,118] megawatt hours ("MWh") of electric energy to its retail and firm wholesale customers (excluding interchange and economy sales). The System currently has a firm "all requirements" wholesale sales contract with Alachua. This contract, which originated in 1988, was renewed April 1, 2016 for a term of seven years. "All requirements" services include control area voltage and frequency regulation and all other ancillary services. The following table shows the System's sales in MWh and average use of electricity, in kilowatt hours ("kWh") by customer class, for the fiscal years ended September 30, 2013 through September 30, 2017. Year-to-year variability is due primarily to the effects of weather on heating and cooling loads. For the fiscal year ended September 30, 2017, there was a 1.95% decrease in residential MWh sales from the prior year.

The contract with Alachua includes management of Alachua's 0.019% share of the St. Lucie Unit project, as well as, compliance responsibilities of the North American Electric Reliability Corporation, Inc. ("NERC"). During the fiscal year ended September 30, 2017, the System sold [133,040] MWh to Alachua and received [\$8,632,823] in revenue from those sales, which represented approximately [6.6%] of total energy sales (excluding interchange sales) and [3.2%] of total sales revenues.

Retail and Wholesale Energy Sales

	Fiscal Years ended September 30,				
	2013	2014	2015	2016	2017
Energy Sales-MWh:					
Residential	752,131	771,884	792,704	819,431	796,851
General Service, Large					
Power and Other	937,112	941,578	951,412	977,797	963,123
Firm Wholesale ⁽¹⁾	130,990	119,447	190,103	220,890	218,732
Total	<u>1,820,233</u>	<u>1,832,909</u>	<u>1,934,219</u>	<u>2,018,118</u>	<u>1,978,706</u>
Average Annual Use per Customer-kWh:					
Residential	9,123	9,287	9,460	9,747	9,350
General Service, Large					
Power and Other	89,530	88,811	89,109	91,161	87,216

⁽¹⁾ Sales to the City of Winter Park began January 2015.