

Interest Rate Swap Transactions

The City has entered into interest rate swap transactions with six different counterparties under interest rate swap master agreements with respect to the 2005 Series B Bonds, the 2005 Series C Bonds, the 2006 Series A Bonds, the 2007 Series A Bonds, the 2008 Series B Bonds, the 2017 Series B Bonds, and the 2017 Series C Bonds. Additionally, the City has entered into two forward starting swaps with the 2014 Series A Bonds and the 2019 Series A Bonds, respectively. The current counterparties are Goldman Sachs Mitsui Marine Derivative Products, L.P., JPMorgan Chase Bank, N.A., Goldman Sachs Bank, USA, Citibank, N.A., Bank of America, N.A. and Wells Fargo Bank, National Association.

For the 2005 Series B Bonds, the City entered into a floating-to-floating rate interest rate swap transaction (the "2005 Series B Swap Transaction") for a pro-rata portion of each of the maturities of the 2005 Series B Bonds. During the term of the 2005 Series B Swap Transaction, the City will pay to the counterparty a rate equal to the SIFMA Municipal Swap Index and will receive from the counterparty a rate equal to 77.14% of the one-month LIBOR rate. GRU notes that the United Kingdom's Financial Conduct Authority ("FCA"), a regulator of financial services firms and financial markets in the U.K., has stated that they will plan for a phase out of LIBOR with a target end to the indices in 2021. The FCA has indicated they will no longer require the LIBOR indices be used after 2021, however LIBOR indices will not be prohibited from being used after 2021. GRU also notes that the International Swaps and Derivatives Association ("ISDA") has not issued formal directives addressing the planned phase-out of LIBOR. As of the date of this publication, it is unclear what the overall impact will be on the expected phase out of the LIBOR indices and the resulting change due to the potential alternative reference rate. The initial notional amount of the 2005 Series B Swap Transaction was \$45,000,000, which corresponded to approximately 73.1% of the principal amount of each maturity of the 2005 Series B Bonds. The effect of the 2005 Series B Swap Transaction was to synthetically convert the interest rate on such pro-rata portion of the 2005 Series B Bonds from a taxable rate to a tax-exempt rate. The City has designated the 2005 Series B Swap Transaction as a "Qualified Hedging Transaction" within the meaning of the Resolution. The counterparty to the 2005 Series B Swap Transaction (Goldman Sachs Mitsui Marine Derivatives Products L.P.) currently has a counterparty risk rating of "Aa2" from Moody's and a counterparty credit rating of "AA-" from S&P. When entered into, the term of the 2005 Series B Swap Transaction was identical to the term of the 2005 Series B Bonds, and the notional amount of the 2005 Series B Swap Transaction was scheduled to amortize at the same times and in the same amounts as the pro-rata portion of the 2005 Series B Bonds. On August 2, 2012, \$31,560,000 of the 2005 Series B Bonds were redeemed with proceeds from the issuance of the City's 2012 Series B Bonds. On April 12, 2019, \$10,115,000 of the 2005 Series B Bonds were redeemed with proceeds from the issuance of the City's 2019 Series B Bonds. As a result, the 2005 Series B Swap Transaction no longer served as a hedge against the 2005 Series B Bonds. However, since the City had other taxable Bonds Outstanding, the City left the 2005 Series B Swap Transaction outstanding following the issuance of the 2019 Series B Bonds, as a partial hedge against the interest rate movements. The 2005 Series B Swap Transaction is subject to early termination by the City or the counterparty at certain times and under certain conditions. The currently scheduled termination of the 2005 Series B Swap Transaction is October 1, 2021.

The City has entered into a floating-to-fixed rate interest rate swap transaction (the "2005 Series C Swap Transaction"). During the term of the 2005 Series C Swap Transaction, the City will pay to the counterparty a fixed rate of 3.20% per annum and will receive from the counterparty a rate equal to 60.36% of the ten-year LIBOR swap rate. Initially, the term of the 2005 Series C Swap Transaction was identical to the term of the 2005 Series C Bonds, and the notional amount of the 2005 Series C Swap Transaction was scheduled to amortize at the same times and in the same amounts as the 2005 Series C Bonds. The effect of the 2005 Series C Swap Transaction was to synthetically fix the interest rate on the 2005 Series C Bonds at

a rate of approximately 3.20% per annum, although the City bears basis risk which could result in a realized rate over time that may be lower or higher than the 3.20% rate. The counterparty (JPMorgan Chase Bank) currently has a counterparty credit rating of "Aa2" from Moody's and a counterparty credit rating of "A+" from S&P. The City has designated the 2005 Series C Swap Transaction as a "Qualified Hedging Transaction". On August 2, 2012, \$17,570,000 of the 2005 Series C Bonds were redeemed with proceeds from the issuance of the 2012 Series B Bonds. On April 26, 2019, \$18,515,000 of the 2005 Series C Bonds were redeemed with proceeds from the issuance of the City's 2019 Series C Bonds. The City left the 2005 Series C Swap Transaction outstanding following the issuance of the 2019 Series C Bonds, as a partial hedge against the interest rate movements since the City has other variable rate tax-exempt bonds outstanding. The 2005 Series C Swap Transaction is subject to early termination by the City or the counterparty at certain times and under certain conditions. The currently scheduled termination of the 2005 Series C Swap Transaction is October 1, 2026.

In September 2005, the City entered into a forward-starting floating-to-fixed rate interest rate swap transaction (as amended, the "2006 Series A Swap Transaction"). During the term of the 2006 Series A Swap Transaction, the City will pay to the counterparty a fixed rate of 3.224% per annum and will receive from the counterparty a rate equal to 68% of the ten-year LIBOR swap rate minus 36.5 basis points. The effect of the 2006 Series A Swap Transaction was to synthetically fix the interest rate on the 2006 Series A Bonds at a rate of approximately 3.224% per annum, although the City bears basis risk, which could result in a realized rate over time that may be lower or higher than the 3.224% rate. Initially, the term of the 2006 Series A Swap Transaction was identical to the term of the 2006 Series A Bonds, and the notional amount of the 2006 Series A Swap Transaction was scheduled to amortize at the same times and in the same amounts as the 2006 Series A Bonds. The counterparty to the 2006 Series A Swap Transaction (Goldman Sachs Mitsui Marine Derivatives Products L.P.) currently has a counterparty risk rating of "Aa2" from Moody's and a counterparty credit rating of "AA-" from S&P. The City has designated the 2006 Series A Swap Transaction as a "Qualified Hedging Transaction". On August 2, 2012, \$25,930,000 of the 2006 Series A Bonds were redeemed with proceeds from the issuance of the 2012 Series B Bonds. On April 26, 2019, \$13,905,000 of the 2006 Series A Bonds were redeemed with proceeds from the issuance of the City's 2019 Series C Bonds. The City left that portion of the 2006 Series A Swap Transaction outstanding as a partial hedge against the interest rate movements since the City has other variable rate tax-exempt bonds outstanding. The 2006 Series A Swap Transaction is subject to early termination by the City or the counterparty at certain times and under certain conditions. The currently scheduled termination of the 2006 Series A Swap Transaction is October 1, 2026.

The City has entered into a floating-to-fixed rate interest rate swap transaction (the "2007 Series A Swap Transaction") with respect to the 2007 Series A Bonds. The term of the 2007 Series A Swap Transaction is identical to the term of the 2007 Series A Bonds, and the notional amount of the 2007 Series A Swap Transaction will amortize at the same times and in the same amounts as the 2007 Series A Bonds. During the term of the 2007 Series A Swap Transaction, the City will pay to the counterparty a fixed rate of 3.944% per annum and will receive from the counterparty a rate equal to the SIFMA Municipal Swap Index. The effect of the 2007 Series A Swap Transaction is to synthetically fix the interest rate on the 2007 Series A Bonds at a rate of approximately 3.944% per annum. The counterparty to the 2007 Series A Swap Transaction (Goldman Sachs Mitsui Marine Derivatives Products L.P.) currently has a counterparty risk rating of "Aa2" from Moody's and a financial program rating of "AA-" from S&P. The City has designated the 2007 Series A Swap Transaction as a "Qualified Hedging Transaction" within the meaning of the Resolution. On April 26, 2019, \$8,430,000 of the 2007 Series A Bonds were redeemed with proceeds from the issuance of the City's 2019 Series C Bonds. The 2007 Series A Swap Transaction will remain outstanding following issuance of the 2019 Series C Bonds as a partial hedge against interest movements since the City

has other variable rate tax-exempt bonds outstanding. The 2007 Series A Swap Transaction is subject to early termination by the City or the counterparty at certain times and under certain conditions. The currently scheduled termination of the 2007 Series A Swap Transaction is October 1, 2036.

The City has entered into two floating-to-fixed rate interest rate swap transactions (the "2008 Series B Swap Transactions") with respect to the 2008 Series B Bonds. The terms of the 2008 Series B Swap Transactions are identical to the term of the 2008 Series B Bonds, and the notional amount of the 2008 Series B Swap Transactions will amortize at the same times and in the same amounts as the 2008 Series B Bonds. During the terms of the 2008 Series B Swap Transactions, the City will pay to the counterparty a fixed rate of 4.229% per annum and will receive from the counterparty a rate equal to the SIFMA Municipal Swap Index. The effect of the 2008 Series B Swap Transactions is to synthetically fix the interest rate on the 2008 Series B Bonds at a rate of approximately 4.229% per annum. The counterparty to the 2008 Series B Swap Transactions (JPMorgan Chase Bank) currently has a counterparty risk rating of "Aa2" from Moody's and a financial program rating of "A+" from S&P. The City has designated each of the 2008 Series B Swap Transactions as a "Qualified Hedging Transaction" within the meaning of the Resolution. On April 26, 2019, \$14,200,000 of the 2008 Series B Bonds were redeemed with proceeds from the issuance of the City's 2019 Series C Bonds. The 2008 Series B Swap Transaction will remain outstanding following issuance of the 2019 Series C Bonds as a partial hedge against interest movements since the City has other variable rate tax-exempt bonds outstanding. The 2008 Series B Swap Transactions are subject to early termination by the City or the counterparty at certain times and under certain conditions. The currently scheduled termination of the 2008 Series B Swap Transaction is October 1, 2038.

As detailed above, the interest rates on the 2012 Series B Bonds are hedged, in part, by the 2005 Series B and C Swap Transaction as well as the 2006 Series A Swap Transaction. On April 26, 2019, \$1,860,000 of the 2012 Series B Bonds were redeemed with proceeds from the issuance of the City's 2019 Series C Bonds.

In April 2020, the City entered into a forward-starting floating-to-fixed rate interest rate swap transaction with an effective date of October 1, 2024 (the "2014 Series A Swap Transaction") which will be used in connection with the expected issuance of future floating rate bonds which will refund all or a portion of the 2014 Series A Bonds. The Fixed Rate is defined as from and including October 1, 2024 and thereafter, 1.054%. During the term of the 2014 Series A Swap Transaction, the City will receive from the counterparty a rate equal to 70% of 1 month LIBOR. The counterparty to the 2014 Series A Swap Transaction (Bank of America, N.A.) currently has counterparty risk ratings of "Aa2" from Moody's, "AA" by Fitch and "A+" from S&P. The City has designated the 2014 Series A Swap Transaction as a "Qualified Hedging Transaction". The 2014 Series A Swap Transaction is subject to early termination by the City or the counterparty at certain times and under certain conditions. The currently scheduled termination of the 2014 Series A Swap Transaction is October 1, 2044.

The City has entered into a cancellable floating-to-fixed rate interest rate swap transaction (the "2017 Series B Swap Transaction") with respect to the 2017 Series B Bonds. The two counterparties for this swap transaction are Citigroup, N.A. and Goldman Sachs Bank USA. In the aggregate, terms of the 2017 Series B Swap Transactions are similar to the term of the 2017 Series B Bonds, and the notional amounts of the 2017 Series B Swap Transactions will amortize at the same times and in the same amounts as the 2017 Series B Bonds. Where Goldman Sachs Bank, USA is the counterparty, during the term of this 2017 Series B Swap Transaction, the City will pay a fixed rate per annum of 1.76% 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 1.559% and GRU will receive from the counterparty a rate equal to 70% of 1 month LIBOR. The effect of the 2017 Series B Swap Transaction is to synthetically fix the interest rate on the 2017 Series B Bonds. As discussed below, there is now a basis differential due to the rate changing on the 2017 Series B Bonds due to the decrease in marginal corporate tax rate. The City has designated the 2017 Series B Swap Transaction as a "Qualified Hedging Transaction" within the meaning of the Resolution. The 2017 Series B Swap Transaction is subject to early termination by the City or the counterparty or counterparties at certain times and under certain conditions. The currently scheduled termination of the 2017 Series B Swap Transaction is October 1, 2044. However, the City has an optional early terminate date of October 1, 2034 and semiannually thereafter, subject to early termination terms. The parties entered into a bilateral Credit Support Annex to which eligible collateral includes cash or Treasury securities having a remaining maturity on such date of one year or less, Treasury securities having a remaining maturity on such date greater than one up to and including five years or Treasury securities having a remaining maturity on such date of greater than five years up to and including ten years. The threshold amount for posting collateral is based upon the counterparty's or counterparties' long term unsecured and unenhanced debt ratings from S&P and Moody's and the City's credit ratings on senior lien Bonds. If the credit ratings drop below BBB- by S&P and Baa3 by Moody's, the threshold shall be \$0.

The City has also entered into a non-cancellable floating –to-fixed interest rate swap transaction (the "2017 Series C Swap transaction") with respect to the 2017 Series C Bonds. The counterparty for this swap transaction is Citigroup, N.A. The terms of the 2017 Series C Swap Transactions are similar to the term of the 2017 Series B Bonds, and the notional amounts of the 2017 Series C Swap Transactions will amortize at the same times and in the same amounts as the 2017 Series C Bonds. During the term of this 2017 Series C Swap Transaction, the City will pay a fixed rate per annum of 1.41% and GRU will receive from the counterparty a rate equal to 70% of 1 month LIBOR. The current notional amount is \$115,000,000. The effect of the 2017 Series C Swap Transaction is to synthetically fix the interest rate on the 2017 Series C Bonds. As discussed below, there is now a basis differential due to the rate changing on the 2017 Series C Bonds due to the decrease in marginal corporate tax rate. The City has designated the 2017 Series C Swap Transaction as a "Qualified Hedging Transaction" within the meaning of the Resolution. The 2017 Series C Swap Transaction is subject to early termination by the City or the counterparty or counterparties at certain times and under certain conditions. The currently scheduled termination of the 2017 Series C Swap Transaction is October 1, 2047.

In April 2020, the City entered into a forward-starting floating-to-fixed rate interest rate swap transaction with an effective date of October 1, 2029 (the "2019 Series A Swap Transaction") which will be used in connection with the expected issuance of future floating rate bonds which will refund all or a portion of the 2019 Series A Bonds. The Fixed Rate is defined as from and including October 1, 2029 and thereafter, 1.171%. During the term of the 2019 Series A Swap Transaction, the City will receive from the counterparty a rate equal to 70% of 1 month LIBOR. The counterparty to the 2019 Series A Swap Transaction (Wells Fargo Bank, National Association) currently has counterparty risk ratings of "Aa2" from Moody's, "AA-" by Fitch and "A+" from S&P. The City has designated the 2019 Series A Swap Transaction as a "Qualified Hedging Transaction". The 2019 Series A Swap Transaction is subject to early termination by the City or the counterparty at certain times and under certain conditions. The currently scheduled termination of the 2019 Series A Swap Transaction is October 1, 2047.

Under the master agreements, the interest rate swap transactions entered into pursuant to such master agreements are subject to early termination upon the occurrence of certain "events of default" and upon the occurrence of certain "termination events." One such "termination event" with respect to the Bonds

is a suspension or withdrawal of certain credit ratings with respect to the Bonds, or a downgrade of such ratings below the levels set forth in the master agreement or in the confirmation related to a particular interest rate swap transaction. Upon the early termination of an interest rate swap transaction, the City may owe the applicable counterparty a termination payment, the amount of which could be substantial. The amount of any such potential termination payment would be determined in the manner provided in the applicable master agreement and would be based primarily upon prevailing market interest rate levels and the remaining term of the interest rate swap transaction at the time of termination. Such termination payments are Subordinated Hedging Contract Obligations pursuant to the terms of the Resolution. In general, the ratings triggers on the part of the System contained in the master agreements range from (x) if any two ratings are below "Baa2" by Moody's and/ or "BBB" by S&P and/ or "BBB" by Fitch to (y) if the City fails to have at least one rating of "Baa3" by Moody's, "BBB-" by S&P or "BBB-" by Fitch.

The System's estimated aggregate exposure under all of its outstanding interest rate swap transactions (*i.e.*, the net amount of the termination payments that the System will owe its counterparties if all of the interest rate swap transactions were terminated) is \$126,957,688 as of September 30, 2020. As of September 30, 2019, the System's estimated aggregate exposure under all of its then outstanding interest rate swap transactions (*i.e.*, the net amount of the termination payments that the System would owe its counterparties if all of the interest rate swap transactions were terminated) was \$85,605,697. As of September 30, 2018, the System's estimated aggregate exposure under all of its then outstanding interest rate swap transactions (*i.e.*, the net amount of the termination payments that the System would owe its counterparties if all of the interest rate swap transactions were terminated) was \$39,544,702. As of September 30, 2017, the System's estimated aggregate exposure under all of its then outstanding interest rate swap transactions was \$64,101,765. As of September 30, 2016, the System's estimated aggregate exposure under all of its then outstanding interest rate swap transactions was \$93,138,519. Termination payments are Subordinated Hedging Contract Obligations pursuant to the terms of the Resolution.

The System adopted Governmental Accounting Standards Board ("GASB") Statement No. 53, Accounting and Reporting for Financial Reporting and Derivative Instruments, which addresses the recognition, measurement and disclosure of information for derivative instruments, and was effective for periods beginning after June 15, 2009. GASB Statement No. 53 requires retrospective adoption, which requires a restatement of the financial statements for the earliest year presented. GASB Statement No. 53 requires the fair market value of derivative instruments, including interest rate swap transactions, to be recorded on the balance sheet. Changes in fair value for effective derivative instruments are recorded as a deferred inflow or outflow, while changes in fair value for ineffective derivative instruments are recorded as investment income. This is a significant change from previous practice, which required the fair value of derivative instruments to be disclosed in the footnotes to the financial statements.

The System records assets and liabilities in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, which determines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurement.

Fair value is defined in GASB Statement No. 72 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique.

As a basis for considering market participant assumptions in fair value measurements, GASB Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. U.S. Treasury securities are examples of Level 1 inputs.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. U.S. agencies, corporate bonds and financial hedges are examples of Level 2 inputs.

Level 3 inputs are unobservable inputs that reflect GRU's own assumptions about factors that market participants would use in pricing the asset or liability (including assumptions about risk).

Valuation methods of the primary fair value measurements are as follows:

Investments in debt securities are valued using Level 2 measurements because the valuations use interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and consider the counterparty credit rating.

Commodity derivatives, such as futures, swaps and options, which are ultimately settled using prices at locations quoted through clearinghouses are valued using level 1 inputs.

Other hedging derivatives, such as swaps settled using prices at locations other than those quoted through clearinghouses and options with strike prices not identically quoted through a clearinghouse, are valued using Level 2 inputs. For these instruments, fair value is based on pricing algorithms using observable market quotes.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. GRU's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their place within the fair value hierarchy levels. GRU's fair value measurements are performed on a recurring basis.

Funding the Capital Improvement Program - Additional Financing Requirements

The System's current five-year capital improvement program requires a total of approximately \$442.9 million in capital expenditures. The following table shows the sources of funding for the fiscal years ending September 30, 2021 through and including 2025:

Source of Funds:	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Total</u>
Bond Financing	\$38,600,000	\$38,600,000	\$38,600,000	\$38,600,000	\$38,600,000	\$193,000,000
Revenues	62,750,000	64,100,000	50,250,000	36,400,000	36,400,000	249,900,000
Total Sources	<u>\$101,350,000</u>	<u>\$102,700,000</u>	<u>\$88,850,000</u>	<u>\$75,000,000</u>	<u>\$75,000,000</u>	<u>\$442,900,000</u>

Source: Prepared by the Finance Department of the System.

The table above represents GRU's planned future capital improvements to the System and the planned sources of funds. Future City Commission approved budgets could materially change the sources and uses of funds for the capital improvement program.

Factors Affecting the Utility Industry

General

The primary factors currently affecting the utility industry include environmental regulations, Operating, Planning and Critical Infrastructure Protection Standards promulgated by NERC under FERC jurisdiction, and the increasing strategic and price differences among various types of fuels as well as a rapidly changing business model. The Utility industry is adapting to increasing levels of conservation, significant pressures to move to more or 100% renewable energy, pressures to be at or close to net zero carbon emissions, and the effects of climate change impacting the communities and the infrastructure needs while maintaining an affordable bill for the consumer. No state or federal legislation is pending or proposed at this time for retail competition in Florida.

The role of municipalities as telecommunications providers pursuant to the 1996 Federal Telecommunications Act resulted in a number of state-level legislative initiatives across the nation to curtail this activity. In Florida, this issue culminated in the passage, in 2005, of legislation codified in Section 350.81, Florida Statutes (Section 350.81) that defined the conditions under which municipalities are allowed to provide retail telecommunications services. Although the System has special status as a grandfathered entity under this legislation, the provision of certain additional retail telecommunications services by the System would implicate certain requirements of Section 350.81. Management of the System does not expect that any required compliance with the requirements of Section 350.81 would have a material adverse effect on the operations or financial condition of GRUCom.

Environmental and Other Natural Resource Regulations

The System and its operations are subject to federal, state and local environmental regulations which include, among other things, control of emissions of particulates, mercury, acid gases, SO₂ and NO_x into the air; discharges of pollutants, including heat, into surface or ground water; the disposal of wastes and reuse of products generated by wastewater treatment and combustion processes; management of hazardous materials; and the nature of waste materials discharged into the wastewater system's collection facilities. Environmental regulations generally are becoming more numerous and more stringent and, as a result, may substantially increase the costs of the System's services by requiring changes in the operation of existing facilities as well as changes in the location, design, construction and operation of new facilities (including both facilities that are owned and operated by the System as well as facilities that are owned and operated by others, from which the System purchases output, services, commodities and other materials). There is no assurance that the facilities in operation, under construction or contemplated will always remain subject to the regulations currently in effect or will always be in compliance with future regulations. Compliance with applicable regulations could result in increases in the costs of construction and/or operation of affected facilities, including associated costs such as transmission and transportation, as well as limitations on the operation of such facilities. Failure to comply with regulatory requirements

could result in reduced operating levels or the complete shutdown of those facilities not in compliance as well as the imposition of civil and criminal penalties.

Increasing concerns about climate change and the effects of GHGs on the environment have resulted in EPA finalizing on August 3, 2015 carbon regulations, the CPP, for existing power plants. Currently, the CPP is being litigated and August 10, 2017, the United States Court of Appeals for the D.C. Circuit issued an order holding the challenges to the greenhouse gas new source performance standards ("GHG NSPS") in abeyance "pending further order of the court." The order also directs EPA to file status reports at 90-day intervals beginning October 27, 2017. Further litigation is expected regardless of the DC Circuit Court of Appeals decision. In addition, the EPA has been given presidential direction to review the CPP. The court has also ordered the parties to file supplemental briefs addressing whether the challenges should be remanded to the EPA rather than held in abeyance. The briefs were filed on May 15, 2017.

On October 16, 2017, the proposed repeal of the CPP was published in the Federal Register. Hearings were held November 28-29, 2017 in West Virginia. On January 11, 2018, the comment period extended to April 26, 2018 and three listening sessions were held in February and March in Missouri, California and Wyoming. The Whitehouse OMB received the EPA's proposal to replace the CPP on July 9, 2018. Then, on August 21, 2018, EPA proposed the Affordable Clean Energy ("ACE") plan as a replacement to the CPP.

On July 8, 2019, EPA issued the final Affordable Clean Energy ("ACE") rule to replace the CPP. The ACE rule became effective on September 6, 2019. The ACE rule requires efficiency improvements for some coal-fired power plants. The rule was challenged and, on January 19, 2021, the DC Circuit vacated the rule and remanded it back to EPA. In Congressional hearings in February 2021, EPA Administrator Regan stated that EPA will propose a new rule to regulate CO2 emissions from electric generating units.

On January 19, 2021, The DC Circuit vacated the ACE rule and remanded it back to EPA but did not address the CPP's repeal. The EPA later filed a memo stating the CPP was not in effect because deadlines within the rule had passed and the CPP-directed CO2 reductions were already achieved. Additional rulemaking will be needed by EPA.

Due to the rulemaking proceedings initiated by EPA, it is unclear when, if at all, regulation of CO2 emissions from existing units may become effective. GRU continues to actively monitor these activities and will participate in such proceedings as necessary. The impact to GRU and operations will depend on the development and implementation of applicable regulations and available technologies and cannot be determined at this time.

Air Emissions

The Clean Air Act

The Clean Air Act ("CAA") regulates emissions of air pollutants, establishes national air quality standards for major pollutants, and requires permitting of both new and existing sources of air pollution. Among the provisions of the CAA that affect the System's operations are (1) the acid rain program, which requires nationwide reductions of SO₂ and NO_x from existing and new fossil-fueled electric generating plants, (2) provisions related to toxic or hazardous pollutants, and (3) requirements to address regional haze.

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

The Cross-State Air Pollution Rule (CSAPR)

On July 6, 2011, the EPA released its final Cross-State Air Pollution Rule ("CSAPR"). This rule is the final version of the Transport Rule and replaces Clean Air Interstate Rule ("CAIR"). In Florida, only ozone season NO_x emissions are regulated by CSAPR through the use of allowances.

Various states, local governments, and other stakeholders challenged CSAPR and, on August 21, 2012, a three-judge panel of the D.C. Circuit Court, by a 2-1 vote, held that the EPA had exceeded its statutory authority in issuing CSAPR and vacated CSAPR along with certain related federal implementation plans. As part of its holding, the D.C. Circuit Court panel held that the EPA should continue to administer the original CAIR program until the EPA promulgates a valid replacement.

On July 28, 2015, the D.C. Circuit ruled that Florida's allowance budget is invalid and remanded CSAPR to the EPA. On October 26, 2016 EPA published, in the *Federal Register* at 81 Fed. Reg. 74504, an update to the CSAPR to address the 2008 Ozone National Ambient Air Quality Standards ("NAAQS"). For three states (North Carolina, South Carolina and Florida), the EPA is removing the states from the CSAPR ozone season NO_x trading program because modeling for the Final Rule indicates that these states do not contribute significantly to ozone air quality problems in downwind states under the 2008 ozone NAAQS. Therefore, GRU did not have to meet ozone season limits in 2019.

EPA's Rule Establishing Mercury and Air Toxics Standards ("MATS")

On December 16, 2011, the EPA promulgated a rule to reduce emissions of toxic air pollutants from power plants. Specifically, these mercury and air toxics standards or MATS for power plants will reduce emissions from new and existing coal- and oil-fired electric utility steam generating units ("EGU"). The EPA also signed revisions to the new source performance standards for fossil fuel-fired EGUs. Such revisions revised the standards that new coal- and oil-fired power plants must meet for particulate matter, SO₂ and NO_x. On November 25, 2014, the United States Supreme Court accepted certiorari to hear challenges to the mercury rules.

On June 29, 2015, the U.S. Supreme Court issued a 5-to-4 decision reversing a prior D.C. Circuit decision to uphold MATS for electric generating units. *Michigan, et al. v. EPA, et al.*, No. 14-46 ("*Michigan v. EPA*"). The Court granted review on a single issue: "Whether the Environmental Protection Agency unreasonably refused to consider costs in determining whether it is appropriate to regulate hazardous air

pollutants emitted by electric utilities." Writing for the majority, Justice Scalia held that EPA "strayed far beyond" the "bounds of reasonable interpretation" when the Agency interpreted the CAA to mean that it "could ignore costs when deciding to regulate power plants." The Court remanded the case to the D.C. Circuit Court for further proceedings consistent with the Court's opinion. On August 10, 2015, EPA stated in a motion filed with the D.C. Circuit Court that the EPA then planned to revise its "appropriate and necessary" determination for MATS by the spring of 2016, prior to the extended MATS compliance deadline of April 15, 2016. The EPA also stated that it intended to request that the D.C. Circuit Court remand the rule without vacatur while the EPA works on this revision. Since the D.C. Circuit Court did not vacate the rule, the MATS rule is still in effect.

On April 14, 2016, the Administrator of the EPA signed the final supplemental finding in the MATS rule. The new "appropriate and necessary" finding responds to the U.S. Supreme Court decision in *Michigan v. EPA*, and explains how the EPA has taken cost into account in evaluating whether it is appropriate and necessary to regulate coal- and- oil-fired EGUs under Section 112 of the CAA. The EPA still concludes it is proper to regulate mercury emissions from power plants.

On May 6, 2016, the EPA filed a brief urging the U.S. Supreme Court to deny a *writ of certiorari* filed by 20 states, which requested that the Court review and reverse a decision by the U.S. Court of Appeals for the D.C. Circuit Court to remand MATS to the EPA without vacating the rule. According to the EPA's brief, the Supreme Court should deny review of whether MATS should have been vacated while the EPA made its "appropriate and necessary" finding because the issue was then moot since the EPA had issued the finding. Additionally, the EPA argued that the CAA, not the Administrative Procedure Act, governs whether MATS should have been vacated, and the CAA does not mandate vacatur of a rule on remand. Rather, the EPA argued that the CAA gives a court discretion on whether to vacate a remanded rule based on the circumstances. Finally, the EPA asserted that the D.C. Circuit Court was correct in not vacating MATS on remand because the EPA could quickly remedy the legal deficiency and vacating the rule would have been harmful to the public because it would have allowed an increase in emissions of hazardous air pollutants from EGUs.

Murray Energy became the first party to appeal the final MATS Appropriate and Necessary Finding, filing its petition for review on April 25, 2016, the same day the rule was published in the *Federal Register*. 81 Fed. Reg. 24,420 (Apr. 25, 2016). All petitions for review of the Finding must have been filed in the D.C. Circuit Court no later than June 24, 2016. As of this deadline, six petitions for review were filed in the D.C. Circuit Court and consolidated under the lead case *Murray Energy Corp. v. EPA*, No. 16-1127.

On October 14, 2016, the D.C. Circuit Court issued orders establishing the briefing schedule for the challenge related to MATS. In *Murray v. EPA*, 16-1127 (D.C. Cir.), industry petitioners challenge the EPA's supplemental determination that it was "appropriate and necessary" to regulate emissions of hazardous air pollutants from electric generating units.

On April 27, 2017, the D.C. Circuit Court granted the EPA's motions to postpone oral argument in the challenge to the EPA's supplemental determination that it was "appropriate and necessary" to regulate emissions of hazardous air pollutants from electric generating units ("Supplemental Finding"), *Murray v. EPA*, No. 16-1127 (D.C. Cir.), as well as in industry's challenge to the EPA's denial of administrative petitions for reconsideration of MATS, *ARIPPA v. EPA*, No. 15-1180 (D.C. Cir.). Oral argument in both cases was previously scheduled for May 18, 2017.

The court also ordered both challenges held in abeyance "pending further order of the court." EPA is directed to file status reports with the court every (ninety) 90 days. The parties will be directed to file motions to govern future proceedings within (thirty) 30 days of the EPA notifying the court and the parties of any action it has or will be taking with respect to the Supplemental Finding and the MATS reconsideration petitions.

So far, since the MATS program became effective on April 16, 2015, DH 2 (the only unit MATS applies to) has complied with all requirements.

Regional Haze

On June 15, 2005, the EPA issued the Clean Air Visibility Rule, amending its 1999 regional haze rule, which had established timelines for states to improve visibility in national parks and wilderness areas throughout the United States. Under the amended rule, certain types of older sources may be required to install best available retrofit technology ("BART"). Some of the effects of the amended rule could be requirements for newer and cleaner technologies and additional controls for particulate matter, SO₂ and NO_x emissions from utility sources. The states were to develop their regional haze implementation plans by December 2007, identifying the facilities that will have to reduce emissions and then set emissions limits for those facilities. However, states have not met that schedule and on January 15, 2009, the EPA published a notice finding that 37 states (including Florida), the District of Columbia and the Virgin Islands failed to submit all or a portion of their regional haze implementation plans. The EPA's notice initiates a two-year period during which each jurisdiction must submit a haze implementation plan or become subject to a Federal Implementation Plan issued by the EPA that would set the basic program requirements. See "--The Electric System – Energy Supply System – *Generating Facilities – Deerhaven*" herein for a description of the actions that have been taken by the System to install additional emission control equipment at DH 2 and reduce SO₂ and NO_x emissions that potentially contribute to regional haze.

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

The reasonable further progress ("RFP") section of Florida's regional haze state implementation plan, which has been approved by EPA, applies to DH 2. The System has voluntarily requested a cap on SO₂ emissions, which provides DH 2 with an exemption from the RFP section. A draft permit from the FDEP was issued on June 1, 2012 approving the System's requested cap on SO₂ emissions, and the final permit was issued on June 26, 2012.

Internal Combustion Engine MACT

On August 20, 2010, the EPA published a final rule for the National Emissions Standards for Hazardous Air Pollutants for Reciprocating Internal Combustion Engines, which covers existing stationary spark ignition reciprocating internal combustion engines located at major sources of hazardous air pollutant emissions such as power plant sites. This final rule, which became effective on October 19, 2010, requires the reduction of emissions of hazardous air pollutants from covered engines. Several of the System's reciprocating engines are covered by this rule and all are in full compliance.

Proposed Legislation

The Climate Leadership and Environmental Action for our Nation's Future Act ("CLEAN Future Act") has been proposed. The CLEAN Future Act declares a national interim goal to reduce greenhouse gas pollution by no less than 50% below 2005 levels by no later than 2030, and a national goal for the United States to achieve a 100% clean economy by no later than 2050. Further, it requires retail electricity suppliers provide an increasing percentage of clean electricity to consumers starting in 2023, rising to 80% in 2030 and 100% in 2035. It also creates an alternative compliance mechanism which will allow the retail electric suppliers to satisfy the above requirements and it establishes a trading program in which entities can buy, sell and trade credits to demonstrate compliance. As of April 8, 2021, no further action has been taken on the CLEAN Future Act. No assurance can be given as to whether the CLEAN Future Act will be amended or enacted. At this time, GRU cannot determine the impact that this legislation or similar legislation may have on GRU.

Climate Change

On June 25, 2013, President Obama issued a Presidential Memorandum directing the EPA to work expeditiously to complete GHG standards for the power sector. The agency is using its authority under Section 111(d) of the CAA to issue emission guidelines to address GHG emissions from existing power plants. The Presidential Memorandum specifically directed the EPA to build on state leadership, provide flexibility and take advantage of a wide range of energy sources and technologies towards building a cleaner power sector. It also directed the EPA to issue proposed GHG standards, regulations or guidelines, as appropriate, for existing power plants by no later than June 1, 2014, and issue final standards, regulations or guidelines, as appropriate, by no later than June 1, 2015. In addition, the Presidential Memorandum directed the EPA to include in the guidelines, addressing existing power plants, a requirement that states submit to the EPA the implementation plans required under Section 111(d) of the CAA and its implementing regulations by no later than June 30, 2016. States would be able to request more time to submit complete implementation plans with the EPA being able to allow states until June 30, 2017 or June 30, 2018, as appropriate, to submit additional information completing the submitted plan no later than June 30, 2016.

Accordingly, on June 2, 2014, the EPA released a proposed rule, the CPP Rule, that would limit and reduce carbon dioxide emissions from certain fossil fuel power plants, including existing plants. Finally, on August 3, 2015, the EPA released the final version of such rule, and on October 23, 2015, EPA published in the *Federal Register* the GHG existing source performance standards for power plants (the CPP), and the final NSPS for GHG emissions from new, modified and reconstructed fossil fuel-fired power plants. The final CPP was published at 80 Fed. Reg. 64662, and the final GHG NSPS were published at 80 Fed. Reg. 64510.

On October 23, 2015, the American Public Power Association ("APPA") and the Utility Air Regulatory Group ("UARG") filed a joint petition for review of the EPA's final Section 111(d) rule to regulate carbon dioxide ("CO₂") emissions from existing electric generating sources in the D.C. Circuit Court. In addition, the state of West Virginia joined by Texas, Alabama, Arkansas, Colorado, Florida, Georgia, Indiana, Kansas, Kentucky, Louisiana, Michigan, Missouri, Montana, Nebraska, New Jersey, Ohio, South Carolina, South Dakota, Utah, Wisconsin, Wyoming, the Arizona Corporation Commission, and the North Carolina Department of Environmental Quality also filed their motion to stay the final Section 111(d) rule under the CAA. Such a stay would put implementation of the rule on hold until the court decides on its legality.

On January 26, 2016, 29 states requested that the U.S. Supreme Court stay implementation of the final GHG Clean Power Plan or CPP (80 Fed. Reg. 64662 - Oct. 23, 2015), pending judicial review of the rule. On February 9, 2016, the Supreme Court granted the stay of the CPP pending judicial review of the rule. The stay will remain in effect pending Supreme Court review if such review is sought. Since the US Supreme Court stayed the EPA rulemaking on the CPP, that extraordinary action will delay any regulatory action. GRU continues to closely monitor any activities with respect to Climate Change and GHGs.

The D.C. Circuit Court issued an order on April 28, 2017, holding the consolidated CPP cases in abeyance for sixty (60) days. The D.C. Circuit Court is requiring the EPA to file status reports concerning its ongoing regulatory deliberations at thirty (30) days intervals. The court also asked the parties to file supplemental briefs by May 15, 2017 addressing whether the judicial process should be ended and the matter should be remanded to the EPA.

On August 10, 2017, the United States Court of Appeals for the D.C. Circuit issued an order holding the challenges to the greenhouse GHG NSPS in abeyance "pending further order of the court. The order also directs EPA to file status reports at 90-day intervals beginning October 27, 2017.

On October 10, 2017, the EPA Administrator signed a rule proposing the repeal of the CPP and on October 16, 2017 the proposed repeal of the CPP was published in the Federal Register. On November 2, 2017, a hearing was announced for November 28 and 29, 2017 in West Virginia. On January 11, 2018, the comment period extended to April 26, 2018 and three listening sessions were announced for February and March in Missouri, California, and Wyoming.

With respect to a replacement rule, the Advance Notice of Proposed Rulemaking for the CPP replacement was published on December 28, 2017. The Whitehouse OMB received the EPA's proposal to replace the CPP on July 9, 2018. Then, on August 21, 2018, EPA proposed the Affordable Clean Energy ("ACE") plan as a replacement to the CPP.

On June 19, 2019 the EPA issued the final ACE rule to replace the Clean Power Plan ("CPP") to restore the rule of law and empowers states to continue to reduce emissions while providing affordable and reliable energy. The ACE rule adheres to the Clean Air Act and gives states the regulatory certainty they need to continue to reduce emissions and provide a dependable, diverse, and affordable supply of electricity. The ACE rule establishes emissions guidelines for states to use to limit carbon dioxide emissions (CO₂) at their coal-fired power plants. Specifically, ACE identifies heat rate improvements as the best system of emission reduction (BSER) for CO₂ from coal-fired plants, and these improvements can be made at individual facilities. Also contained in the rule are new implementing regulations for ACE and future existing source rules under Clean Air Act Section 111(d). These guidelines will inform states as they set unit-specific standards of performance. The states will have 3 years to submit plans, which is in line with planning timelines under the Clean Air Act.

A number of environmental advocates and state attorneys general filed lawsuits challenging the ACE rule. On January 19, 2021, the United States Court of Appeals for the District of Columbia struck down the ACE rule, determining that the EPA did not act lawfully when it adopted the ACE rule. As a result, the ACE rule has been vacated and remanded to the EPA. In addition, pursuant to the 2021 Review Order, the Biden Administration has directed the EPA to review the repeal of the CPP and the rulemaking for the ACE rule. GRU is unable at this time to predict the outcome of any ongoing legal challenges to the EPA rulemaking regulating emissions or, given the legal uncertainties of the CPP and the ACE rule, the ultimate impact of any such rulemaking.

On January 27, 2021, President Biden signed executive actions that make climate change both a domestic and foreign policy goal for the United States. The executive actions, among other things, directed the Secretary of Interior to pause on entering new oil and natural gas leases on public lands or offshore waters. The executive actions also describe a plan to achieve a carbon-free electricity sector by 2035 and nationwide net-zero emissions by 2050.

The Climate Leadership and Environmental Action for our Nation's Future Act ("CLEAN Future Act") has been proposed. The CLEAN Future Act declares a national interim goal to reduce greenhouse gas pollution by no less than 50% below 2005 levels by no later than 2030, and a national goal for the United States to achieve a 100% clean economy by no later than 2050. Further, it requires retail electricity suppliers, to provide an increasing percentage of clean electricity to consumers starting in 2023, rising to 80% in 2030 and 100% in 2035. It also creates an alternative compliance mechanism which will allow the retail electric suppliers to satisfy the above requirements and it establishes a trading program in which entities can buy, sell and trade credits to demonstrate compliance. No assurance can be given as to whether the CLEAN Future Act will be amended or enacted.

Coal Combustion Products

The EPA published a final rule (40 CFR 257), effective October 14, 2015, to regulate the disposal of coal combustion residuals ("CCR") as solid waste under subtitle D of the Resource Conservation and Recovery Act ("RCRA"). The rule includes national minimum criteria for existing and new CCR landfills and existing and new CCR surface impoundments. GRU is subject to the requirements of the promulgated rule that are applicable to CCR ponds and landfill at Deerhaven.

On May 1, 2017, EPA Administrator Scott Pruitt sent a letter informing states that the EPA is working on guidance for implementing state permitting programs that allow flexibility in individual permits to manage the safe disposal of coal combustion residuals, known as CCR or "coal ash." The EPA expects that its new guidance will allow for the safe disposal and continued beneficial use of coal ash, while enabling states to decide what works best for their environment. GRU, through the Florida Electric Power Coordinating Group, made contact with FDEP's Tim Bahr on May 2, 2017 and he confirmed that the EPA shared some draft CCR permit program materials (draft FAQs, draft checklist, etc.) last week. The FDEP is planning to discuss that internally. The EPA has not finished drafting the guidance document that is intended to assist States in ensuring that their permit program applications are complete. This guidance has been published in the Federal Register. GRU continues to closely follow developments related to CCR regulations.

FCG has requested FDEP to apply to EPA for program approval through FDEP's incorporation by reference of the federal CCR Rule, in the Department's rules, which may include Florida specific provisions.

Storage Tanks

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

tanks have secondary containment and/or interstitial monitoring and GRU is insured for the requisite amounts.

Remediation Sites

Several site investigations have been completed at the JRK Station, most recently in 2011. According to previous assessments, the horizontal extent of soils impacted with No. 6 fuel oil extends from the northern containment wall of the aboveground storage tanks to the wastewater filter beds and from the old plant building to Sweetwater Branch Creek. The results of the most recent soil assessment document the presence of Benzo[a]pyrene in one soil sample at a concentration greater than its default commercial/industrial direct exposure based soil cleanup target levels ("SCTL"). Four of the soil samples contained Benzo[a]pyrene equivalents at concentrations greater than its default commercial/industrial direct exposure based SCTLs. In addition, two of the soil samples contained total recoverable petroleum hydrocarbons at concentrations greater than its default commercial/industrial direct exposure based SCTLs.

In the Site-Wide Monitoring Report dated March 24, 2011, measurable free product was detected in four wells. An inspection in April 2013 showed that groundwater contains four of the polynuclear aromatic hydrocarbons ("PAH") (Benzo[a]anthracene, Benzo[a]pyrene, Benzo[b]fluoranthene, and Dibenzo[a,h]anthracene) at concentrations greater than their groundwater cleanup target levels ("GCTL"). With the exception of Benzo[a]pyrene, the concentration of the remainder of these parameters did not exceed their Natural Attenuation Default Concentrations. The groundwater quality data reported in the 2011 Site-Wide Groundwater Monitoring Report documents that groundwater quality meets applicable GCTLs at the locations sampled. It is likely that groundwater quality impacts exist in the area where residual number 6 Fuel Oil is present as a non-aqueous phase liquid.

Following the submittal of the August 2013 No Further Action Proposal, the FDEP prepared comments regarding the No Further Action Proposal and provided them to GRU in a letter dated January 10, 2014.

In August of 2014, GRU provided responses to the FDEP's January 2014 comment letter.

In March of 2016, an attempt was made to meet with the FDEP, but a time was not set up for a meeting. The delay in responding to GRU's comments was due in part to the FDEP waiting on resolution of the request to use an active hydraulic containment system as an engineering control. Ultimately, the FDEP rejected the use of the active containment system as an engineering control.

On April 17, 2017, the FDEP provided comments on GRU's August 2014 response to the FDEP January 2014 comment letter.

ECT prepared a response to the FDEP's comments which was submitted to the FDEP on October 19, 2018. The FDEP requested further assessment of the extent of No. 6 fuel oil in the subsurface. ECT's response proposed additional soil investigation to assess the extent of No. 6 fuel oil; both as a non-aqueous phase liquid and as stained soils. ECT also proposed temporarily shutting down the groundwater recovery system and evaluating whether free product returns to the wells. This information will be used to evaluate what actions will be needed to recover free product, if any is detected.

Water Use Restrictions

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

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

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

Manufactured Gas Plant

Gainesville's natural gas system originally distributed blue water gas, which was produced in town by gasification of coal using distillate oil. Although manufactured gas was replaced by pipeline gas in the mid-1950's, coal residuals and spilt fuel contaminated soils at and adjacent to the manufactured gas plant ("MGP") site. When the natural gas system was purchased, the System assumed responsibility for the investigation and remediation of environmental impacts related to the operation of the former MGP. The System has pursued recovery for the MGP from past insurance policies and, to date, has recovered \$2.2 million from such policies. The System has received final approval of its Remedial Action Plan which entailed the excavation and landfilling of impacted soils at a specially designed facility. This plan was implemented pursuant to a Brownfield Site Rehabilitation Agreement with the State. Following remediation, the property has been redeveloped by the City as a park with stormwater ponds, nature trails, and recreational space, all of which were considered in the remediation plan's design. The duration of the groundwater monitoring program will be for the duration of the permit, and that timeframe is open to the results of what the sampling data shows.

Based upon GRU's analysis of the cost to clean up this site, GRU has accrued a liability to reflect the costs associated with the cleanup effort. During fiscal years ended September 30, 2019 and 2018, expenditures which reduced the liability balance were approximately \$1.2 million and \$1.3 million, respectively. The reserve balance at September 30, 2019 and 2018 was approximately \$980,000 and \$641,000, respectively.

GRU is recovering the costs of this cleanup through customer charges. A regulatory asset was established for the recovery of remediation costs from customers. Through fiscal years ended September 30, 2019 and 2018, customer billings were \$1.2 million and \$1.3 million, respectively, and the regulatory asset balance was \$11 million and \$11.7 million, respectively.

Although some uncertainties associated with environmental assessment and remediation activities remain, GRU believes that the current provision for such costs is adequate and additional costs, if any, will not have an adverse material effect on GRU's financial position, results of operations, or liquidity.

Grid Reliability

GRU is subject to extensive federal and State regulation reliability standards. In addition to these reliability standards, GRU is also subject to the compliance requirements of NERC which has the responsibility for the oversight of the bulk energy power system, as described below. GRU believes that its operations are robust and comprehensive to address any risks, including weather related risks, however GRU cannot predict with certainty whether any future changes or events will impact operations.

In February 2021, winter storm Uri ("Uri") hit the State of Texas which had impacts on other parts of the United States, especially relating to the supply of natural gas. GRU benefitted from its diversity of fuel sources during the Texas power crisis caused by Uri. GRU was unable to purchase natural gas for five days due to minimal allocation. As a result, GRU switched to liquid fuel, wood and coal and continued to operate with a stable fuel supply for the duration of the storm and was able to export 100 MW's of excess generation capacity during the event netting additional revenue.

Wholesale and Retail Electric Restructuring

Energy Policy Act of 2005

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

- Balancing Authority
- Distribution Provider
- Generation Owner
- Generation Operator
- Planning Authority
- Resource Planner
- Transmission Owner
- Transmission Operator

- Transmission Planner

Electric utilities registered as a Balancing Authority or Transmission Operator are required to undergo an on-site audit for compliance with the reliability standards once every three years. The System is registered as both a Balancing Authority and a Transmission Operator and is therefore subject to the 3-year on-site audit cycle. In addition to the NERC O&P reliability standards, GRU must comply with NERC's Critical Infrastructure Protection ("CIP") standards which helps ensure the cyber and physical security of GRU's Bulk Electric System ("BES"). In 2020, SERC compliance auditors conducted audits for compliance with the standards and requirements associated with the System's functions within the Florida bulk power system as listed above. SERC identified one (1) violation of the O&P standards. GRU completed a mitigation plan to remedy the violation, and no penalties were levied. SERC identified three (3) violations of the CIP standards. GRU completed mitigation plans to remedy the violations, and no penalties were levied. The System's next on-site reliability compliance audit is anticipated to occur in 2023.

FERC Order 779

FERC Order 779 was issued in May 2013 to deal with the establishment of Geomagnetic Disturbances ("GMD") reliability standards in two stages. Stage one became effective in April 2015 and required the development and implementation of operating procedures that mitigate the impact of GMD events. Stage two (Notice of Proposed Rulemaking, May 14, 2015) will require that the transmission system will be planned in a manner to mitigate the risks associated with GMD events such as system instability and/or uncontrolled separation. FERC Order 779 will have a minor impact on the System.

FERC Order 1000

FERC Order 1000 became effective sixty (60) days after publication of the final order in the Federal Register, August 11, 2011. Order 1000 affects transmission planning and cost allocation requirements and drives reform in three areas: planning, cost allocation and non-incumbent developers.

Planning element reforms:

- Each public utility transmission provider must participate in the development of a regional transmission plan.
- Regional and local transmission plans are to driven by state or federal laws or regulation. Transmission needs and associated solutions are to be weighed against those requirements.
- Neighboring transmission regions are to coordinate the satisfaction of mutual transmission needs (efficiency and cost).

Cost allocation reforms:

- Each public utility transmission provider must participate in a regional cost sharing allocation method for the selected transmission solution.
- A similar cost allocation is required when neighboring transmission regions select an interregional solution.
- Participant funding is permitted. However, it may not be the regional or interregional allocation schema.

Developer reforms:

- With certain limitations, public utility providers must remove from their tariffs a federal right of first refusal for a regional transmission plan needs solution for the purposes of cost allocation.
- The reliability and service requirements of incumbent transmission providers may be dependent upon regional transmission infrastructure. The order requires the reevaluation of the regional transmission plan and the identification of alternative transmission solutions should the delay in infrastructure development adversely impact system reliability and/or the delivery of required services.

The System is a full participant in the regional transmission planning process through the FRCC.

Impact of Hurricane Irma

On September 10, 2017, the State of Florida was impacted by Hurricane Irma. At approximately 9:00 a.m., the center of Hurricane Irma made landfall at Cudjoe Key in the lower Florida Keys as a Category 4 storm, according to the National Weather Service. At the peak of the storm, about 46,000 customers were without power. GRU worked to restore power to approximately 84% of those customers without power within 48 hours after restoration efforts began, and 100% of those who lost service during the storm were restored by September 18, 2017.

None of GRU's power generating assets were damaged by the hurricane and the majority of the buildings were undamaged. There were 50 customers that experienced a disruption to their drinking water service and these customers were issued Precautionary Boil Water Notices and their water services were quickly restored. The overall water system maintained system pressure and delivered safe water throughout the incident. The extreme rainfall and flooding had the biggest impact to the wastewater system. The flooding resulted in significant inflow of stormwater and floodwaters into the collection system which resulted in comingled wastewater and stormwater overwhelming portions of the collection system. There were numerous locations that the collection system experienced overflows. During the hurricane and in the following days, it is estimated that approximately 3.5 million gallons of combined stormwater and wastewater were released from the collection system. It is estimated that approximately 80% (or 2.8 mg) of the release was stormwater and 20% (or 0.7 mg) was wastewater. Additionally, GRU lost power to 92 of the 170 wastewater lift stations. However, GRU was able to utilize 41 generators to keep such lift stations operational. GRU restored power to most of the GRU served lift stations by September 12, 2017. There was minimal impact to customers.

Immediately following the storm, GRU provided an initial notice of wastewater releases to the Florida Department of Environmental Protection ("FDEP") through the State Watch Office and the FDEP Pollution Public Notification website. On September 20, 2017, a final update was provided to all regulatory agencies summarizing environmental assessments and release volumes.

In response to wastewater overflows due to Hurricane Irma, FDEP has issued Consent Orders to numerous utilities across the State. FDEP issued a Short Form Consent Order (SFCO) without Corrective Actions. The SFCO includes civil penalties based on the releases. In lieu of paying the civil penalties, GRU has elected to execute an In-Kind project that will improve the wastewater collection system. In addition, GRU is committed to reducing inflow and infiltration in the wastewater collection system and is in the process of conducting a Resiliency Study. This study will identify critical areas for infrastructure

improvements and will help GRU prioritize future capital improvements. Projects identified through this study will be incorporated into the capital improvement budget and will help mitigate future wastewater releases. These projects are not included in the capital improvement plan in "—Funding the Capital Improvement Plan" below.

Overall, the System remains in good condition. Costs associated with any necessary repairs, in addition to the extraordinary operational costs incurred as a result of the power outages, are preliminarily estimated to be approximately \$5.5 million.

As a result of the temporary loss of service, the City estimates an initial loss of revenue in the approximate amount of \$1.1 million, which is based upon the loss of electric service to active customers for a period of four days. The impact on the customer base caused by wind and flood damage from Hurricane Irma appears to be minimal.

In addition to federal aid that may be received to assist with offsetting potential costs and loss of revenues, GRU has property insurance, including loss of income insurance, and flood insurance. GRU will be aggressively pursuing all possible insurance claims and federal aid, including FEMA reimbursements. The City also has funds in the amount of approximately \$57 million in its Rate Stabilization Fund, as well as funds in the amount of \$55 million in unrestricted cash that can be applied, if necessary, to pay for any damages, costs, or lost revenues that GRU may incur as a result of Hurricane Irma's impacts to the System. Based on past experience, the City expects FEMA reimbursements to approximate 75% of the expenditures.

At the present time, the City does not believe the impacts of Hurricane Irma will materially adversely affect its ability to pay debt service.

Other Risk Factors

The future financial condition of the System could be affected adversely by, among other things, legislation, environmental and other regulatory actions as set forth above, changes in demand for services, economic conditions, demographic changes, and litigation. In addition to those items listed in the preceding sentence, some of the possible changes in the future may include, but not be limited to, the following:

1. The City's electric, water and wastewater facilities are subject to regulation and control by numerous federal and state governmental agencies. Neither the City nor its consultants can predict future policies such agencies may adopt. Future changes could result in the City having to discontinue operations at certain facilities or to make significant capital expenditures and could generate substantial litigation. See "THE SYSTEM" above for more information.

2. Estimates of revenues and expenses contained in this Official Statement and the realization of such estimates, are subject to, among other things, future economic and other conditions which are unpredictable and which may adversely affect such revenues and expenses, and in turn, the payment of the 2019 Bonds.

INDEPENDENT SECOND PARTY OPINION LETTER

[TO COME]

POTENTIAL MUNICIPAL BOND INSURANCE

In the event that GRU elects to purchase a municipal bond insurance policy (the "Policy") with respect to all or a portion of the 2021A Bonds (referred to herein as the "Insured Bonds") from a municipal bond insurer (the "Insurer"), disclosure regarding the Insurer and the Policy will be included in the final Official Statement at this location, the "RATINGS" section will be updated to disclose the rating or ratings on any Insured Bonds, and a specimen bond insurance policy will be attached hereto as an appendix.

TAX MATTERS

General

In the opinion of Bond Counsel, under existing law, interest on the 2021A Bonds is excludable from gross income for federal income tax purposes. Further, Bond Counsel has expressed no opinion regarding the state tax consequences that may arise with respect to the 2021A Bonds.

The Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the 2021A Bonds in order for the interest thereon to be and remain excludable from gross income for federal income tax purposes. Examples include: the requirement that, unless an exception applies, the City rebates certain excess earnings on proceeds and amounts treated as proceeds of the 2021A Bonds to the United States Treasury Department; restrictions on the investment of such proceeds and other amounts; and certain restrictions on the ownership and use of the facilities financed or refinanced with the proceeds of the 2021A Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied subsequent to the issuance of the 2021A Bonds to maintain the exclusion of interest on the 2021A Bonds from gross income for federal income tax purposes. Failure to comply with such requirements may cause the inclusion of interest on the 2021A Bonds in the gross income of the holders thereof for federal income tax purposes, retroactive to the date of issuance of the 2021A Bonds. The City has covenanted to comply with each such requirement of the Code that must be satisfied subsequent to the issuance of the 2021A Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The opinion of Bond Counsel is subject to the condition that the City complies with all such requirements. Bond Counsel has not been retained to monitor compliance with the described post-issuance tax requirements subsequent to the issuance of the 2021A Bonds.

Bond Counsel gives no assurance that any future legislation or clarifications or amendments to the Code, if enacted into law or otherwise become effective, will not cause the interest on the 2021A Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent the 2021A Bondholders from realizing the full current benefit of the tax status of the interest on the 2021A Bonds. During recent years, legislative proposals have been introduced in Congress, and in some cases have been enacted, that have altered or could alter certain federal tax consequences of owning obligations similar to the 2021A Bonds. In some cases, these proposals have contained provisions that were to be applied on a retroactive basis. It is possible that legislation could be introduced that, if enacted, could change the federal tax consequences of owning the 2021A Bonds and, whether or not enacted, could adversely affect their market value. Prospective purchasers of the 2021A Bonds are encouraged to consult their own tax advisors regarding any pending or proposed federal legislation, as to which Bond Counsel expresses no view.

As to certain questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the City and certificates of appropriate officers and public officials (including certifications as to the use of proceeds of the 2021A Bonds and of the property financed or refinanced thereby).

Reference is made to the proposed form of the opinion of Bond Counsel attached hereto as "APPENDIX E – Form of Opinion of Bond Counsel" for the complete text thereof. See also "LEGAL MATTERS" herein.

Alternative Minimum Tax

An alternative minimum tax is imposed by the Code on individuals. Interest on the 2021A Bonds will not be treated as an item of tax preference for purposes of the alternative minimum tax. Interest on the 2021A Bonds will therefore not be included in the alternative minimum taxable income of individuals.

Original Issue Premium

The 2021A Bonds maturing on October 1 in the years 20__ through and including 20__ (collectively, the "Premium Bonds") have been sold to the public at an original issue premium. Section 171(a) of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(a)(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Premium Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Premium Bond and not as interest.

The federal income tax treatment of original issue premium under the Code, including the determination of the amount of amortizable bond premium that is allocable to each year, is complicated and holders of Premium Bonds should consult their own tax advisors in order to determine the federal income tax consequences to them of purchasing, holding, selling or surrendering Premium Bonds at their maturity.

Original Issue Discount

The 2021A Bonds maturing on October 1 in the years 20__ through and including 20__ (collectively, the "Discount Bonds") have been sold to the public at an original issue discount. Generally, the original issue discount is the excess of the stated redemption price at maturity of such a Discount Bond over the initial offering price to the public (excluding underwriters and related parties thereto) at which price a substantial amount of that maturity of the Discount Bonds was sold. Under existing law, an appropriate portion of any original issue discount, depending in part on the period a Discount Bond is held by the purchaser thereof, will be treated for federal income tax purposes as interest that is excludable from gross income rather than as taxable gain. Original issue discount will not be treated as an item of tax preference for purposes of the alternative minimum tax.

Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compounded basis. The amount of original issue discount that accrues to an owner of a Discount Bond,

who acquires the Discount Bond in this initial offering, during any accrual period generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such Discount Bond. Proceeds received from the sale, exchange, redemption or payment of a Discount Bond in excess of the owner's adjusted basis (as increased by the amount of original issue discount that has accrued and has been treated as tax-exempt interest in such owner's hands), will be treated as a gain from the sale or exchange of such Discount Bond and not as interest.

The federal income tax consequences from the purchase, ownership and redemption, sale or other disposition of Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Owners of Discount Bonds should consult their own tax advisors with respect to the consequences of owning Discount Bonds, including the effect of such ownership under applicable state and local laws.

Other Tax Consequences

Prospective purchasers of the 2021A Bonds should be aware that ownership of the 2021A Bonds may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S Corporations and foreign corporations, individuals entitled to receive the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2021A Bonds. Prospective purchasers of the 2021A Bonds should also be aware that ownership of the 2021A Bonds may result in adverse tax consequences under the laws of various states. Bond Counsel has not expressed an opinion regarding the collateral federal income tax consequences that may arise with respect to the 2021A Bonds. Further, Bond Counsel has expressed no opinion regarding the state tax consequences that may arise with respect to the 2021A Bonds. Prospective purchasers of the 2021A Bonds should consult their tax advisors as to the collateral federal income tax and state tax consequences to them of owning the 2021A Bonds.

The federal income tax consequences from the purchase, ownership and redemption, sale or other disposition of 2021A Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Holders of 2021A Bonds, should consult their own tax advisors with respect to the consequences of owning 2021A Bonds, including the effect of such ownership under applicable state and local laws.

Information Reporting and Backup Withholding

Interest paid on tax-exempt bonds, such as the 2021A Bonds, is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the 2021A Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of 2021A Bonds, under certain circumstances, to "backup withholding" at the fourth lowest rate applicable to unmarried individuals with respect to payments on the

2021A Bonds and proceeds from the sale of 2021A Bonds. Any amounts so withheld would be refunded or allowed as a credit against the federal income tax of such owner of 2021A Bonds. This withholding generally applies if the owner of 2021A Bonds (i) fails to furnish the paying agent (or other person who would otherwise be required to withhold tax from such payments) such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnishes the paying agent an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the paying agent or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the 2021A Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding and the procedures for obtaining exemptions.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE 2021A BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE 2021A BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE 2021A BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Reference is made to the proposed form of the opinion of Bond Counsel attached hereto as "APPENDIX E – Form of Opinion of Bond Counsel" for the complete text thereof. See also "LEGAL MATTERS" herein.

UNDERWRITING

Barclays Capital Inc., on behalf of itself, and BofA Securities Inc., Citigroup Global Markets Inc., Wells Fargo Securities and Goldman Sachs & Co LLC (collectively, the "Underwriters") are purchasing the 2021A Bonds from the City at an aggregate purchase price of \$_____ (representing the par amount of the 2021A Bonds of \$_____ [plus/less] an original issue [premium/discount] of \$_____ and less an Underwriters' discount of \$_____). The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all the 2021A Bonds if any 2021A Bonds are purchased. The Underwriters have furnished the information on the inside cover page of this Official Statement pertaining to the offering prices of the 2021A Bonds. The 2021A Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing such 2021A Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed from time to time, by the Underwriters.

BofA Securities, Inc., an underwriter of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the 2021A Bondholders to provide certain financial information and operating data relating to the City and the 2021A Bonds in each year, and to provide notices of the occurrence of certain enumerated material events. The City has agreed to file annual financial information and operating data and the audited financial statements with each entity authorized and approved by the SEC to act as a repository (each a "Repository") for purposes of complying with the Rule either itself or through its dissemination agent. Effective July 1, 2009, the sole Repository is the Municipal Securities Rulemaking Board. The City has agreed to file notices of certain enumerated events, when and if they occur, with the Repository either itself or through its dissemination agent.

The specific nature of the financial information, operating data, and of the type of events which trigger a disclosure obligation, and other details of the undertaking are described in "APPENDIX F - Form of Continuing Disclosure Certificate" attached hereto. The Continuing Disclosure Certificate shall be executed by the City upon the issuance of the 2021A Bonds. These covenants have been made in order to assist the Underwriters in complying with the continuing disclosure requirements of the Rule.

With respect to the 2021A Bonds, no party other than the City is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the Rule. **[In the past five years, the City: (i) did not timely file its audited financial statements and notices of failure to file related thereto for Fiscal Years 2015 and 2016 with respect to its then outstanding loan from the proceeds of the then outstanding First Florida Governmental Financing Commission Revenue Bonds; (ii) did not timely file its audited financial statements and operating data and notices of failure to file related thereto for Fiscal Year 2015 with respect to certain of its Outstanding Utilities System Revenue Bonds; (iii) filed certain operating data in a different format than required and failed to file certain operating data and notices of failure to file related thereto for Fiscal Years 2015 and 2016 with respect to certain of its Outstanding Utilities System Revenue Bonds; (iv) failed to file certain notices of defeasance and bond calls which occurred in Fiscal Years 2015 and 2016 with respect to certain of its Utilities System Revenue Bonds and its then outstanding loan from the proceeds of the then outstanding First Florida Governmental Financing Commission Revenue Bonds; and (v) did not timely file its audited financial statements for Fiscal Year 2017 and did not timely file its audited financial statements and operating data for the Fiscal Years 2018 and 2019.]** All such required information has been filed as of this date. The City fully anticipates satisfying all future disclosure obligations required pursuant to the Rule. The City has entered into a contract with Digital Assurance Certification, LLC to provide continuing disclosure dissemination agent services for all of its outstanding bond issues.

ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the 2021A Bonds upon an event of default under the Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically the federal bankruptcy code, the remedies specified by the Resolution and the 2021A Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 2021A Bonds, including Bond Counsel's approving opinion, will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such

delivery. See "APPENDIX C – Copy of the Resolution" attached hereto for a description of events of default and remedies.

RATINGS

S&P, Moody's and Fitch have assigned ratings of "____" (____ outlook), "____" (____ outlook) and "____" (____ outlook), respectively, to the 2021A Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. Generally, a rating agency bases its ratings on information and material so furnished and on investigations, studies and assumptions made by the rating agency. The City furnished such ratings agencies with certain information and materials relating to the 2021A Bonds that have not been included in this Official Statement. The rating is not a recommendation to buy, sell or hold the 2021A Bonds. There is no assurance that the ratings will be in effect for any given period of time or that they will not be revised downward, suspended or withdrawn entirely by S&P, Moody's and Fitch or any of them if in their judgment, circumstances so warrant. The City does not undertake any responsibility to bring to the attention of the owners of the 2021A Bonds any proposed revision or withdrawal of a rating of the 2021A Bonds, or to oppose any such downward revision or withdrawal. Any such downward revision, suspension or withdrawal of the ratings given the 2021A Bonds may have an adverse effect on the liquidity or market price of the 2021A Bonds. An explanation of the significance of the ratings can be received from the rating agencies, at the following addresses: S&P Global Inc., 55 Water Street, New York, New York 10041, Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007 and Fitch Ratings, Inc., One State Street Plaza, New York, New York 10004.

LITIGATION

There is no pending or, to the knowledge of the City, any threatened litigation against the City of any nature whatsoever which in any way questions or affects the validity of the 2021A Bonds, or any proceedings or transactions relating to their issuance, sale, execution, or delivery, or the adoption of the Bond Resolution, or the collection of Pledged Revenues. Neither the creation, organization or existence, nor the title of the present members of the City Commission, or other officers of the City is being contested.

The City is also party to various federal, state and local claims, proceedings and lawsuits for damages claimed to result from the operation of the City. Except for the litigation disclosed below, the City Attorney does not believe that, individually or in the aggregate, the proceedings associated with these cases will materially adversely affect the Pledged Revenues or materially adversely impair the business, operations, or financial condition of the City. However, the City does not expect such litigation to have a material impact on the City's ability to pay debt service on the 2021A Bonds.

Jacob Rodgers v. William Stormant and City of Gainesville, d/b/a Gainesville Regional Utilities; Case No. 2016-CA-659 in the Circuit Court of the Eighth Judicial Circuit in and for Alachua County, Florida.

On October 7, 2015, a City-owned vehicle driven by a City employee collided with a vehicle carrying Plaintiff Rodgers as an unrestrained back-seat passenger. The City vehicle was assigned to the City employee as a take-home vehicle. Prior to the accident, the City employee was heading home after using the gym located on the campus of his City office. The employee made a slight detour from a direct route home to check if an electrical substation was properly secured. After visually checking the gate, the employee made a u-turn and proceeded back toward home. The employee then failed to stop at a stop sign and collided with the pickup truck carrying the Plaintiff. The pickup truck rolled over and ejected

two passengers, including the Plaintiff. The Plaintiff suffered catastrophic injuries, including paralysis of his lower extremities.

In February 2016, the Plaintiff filed suit against the City employee, personally, and added the City as a defendant in June 2017. From the outset of the claim, and the ensuing litigation, the City has taken the position that it is shielded from liability by the operation of sovereign immunity. In short, the City asserted that its employee-driver was operating outside the course and scope of employment. To the extent that any liability could attach to the City, the City has relied on the damages cap on liability (\$200,000 per person/\$300,000 per incident) set forth in the limited waiver of sovereign immunity contained in Section 768.28, Florida Statutes.

Initially, the City proceeded with discovery focused primarily on liability issues and filed a Motion for Summary Judgment asserting the protections of sovereign immunity. The trial court entered an Order Denying City of Gainesville's Motion for Summary Judgment dated October 24, 2018. The City then filed a Notice of Appeal with the 1st DCA and Oral Argument was held on May 9, 2019. On May 22, 2019, the 1st DCA issued a per curiam decision affirming the denial of the City's Motion for Final Summary Judgment without opinion.

After the case came back to the trial court, the City attempted to settle the matter within the \$200,000 sovereign immunity cap. The Plaintiff, through counsel, declined to settle at the sovereign immunity cap, and was adamant that the Plaintiff would proceed to trial and seek a claims bill from the Florida Legislature. Given the inability to resolve the case, the City retained Holland & Knight LLP as outside counsel to serve as trial counsel and to represent the City in the legislative claims bill process.

Trial was conducted in early May 2021. The trial court, overruling objections by the City and relying on its previous denial of the City's Motion for Summary Judgment, disallowed any defense based on the whether the City employee was acting in the course and scope of his employment. The issue was preserved for appeal. Despite uncontroverted evidence that the Plaintiff failed to make use of an operational seatbelt, and that such failure was the sole cause of his ejection and injury, and evidence that the driver of the Plaintiff's vehicle exceeded the posted speed limit, the jury found the City to be 100% responsible for the Plaintiff's damages. The jury reached a verdict of \$120,000,000 against the City. Post-trial motions seeking a reduction in damages awarded and a new trial are pending before the trial court. Once judgment is entered, regardless of the amount, execution will lie only in the amount of the \$200,000 sovereign immunity cap.

The City preserved several significant issues for appeal and, if a new trial is not granted by the trial court, anticipates appealing the judgment. To the extent any potential judgment above \$200,000 exists after all appeals are exhausted, the Plaintiff may file a claims bill to collect the excess from the City. Any claims bill must be heard and approved by both houses of the Florida Legislature and signed by the Governor.

In the event a claims bill is approved directing the City to appropriate and pay Plaintiff a sum in excess of \$200,000, the City plans to cover such liability with currently available utility system operating funds or through a System borrowing. In the event a claims bill is approved directing the City to appropriate and pay Plaintiff a sum in excess of \$200,000, the City plans to request the Legislature structure such payment over a term of years that would allow the City to cover such liability with currently available utility system operating funds or through a System borrowing.

LEGAL MATTERS

Certain legal matters incident to the issuance of the 2021A Bonds are subject to the legal opinion of Holland & Knight LLP, Lakeland, Florida, as Bond Counsel, a form of which is attached to this Official Statement as APPENDIX E. The signed legal opinion dated and premised on law in effect as of the date of original delivery of the 2021A Bonds, will be delivered to the Underwriters at the time of original delivery. Certain legal matters are also being passed upon for the City by Nicolle M. Shalley, Esq., City Attorney, Bryant Miller Olive P.A., Tampa, Florida, as Disclosure Counsel to the City, and Nixon Peabody LLP, New York, New York, as Counsel to the Underwriters.

Holland & Knight LLP, Bond Counsel, has not undertaken independently to verify and therefore expresses no opinion with respect to the information or statements contained herein or in the Appendices attached hereto, except as to the accuracy of the portions thereof captioned "SECURITY FOR THE BONDS" and "THE 2021A BONDS" and the copy of the Resolution contained in Appendix C to the extent those sections purport to summarize certain provisions of the Resolution, and except as to the accuracy of the information under the caption "TAX MATTERS." No opinion is expressed by Bond Counsel as to any financial or statistical data or information included in such sections.

The proposed text of the legal opinion of Bond Counsel is set forth in APPENDIX E. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date and subsequent distribution of it by recirculation of the Official Statement or otherwise shall create no implication that subsequent to the date of the opinion, Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion. Bond Counsel's opinion is based on existing law, which is subject to change. Such opinions is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances, including changes in law, which may thereafter occur or become effective.

The legal opinions delivered in connection with the 2021A Bonds express the professional judgment of the attorneys rendering the opinions regarding the legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment of the transaction on which the opinion is rendered or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

CONTINGENT FEES

The City has retained Bond Counsel, the Financial Advisor and Disclosure Counsel with respect to the authorization, sale, execution and delivery of the 2021A Bonds. Payment of the fees of such professionals and an underwriting discount to the Underwriters (which includes the fees of Underwriters' Counsel) are each contingent upon the issuance of the 2021A Bonds.

FINANCIAL STATEMENTS

The audited financial statements of the System as of September 30, 2020 and for the year then ended, included in APPENDIX B attached to this Official Statement as a matter of public record and the consent of Purvis, Gray & Company LLP, independent auditors (the "Auditor") to include such documents

was not requested. The Auditor was not requested to perform and has not performed any services in connection with the preparation of this Official Statement or the issuance of the 2021A Bonds.

FINANCIAL ADVISOR

The City has retained PFM Financial Advisors LLC as Financial Advisor. The Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATION

Pursuant to Section 517.051, Florida Statutes, as amended, no person may directly or indirectly offer or sell securities of the City except by an offering circular containing full and fair disclosure of all defaults as to principal or interest on its obligations since December 31, 1975, as provided by rule of the Office of Financial Regulation within the Florida Financial Services Commission (the "FFSC"). Pursuant to administrative rulemaking, the FFSC has required the disclosure of the amounts and types of defaults including whether such default related to principal and/or interest payments, dates of any defaults, the current status of any defaults, any legal proceedings resulting from such defaults, whether a trustee or receiver has been appointed over the assets of the City, and certain additional financial information, unless the City believes in good faith that such information would not be considered material by a reasonable investor. Except as described below, the City is not and has not been in default on any bond issued since December 31, 1975 that would be considered material by a reasonable investor.

The City had a payment obligation on a non-callable capital appreciation bond from its Guaranteed Entitlement Revenue Bonds, Series 1994, that was due on August 1, 2018 in the amount of \$1,095,000.00 (the "1994 CAB"). No interest payments were ever due on the 1994 CAB since it was a zero-coupon bond, and through a refinancing/redemption, the City has had no other semi-annual payment obligations with respect to any other of its Guaranteed Entitlement Revenue Bonds, Series 1994, since February 1, 2004. During the intervening 14 year period, the original Paying Agent which was Wachovia Bank, National Association sold its corporate trust business to U.S. Bank National Association ("U.S. Bank"), and for unexplained reasons, U.S. Bank states that the 1994 CAB was transferred to U.S. Bank, and thus U.S. Bank did not provide the City with the typical tickler reminder that an upcoming payment was due. The remainder of Wachovia was acquired by Wells Fargo Bank, National Association during the great recession. DTC notified the City on August 7, 2018 of the defaulted payment and the City immediately started researching who the successor paying agent was since Wachovia, who was the entity listed in the 1994 official statement and who was operative paying agent on the last regularly scheduled payment made by the City on the issue on February 1, 2004 was no longer operating under that name. In the meantime, the City made the defaulted payment on August 14, 2018 directly through The Depository Trust Company. Since then, on November 1, 2018, U.S. Bank and the City entered into a Paying Agent/Bond Registrar Agreement relating to the 1994 CAB. The payment default described above was not an indication of any financial difficulties of the City; rather, it resulted from an inadvertent oversight and corporate transition, and as required to be stated by rule of the FFSC within this disclosure, there was no ensuing legal proceedings resulting from such default and a trustee or receiver was not been appointed over the assets of the City. FFSC also requires the disclosure of audited financial statements for the last two (2) fiscal years. The City has attached the audited financial statements for the fiscal year ended September 30, 2018 hereto as APPENDIX B. Such financial statements include comparisons to the prior fiscal year in certain instances. Since it is not customary, the City has not attached as an appendix the audited financial statements for the

prior fiscal year. However, such audited financial statements, which are incorporated herein by reference, can be accessed through this link: <https://emma.msrb.org/ES1066371-ES832546-ES1233607.pdf>.

The City has not undertaken an independent review or investigation of securities for which it has served as conduit issuer. The City does not believe that any information about any default on such securities is appropriate and would be considered material by a reasonable investor in the 2021A Bonds because the City would not have been obligated to pay the debt service on any such securities except from payments made to it by the private companies on whose behalf such securities were issued and no funds of the City would have been pledged or used to pay such securities or the interest thereon.

ACCURACY AND COMPLETENESS OF OFFICIAL STATEMENT

The references, excerpts, and summaries of all documents, statutes, and information concerning the City and certain reports and statistical data referred to herein do not purport to be complete, comprehensive and definitive and each such summary and reference is qualified in its entirety by reference to each such document for full and complete statements of all matters of fact relating to the 2021A Bonds, the security for the payment of the 2021A Bonds and the rights and obligations of the owners thereof and to each such statute, report or instrument.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the 2021A Bonds.

The appendices attached hereto are integral parts of this Official Statement and must be read in their entirety together with all foregoing statements.

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AUTHORIZATION OF OFFICIAL STATEMENT

The execution and delivery of this Official Statement has been duly authorized and approved by the City. At the time of delivery of the 2021A Bonds, the City will furnish a certificate to the effect that nothing has come to its attention which would lead it to believe that the Official Statement (other than information herein related to DTC and its book-entry only system of registration, information provided by the Underwriters under the caption "UNDERWRITING" and the information contained under the caption "TAX MATTERS" as to which no view shall be expressed), as of its date and as of the date of delivery of the 2021A Bonds, contains an untrue statement of a material fact or omits to state a material fact which should be included therein for the purposes for which the Official Statement is intended to be used, or which is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

CITY OF GAINESVILLE, FLORIDA

By: _____
General Manager for Utilities

APPENDIX A
GENERAL INFORMATION REGARDING THE CITY

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

General

The City of Gainesville (the "City"), home of the University of Florida, is located in North Central Florida midway between Florida's Gulf and the Atlantic coast. The City is approximately 125 miles north of Tampa, approximately 110 miles northwest of Orlando and approximately 75 miles southwest of Jacksonville. The Bureau of Economic and Business Research at the University of Florida estimated a 2020 population of 271,588 in the Alachua County (the "County") with an estimated 135,097 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 56,500 students, is one of the largest universities in the nation.

Organization and Administration

The City was established in 1854, incorporated in 1869 and has operated under a Commission-Manager form of government since 1927. The City Commission consists of seven elected officials (a Mayor and six Commissioners) who are responsible for enacting the ordinances and adopting the resolutions which govern the City. The elected officials each serve for three-year terms. The Mayor presides over public meetings and ceremonial events.

The following are the current members of the City Commission:

	<u>Term Expires</u>
Mayor Lauren Poe, At Large	November 2022
Mayor-Commissioner-Pro-Tem Harvey Ward, District 2.....	November 2022
Commissioner David Arreola, District 3.....	November 2022
Commissioner Adrian Hayes-Santos, District 4	November 2022
Commissioner Gail Johnson, At Large*	May 2021
Commissioner Gigi Simmons, District 1*	May 2021
Commissioner Reina Saco, At Large	November 2024

*Term ends at noon on May 20, 2021.

The City Commission appoints the City Manager, General Manager for Utilities, City Auditor, City Attorney, Clerk of the City Commission and Equal Opportunity Director. As chief executive officers, the City Manager and General Manager for Utilities are charged with the enforcement of all ordinances and resolutions passed by the City Commission. They accomplish this task through the selection and supervision of two Assistant City Managers, Utilities Executive Team, and numerous department heads.

The City provides its constituents with a wide variety of public services: building inspections, code enforcement, community development, cultural affairs, economic development, electrical power, golf course, mass transit, natural gas distribution, parks and recreation, homeless services, police and fire protection, refuse collection, small business development, stormwater management, street maintenance, traffic engineering and parking, water and wastewater and telecommunications and data transfer.

Internal support services include the following: accounting and reporting, accounts payable and payroll, billing and collections, budgeting and budget monitoring, cash management, City-wide management, computer systems support, debt management, equal opportunity, fleet maintenance, facilities maintenance, human resources, information systems, investment management, labor relations, mail services, pension administration, property control, purchasing, risk management and strategic planning. In addition to these activities, the City exercises oversight responsibility for the Community Redevelopment Agency and the Gainesville Enterprise Zone Development Agency.

Population

The following table depicts historical and projected population growth of the City, the County and the State of Florida:

POPULATION GROWTH

<u>Year</u>	<u>City of Gainesville Population</u>	<u>Percentage Increase</u>	<u>Alachua County Population</u>	<u>Percentage Increase</u>	<u>State of Florida Population</u>	<u>Percentage Increase</u>
2010	124,476	--	247,336	--	18,801,332	--
2018	131,217	--	263,291	--	20,840,568	--
2019	133,068	1.4%	267,306	1.5%	21,208,589	1.8%
2020	135,097	1.5	271,588	1.6	21,596,068	1.8
2030	n/a ⁽¹⁾	n/a	292,700	7.8	24,426,200	13.1
2040	n/a ⁽¹⁾	n/a	306,300	4.6	26,428,700	8.2

⁽¹⁾ Information is no longer available through the U.S. Bureau of Census and University of Florida, Bureau of Business and Economic Research Florida Statistical Abstracts for the City.

Source: U.S. Bureau of Census and University of Florida, Bureau of Business and Economic Research Florida Statistical Abstracts.

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Employment

The following table sets forth the unemployment rate for the City over the past ten years.

EMPLOYMENT

<u>Year</u>	<u>Unemployment Rate⁽¹⁾</u>
2011	7.50%
2012	6.40
2013	5.70
2014	5.20
2015	4.80
2016	4.90
2017	4.00
2018	3.30
2019	3.00
2020	4.40

- (1) See "BONDHOLDER RISKS AND CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION" in the body of this Reoffering Memorandum for information regarding COVID-19 and its impacts on the City. At this time the long-term impacts of COVID-19 on the City and employment is not known, however it is likely unemployment rates will increase significantly from the figures shown above. On May 8, 2020, the Bureau of Labor Statistics released its unemployment report for April, 2020 which indicates that unemployment within the United States has increased to approximately 14.7%. The increase in the unemployment rate is reflective of the negative impacts of COVID-19 on employment. While the City does not have updated unemployment statistics as of the date hereof, the April, 2020 report from the Bureau of Labor Statistics is likely indicative of the kind of increase the City may see in its unemployment rate as a result of the negative impacts of COVID-19.

Source: Source: Finance Department, City of Gainesville, Florida.

TEN LARGEST EMPLOYERS (SEPTEMBER 30, 2020)

<u>Firm</u>	<u>Product/Business</u>	<u>Employees</u>
University of Florida	Education	29,876
UF Health Shands Hospital	Health Care	11,077
Veterans Affairs Medical Center	Health Care	6,127
Alachua County School Board	Education	4,180
City of Gainesville	Municipal Government	2,417
Alachua County Board of County Commissioners	Government	2,051
North Florida Regional Medical Center	Health Care	1,990
Nationwide Insurance Company	Insurance	1,320
Gator Dining Services	Food Services	1,100
Publix Supermarkets	Grocer	900

Source: Finance Department, City of Gainesville, Florida.

Property Tax Data

The following data is provided for information and analytical purposes only. The 2021 Bonds are not secured by ad valorem tax revenues of the City.

ASSESSED VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS⁽¹⁾

Fiscal Year Ended	Tax Year	Real Property	Personal Property	Centrally Assessed Property	Non-Exempt Taxable Assessed Value (TAV)	Exempt TAV	Total Taxable Assessed Value	Total Direct Tax Rate
09/30								
2011	2010	\$10,001,618,912	\$2,241,373,073	\$987,726	\$12,243,979,711	\$6,635,759,183	\$5,608,220,528	4.2544
2012	2011	10,365,540,710	2,308,791,865	1,095,688	12,672,428,263	7,270,189,966	5,402,238,297	4.2544
2013	2012	10,167,342,922	2,384,662,208	1,073,991	12,553,079,121	7,389,420,410	5,163,658,711	4.4946
2014	2013	10,137,347,950	2,585,758,997	2,138,554	12,725,245,501	7,550,586,266	5,174,659,235	4.5780
2015	2014	10,267,624,130	2,940,131,808	2,210,823	13,209,966,761	7,566,649,601	5,643,317,160	4.5079
2016	2015	10,470,875,230	2,874,527,289	2,251,700	13,347,654,219	7,578,125,546	5,769,528,673	4.5079
2017	2016	10,703,714,054	3,131,399,275	2,303,808	13,837,417,137	7,818,781,757	6,018,635,380	4.5079
2018	2017	11,228,542,921	3,015,426,727	2,335,112	14,246,304,760	7,743,555,435	6,502,749,325	4.7474
2019	2018	11,896,134,467	3,047,796,037	2,424,391	14,946,354,895	8,245,149,844	6,701,205,051	4.7474
2020	2019	12,387,697,214	3,009,637,656	2,337,700	15,399,672,570	8,198,661,369	7,201,011,201	5.2974

⁽¹⁾ There could be material adverse impacts on the assessed values as a result of COVID-19. See "BONDHOLDER RISKS AND CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION" in the body of this Reoffering Memorandum for information regarding COVID-19 and its impacts on the City.

Source: Alachua County Property Appraiser, www.acpafi.org.

HISTORY OF LOCAL AD VALOREM TAX RATES AND TAX LEVIES

Tax Roll <u>Year⁽¹⁾</u>	City Fiscal <u>Year⁽²⁾</u>	Net Taxable Value for <u>Local Levies⁽³⁾</u>	Local Property Tax Rates (Mills) General <u>Government⁽⁴⁾</u>	Local Property Tax Levies (\$) General <u>Government</u>	Total Taxes <u>Levied</u>
2010	2010-11	\$5,608,220,528	4.2544	\$23,802,971	\$23,802,971
2011	2011-12	5,402,238,297	4.2544	22,865,258	22,865,258
2012	2012-13	5,163,658,711	4.4946	23,067,467	23,067,467
2013	2013-14	5,174,659,235	4.5780	23,448,285	23,448,285
2014	2014-15	5,643,317,160	4.5079	25,246,211	25,246,211
2015	2015-16	5,769,528,673	4.5079	25,841,246	25,841,246
2016	2016-17	6,018,635,380	4.5079	26,983,821	26,983,821
2017	2017-18	6,502,749,325	4.7474	30,871,988	30,871,988
2018	2018-19	6,701,205,051	4.7474	31,835,258	31,835,258
2019	2019-20	7,201,011,201	5.2974	38,111,708	38,111,708

(1) Tax roll year as of January 1.

(2) Fiscal year beginning October 1 and ending the next September 30.

(3) Sum of real and personal property value.

(4) (a) Tax rates are set by the City Commission effective October 1.

(b) Chapter 200.181, Florida Statutes, allows unrestricted ad valorem tax rate levies for debt service for general obligation bonds approved by citizen referendum and imposes a 10 mill limitation on ad valorem tax rates levied for general government operations.

Source: Finance Department, City of Gainesville, Florida and Alachua County Property Appraiser Final Ad Valorem Assessment Rolls.

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

Fiscal Year Ended <u>September 30,</u>	Total Tax Levy for <u>Fiscal Year</u>	Collected within the Fiscal Year of the Levy		Collections in Subsequent <u>Years</u>	Total Collections to Date	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2011	\$23,802,971	\$23,007,885	96.7%	\$34,674	\$23,042,559	96.8%
2012	22,865,258	22,085,295	96.6	65,772	22,151,067	96.9
2013	23,067,467	22,259,404	96.5	101,709	22,361,113	96.9
2014	23,448,285	22,573,803	96.3	141,706	22,715,509	96.9
2015	25,246,211	24,342,225	96.4	78,800	24,421,025	96.7
2016	25,841,246	24,924,172	96.5	57,299	24,981,471	96.7
2017	26,983,821	26,030,596	96.5	34,581	26,065,177	96.6
2018	30,871,988	29,766,402	96.4	21,023	29,798,425	96.5
2019	31,835,258	30,675,142	96.4	4,972	30,680,114	96.4
2020	38,111,708	36,636,996	96.1	N/A	36,636,996	96.1

Source: Finance Department, City of Gainesville, Florida.

**PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(rate per \$1,000 assessed value)**

		Overlapping Rates					
		City of Gainesville	Alachua County	St. Johns Water Management	Alachua County Library	Total Direct & Overlapping Rates	
Fiscal Year	Tax Year	Direct Rate	Alachua County	School District	District	District	
2011	2010	4.2544	8.6263	9.1070	0.4158	1.4736	23.8771
2012	2011	4.2544	8.5956	9.0920	0.3313	1.4790	23.7523
2013	2012	4.4946	8.5956	8.5490	0.3313	1.4768	23.4473
2014	2013	4.5780	8.7990	8.4020	0.3283	1.4588	23.5661
2015	2014	4.5079	8.7990	8.4100	0.3164	1.4588	23.4921
2016	2015	4.5079	8.9545	8.3240	0.3023	1.4538	23.5425
2017	2016	4.5079	8.9290	7.9360	0.2885	1.4121	23.0735
2018	2017	4.7474	8.4648	7.6250	0.2724	1.2655	23.3751
2019	2018	4.7474	8.4648	7.6250	0.2724	1.3371	22.4467
2020	2019	5.2974	8.2829	7.1440	0.2414	1.1825	21.6482

Source: Finance Department, City of Gainesville, Florida.

The following table sets forth certain information regarding direct and overlapping debt for the City, as of September 30, 2020.

OVERLAPPING GENERAL OBLIGATION DEBT⁽¹⁾

<u>Taxing Authority</u>	<u>Taxable Property Value⁽²⁾</u>	<u>General Obligation Bonded Debt⁽³⁾</u>	<u>Percent of Debt Applicable to City⁽⁴⁾</u>	<u>City's Share of General Obligation Debt⁽⁵⁾</u>
City of Gainesville	\$7,201,011,201	\$0	100.00%	\$0
Alachua County	16,235,962,239	0	44.35	0
Alachua County School Board	18,016,170,374	0	39.97	0
Alachua County Library District	26,076,526	0	0	0

(1) The above information on bonded debt does not include self supporting and non-self supporting revenue bonds, certificates, and notes (reserves and/or sinking fund balances have not been deducted).

(2) Homestead property of certain qualified residents is eligible for up to \$50,000 value exemption.

(3) Reserves and sinking fund balances have not been deducted.

(4) Percentages were recalculated by the Finance Department, City of Gainesville, Florida.

(5) Chapter 200.181, Florida Statutes, allows unrestricted ad valorem tax rate levies for debt service for general obligation bonds approved by voter referendum.

Source: Finance Department, City of Gainesville, Florida.

**OVERLAPPING SELF SUPPORTING AND
NON-SELF SUPPORTING DEBT
As of September 30, 2020**

<u>Taxing Authority</u>	<u>Self Supporting</u>	<u>Non-Self Supporting</u>	<u>Totals</u>
Alachua County	0	\$ 23,262,746	\$ 23,262,746
Alachua County Schools	0	64,948,308	64,615,308
Alachua County Library District	0	0	0
City of Gainesville:			
Utilities	2,106,450,287	0	2,106,450,287
Other than Utilities	4,236,753	301,381,768	342,717,745

Source: Finance Department, City of Gainesville, Florida.

**DEBT SUMMARY⁽¹⁾
ON OCTOBER 1, 2020**

	<u>Gross</u>	<u>Net</u>
General Obligation Debt	\$0	\$0
Debt Payable from Non-Ad Valorem Revenues ⁽²⁾	328,312,009	328,312,009
General Obligation Overlapping Debt ⁽³⁾	<u>0</u>	<u>0</u>
Total	\$328,312,009	\$328,312,009

Maximum Annual Debt Service on Debt Payable from Non-Ad Valorem Revenues after 10/01/2020	\$28,421,644
--	--------------

(1) This includes only City of Gainesville general government debt. The City of Gainesville d/b/a Gainesville Regional Utilities and other self-liquidating debt are not included.

(2) Includes all debt to which a pledge and/or lien on a specific non-ad valorem revenue source has been provided by the City.

(3) Includes general obligation debt of Alachua County School District.

Source: Finance Department, City of Gainesville, Florida.

PRINCIPAL TAXPAYERS⁽¹⁾

Tax Roll Year 2020

<u>Owner/Taxpayer</u>	Total <u>Assessed</u>	Percentage of Total Taxable <u>Assessed</u>
Oaks Mall Gainesville LTD	\$285,000,000	1.91%
LM Gainesville, LLC	219,102,000	1.47
Treehouse Village Properties	93,519,300	0.63
HCA Health Services of Florida, Inc.	80,639,275	0.54
Stanley Robert E	61,933,061	0.41
LCD-HHC University Hotel, LLC	54,991,800	0.37
Oak Hammock at the University of Florida, Inc.	51,603,001	0.35
CL Gainesville Borrow, LLC	46,397,900	0.31
West 20 Apartments, LLC	40,411,000	0.27
Shands Teaching Hospital and Clinics, Inc.	22,015,288	0.15
TOTAL PRINCIPAL TAXPAYERS	\$955,612,625	6.39%

⁽¹⁾ There could be material adverse impacts on the assessed values as a result of COVID-19. See "BONDHOLDER RISKS AND CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION" in the body of this Reoffering Memorandum for information regarding COVID-19 and its impacts on the City.

Source: Finance Department, City of Gainesville, Florida.

LIABILITIES OF THE CITY

Insurance Considerations Affecting the City

General

The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City accounts for its uninsured risk of loss depending on the source of the estimated loss. For estimated losses attributable to activities of the System, the estimates are accounted for in the System enterprise funds. For estimated losses attributable to all operations of general government, the City maintains a General Insurance Fund (an internal service fund) to account for some of its uninsured risk of loss.

Workers' Compensation, Auto, and General Liability Insurance

Section 768.28, Florida Statutes, provides limits on the liability of the State and its subdivisions of \$200,000 to any one person, or \$300,000 for any single incident or occurrence. See "LIABILITIES OF THE CITY – Ability to be Sued, Judgments Enforceable" below. Under the protection of this limit and Chapter 440, Florida Statutes, covering Workmen's Compensation, the City currently is self-insured for workers' compensation, auto, and general liability. Third-party coverage is currently maintained for

workers' compensation claims in excess of \$350,000. Settlements have not exceeded insurance coverage for each of the last three years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs), and are shown at current dollar value.

All funds other than the Utility Fund participate in the general insurance program. Risk management/insurance related activities of the Utility Fund are accounted for within the Utility Fund. An actuarially computed liability of \$3,337,000 is recorded in the Utility Fund as a deferred credit. The present value calculation assumes a rate of return of 4.5% with a confidence level of 75%. All claims for fiscal year 2020 were paid from current year's revenues as follows:

Utility Fund (Business-Type Activities)

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Incurred</u>	<u>Payments</u>	<u>End of Fiscal Year Liability</u>
2019-2020	\$3,337,000	\$2,051,291	(\$2,051,291)	\$3,337,000
2018-2019	3,337,000	2,102,918	(2,102,918)	3,337,000

Internal Service Fund (Governmental Activities)

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Incurred</u>	<u>Payments</u>	<u>End of Fiscal Year Liability</u>
2017-2018	\$6,854,000	\$3,861,445	\$3,861,445	\$6,854,000
2016-2017	6,854,000	2,466,244	2,466,244	6,854,000

Health Insurance

The City is also self-insured for its Employee Health and Accident Benefit Plan (the "Plan"). The Plan is accounted for in an internal service fund and is externally administered, for an annually contracted amount which is based upon the volume of claims processed. Contributions for City employees and their dependents are shared by the City and the employee. Administrative fees are paid primarily out of this fund. Stop-loss insurance is maintained for this program at \$300,000 per individual. No claims have exceeded insurance coverage in the last three years.

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Incurred</u>	<u>Payments</u>	<u>End of Fiscal Year Liability</u>
2019-2020	\$1,310,671	\$24,441,535	(\$24,441,535)	\$1,310,671
2018-2019	1,310,671	22,207,647	(22,207,647)	1,310,671

These claims liability amounts are all considered to be due within one year and are classified as current liabilities in the accompanying financial statements.

Other Post-Employment Benefit & Retiree Health Care Plan

Plan Description.

By ordinance enacted by the City Commission, the City has established the Retiree Health Care Plan (RHCP), providing for the payment of a portion of the health care insurance premiums for eligible retired employees. The RHCP is a single-employer defined benefit healthcare plan administered by the City which provides medical insurance benefits to eligible retirees and their beneficiaries.

The City issues a publicly available financial report that includes financial statements and required supplementary information for the RHCP. That report may be obtained by writing to City of Gainesville, Finance Department, P.O. Box 490, Gainesville, Florida 32627 or by calling (352) 334-5054.

Benefits Provided-Prior to September 1, 2008, normal or early retirees are subsidized \$10.00 times the number of years of credited service plus one of the following:

- a. Plus \$5.00 times the numbers of years of age and portion thereof over 65, on the date that retiree first enters the retiree health insurance program or January 1, 2009, whichever is later; or
- b. Minus \$5.00 times the number of years of age and portion thereof under 65, on the date that retiree first enters the retiree health insurance program or January 1, 2009, whichever is later.

DROP participants who have entered a regular DROP before September 1, 2008, or who have declared their intention to reverse DROP before September 1, 2008, shall have the period of employment while in the regular DROP, or the period of employment after the effective date of commencement of participation in the (reverse) DROP, added to credited service for purposes of the calculation described above.

For disabled retirees, the amount that the City will contribute towards the required premium, for persons who become retirees based upon application for disability retirement submitted before September 1, 2008, will be an amount equal to:

- a. 80% of the individual premiums of the least costly city group health plan option being offered at that time.
- b. The City will contribute towards any other tier of coverage an amount equal to 150% of the individual premium of the least costly City group plan option being offered at that time.

For current retirees age 65 or older on January 1, 2009, the amount the City will contribute towards the required premium will be the greater of the amount contributed for the month of August 2008 or the amount determined under the provisions of the RHCP.

After August 31, 2008, normal or early retirees are subsidized \$10.00 times the number of years of credited service plus one of the following:

- a. Plus \$5.00 times the numbers of years of age and portion thereof over 65, on the date that retiree first enters the retiree health insurance program; or

- b. Minus \$5.00 times the number of years of age and portion thereof under 65, on the date that retiree first enters the retiree health insurance program.

DROP participants who have entered a regular DROP after August 31, 2008, or who have declared their intention to reverse DROP after August 31, 2008, shall not have the period of employment while in regular DROP, or the period of employment after the effective date of commencement of participation in the (reverse) DROP, count as credited service for purposes of the calculation described above.

For disabled retirees, the amount that the City will contribute towards the required premium, for persons who become retirees based upon application for disability retirement submitted after August 31, 2008, will be:

- a. For approved "in-line-of-duty" disabilities under the Consolidated Plan or the City's Employees' Disability Plan, the City will contribute towards an individual premium an amount equal to:
 - i. 80% of the individual premiums of the least costly city group health plan option being offered at the time the disability retirement is approved.
 - ii. The City will contribute towards any other tier of coverage an amount equal to 150% of the individual premium of the least costly City group plan option being offered at the time the disability retirement is approved.
- b. For approved disabilities other than "in-line-of-duty", the City will contribute 50% of the amount described above.

Those who do not meet the age and service requirements above are eligible for coverage only. Retirees must pay 100% of the active premium rates up to age 65, the 100% of the Medicare supplement premium rate.

Employees Covered by Benefit Terms-At October 1, 2019, the following employees were covered by the benefit terms:

Active Employees	2,307
Inactive Members or Beneficiaries:	
Currently Receiving Benefits	<u>1,431</u>
Total	<u>3,738</u>

Contributions-The contribution policy of the City is established and may be amended by the City at any time. The annual contribution consists of the normal cost amount developed annually plus, given there is any unfunded actuarial accrued liability (UAAL), an amount to amortize said UAAL over 10 years from inception. For the 2020 fiscal year, the actuarially determined contribution was \$0, and the City contributed a total of \$856,568 in explicit premiums to the OPEB Plan. The City's contribution rate is influenced by the issuance of \$35,210,000 Taxable Other Postemployment Benefit (OPEB) bonds to retire the unfunded actuarial accrued liability then existing in the Retiree Health Insurance Program Trust Fund.

Investment Policy-The City Commission has the responsibility to develop a policy for the investment of the assets of the RHCP. The investment of the assets must be consistent with the written investment policy adopted by the City Commission (Section 2-438 of the Gainesville City Code). The policies are structured to maximize the financial return to the RHCP consistent with the risks incumbent in each

investment and are structured to establish and maintain an appropriate diversification of the RHCP's assets. The City Commission periodically undertakes studies to evaluate the potential consequence of alternative investment strategies on the long term well-being of the RHCP.

Net OPEB Liability-At September 30, 2020, the City reported a net OPEB liability for the Retiree Health Insurance Program of \$2,006,628. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of October 1, 2019, rolled forward to the measurement date.

The components of the net OPEB liability at September 30, 2020, were as follows:

Components of Net OPEB Liability

Total OPEB Liability	\$64,015,884
Plan Fiduciary Net Position	<u>62,009,254</u>
City's Net OPEB Liability	<u>\$2,006,628</u>

Plan fiduciary net position as a percentage of the total OPEB liability 96.87%

Significant Actuarial Assumptions—The total OPEB liability was determined by an actuarial valuation as of October 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	3.00%
Investment Return Rate	7.90%
Salary Increase	Service Based
Discount Rate	7.90%
Healthcare Cost Trend Rate	8.30% to 4.50%

See "BONDHOLDER RISKS AND CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION" in the body of this Reoffering Memorandum for a discussion of COVID-19 and its possible impacts on the City. It is possible that in the future net OPEB liability could increase as a result of the downward trend in stock market performance as a result of COVID-19.

Mortality Rate-All mortality rates were based on the RP-2000 mortality tables, including fully generational adjustments for mortality improvements using improvements scale BB, except for disabled mortality which has not been adjusted for mortality improvements. All mortality rates are those outlined in Milliman's July 1, 2018, Florida Retirement System (FRS) valuation report.

Long-Term Expected Rate of Return-The long-term expected rate of return on RHCP investments can be determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of RHCP investment expenses and inflation) are developed for each major asset class. The assumed rate of inflation is 3.0% per year. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020 are summarized in the following table:

	Target Allocation	Long-Term Expected Rate of Return
Equities	83.32%	5.45%
Real Estate	11.11	5.90
Alternative Investments	0.00	0.00
Fixed Income	<u>5.57</u>	1.70
Total	<u>100.00%</u>	

Discount Rate-The discount rate used to measure the total OPEB liability was 7.90%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the actuarially determined contribution rates less the member contributions. Based on those assumptions, the RHCP's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at October 1, 2019	<u>\$77,815,470</u>	<u>\$63,674,314</u>	<u>\$14,141,156</u>
Changes for the year:			
Service cost	1,742,093	-	1,742,093
Interest	6,093,319	-	6,093,319
Differences between expected and actual experience	(3,069,055)	-	(3,069,055)
Changes in assumptions	(13,744,743)	-	(13,744,743)
Contributions - employer	-	2,557,953	(2,557,953)
Net investment income	-	602,848	(602,848)
Benefit payments	(4,821,200)	(4,821,200)	-
Administrative expense	-	(10,943)	10,943
Other changes	-	6,282	(6,282)
Net changes	<u>(13,799,586)</u>	<u>(1,665,060)</u>	<u>(12,134,526)</u>
Balance at September 30, 2020	<u>\$64,015,884</u>	<u>\$62,009,254</u>	<u>\$2,006,630</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate-The following presents the net OPEB liability, calculated using the discount rate of 7.90%, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.90%) or 1 percentage-point higher (8.90%) than the current rate:

	1% Decrease (6.90%)	Current Discount Rate (7.90%)	1% Increase (8.90%)
Net OPEB Liability (Asset)	<u>\$8,472,164</u>	<u>\$2,006,628</u>	<u>\$(3,517,945)</u>

Sensitivity of the Net OPEB Liability to Changes in the Health Care Trend Rate-The following presents the net OPEB liability, calculated using the health care cost trend rate of 8.30%, as well as what the RHCP net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Net Pension Liability (Asset)	<u>\$(4,519,566)</u>	<u>\$2,006,628</u>	<u>\$9,737,262</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources-For the year ended September 30, 2020, the City will recognize OPEB expense of \$3,439,411. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$1,804,786	\$2,685,424
Changes of Assumptions	832,724	12,026,651
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	<u>7,102,504</u>	<u>-</u>
Total	<u>\$9,740,014</u>	<u>\$14,712,075</u>

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB Expense as follows:

Fiscal Year Ending	Net Deferred Outflows/(Inflows) of Resources
2021	\$ 533,492
2022	533,493
2023	773,940
2024	(597,168)
2025	(2,012,368)
Thereafter	<u>(4,203,450)</u>
Total	<u>\$(4,972,061)</u>

Debt Issuance and Management

The City utilizes a financing team when assessing the utilization of debt as a funding source for City capital projects. This team consists of the Assistant City Manager, Finance Director, Assistant Finance Director, and the following external professionals: bond counsel, disclosure counsel, financial advisor, and underwriters. The City has multi-year contractual arrangements with bond counsel, disclosure counsel, and its financial advisor.

Direct Debt

The City has met certain of its financial needs through debt financing. The table which follows is a schedule of the outstanding debt of the City General Government as of October 1, 2020. This table is exclusive of the City's discretely reported component unit debt and all enterprise fund debt, including the debt of the System.

	<u>Principal Amount Issued</u>	<u>Principal Amount Outstanding as of October 1, 2020</u>
Revenue Bonds: ⁽¹⁾		
Guaranteed Entitlement Revenue and Refunding Bonds, Series 1994	\$15,892,220	\$780,549
Taxable Pension Obligation Bonds, Series 2003A (Employees' Plan)	40,042,953	28,646,460
Taxable Pension Obligation Bonds, Series 2003B (Consolidated Plan)	49,851,806	36,730,000
Capital Improvement Revenue Bonds, Series 2010	4,350,000	2,535,000
Capital Improvement Revenue Bonds, Series 2014	14,535,000	11,400,000
Taxable Special Obligation Revenue Bond, Series 2020	<u>206,080,000</u>	<u>206,080,000</u>
Total Revenue Bonds	\$ 330,751,979	\$286,172,009
Loans:		
Refunding Revenue Note, Series 2011	6,230,000	1,335,000
Capital Improvement Revenue Note, Series 2011A	3,730,000	420,000
Refunding Revenue Note, Series 2014	14,715,000	7,645,000
Revenue Refunding Note, Series 2016A	11,970,000	9,995,000
Capital Improvement Revenue Note, Series 2016B	6,630,000	5,485,000
Capital Improvement Revenue Note Series 2017	10,365,000	9,205,000
Capital Improvement Revenue Note, Series 2019	<u>8,535,000</u>	<u>8,055,000</u>

(1) The City's outstanding Guaranteed Entitlement Revenue and Refunding Bonds, Series 1994 are secured by a first lien upon and pledge of the guaranteed entitlement portion of the State Revenue Sharing funds. All other bonds listed below are secured by a covenant to budget and appropriate funds sufficient to pay the debt service on the loan from legally available non-ad valorem revenues of the City.

(2) All loans listed are secured by a covenant to budget and appropriate funds sufficient to pay the debt service on the loan from legally available non-ad valorem revenues of the City.

Defined Benefit Pension Plans

The City sponsors and administers two single-employer retirement plans, which are accounted for in separate Pension Trust Funds. Additionally the City participates in the Florida Retirement System ("FRS"), a single retirement system which consists of two cost-sharing, multiple-employer defined benefit plans, and other non-integrated programs. Total pension expense for all pension plans was \$32,588,217 for the fiscal year ended September 30, 2020.

Employee's Pension Plan

Plan Description. The Employees' Pension Plan ("Employees' Plan") is a contributory defined benefit single-employer pension plan that covers all permanent employees of the City, including GRU, except certain personnel who elected to participate in the Defined Contribution Plan and who were grandfathered into that plan, and police officers and firefighters who participate in the Consolidated Plan. Benefits and refunds of the defined benefit pension plan are recognized when due and payable in accordance with the terms of the plan. The costs of administering the plan, like other plan costs, are captured within the plan itself and financed through contribution and investment income, as appropriate.

The City issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Plan. That report may be obtained by writing to City of Gainesville, Budget & Finance Department, P.O. Box 490, Gainesville, Florida 32627 or by calling (352) 334-5054.

Benefits Provided. The Employees' Plan provides retirement, disability and death benefits. Prior to April 2015, disability benefits were provided through a separate plan which was subsequently terminated. Existing and future pension assets and pension liabilities were transferred to the Employees' Plan at that time.

Retirement benefits for employees are calculated as a fixed percent (often referred to as "the multiplier") of the employee's final average earnings (FAE) times the employee's years of service. The fixed percentage and final average earnings vary depending on the date of hire as follows:

<u>Date of Hire</u>	<u>Fixed percent of FAE (multiplier)</u>	<u>Final Average Earnings</u>
On or before 10/01/2007	2.0%	Highest 36 consecutive months
10/02/2007 – 10/01/2012	2.0%	Highest 48 consecutive months
On or after 10/02/2012	1.8%	Highest 60 consecutive months

For service earned prior to October 1, 2012, the lesser number of unused sick leave or personal critical leave bank credits earned on or before September 30, 2012 or the unused sick leave or personal critical leave bank credits available at the time of retirement may be credited towards the employee's years of service for that calculation. For service earned on or after October 1, 2012, no additional months of service will be credited for unused sick leave or personal critical leave bank credits.

Employees are eligible for normal retirement:

- If the date of hire occurred on or before October 2, 2007, after accruing 20 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 65 while still employed.
- If the date of hire was between October 2, 2007 and October 1, 2012, after accruing 25 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 65 while still employed.
- If the date of hire was on or after October 2, 2012, after accruing 30 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 65 while still employed.

Employees are eligible for early retirement:

- If the date of hire occurred on or before October 1, 2012, after accruing 15 years of pension service credit and reaching age 55 while still employed.
- If the date of hire was on or after October 2, 2012, after accruing 20 years of pension service credit and reaching age 60 while still employed.
- Under the early retirement option, the benefit is reduced by 5/12th of one percent for each month (5% for each year) by which the retirement date is less than the date the employee would reach age 65.
- Employees receive a deferred vested benefit if they are terminated after accruing five years of pension service credit but prior to eligibility for regular retirement. Those employees will be eligible to receive a benefit starting at age 65.

A 2% cost of living adjustment (COLA) is applied to retirements benefits each October 1st if the retiree has reached eligibility for COLA prior to that date. Eligibility for COLA is determined as follows:

- If the retiree had at least 20 years of credited service prior to October 1, 2012 and had at least 20 years but less than 25 years of credited service upon retirement, COLA begins after reaching age 62.
- If the retiree had at least 20 years of credited service prior to October 1, 2012 and at least 25 years of credited service upon retirement, COLA begins after reaching age 60.
- If the retiree was hired on or before October 1, 2012 and had less than 20 years of credited service on or before October 1, 2012 and 25 years or more of credited service upon retirement, COLA begins after reaching age 65.
- If the retiree was hired after October 1, 2012 and had 30 years or more of credited service upon retirement, COLA begins after age 65.

Employees hired on or before October 1, 2012 are eligible to participate in the deferred retirement option plan ("DROP") when they have completed 27 years of credited service and are still employed by the City. Such employees retire from the Employees' Plan but continue to work for the City. The retirement benefit is calculated as if the employee had terminated employment and is paid to a DROP account held within the pension plan until the employee actually leaves the employment of the City. While in DROP, these payments earn a guaranteed rate of annual interest, compounded monthly. For employees who entered DROP on or before October 1, 2012, DROP balances earn 6% annual interest. For employees who entered DROP on or after October 1, 2012, DROP balances earn 2.25% annual interest. Employees may continue in the DROP for a maximum of 5 years or until reaching 35 years of service, whichever occurs

earlier. Upon actual separation from employment, the monthly retirement benefits begin being paid directly to the retiree and the retiree must take their DROP balance plus interest as a lump-sum cash disbursement, roll into a retirement account or choose a combination of the two options.

Death benefits are paid as follows:

- If an active member retires after reaching normal retirement eligibility and had selected a tentative benefit option, benefit payments will be made to the beneficiary in accordance with the option selected.
- If an active member who is married dies after reaching normal retirement eligibility and did not previously select a tentative benefit option, the plan assumes the employee retired the day prior to death and elected the Joint & Survivor option naming their spouse as their beneficiary.
- If an active member who is not married dies after reaching normal retirement eligibility and did not previously select a tentative benefit option, or if an active member dies prior to reaching normal retirement eligibility, or if a non-active member with a deferred vested benefit dies before age 65, the death benefit is a refund of the member's contributions without interest to the beneficiary on record.
- Continuation of retirement benefits after the death of a retiree receiving benefits is contingent on the payment option selected upon retirement. If the retiree has chosen a life annuity and dies prior to receiving benefits greater than the retiree's contributions to the plan, a lump sum equal to the difference is paid to the beneficiary on record.

Disability benefits are paid to eligible regular employees of the City who become totally and permanently unable to perform substantial work for pay within a 50-mile radius of the home or City Hall, whichever is greater, and who is wholly and continuously unable to perform any and every essential duty of employment, with or without a reasonable accommodation, or of a position to which the employee may be assigned. The basic disability benefit is equal to the greater of the employee's years of service credit times 2% with a minimum 42% for in line of duty disability and a minimum 25% for other than in line of duty disability, times the employee's final average earnings as would be otherwise calculated under the plan. The benefit is reduced by any disability benefit percent up to a maximum of 50% multiplied by the monthly Social Security primary insurance amount to which the employee would be initially entitled to as a disabled worker, regardless of application status. The disability benefit is limited to the lesser of \$3,750 per month or an amount equal to the maximum benefit percent, less reductions above and the initially determined wage replacement benefit made under workers' compensation laws.

Plan Membership. At October 1, 2019, the following employees were covered by the benefit terms:

Active Plan Members	1,640
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	1,376
Inactive Plan Members Entitled to Benefits But Not Yet Receiving Benefits	<u>427</u>
Total	3,443

Contribution Requirements. The contribution requirements of plan members and the City are established and may be amended by City Ordinance approved by the City Commission. The City is required to contribute at an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City

contributes the difference between the actuarially determined rate and the contribution rate of employees. Plan members are required to contribute 5% of their annual covered salary. The City's required contribution rate for fiscal year 2020 was 18.82% of covered payroll. This rate was influenced by the issuance of the Taxable Pension Obligation Bonds, Series 2003A and the Special Obligation Revenue Bonds, Series 2020. The proceeds from these issues were utilized to retire the unfunded actuarial accrued liability at that time in the Employees' Plan. Differences between the required contribution and actual contribution are due to actual payroll experiences varying from the estimated total payroll used in the generation of the actuarially required contribution rate. Administrative costs are financed through investment earnings.

Net Pension Liability. At September 30, 2020 the City reported a net pension liability for the Employees' Plan of \$24,827,585. The Employees' Plan net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2019, rolled-forward to the measurement date.

The components of the net pension liability at September 30, 2020 were as follows:

Components of Net Pension Liability

Total pension liability	\$602,264,766
Plan fiduciary net position	<u>577,437,181</u>
City's net pension liability	<u>\$ 24,827,585</u>

Plan fiduciary net position as a percentage of the total pension liability	95.88%
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See "BONDHOLDER RISKS AND CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION" in the body of this Reoffering Memorandum for a discussion of COVID-19 and its possible impacts on the City. It is possible that in the future net pension liability could increase as a result of the downward trend in stock market performance as a result of COVID-19.

Significant Actuarial Assumptions. The Employees' Plan total pension liability was determined by an actuarial valuation performed as of October 1, 2019, using the following actuarial methods and assumptions:

Actuarial Assumptions

Inflation	2.50%
Salary Increases	Service Based
Investment Rate of Return	7.90%
Discount Rate	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table projected generationally with Mortality Improvement Scale BB. The assumed rates of mortality are mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumption used in either of the two most recent valuations of the FRS. The mortality rates used are those outlined in the July 1, 2018 FRS actuarial valuation report for nonspecial risk lives.

Long-Term Expected Rate of Return. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real

rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. For 2020 the inflation rate assumption was 2.50%. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Employees' Plan target asset allocation as of September 30, 2020 are summarized in the following table:

	Target <u>Allocation</u>	Long-Term Expected Rate <u>of Return</u>
Domestic Equity	47.00%	7.50%
International Equity	28.00	8.50
Domestic Fixed Income	8.00	2.50
Real Estate	12.00	4.50
Alternative	5.00	7.00
Total	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.90%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the actuarially determined contribution rates less the member contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability.

	Increase (Decrease)		
	Total Pension <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net Pension <u>Liability</u>
Balance at October 1, 2019	\$585,350,538	\$415,287,016	\$170,063,522
Changes for the Year:			
Service cost	8,697,546	-	8,697,546
Interest	45,457,275	-	45,457,275
Differences Between Expected and Actual Experience	(157,018)	-	(157,018)
Contributions – Buy Back	195,500	195,500	-
Benefit Payments, Including Refunds of			
Employee Contributions	(37,279,075)	(37,279,075)	-
Contributions – Employer	-	177,683,605	(177,683,605)
Contributions – Employee	-	5,053,053	(5,053,053)
Net Investment Income	-	17,060,129	(17,060,129)
Administrative Expense	-	(563,047)	563,047
Net Changes	<u>16,914,228</u>	<u>162,150,165</u>	<u>(145,235,937)</u>
Balance at September 30, 2020	<u>\$602,264,766</u>	<u>\$577,437,181</u>	<u>\$24,827,585</u>

See "BONDHOLDER RISKS AND CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION" in the body of this Reoffering Memorandum for a discussion of COVID-19 and its possible impacts on the City. It is possible that in the future net pension liability could increase as a result of the downward trend in stock market performance as a result of COVID-19.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability, calculated using the discount rate of 7.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.90%) or 1 percentage-point higher (8.90%) than the current rate:

	1% Decrease (6.90%)	Current Discount Rate (7.90%)	1% Increase (8.90%)
Net Pension Liability (Asset)	\$93,361,099	\$24,827,585	\$(32,613,544)

Pension Plan Fiduciary Net Position. Detailed information about the Employee's Plan fiduciary net position is available in the separately issued Employees' Plan financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended September 30, 2020, the City recognized pension expense for the Employees' Plan of \$28,286,604. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to the Employees' Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$5,391,105	\$2,039,071
Changes of Assumptions	9,648,244	-
Net Difference Between Projected and Actual Earning on Pension Plan Investments	21,139,918	-
Total	\$36,179,267	\$2,039,071

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Employees' Plan will be recognized in pension expense as follows:

Fiscal Year Ending	Pension Expense Amount
2021	\$8,758,118
2022	9,484,231
2023	12,907,978
2024	3,016,039
2025	(26,170)
Thereafter	-
Total	\$34,140,196

Police Officers' and Firefighters' Consolidated Retirement Plan.

Plan Description. The Police Officers' and Firefighters' Consolidated Retirement Plan ("Consolidated Plan") is a contributory defined benefit single-employer pension plan that covers City

sworn police officers and firefighters. The Plan is established under the City of Gainesville Code of Ordinances, Article 7, Chapter 2, Division 8. It complies with the provisions of Chapter 112, Part VII, Florida Statutes; Chapter 22D-1 of the Florida Administrative Code; Chapters 175 and 185, Florida Statutes; and Article X, Section 14 of the Florida Constitution, governing the establishment, operation and administration of plans.

Benefits and refunds of the defined benefit pension plan are recognized when due and payable in accordance with the terms of the plan. The costs of administering the plan, like other plan costs, are captured within the plan itself and financed through contribution and investment income, as appropriate.

The City issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to City of Gainesville, Budget and Finance Department, P.O. Box 490, Gainesville, Florida 32627 or by calling (352) 334-5054.

Benefits Provided. The Consolidated Plan provides retirement, disability and death benefits. Retirement benefits for employees are calculated as a fixed percent (often referred to as "the multiplier") of the employee's final average earnings (FAE) times the employee's years of service.

For Police Officers, the final average monthly earnings (FAME) is the average of pensionable earnings during the 36 to 48 month period (depending on date of hire) that produces the highest earnings. For Police Officers, the benefit multiplier is 2.5% for credited service before 10/01/2005, 2.625% for credited service from 10/01/2005 to 07/01/2013 and 2.5% for credited service on and after 07/01/2013.

Police Officers are eligible for normal retirement:

- If the date of hire occurred prior to 07/01/2013, after accruing 20 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 55 while still employed, or attaining a combination of credited service and age that equals seventy (Rule of Seventy).
- If the date of hire was on or after 07/01/2013, after accruing 25 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 55 while still employed, or attaining a combination of credited service and age that equals seventy.

Police Officers are eligible for early retirement:

- After accruing 10 years of pension service credit and reaching age 50 while still employed.
- Under the early retirement option, the benefit is reduced 3% for each year by which the retirement date is less than the date the employee would reach age 55.
- Employees may choose to receive a refund on contributions to the plan or to receive a deferred vested benefit if they are terminated after accruing 10 years of pension service credit but prior to eligibility for regular retirement. Those employees will be eligible to receive a benefit starting at age 55 with no reduction or at age 50 with the early retirement penalty above.

For Police Officers, a 1-2% cost of living adjustment (COLA) is applied to retirement benefits each October 1st if the retiree has reached eligibility for COLA prior to that date. Eligibility for COLA is determined as follows:

- If the retiree was eligible for retirement on or before 07/01/2013 and had at least 25 years of credited service upon retirement, 2% COLA begins after reaching age 55.
- If the retiree was eligible for retirement on or before 07/01/2013 had 20 years of credited service upon retirement, 2% COLA begins after reaching age 62.
- If the retiree was eligible for retirement after 07/01/2013 and had 25 years of credited service upon retirement 1% COLA begins after reaching age 55 and the COLA increases to 2% after reaching age 62.
- If the retiree retired under the Rule of Seventy with less than 20 years of credited service upon retirement, COLA begins after age 62. Effective July 1, 2013, Police Officers retiring under the Rule of Seventy are ineligible for COLA.

For Firefighters, the final average monthly earnings (FAME) is the average of pensionable earnings during the 36 month period that produces the highest earnings. For Firefighters, the benefit multiplier is 2.5% for credited service before 10/01/2005, 2.625% for credited service from 10/01/2005 to 12/31/2013 and 2.5% for credited service on and after 01/01/2014. For service earned prior to 01/01/2014, the lesser number of unused sick leave credits earned on or before 12/31/2013 or the unused sick leave bank credits available at the time of retirement may be credited towards the employee's years of service for that calculation. For service earned on or after 01/01/2014, no additional months of service will be credited for unused sick leave credits.

Firefighters are eligible for normal retirement:

- If the date of hire occurred prior to 01/01/2014, after accruing 20 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 55 while still employed, or attaining a combination of credited service and age that equals seventy (Rule of Seventy).
- If the date of hire was on or after 01/01/2014, after accruing 25 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 55 while still employed, or attaining a combination of credited service and age that equals seventy.

Employees are eligible for early retirement:

- After accruing 10 years of pension service credit and reaching age 50 while still employed.
- Under the early retirement option, the benefit is reduced 3% for each year by which the retirement date is less than the date the employee would reach age 55.
- Employees may choose to receive a refund on contributions to the plan or to receive a deferred vested benefit if they are terminated after accruing 10 years of pension service credit but prior to eligibility for regular retirement. Those employees will be eligible to receive a benefit starting at age 55 with no reduction or at age 50 with the early retirement penalty above.

For Firefighters, a 2% cost of living adjustment (COLA) is applied to retirement benefits each October 1st if the retiree has reached eligibility for COLA prior to that date. Eligibility for COLA is determined as follows:

- If the retiree had at least 25 years of credited service upon retirement, COLA begins after reaching age 55.
- If the retiree had 20 years of credited service upon retirement, COLA begins after reaching age 62.
- If the retiree retired under the Rule of Seventy with less than 20 years of credited service upon retirement, COLA begins after age 62.

Both Police Officers and Firefighters are eligible to participate in the deferred retirement option plan (DROP) when they have completed 25 years of credited service and are still employed by the City (or meet the Rule of Seventy). Such employees retire from the Consolidated Plan but continue to work for the City. The retirement benefit is calculated as if the employee had terminated employment and is paid to a DROP account held within the pension plan until the employee actually leaves the employment of the City. While in DROP, these payments earn a guaranteed rate of annual interest, (5.5% for Firefighters and 4.5% for Police Officers) compounded monthly. Employees may continue in the DROP for a maximum of 5 years or until reaching 35 years of service, whichever occurs earlier.

Upon actual separation from employment, the monthly retirement benefits begin being paid directly to the retiree and the retiree must take their DROP balance plus interest as a lump-sum cash disbursement, roll into a retirement account or choose a combination of the two options. The Consolidated Plan also provides for a reverse DROP option.

Death benefits are paid as follows:

- If an active member retires after reaching normal retirement eligibility and had selected a tentative benefit option, benefit payments will be made to the beneficiary in accordance with the option selected.
- If an active member with less than ten years of service dies before reaching normal retirement eligibility, the death benefit is a refund to the beneficiary of 100% of the member contributions without interest.
- If an active member with at least ten years of service dies before reaching normal retirement eligibility, the beneficiary is entitled to the benefits otherwise payable to the employee at early or normal retirement age, based on the accrued benefit at the time of death.
- Continuation of retirement benefits after the death of a retiree receiving benefits is contingent on the payment option selected upon retirement. If the retiree has chosen a life annuity and dies prior to receiving benefits greater than the retiree's contributions to the plan, a lump sum equal to the difference is paid to the beneficiary on record.

The monthly benefit for a service-incurred disability is the greater of the employee's accrued benefit as of the date of disability or 42% of the FAME. The monthly benefit for a non-service-incurred disability is the greater of the accrued benefit as of the date of disability or 25% of the FAME. Payments continue until the death of the member or until the 120th payment, payable to the designated beneficiary if no option is elected. There is no minimum eligibility requirement if the injury or disease is service-incurred. If the

injury or disease is not service-incurred, the employee must have at least five years of service to be eligible for disability benefits.

Plan Membership. At October 1, 2019, the following employees were covered by the benefit terms:

Active Plan Members	391
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	471
Inactive Plan Members Entitled to Benefits But Not Yet Receiving Benefits	<u>29</u>
Total	891

Contribution Requirements. The contribution requirements of plan members and the City are established and may be amended by City Ordinance approved by the City Commission in accordance with Part VII, Chapter 112, Florida Statutes. The City is required to contribute at an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Firefighters contribute 9.0% of gross pay and Police Officers contribute 7.5% of gross pay. The City's contribution rate for fiscal year 2020 was 20.87% of covered payroll for police personnel and 22.49% for fire personnel. This rate was influenced by the issuance of the Taxable Pension Obligation Bonds, Series 2003B and the Special Obligation Revenue Bonds, Series 2020. Differences between the required contribution and actual contribution are due to actual payroll experiences varying from the estimated total payroll used in the generation of the actuarially required contribution rate. Administrative costs are financed through investment earnings.

Net Pension Liability. At September 30, 2020, the City reported a net pension liability for the Consolidated Plan of \$5,489,172. The Consolidated Plan net pension liability was measured as of September 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2019, rolled-forward to the measurement date.

The components of the net pension liability at September 30, 2020 were as follows:

Components of Net Pension Liability

Total pension liability	\$302,407,734
Plan fiduciary net position	<u>296,918,562</u>
City's net pension liability	<u>\$5,489,172</u>
Plan fiduciary net position as a percentage of the total pension liability	98.18%

See "BONDHOLDER RISKS AND CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION" in the body of this Reoffering Memorandum for a discussion of COVID-19 and its possible impacts on the City. It is possible that in the future net pension liability could increase as a result of the downward trend in stock market performance as a result of COVID-19.

Significant Actuarial Assumptions. The Consolidated Plan total pension liability was determined by an actuarial valuation performed as of October 1, 2019, using the following actuarial methods and assumptions:

Actuarial Assumptions

Inflation	2.50%
Salary Increases	Service Based
Investment Rate of Return	7.90%
Discount Rate	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table projected generationally with Mortality Improvement Scale BB. The assumed rates of mortality are mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The mortality rates used are those outlined in the July 1, 2018 FRS actuarial valuation report for non-special risk lives.

The most recent actuarial experience study used to review the other significant assumptions was conducted in 2017.

Long-Term Expected Rate of Return:

The long-term expected rate of return on pension plan investments can be determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. For 2020 the inflation rate assumption of the investment advisor was 2.00%. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the Consolidated Plan's target asset allocation as of September 30, 2020 are summarized in the following table:

	Target <u>Allocation</u>	Long-Term Expected Rate <u>of Return</u>
Large Cap Equity	35.00%	10.00%
Small Cap Equity	15.00	9.30
International Equity	20.00	3.70
Securitized Credit	5.00	20.00
High Yield	5.00	2.60
EMD Sovereign	2.50	2.50
Private Markets	7.50	3.70
Real Estate	<u>10.00</u>	8.00
Total	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.90%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the actuarially determined contribution rates less the member and State contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the

pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at October 1, 2019	\$294,514,116	\$243,431,612	\$51,082,504
Changes for the year:			
Service cost	3,905,032	-	3,905,032
Interest	22,777,676	-	22,777,676
Share Plan Allocation	890,108	-	890,108
Differences Between Expected and Actual Experience	501,678	-	501,678
Contributions – Employer	-	51,905,342	(51,905,342)
Contributions – State	-	3,141,731	(3,141,731)
Contributions – Employee	-	2,113,851	(2,113,851)
Contributions – Buy Back	7,400	7,400	-
Benefit Payments, Including Refunds of Employee Contributions	(20,188,276)	(20,188,276)	-
Net Investment Income	-	17,227,545	(17,227,545)
Administrative Expense	-	(708,558)	708,558
Other Adjustments	-	(12,085)	12,085
Net Changes	<u>7,893,618</u>	<u>53,486,950</u>	<u>(45,593,332)</u>
Balance at September 30, 2020	<u>\$302,407,734</u>	<u>\$296,918,562</u>	<u>\$5,489,172</u>

See "BONDHOLDER RISKS AND CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION" in the body of this Reoffering Memorandum for a discussion of COVID-19 and its possible impacts on the City. It is possible that in the future net pension liability could increase as a result of the downward trend in stock market performance as a result of COVID-19.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability, calculated using the discount rate of 7.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.90%) or 1 percentage-point higher (8.90%) than the current rate:

	1% Decrease (6.90%)	Current Discount Rate (7.90%)	1% Increase (8.90%)
Net pension liability	\$46,601,473	\$5,489,172	\$(23,612,172)

Pension Plan Fiduciary Net Position. Detailed information about the Consolidated Plan's fiduciary net position is available in the separately issued Employees' Plan financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended September 30, 2020, the City recognized pension expense for the Consolidated Plan of \$4,028,246.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to the Consolidated Plan from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference Between Expected and Actual Experience	\$985,084	\$2,084,351
Changes in Assumptions	4,520,729	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>6,066,459</u>	<u>-</u>
Total	<u>\$11,572,272</u>	<u>\$2,084,351</u>

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending</u>	<u>Pension Expense Amount</u>
2021	\$1,206,157
2022	3,698,620
2023	4,081,065
2024	418,466
2025	83,613
Thereafter	<u>-</u>
Total	<u>\$9,487,921</u>

Amounts Payable to the Plan. The City and the Board of Trustees resolved a dispute with the State Division of Retirement regarding the State's nonacceptance of the Consolidated Plan's previous actuarial valuations. As a result, the Division of Retirement submitted \$3,141,731 of the Chapter 175/185 Insurance Premium Tax Distribution it had previously withheld for fiscal years 2018 and 2019 to the City, subsequent to year-end. The City recorded a receivable for this amount in the General Fund and a corresponding payable to the Consolidated Plan as these amounts are statutorily required to be contributed to the plan.

Defined Contribution Pension Plan

*Plan Description-*The Defined Contribution Pension Plan is open to certain existing City professional and managerial employees. The plan is only available to newly hired at-will professional and managerial employees. The Commission of the City of Gainesville adopted this plan and related amendments through a City Ordinance.

The plan is qualified under the provisions of Section 401A of the Internal Revenue Code. Assets of the Defined Contribution Plan are self-directed, and investment results are reported to employees quarterly. The City does not have fiduciary accountability for the Defined Contribution Pension Plan and, accordingly, the plan is not reported in the accompanying financial statements.

*Funding Policy-*The contribution requirements of plan members and the City are established and may be amended by City Ordinance approved by the City Commission in accordance with applicable State Statute. Plan members are required to contribute 5% of their annual covered salary. The City is required to

contribute 10% of covered payroll. During fiscal year 2020, plan members contributed \$230,187 and the City contributed \$387,352.

APPENDIX B

AUDITED FINANCIAL STATEMENTS RELATING TO THE SYSTEM

APPENDIX C
COPY OF THE RESOLUTION

APPENDIX D

DEBT SERVICE REQUIREMENTS

**DEBT SERVICE REQUIREMENTS ON OUTSTANDING BONDS
(WITHOUT GIVING EFFECT TO ISSUANCE OF 2021A BONDS)
(ACCRUAL BASIS)**

Period Ending September 30,	Total Debt Service on Bonds Outstanding⁽¹⁾⁽²⁾⁽³⁾
2021	\$88,840,378.38
2022	86,168,342.83
2023	88,375,150.50
2024	89,876,906.78
2025	88,092,398.45
2026	98,627,876.37
2027	97,917,132.69
2028	98,913,078.33
2029	98,652,764.94
2030	97,210,520.48
2031	97,604,269.73
2032	97,525,434.78
2033	97,447,324.46
2034	98,725,655.18
2035	98,516,976.45
2036	98,547,974.48
2037	95,409,725.34
2038	95,023,636.04
2039	94,457,232.20
2040	93,775,611.17
2041	93,271,497.05
2042	77,933,876.62
2043	78,495,830.97
2044	79,367,482.21
2045	80,462,668.28
2046	81,671,063.78
2047	83,056,031.59
2048	88,840,378.38
TOTAL	\$2,473,966,840.07

[Footnotes appear on following pages]

-
- (1) Excludes debt service on the Line of Credit Loans.
- (2) Debt service on the Outstanding Bonds has been calculated based upon the following assumptions:
- (a) Interest on the 2005 Series C Bonds has been calculated at an assumed rate of 3.20% per annum, the fixed rate payable by the City under the 2005 Series C Swap Transaction. For more information, see "THE SYSTEM – Management's Discussion of System Operations - *- Interest Rate Swap Transactions*" in the Official Statement to which this APPENDIX D is attached. To the extent that amounts payable to the City under the 2005 Series C Swap Transaction during any fiscal year differ from interest payable on the 2005 Series C Bonds during such fiscal year, net debt service on the 2005 Series C Bonds will be greater or less than the respective amount shown in this table for such fiscal year.
 - (b) Interest on the 2006 Series A Bonds has been calculated at an assumed rate of 3.224% per annum, the fixed rate payable by the City under the 2006 Series A Swap Transaction. For more information, see "THE SYSTEM – Management's Discussion of System Operations - *- Interest Rate Swap Transactions*" in the Official Statement to which this APPENDIX D is attached. To the extent that amounts payable to the City under the 2006 Series A Swap Transaction during any fiscal year differ from interest payable on the 2006 Series A Bonds during such fiscal year, net debt service on the 2006 Series A Bonds will be greater or less than the respective amount shown in this table for such fiscal year.
 - (c) Interest on the 2007 Series A Bonds has been calculated at an assumed rate of 3.944% per annum, the fixed rate payable by the City under the 2007 Series A Swap Transaction. For more information, see "THE SYSTEM – Management's Discussion of System Operations - *- Interest Rate Swap Transactions*" in the Official Statement to which this APPENDIX D is attached. To the extent that amounts payable to the City under the 2007 Series A Swap Transaction during any fiscal year differ from interest payable on the 2007 Series A Bonds during such fiscal year, net debt service on the 2007 Series A Bonds will be greater or less than the respective amount shown in this table for such fiscal year.
 - (d) Interest on the 2008 Series B Bonds has been calculated at an assumed rate of 4.229% per annum, the fixed rate payable by the City under the 2008 Series B Swap Transactions. For more information, see "THE SYSTEM – Management's Discussion of System Operations - *- Interest Rate Swap Transactions*" in the Official Statement to which this APPENDIX D is attached. To the extent that amounts payable to the City under the 2008 Series B Swap Transactions during any fiscal year differ from interest payable on the 2008 Series B Bonds during such fiscal year, net debt service on the 2008 Series B Bonds will be greater or less than the respective amount shown in this table for such fiscal year.
 - (e) Reflects total interest on the 2009 Series B Bonds and 2010 Series B Bonds, each of which the City has designated as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009, and is not net of the cash subsidy payments that the City expects to receive from the United States Treasury with respect to such Bonds. At the time of issuance of the 2009 Series B Bonds and 2010 Series B Bonds the subsidy payments on such Bonds was 35%.
 - (f) Pursuant to the Sequestration Transparency Act of 2012 (P.L. 112-155), as a consequence of the Joint Select Committee on Deficit Reduction's failure to propose, and Congress' failure to enact, a plan to reduce the federal deficit by \$1.2 trillion (as required by the Budget Control Act of 2011 by January 2, 2013), the President of the United States, in his report to Congress of sequestration for fiscal year 2013, included in such sequestration the payments authorized for direct-pay bonds, such as the 2009 Series B Bonds and 2010 Series B Bonds, issued under the Recovery and Reinvestment Act of 2009. As a result of the sequestration

payments to issuers of direct-pay bonds, such as the 2009 Series B Bonds and 2010 Series B Bonds, were subject to a reduction of 7.2% of the amount budgeted for such payment through September 30, 2014, a reduction of 7.3% through September 30, 2015, a reduction of 6.8% through September 30, 2016 and a reduction of 6.9% through September 30, 2017. No assurance can be given that legislative proposals may be introduced or enacted by Congress that would or might apply to, or have an adverse effect upon, the City's receipt of the subsidy payments.

- (g) Interest on the 2012 Series B Bonds has been calculated at an assumed rate of approximately 2.75% per annum.
- (3) Debt service on the 2017 Series A Bonds, 2017 Series B Bonds and 2017 Series C Bonds has been calculated based upon the following assumptions:
- (a) Interest on the , 2017 Series B Bonds has been calculated at an assumed rate fixed rate payable by the City under the 2017 Series B Swap Transactions. For the \$105,000,000 portion of the par amount held with TD Bank of the 2017 Series B Bonds, the assumed fixed rate is 1.76%. For the remaining par amount held with Wells Fargo of the 2017 Series B Bonds, the assumed fixed rate is 1.559%. To the extent that amounts payable to the City under the 2017 Series B Swap Transaction during any fiscal year differ from interest payable on the , 2017 Series B Bonds during such fiscal year, net debt service on the , 2017 Series B Bonds will be greater or less than the respective amount shown in this table for such fiscal year.
 - (b) Interest on the 2017 Series C Bonds has been calculated at an assumed rate of 1.41% per annum, an assumed fixed rate payable by the City under the 2017 Series C Swap Transaction. To the extent that amounts payable to the City under the 2017 Series C Bonds Swap Transaction during any fiscal year differ from interest payable on the 2017 Series C Bonds during such fiscal year, net debt service on the 2017 Series C will be greater or less than the respective amount shown in this table for such fiscal year.

APPENDIX E
FORM OF OPINION OF BOND COUNSEL

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

[APPENDIX G

Independent Second Party Opinion Letter]

EXHIBIT D
CONTINUING DISCLOSURE CERTIFICATE

**FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Gainesville, Florida (the "Issuer") in connection with the issuance of its \$_____ Utilities System Revenue Bonds, 2021 Series A (the "Bonds"). The Bonds are being issued pursuant to Resolution No. 170395 incorporating by reference the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on September 21, 2017 as amended by the Thirtieth Supplemental Utilities System Revenue Bond Resolution No. 180747 adopted by the City on February 21, 2019 (collectively, the "Resolution"), and as supplemented by the Thirty Fifth Supplemental Utilities System Revenue Bond Resolution No. _____ adopted by the City on _____, 2021 (collectively, the "Resolution").

SECTION 1. PURPOSE OF THE DISCLOSURE CERTIFICATE. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and Beneficial Owners (defined below) of the Bonds and in order to assist the Participating Underwriter in complying with the continuing disclosure requirements of the Rule (defined below).

SECTION 2. DEFINITIONS. In addition to the definitions set forth in the Resolution which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined herein, the following capitalized terms shall have the following meanings:

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

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean initially Digital Assurance Certification, LLC, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access web portal of the MSRB, located at <http://www.emma.msrb.org>.

"Event of Bankruptcy" shall be considered to have occurred when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt

obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Obligated Person" shall mean any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity or credit facilities).

"Participating Underwriter" shall mean the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each entity authorized and approved by the Securities and Exchange Commission from time to time to act as a repository for purposes of complying with the Rule. As of the date hereof, the Repository recognized by the Securities and Exchange Commission for such purpose is the MSRB, which currently accepts continuing disclosure submissions through EMMA.

"Rule" shall mean the continuing disclosure requirements of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Florida.

SECTION 3. PROVISION OF ANNUAL REPORTS.

(a) The Issuer shall, or shall cause the Dissemination Agent to, by not later than April 30th following the end of the prior fiscal year, beginning with the fiscal year ending September 30, 2021 with respect to the report for the 2020-2021 fiscal year, provide to any Repository in electronic format as prescribed by such Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date provided, further, in such event unaudited financial statements are required to be delivered as part of the Annual Report in accordance with Section 4(a) below. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5.

(b) If on the fifteenth (15th) day prior to the annual filing date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 3(a). Upon such reminder, the Issuer shall either (i) provide the Dissemination Agent with an electronic copy of the Annual Report no later than two (2) business days prior to the annual filing date, or (ii) instruct the Dissemination Agent in writing that the Issuer will not

be able to file the Annual Report within the time required under this Agreement, state the date by which the Annual Report for such year will be provided and instruct the Dissemination Agent that a failure to file has occurred and to immediately send a notice to the Repository in substantially the form attached as Exhibit A, accompanied by a cover sheet completed by the Dissemination Agent in the form set forth in Exhibit B.

- (c) The Dissemination Agent shall:
 - (i) determine each year prior to the date for providing the Annual Report the name and address of any Repository;
 - (ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing any Repository to which it was provided; and
 - (iii) if the Dissemination Agent has not received an Annual Report by 6:00 p.m. Eastern time on the annual filing date (or, if such annual filing date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a failure to file shall have occurred and the Issuer irrevocably directs the Dissemination Agent to immediately send a notice to the Repository in substantially the form attached as Exhibit A without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Dissemination Agent in the form set forth in Exhibit B.

SECTION 4. CONTENT OF ANNUAL REPORTS. The Annual Report shall contain or include by reference the following:

(a) the audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement dated _____, 2021, as supplemented on April 23, 2019 (the "Official Statement"), and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; and

(b) updates to the financial information and operating data contained in "THE SYSTEM" section of the Official Statement under the captions entitled:

- (i) "The Electric System – Customers", "- Retail and Wholesale Energy Sales", "- Generating Facilities" and "- Capital Improvement Program";
- (ii) "The Natural Gas System – Customers" and "- Capital Improvement Program";
- (iii) "The Water System – Customers" and "- Capital Improvement Program";
- (iv) "The Wastewater System – Customers" and "- Capital Improvement Program";
- (v) "Rates"; and
- (vi) "Summary of Combined Net Revenues" (fiscal year only).

The information provided under Section 4(b) may be included by specific reference to documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the Repository's Internet Web site or filed with the Securities and Exchange Commission.

The Issuer reserves the right to modify from time to time the specific types of information provided in its Annual Report or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Issuer; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule.

SECTION 5. REPORTING OF SIGNIFICANT EVENTS.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds. Such notice shall be given in a timely manner not in excess of ten (10) business days after the occurrence of the event, with the exception of the event described in number 17. below, which notice shall be given in a timely manner:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. modifications to rights of the holders of the Bonds, if material;
8. Bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the Bonds, if material;
11. ratings changes;
12. an Event of Bankruptcy or similar event of an Obligated Person;
13. the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the

Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the Issuer or Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer or Obligated Person, any of which affect security holders, if material;
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the Issuer or Obligated Person, any of which reflect financial difficulties; and
17. notice of any failure on the part of the Issuer to meet the requirements of Section 3 hereof.

(b) The notice required to be given in paragraph 5(a) above shall be filed with any Repository, in electronic format as prescribed by such Repository.

SECTION 6. IDENTIFYING INFORMATION. In accordance with the Rule, all disclosure filings submitted pursuant to this Disclosure Certificate to any Repository must be accompanied by identifying information as prescribed by the Repository. Such information may include, but not be limited to:

- (a) the category of information being provided;
- (b) the period covered by any annual financial information, financial statement or other financial information or operation data;
- (c) the issues or specific securities to which such documents are related (including CUSIPs, issuer name, state, issue description/securities name, dated date, maturity date, and/or coupon rate);
- (d) the name of any Obligated Person other than the Issuer;
- (e) the name and date of the document being submitted; and
- (f) contact information for the submitter.

SECTION 7. TERMINATION OF REPORTING OBLIGATION. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds, so long as there is no remaining liability of the Issuer, or if the Rule is repealed or no longer in effect. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 8. DISSEMINATION AGENT. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report

prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Digital Assurance Certification, LLC.

SECTION 9. AMENDMENT. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate provided that the following conditions are satisfied:

(a) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer, or the type of business conducted;

(b) The undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of the holders, as determined either by parties unaffiliated with the Issuer (such as the trustee or bond counsel), or by approving vote of bondholders pursuant to the terms of the governing instrument at the time of the amendment.

In the event of any amendment of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. ADDITIONAL INFORMATION. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. DEFAULT. The continuing disclosure obligations of the Issuer set forth herein constitute a contract with the holders of the Bonds. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate; provided, however, the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with the provisions of this Disclosure Certificate shall be an action to compel performance. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution.

SECTION 12. DUTIES, IMMUNITIES AND LIABILITIES OF DISSEMINATION AGENT. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party.

SECTION 13. BENEFICIARIES. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated as of _____, 2021

CITY OF GAINESVILLE, FLORIDA

By: _____
Name: Edward J. Bielarski, Jr.
Title: General Manager for Utilities

ACKNOWLEDGED BY:

DIGITAL ASSURANCE CERTIFICATION L.L.C.,
as Dissemination Agent

By: _____
Name:
Title:

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Gainesville, Florida

Name of Bond Issue: Utilities System Revenue Bonds, 2021 Series A

Date of Issuance: _____, 2021

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate between the Issuer and Digital Assurance Certification, L.L.C., as Dissemination Agent. The Issuer has notified the Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated: _____

Digital Assurance Certification, L.L.C., as Dissemination
Agent, on behalf of the Issuer

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT B
EVENT NOTICE COVER SHEET

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

Number of pages attached: _____

____ Description of Notice Events (Check One):

1. _____ "Principal and interest payment delinquencies;"
2. _____ "Non-Payment related defaults, if material;"
3. _____ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. _____ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. _____ "Substitution of credit or liquidity providers, or their failure to perform;"
6. _____ "Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;"
7. _____ "Modifications to rights of securities holders, if material;"
8. _____ "Bond calls, if material;"
9. _____ "Defeasances;"
10. _____ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. _____ "Rating changes;"
12. _____ "Tender offers;"
13. _____ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. _____ "Merger, consolidation, or acquisition of the obligated person, if material;"
15. _____ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material."
16. _____ "Incurrence of a Financial Obligation of the Issuer or Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer or Obligated Person, any of which affect security holders, if material;" and
17. _____ "Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the Issuer or Obligated Person, any of which reflect financial difficulties."

____ Failure to provide annual financial information as required.

____ Change in fiscal year of the Issuer.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: _____

Name: _____

Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: _____

EXHIBIT E
ESCROW DEPOSIT AGREEMENT

ESCROW DEPOSIT AGREEMENT

This is an Escrow Deposit Agreement dated as of _____, 2021, by and between **CITY OF GAINESVILLE, FLORIDA** (the "Issuer"), and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association and a member of the Federal Deposit Insurance Corporation, organized and existing under the laws of the United States of America and having its designated corporate trust office in which its duties hereunder are to be performed in New York, New York, as the escrow agent and as paying agent with respect to the Refunded Bonds, as hereinafter defined (the "Escrow Agent"):

WITNESSETH:

WHEREAS, the Issuer has previously issued its Utilities System Revenue Bonds, 2012 Series A (the "2012 Series A Bonds"), with a final maturity date on October 1, 2028 of which \$_____ in aggregate principal amount remain outstanding prior to the date hereof; and

WHEREAS, the Issuer wishes to make provision for the payment of the outstanding 2012 Series A Bonds maturing on and after October 1, 2023 (the "Refunded Bonds") by irrevocably depositing in escrow moneys in an amount which, together with investment earnings thereon will be sufficient to pay the principal of and interest and redemption premiums, if any, on the Refunded Bonds as the same become due or are called for redemption as herein provided; and

WHEREAS, in order to deposit such amount of money in trust, the Issuer has authorized and issued its Utilities System Revenue Bonds, 202__ Series __ (the "Refunding Bonds") in the aggregate principal amount of \$_____, and has made available certain proceeds of such Refunding Bonds (including net original issue premium thereon, if any); and

WHEREAS, upon deposit in escrow as herein contemplated, a portion of the proceeds derived from the sale of the Refunding Bonds will be applied to the purchase of certain noncallable direct obligations of the United States of America ("Government Obligations"), the principal of which, together with investment earnings thereon and a cash deposit, will be sufficient to pay when due, or when called for redemption, the principal of and interest and redemption premiums, if any, on the Refunded Bonds; and

WHEREAS, in order to provide for the proper and timely application of the moneys deposited in said escrow to the payment of the Refunded Bonds, it is necessary to enter into this Escrow Deposit Agreement with the Escrow Agent on behalf of the holders from time to time of the Refunded Bonds.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein set forth and in order to secure the payment of the principal of,

interest and redemption premiums, if any, on the Refunded Bonds according to their tenor and effect, the Issuer does hereby deliver to and give, grant, mortgage, assign and pledge to the Escrow Agent, and to its successors and its assigns forever, all and singular the property hereinafter described:

I.

All right, title and interest of the Issuer in and to \$_____ derived from the proceeds of the Refunding Bonds and \$_____ from the debt service fund allocable to the Refunded Bonds.

II.

All right, title and interest of the Issuer in and to the Government Obligations purchased from the moneys described in Clause I above and more particularly described in Schedule "A" hereto.

III.

All right, title and interest of the Issuer in and to all cash balances held from time to time hereunder and all income and earnings derived from or accruing to the Government Obligations described in Clause II above and more particularly described in Schedule "A" attached hereto and made a part hereof, and all proceeds of any of the foregoing.

IV.

All property which is by the express provisions of this Agreement required to be subject to the pledge hereof and any additional property of every kind and nature that may, from time to time hereafter, by delivery or by writing of any kind, be conveyed, pledged, assigned, or transferred as and for additional security hereunder or to be subject to the pledge hereof, by the Issuer or by anyone in its behalf, and the Escrow Agent is hereby authorized to receive the same at any time as additional security hereunder.

TO HAVE AND TO HOLD, all the same, including all additional property which by the terms hereof has or may become subject to the encumbrances of this Agreement given, granted, pledged and assigned or agreed or intended so to be, with all privileges and appurtenances hereby to the Escrow Agent, and its successors and assigns, forever;

IN ESCROW NEVERTHELESS, upon the terms herein set forth, for the equal and proportionate benefit, security and protection, as herein described, of the holders or owners from time to time of the Refunded Bonds in the manner herein provided; but if the Refunded Bonds shall be fully and promptly paid when due or redeemed in accordance with the terms thereof, then this Agreement shall be and become null and void and of no further force and effect, otherwise the same shall

remain in full force and effect, and subject to the covenants and conditions hereinafter set forth.

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. Words used herein in capitalized form and not otherwise defined herein shall have the meanings ascribed thereto in the Resolution (defined below). In addition to words and terms elsewhere defined in this Agreement, as used herein, unless some other meaning is plainly intended, the following terms and phrases shall have the following meanings:

"Agreement" means this Escrow Deposit Agreement between the Issuer and the Escrow Agent.

"Chief Financial Officer" means the Chief Financial Officer for Utilities including, any interim officer.

"City Attorney" means the City Attorney or such other assistant City Attorney.

"Escrow Funds" means the funds deposited by the Issuer pursuant to Section 2.01(b).

"Escrow Agent" means U.S. Bank National Association, a national banking association and a member of the Federal Deposit Insurance Corporation, organized and existing under and by virtue of the laws of the United States of America and being duly qualified to accept and administer the escrow hereby created, and its successors in such capacity.

"Escrow Deposit Fund" means the fund so designated and established under Section 2.01(a) of this Agreement and entitled "Escrow Deposit Fund."

"Fiscal Year" means that period of time commencing on October 1 and continuing to and including the next succeeding September 30, or such other annual period as may be prescribed by law.

"General Manager" means the General Manager for Utilities, as designated by the Issuer from time to time.

"Government Obligations" means the noncallable direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America described in Schedule "A" attached hereto in which the Escrow Agent is instructed to invest pursuant to Section 2.01(c).

"Issuer" means the City of Gainesville, Florida.

"Paying Agent" means U.S. Bank National Association, and its successors as paying agent for the Refunded Bonds.

"Redemption Date" means October 1, 2022.

"Refunded Bonds" means the outstanding City of Gainesville, Florida Utilities System Revenue Bonds, 2012 Series A.

"Refunding Bonds" means the \$_____ Utility System Revenue Bonds, 202__ Series __, dated _____, 2021.

"Resolution" means the Issuer's Resolution No. 170395 incorporating by reference the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the Issuer on September 21, 2017, as so amended and supplemented, including without limitation, as supplemented by the Thirty-Fifth Supplemental Utilities System Revenue Bond Resolution No. _____ with respect to the Refunding Bonds adopted by the Issuer on _____, 2021.

"Written Request" with respect to the Issuer means a request in writing signed by the General Manager, Chief Financial Officer or any other officer or official of the Issuer duly authorized by the Issuer to execute such request and satisfactory to the Escrow Agent.

SECTION 1.02. Uses of Phrases. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa. The word "person" shall include corporations, associations, natural persons and public bodies unless the context shall otherwise indicate. Reference to a person other than a natural person shall include its successors.

ARTICLE II

ESTABLISHMENT OF FUNDS; FLOW OF FUNDS

SECTION 2.01. Creation of Escrow Deposit Fund.

(a) There is hereby created and established with the Escrow Agent a special and irrevocable escrow fund designated the "Escrow Deposit Fund" to be held in the custody of the Escrow Agent separate and apart from other funds of the Issuer or of the Escrow Agent.

(b) Concurrently with the execution of this Agreement, the Issuer hereby deposits or has caused to be deposited with the Escrow Agent, and the Escrow Agent acknowledges receipt of, immediately available moneys in the amount of \$_____ from the proceeds of the Refunding Bonds and \$_____ from the debt service fund

allocable to the Refunded Bonds, for a total of \$_____ to be deposited in the Escrow Deposit Fund.

(c) The Escrow Funds deposited in the Escrow Deposit Fund pursuant to subsection (b) above shall be immediately invested by the Escrow Agent in the noncallable Government Obligations described in Schedule "A" hereto, except \$_____ of the Escrow Funds shall be initially held uninvested as a cash balance and the Escrow Agent hereby acknowledges its receipt of such Government Obligations. The Issuer hereby represents and warrants that the Government Obligations described in Schedule "A" together with the earnings to be received thereon, and the initial cash balance, will provide sufficient funds to pay the principal of and interest and redemption premiums, if any, on the Refunded Bonds as the same become due or are called for redemption on the Redemption Date. The total aggregate receipts from such investments pursuant to Schedule "A" is shown on Schedule "B" attached hereto. The debt service on the Refunded Bonds, including the redemption premium, if any, is shown on Schedule "C" hereto.

SECTION 2.02. Irrevocable Escrow Created. Except as provided in Section 4.01 hereof with respect to certain amendments, the deposit of Escrow Funds in the Escrow Deposit Fund and the investments as described in Schedule "A" shall constitute an irrevocable escrow fund deposit of said moneys and Government Obligations for the benefit of the registered owners of the Refunded Bonds and such registered owners shall have an express lien on all moneys and the principal of and interest on all such Government Obligations and all cash balances therein, until used and applied according to this Escrow Deposit Agreement. Such moneys and investments, and the matured principal of the Government Obligations and the interest thereon, shall be held in escrow by the Escrow Agent in the Escrow Deposit Fund created hereunder for the benefit of the registered owners of the Refunded Bonds as herein provided, and shall be kept separate and distinct from all other funds of the Issuer and the Escrow Agent and used only for the purposes and in the manner provided in this Escrow Deposit Agreement.

SECTION 2.03. Purchase of Government Obligations. The Escrow Agent is hereby directed to immediately purchase the Government Obligations listed on Schedule "A" hereto solely from the moneys deposited in the Escrow Deposit Fund as hereinabove described and to retain the initial cash balance of \$_____ uninvested in the Escrow Deposit Fund. Except as otherwise provided below, cash balances received from the Government Obligations as described in Schedule "A" as shown on Schedule "B" shall be held uninvested until applied in accordance with the terms hereof.

SECTION 2.04. Redemption of Bonds; Use of Moneys in the Escrow Deposit Fund.

(a) The Issuer hereby irrevocably instructs the Escrow Agent to instruct the Paying Agent to call the Refunded Bonds subject to optional redemption for

redemption on the Redemption Date in accordance with the terms of the Resolution and to provide a timely notice of redemption in compliance with the requirements of the Resolution, substantially in the form attached hereto as Exhibit One and is further instructed to file such notice of redemption on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website ("EMMA"). The Issuer hereby irrevocably instructs the Escrow Agent to file the defeasance notice substantially in the form attached hereto as Exhibit Two and to give the notice to the Holders of such Refunded Bonds, on or about the date hereof, by electronic delivery or first class mail, postage prepaid.

(b) As any principal of and interest on the Government Obligations set forth in Schedule "A" shall mature and is received as shown on Schedule "B," the Escrow Agent shall no later than the principal and interest payment dates and the redemption date with respect to the Refunded Bonds (unless any such date shall not be a business day, in which case, the next succeeding date which is a business day), transfer from the Escrow Deposit Fund to the Paying Agent for the Refunded Bonds amounts sufficient to pay the principal of and interest and redemption premiums, if any, on the Refunded Bonds on the next principal and interest payment date and redemption payment date, as shown on Schedule "C." Such amounts shall be applied by the Paying Agents to pay the principal of and interest and redemption premiums, if any, on the Refunded Bonds. Except as otherwise provided herein, all cash balances remaining from time to time in the Escrow Deposit Fund, as described in Schedule "B," shall be held uninvested until needed for the purposes hereof.

(c) Any moneys remaining after payment in full of the Refunded Bonds shall also be transferred to the Issuer as contemplated in Section 2.06 below.

SECTION 2.05. Investment of Moneys remaining in Escrow Deposit Fund. The Escrow Agent shall have no power or duty to invest any moneys held hereunder or to make substitutions of the Government Obligations held hereunder or to sell, transfer or otherwise dispose of the Government Obligations acquired hereunder except as provided in this Agreement. At the Written Request of the Issuer, the Escrow Agent shall invest and reinvest any moneys remaining from time to time in the Escrow Deposit Fund until such time that they are needed in direct obligations of the United States of America maturing at such time and bearing interest at such rates as, in the opinion of Holland & Knight LLP or other nationally recognized bond counsel, based upon an independent verification by a nationally recognized independent certified public accounting firm (which such verification report shall also be delivered to the Escrow Agent), will not, under the statutes, rules and regulations then in force and applicable to the Refunding Bonds cause the interest on such Refunding Bonds not to be excludable from gross income for federal income tax purposes. The Escrow Agent will not make any investments or reinvestments not expressly contemplated herein and in the Schedules hereto without such an opinion and verification report. Any interest income resulting from reinvestment of moneys pursuant to this Section 2.05 shall be transferred to the

Issuer, at the Written Request of the Issuer, and used by the Issuer for any lawful purpose, unless the opinion referred to above shall dictate otherwise.

SECTION 2.06. Transfer of Funds after all Payments Required by this Agreement are Made. After all of the transfers by the Escrow Agent to the Paying Agent for payment of the principal of and interest and redemption premiums, if any, on the Refunded Bonds on the Redemption Date have been made, all remaining moneys and Government Obligations, together with any income and interest thereon, in the Escrow Deposit Fund shall be transferred to the Issuer by the Escrow Agent pursuant to the Issuer's written direction and (i) deposited into the Debt Service Fund created under the Resolution and used to pay interest on the Refunding Bonds or (ii) used by the Issuer for any lawful purpose which, in the opinion of Holland & Knight LLP or other nationally recognized bond counsel, will not cause the interest on the Refunded Bonds or the Refunding Bonds not to be excludable from gross income for federal income tax purposes and applied to the payment of Bonds (as defined in the Resolution); provided, however, that no such transfer (except transfers made in accordance with Sections 2.04C, 2.05 and 4.01 hereof) to the Issuer shall be made until all of the principal of and interest and redemption premium, if any, on the Refunded Bonds have been paid.

ARTICLE III

CONCERNING THE ESCROW AGENT

SECTION 3.01. Appointment of Escrow Agent. The Issuer hereby appoints U.S. Bank National Association, as Escrow Agent under this Agreement.

SECTION 3.02. Acceptance by Escrow Agent. By execution of this Agreement, the Escrow Agent accepts the duties and obligations as Escrow Agent hereunder for the fee set forth on Exhibit Three hereto. The Escrow Agent further represents that it has all requisite power, and has taken all corporate actions necessary to execute this Escrow Agreement. The Issuer shall pay the Escrow Agent's fees and expenses for services rendered hereunder described on Exhibit Three hereto and reasonable expenses from funds of the Issuer other than those held hereunder. If the Escrow Agent is required by a governmental agency or court proceeding initiated by a third party to undertake efforts beyond that which is set forth herein but related thereto (other than due to the Escrow Agent's negligence or willful misconduct), the Escrow Agent shall notify the Issuer of the same in writing and the Issuer shall promptly pay the Escrow Agent for such extraordinary fees, costs and expenses reasonably incurred in connection therewith. The Escrow Agent shall have no lien whatsoever upon any of the moneys or investments in either the Escrow Deposit Fund for the payment of fees and expenses for services rendered by the Escrow Agent under this Agreement. To the extent authorized under applicable law, the Issuer shall indemnify and hold harmless Escrow Agent and each director, officer, employee and affiliate of Escrow Agent (each, an "Indemnified Party") upon demand against any and all claims, actions and proceedings (whether asserted or commenced

by Issuer or any other person or entity and whether or not valid), losses, damages, liabilities, penalties, costs and expenses of any kind or nature (including without limitation reasonable attorneys' fees and costs incurred in the enforcement of Issuer's obligations hereunder) (collectively, "Losses") arising from this Agreement or Escrow Agent's actions hereunder, except to the extent such Losses are finally determined by a court of competent jurisdiction, which determination is not subject to appeal, to have been directly caused solely by the negligence or willful misconduct of such Indemnified Party.

SECTION 3.03. Liability of Escrow Agent. The Escrow Agent shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct. The Escrow Agent shall not be liable for any loss resulting from any investment made pursuant to the terms and provisions of this Agreement.

The Escrow Agent shall not be liable for the accuracy of the calculations as to the sufficiency of moneys and of the principal amount of the Government Obligations, and the earnings thereon to pay the Refunded Bonds. In the event of the Escrow Agent's failure to account for any of the Government Obligations, or moneys received by it hereunder, said Government Obligations, or moneys shall be and remain the property of the Issuer in escrow for payments of its obligations to the holders of the Refunded Bonds, as herein provided.

SECTION 3.04. Permitted Acts. The Escrow Agent and its affiliates may become the owner of or may deal in any obligations of the Issuer described herein as fully and with the same rights as if it were not the Escrow Agent.

SECTION 3.05. Resignation of Escrow Agent. The Escrow Agent at the time acting hereunder may at any time resign and be discharged from the escrow hereby created by giving not less than sixty (60) days' advance written notice to the Issuer, but no such resignation shall take effect unless a successor Escrow Agent shall have been appointed by the holders of the Refunded Bonds or by the Issuer or otherwise as hereinafter provided and such successor Escrow Agent shall have accepted such appointment, in which event such resignation shall take effect immediately upon the appointment and acceptance of a successor Escrow Agent, and the transfer to such successor Escrow Agent of the funds and accounts held by the Escrow Agent hereunder.

SECTION 3.06. Removal of Escrow Agent.

(a) The Escrow Agent may be removed by Issuer at any time if the holders of a majority in aggregate principal amount of the Refunded Bonds then outstanding file a request for removal in writing with the Issuer, but the Escrow Agent shall remain in office until the appointment and taking office of a successor Escrow Agent in accordance with the provisions of this Agreement. A copy of such request shall be delivered by the Issuer to the Escrow Agent.

(b) The Escrow Agent may also be removed at any time for any violation of this Agreement either by the Issuer or by a court of competent jurisdiction upon the application of the Issuer or the holders of not less than five percent (5%) in aggregate principal amount of the Refunded Bonds then outstanding.

(c) The Escrow Agent shall be deemed to have been removed if it is dissolved, becomes incapable of exercising the powers necessary to carry out its obligations hereunder or is taken over by any governmental action.

SECTION 3.07. Successor Escrow Agent.

(a) When the position of the Escrow Agent becomes or is about to become vacant, the Issuer shall appoint a successor Escrow Agent to fill such vacancy.

(b) If no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this Section within sixty (60) days of (i) the date of the resignation of the Escrow Agent or (ii) the date the vacancy occurs, the Issuer shall, or the holder of any Refunded Bond then outstanding, or any Escrow Agent retiring or being removed from office may, apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Upon the deposit by the retiring or removed Escrow Agent of all funds and securities held by it under the provisions hereof into the registry of such court, such retiring or removed Escrow Agent shall be relieved of all future duties hereunder.

SECTION 3.08. Receipt of Proceedings. Receipt of true and correct copies of the proceedings of the Issuer authorizing the issuance of the Refunded Bonds and the proceedings of the Issuer authorizing the issuance of the Refunding Bonds are hereby acknowledged by the Escrow Agent, and reference herein to or citation herein of any provision of said documents shall be deemed to incorporate the same as a part thereof in the same manner and with the same effect as if they were fully set forth herein but only to the extent that such incorporation shall be necessary to the performance by the Escrow Agent of its duties and obligations set forth herein. Except as otherwise provided in the preceding sentence, no such incorporation shall be deemed or construed to place upon the Escrow Agent any duties or obligations not otherwise expressly set forth herein.

SECTION 3.09. Responsibilities of Escrow Agent.

(a) The Escrow Agent and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Agreement, the acceptance of the funds and securities deposited in the Escrow Deposit Fund, the purchase of the Government Obligations in accordance with the terms hereof, the establishment of the Escrow Deposit Fund, the retention of the Government Obligations or the proceeds thereof or any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any act, omission or error of the Escrow Agent made in

good faith in the conduct of its duties except to the extent that a court of competent jurisdiction determines that such act, omission or error constituted negligence or willful misconduct. In no event will Escrow Agent be liable for (i) acting in accordance with or conclusively relying upon any Written Request, instruction, notice, demand, certificate or document believed by Escrow Agent to have been created by or on behalf of the Issuer or (ii) incidental, indirect, special, consequential or punitive damages or penalties of any kind (including, but not limited to lost profits), provided, however, notwithstanding the foregoing does not limit liability for losses directly suffered by holders of the Refunded Bonds or the Refunding Bonds to the extent solely caused by the negligence of the Escrow Agent that results in the interest on the Refunded Bonds or the Refunding Bonds to not be excludable from the gross income of the holders thereof or amounts payable pursuant to a settlement agreement reasonably entered into by the Issuer with the Internal Revenue Service as a direct result of such negligence in order to preserve the excludability of interest income on Refunded Bonds or the Refunding Bonds for federal income tax purposes. The duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement and no implied covenants or obligations should be read into this Agreement against the Escrow Agent. Escrow Agent has no fiduciary or discretionary duties of any kind. Escrow Agent's permissive rights will not be construed as duties.

(b) Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the Issuer. The Escrow Agent may conclusively rely, as to the correctness of statements, conclusions and opinions therein, upon any certificate, report, opinion or other document furnished to the Escrow Agent pursuant to any provision of this Agreement; the Escrow Agent shall be fully protected and shall not be liable for acting or proceeding in good faith upon such reliance; and the Escrow Agent shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument. The Escrow Agent may consult with counsel, who may be counsel to the Issuer or independent counsel, with regard to legal questions, and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance herewith. The Escrow Agent may act through its agents and attorneys and shall not be responsible for any misconduct or negligence on the part of any such person so appointed with due care. Any payment obligation of the Escrow Agent hereunder shall be paid from, and is limited to funds available, established and maintained hereunder; the Escrow Agent shall not be required to expend its own funds for the performance of its duties hereunder.

ARTICLE IV

MISCELLANEOUS

SECTION 4.01. Amendments to this Agreement. This Agreement is made for the benefit of the Issuer and the holders from time to time of the Refunded Bonds. The Issuer warrants that it will take no action to repeal, revoke, alter or amend this Agreement without the written consent of all holders of the Refunded Bonds and the Escrow Agent; provided, however, that the Issuer further warrants that the Issuer and the Escrow Agent may, without the consent of, or notice to, such holders, enter into such agreements supplemental to this Agreement that, as the Issuer determines, shall not adversely affect the rights of such holders and not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this Agreement;
- (b) to grant to, or confer upon, the Escrow Agent for the benefit of the holders of the Refunded Bonds, additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Escrow Agent; and
- (c) to subject to this Agreement additional funds, securities or properties.

The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of Holland & Knight LLP or other nationally recognized attorneys on the subject of municipal bonds and the exclusion of the interest thereon from gross income for federal income tax purposes with respect to compliance with this section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the holders of the Refunded Bonds, or that any instrument executed hereunder complies with the conditions and provisions of this Section.

Notwithstanding the foregoing or any other provision of this Agreement, at the Written Request of the Issuer and upon compliance with the conditions hereinafter stated, the Escrow Agent shall have the power to and shall, in simultaneous transactions, sell, transfer, otherwise dispose of or request the redemption of the Government Obligations held hereunder and to substitute therefor noncallable direct obligations of, or obligations the principal of and interest on which is fully guaranteed by the United States of America, subject to the condition that such moneys or securities held by the Escrow Agent shall be sufficient to timely pay the principal of, interest on and redemption premium, if any, with respect to the Refunded Bonds in accordance with the schedules attached hereto. The Issuer hereby covenants and agrees that it will not request the Escrow Agent to exercise any of the powers described in the preceding sentence in any manner which will cause the Refunding Bonds to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and the regulations thereunder in effect on the date of such request and applicable to obligations issued on the issue date of the

Refunding Bonds. The Escrow Agent shall purchase such substituted securities with the proceeds derived from the maturity, sale, transfer, disposition or redemption of the Government Obligations held hereunder or from other moneys available in accordance with the written directions of the Issuer. The transactions may be effected only if there shall have been obtained: (1) an independent verification by a nationally recognized independent certified public accounting firm acceptable to the Escrow Agent concerning the adequacy of such substituted securities with respect to principal and the interest thereon and redemption premiums, if any, with respect thereto and any other moneys or securities held for such purpose to meet the principal, applicable redemption premiums, if any, and interest when due of the Refunded Bonds as contemplated by the schedules hereto; and (2) an opinion from Holland & Knight LLP or other nationally recognized bond counsel to the Issuer and the Escrow Agent to the effect that the disposition and substitution or purchase of such securities will not, under the statutes, rules and regulations then in force and applicable, to obligations issued on the date of issuance of the Refunding Bonds, cause the interest on such Refunding Bonds not to be excludable from gross income for Federal income tax purposes.

If Schedules "D-1" and "D-2" have been attached hereto at the time of execution hereof, the noncallable Government Obligations described in Schedule "A" (the "Substituted Securities") have been provided to the Issuer by the supplier thereof (the "Supplier") under a contract pursuant to which (i) the Supplier may at any time substitute the Government Obligations listed in Schedule "D-1" (the "Original Securities"), for the Substituted Securities without cost or expense to either party and (ii) the Supplier is entitled to amounts received on the Substituted Securities in excess of the amounts that would have been received on the Original Securities, to the extent not needed to pay principal of and interest and redemption premiums on the Refunded Bonds at the time and the manner contemplated by the terms of this Escrow Agreement. Under such circumstances, the Escrow Agent shall deliver to the Supplier amounts received on the Substituted Securities that, as certified by the Issuer to the Escrow Agent are in excess of the amounts that would have been received on the Original Securities, to the extent not needed to pay principal of and interest and redemption premiums on the Refunded Bonds. In addition, if the Escrow Agent receives delivery from the Supplier of the Original Securities in substitution for the Substituted Securities, the Escrow Agent shall promptly deliver to the Supplier the Substituted Securities in exchange for the Original Securities without regard to the market value thereof at the time of substitution, provided that no payment of any principal of or interest on the Original Securities or the Substituted Securities has been made to the Escrow Agent. Immediately upon such substitution, Schedules "D-1" and "D-2" shall be substituted for Schedule "A" and "B," respectively, for all purposes hereof.

If securities are substituted pursuant to this Section 4.01, any surplus moneys resulting from the sale, transfer, other disposition or redemption of the Government Obligations held hereunder and the substitutions therefor of noncallable direct obligations of, or obligations the principal of and interest on which are fully

guaranteed by, the United States of America, shall be released from the Escrow Deposit Fund and shall be transferred to the Issuer pursuant to the Issuer's written direction and may be used by the Issuer for any lawful purpose which, in the opinion of Holland & Knight LLP or other nationally recognized bond counsel, will not cause the interest on the Refunding Bonds not to be excludable from gross income for federal income tax purposes.

Prior to any repeal, revocation, alteration or amendment of this Agreement, the Issuer shall provide written notice of such proposed repeal, revocation, alteration or amendment, if the Refunded Bonds are then rated by Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Ratings Service ("S&P") or Fitch Ratings ("Fitch"), to Moody's, S&P and Fitch, as applicable, at the following addresses, respectively:

Moody's Investors Service, Inc.
99 Church Street
New York, New York 10007
Attn: Municipal Rating Desk/Refunded Bonds

Standard & Poor's Ratings Service
55 Water Street
New York, New York 10041

Fitch Ratings
One State Street Plaza
New York, New York 10004

SECTION 4.02. Severability. If any one or more of the covenants or agreements provided in this Agreement should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed to be separate and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 4.03. Agreement Binding. All the covenants, promises and agreements in this Agreement contained by or on behalf of the Issuer or by or on behalf of the Escrow Agent shall bind and inure to the benefit of their respective successors and assigns, and shall be for the benefit of the holders of the Refunded Bonds and the Refunding Bonds, whether so expressed or not.

SECTION 4.04. Termination. This Agreement shall terminate when all transfers and payments required to be made by the Escrow Agent under the provisions hereof shall have been made.

SECTION 4.05. Governing Law. This Agreement shall be governed by the applicable laws of the State of Florida without regard to conflict of law principles.

SECTION 4.06. Execution by Counterparts. This Agreement may be executed in several counterparts, each of which shall be regarded for all purposes as an original, and all of which, together, shall constitute and be but one and the same instrument.

SECTION 4.07. Notices. All notices and communications required to be delivered pursuant to this Agreement shall be given in writing, or by telegram, telex, or cable or first class mail, postage prepaid, addressed to the following parties, at the following addresses:

<u>The Issuer:</u>	City of Gainesville, Florida 200 East University Avenue, Suite 425 Gainesville, Florida 32601 Attention: City Attorney
<u>The Escrow Agent:</u>	U.S. Bank National Association 225 Water Street, Suite 700 EX-FL-WWSJ Jacksonville, Florida 32202 Attention: Corporate Trust Department

[Signature page follows]

IN WITNESS WHEREOF, the Issuer and the Escrow Agent have duly executed this Agreement as of the ____ day of _____, 2021.

CITY OF GAINESVILLE, FLORIDA

By: _____
Chief Financial Officer

Attested and countersigned:

By: _____
City Attorney

U.S. BANK NATIONAL ASSOCIATION, as
Escrow Agent

By: _____
Authorized Signatory

#84423952_v4 136433.00032

EXHIBIT ONE

NOTICE OF REDEMPTION

City of Gainesville, Florida
Utilities System Revenue Bonds,
2012 Series A

Notice is hereby given to the holders of the outstanding City of Gainesville, Florida Utilities System Revenue Bonds, 2012 Series A, originally issued on and dated August 2, 2012, that all of said Bonds maturing on and after October 1, 2023 (the "Refunded Bonds"), have been called for redemption prior to maturity, on October 1, 2022 (the "Redemption Date"), at a redemption price equal to 100% of the principal amount of each bond to be redeemed and without premium (the "Redemption Price").

The Refunded Bonds are more particularly described below:

Maturity Date (October 1)	Principal Amount	Interest Rate	CUSIP No.*
_____	\$ _____	_____ %	_____

The Redemption Price of and accrued interest on such Refunded Bonds shall be due and payable on the Redemption Date, and on and after the Redemption Date, interest on the principal amount of Refunded Bonds called for redemption will cease to accrue. In accordance with the provisions of the Jobs and Growth Tax Relief Reconciliation Act of 2003, the Paying Agent may be required to withhold 28% of the payment upon redemption to certain bondholders who have failed to furnish the Paying Agent with a completed Internal Revenue Service Form W-9, entitled "Payer's Request for Taxpayer Identification Number." Therefore, Bondholders should furnish a correctly completed Form W-9 when presenting Refunded Bonds for redemption to avoid any such withholding or penalties.

Refunded Bonds held in book-entry form need not be presented. To receive payment of the redemption price for these Refunded Bonds, you must present your certificate(s) to us on or prior to the Redemption Date. The certificates should be delivered to the following address:

Delivery Instructions:
U.S. Bank
Global Corporate Trust
111 Fillmore Avenue E
St. Paul, MN 55107-1402
1-800-934-6802

* The CUSIP number is included solely for the convenience of the Bondholders. Neither City of Gainesville, Florida nor the Paying Agent shall be responsible for the selection or the use of the CUSIP number, nor is any representation made as to its correctness on the securities or as indicated on any redemption notice.

Important: The provisions of the Jobs and Growth Tax Relief Reconciliation Act of 2003 (the "Act") require bondholders to submit their Taxpayer Identification Number, (either their social security or employer identification number, as appropriate) with each bond presented for payment (whether by purchase or redemption). Failure to comply will subject the payment of the principal portion to the withholding of twenty-eight percent (28%) of such principal portion. To avoid being subject to such withholding, bondholders should submit an IRS Form W-9 at the time the Refunded Bonds are presented for payment. Form W-9 is available from your local bank or broker.

Dated this ____ day of _____, 2022.

U.S. BANK NATIONAL
ASSOCIATION, as Paying Agent

EXHIBIT TWO

NOTICE OF DEFEASANCE

City of Gainesville, Florida
Utilities System Revenue Bonds,
2012 Series A

Notice is hereby given by the City of Gainesville, Florida (the "Issuer"), that the Issuer's outstanding Utilities System Revenue Bonds, 2012 Series A dated August 2, 2012 and maturing on October 1, 20__ (the "Refunded Bonds"), have been defeased and are deemed to be paid pursuant to the Section 1201 of Resolution No. 170395 incorporating by reference the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the Issuer on September 21, 2017, as amended (collectively, the "Bond Resolution"), in accordance with Section 1201(3), clause (b) of the Bond Resolution, the Issuer has deposited with U.S. Bank National Association in an irrevocable escrow cash or federal securities the principal of and interest on which will be sufficient to pay the principal of and interest on the Refunded Bonds upon their maturity or their redemption on October 1, 20__.

The maturity date, principal amount and current CUSIP number for the Refunded Bonds are as set forth below:

Maturity Date <u>(October 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>	<u>CUSIP No.*</u>
_____	\$ _____	_____%	_____

This notice does not constitute a notice of redemption and no Refunded Bonds should be delivered to the Issuer or U.S. Bank National Association, as paying agent for the Refunded Bonds, as a result of this Notice.

Dated this _____ day of _____, 2021.

CITY OF GAINESVILLE, FLORIDA

* The CUSIP number is included solely for the convenience of the Bondholders. Neither City of Gainesville, Florida nor the Paying Agent shall be responsible for the selection or the use of the CUSIP number, nor is any representation made as to its correctness on the securities or as indicated on any notice.

EXHIBIT THREE

Escrow Agent Fee:

To cover the normal administrative functions of the Escrow Agent associated with the administration of the account.

WAIVED

SCHEDULE A
GOVERNMENT OBLIGATIONS

SCHEDULE B
TOTAL AGGREGATE RECEIPTS

SCHEDULE C
DEBT SERVICE ON REFUNDED BONDS

EXHIBIT F
FORWARD BOND PURCHASE AGREEMENT

\$ _____
CITY OF GAINESVILLE, FLORIDA
Utilities System Revenue Bonds,
202__ Series ____

FORWARD BOND PURCHASE AGREEMENT

This Forward Bond Purchase Agreement (this "Agreement") is dated _____, 2021 and is between Bank of America, N.A. (the "Purchaser") and the City of Gainesville, Florida, a municipality of the State of Florida (the "City").

1. Purchase and Sale. Upon the terms and conditions and in reliance upon the representations, warranties, covenants and agreements set forth herein, the Purchaser hereby agrees to purchase, and the City agrees to sell to the Purchaser, all (and not less than all) of the principal amount of the Bonds described in the above heading (the "Bonds"); such purchase and sale shall occur on the Closing Date (as defined in Paragraph 5 hereof). The purchase price of the Bonds will be \$ _____ (the stated principal amount of the Bonds).

The Bonds shall be issued under and secured pursuant to the provisions of Resolution No. 170395, incorporating by reference the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on September 21, 2017, (the "Master Resolution"), as so amended and supplemented, including without limitation, as supplemented by the Thirty-Fifth Supplemental Utilities System Revenue Bond Resolution adopted by the City on June 17, 2021 (the "Supplemental Resolution," and together with the Master Resolution, the "Bond Resolution"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Bonds Resolution.

The Bond shall mature, bear interest be subject to payment and have all other terms as set forth in the Supplemental Resolution, herein and in Exhibit "D" hereto. The information required by Section 218.385(2), (5) and (6), Florida Statutes, as amended, to be provided by the Purchaser is set forth in Exhibit "A" attached hereto. The Bonds are being issued for the principal purpose of providing funds for the refunding of the City's Utilities System Revenue Bonds, 2012 Series A maturing after October 1, 2022 (the "Refunded Bonds").

2. Break Funding Event; Breakage Fee.

(a) The following events shall be "Break Funding Events" and a Break Funding Event shall be deemed to have occurred on the Closing Date, except as provided in Paragraph 3(a)(ii) or (iii), if:

(i) except for events described in clause (ii) below, any event which is, or which with the passage of time or the giving of notice, or both, would be, an "Event of Default" pursuant to the Master Resolution (taking into account the provisions of the Supplemental Resolution) shall have occurred and be in existence on the Closing Date and shall not be waived by the Purchaser in its sole discretion;

(ii) any event of default described in paragraphs (v) or (vi) of Section 801 of the Master Resolution shall occur, in which case a Break Funding Event shall be deemed to have occurred immediately upon the occurrence of such event;

(iii) on or before the Closing Date, the City notifies the Purchaser in writing, which notice shall be irrevocable, that the City has determined that the Bonds shall not be issued, acknowledging the same to be a "Break Funding Event" and specifying the effective date of such Break Funding Event (which date shall not be later than the Closing Date, and which shall be deemed to be the Closing Date if no earlier date is specified);

(iv) on the Closing Date, the City shall not have satisfied the conditions of the obligation of the Purchaser to purchase the Bonds as set forth in Paragraph 5 hereof.

Notwithstanding the foregoing clause (iv), if the City provides the opinion and reliance letter of Bond Counsel described in Paragraph 5(c)(i) hereof, with the exception that such opinion does not include an regarding the exclusion from gross income of the interest borne by the Bonds (the "Tax Exempt Opinion"), such failure shall not in and of itself constitute a Break Funding Event if, and only if, the City agrees in writing on or prior to the Closing Date that the interest to be paid on the Bonds is not, as of the Closing Date, excludable from gross income for federal income tax purposes, in which event the interest rate borne by the Bonds shall be ____%.

As of and after the date of occurrence of any Break Funding Event, the Purchaser shall have no obligation to purchase the Bonds. Notwithstanding the foregoing, the failure of the City to deliver the Bonds on the Closing Date or for Bond Counsel to deliver the Tax Exempt Opinion due to a breach by the Purchaser of Section 5(d) of this Agreement shall not be a Break Funding Event.

(b) If a Break Funding Event occurs, then the City shall pay the Purchaser a Breakage Fee. If any Breakage Fee is not paid to the Purchaser when due, it will accrue interest, payable on demand, at the rate of the lesser of 12% per annum or the maximum lawful rate. The obligation of the City to pay the Breakage Fee constitutes and is secured and payable as Subordinated Indebtedness pursuant to the Bond Resolution and not from any other funds of the City, and that the remedies of the Purchaser for non-payment thereof shall be only as provided in the Bond Resolution; provided, however, such obligation is subordinate in right of payment to the Subordinated Bonds (as defined in the Amended and Restated Subordinated Utilities System Revenue Bond Resolution adopted by the Issuer on December 8, 2003, as amended and supplemented, including as prospectively amended by Resolution No. 171090, incorporating by reference the Second Amended and Restated Subordinated Utilities System Revenue Bond Resolution adopted by the Issuer on May 17, 2018 (the "Subordinated Bond Resolution")) and the pledge of such amounts in the Subordinated Indebtedness Fund as may from time to time be available therefor shall be subordinate in all respects to the pledge and lien created under the Subordinated Bond Resolution as security for the Subordinated Bonds.

The Breakage Fee will be calculated in accordance with Schedule "I" attached hereto.

3. Representations, Warranties and Agreements. The City represents and warrants to and agrees with the Purchaser that, as of the date hereof (i) the purchase and sale of the Bonds

pursuant to this Agreement is an arm's-length commercial transaction between the City and the Purchaser, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Purchaser is not a fiduciary of the City, (iii) the Purchaser has not assumed an advisory or fiduciary responsibility in favor of the City with respect to the transaction contemplated hereby or the discussions, undertakings and procedures leading thereto and the Purchaser has no obligation to the City with respect to the transaction contemplated hereby except the obligations expressly set forth in this Agreement and (iv) the City has consulted with its own legal, financial and other advisors to the extent it has deemed appropriate. The Purchaser has financial and other interests that differ from those of the City.

4. The Closing. At 1:00 p.m., local time, [July __, 2022] (such date herein called the "Closing Date"), or at such later time or on such later date as may be mutually agreed upon by the City and the Purchaser, the City shall, subject to the terms and conditions hereof, deliver the Bonds to the Purchaser, duly executed, together with the other documents hereinafter mentioned, and, subject to the terms and conditions hereof, the Purchaser shall accept such delivery and pay the purchase price of the Bonds as set forth in Paragraph 1 hereof in Federal funds to the order of the City or as may otherwise be instructed in writing by the City (such delivery of and payment for the Bonds herein called the "Closing"). The Closing shall occur at the offices of the City in Gainesville, Florida, or such other place as shall have been mutually agreed upon by the City and the Purchaser. The Bond shall be prepared and delivered as fully registered Bond in the form attached hereto as Exhibit "D."

5. Closing Conditions. The Purchaser is entering into this Agreement in reliance upon the representations, warranties and agreements of the City contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing, and upon the performance of the covenants and agreements herein, as of the date hereof and as of the date of the Closing. Accordingly, the Purchaser's obligation under this Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance of the covenants and agreements to be performed hereunder and under such other documents and instruments to be delivered at or prior to the Closing, and shall also be subject to the following additional conditions:

(a) At the date of execution hereof and at the Closing (i) the Bonds Resolution shall have been duly approved and adopted by the City, shall be in full force and effect, (ii) the Supplemental Resolution shall not have been amended except to the extent the Purchaser shall have given its prior written consent and (iii) the Bonds Resolution, other than the Supplemental Resolution, shall not have been amended subsequent to the date hereof, except to the extent to which the Purchaser shall have given its prior written consent or with respect to amendments in accordance with Sections 1001 or 1002 of the Master Resolution.

(b) At the Closing, there will be no pending or, to the knowledge of the City, threatened litigation or proceeding of any nature seeking to restrain or enjoin the issuance, sale or delivery of the Bonds, or the collection or application of the Revenues (as defined in the Bond Resolution) or in any way contesting or affecting the validity or enforceability of the Bonds, the Bond Resolution or this Agreement or contesting in any way the proceedings of the City taken with respect thereto, or contesting in any way the due existence or powers of the City or the title of any of the members or officials of the City, and the Purchaser will receive the certificate of the

City to the foregoing effect, or opinions of Counsel to the City that any such litigation is without merit.

(c) At the Closing, the Purchaser shall receive all of the documents required to be delivered by the Bond Resolution and, in addition, the following documents, each dated as of the Closing:

(i) The opinion of Holland & Knight LLP, Bond Counsel, dated the Closing Date, in substantially the form attached hereto as Exhibit "B";

(ii) An opinion of Nicolle M. Shalley, Esq., City Attorney, addressed to at least the Purchaser, in substantially the form attached hereto as Exhibit "C;"

(iii) A certificate dated the Closing Date, signed by the General Manager or Chief Financial Officer of the System, another Authorized Officer, or other appropriate official satisfactory to the Purchaser, to the effect that, to the best knowledge of such individual, (A) the representations of the City herein are true and correct in all material respects as of the Closing Date; (B) the City has performed all obligations to be performed and has satisfied all conditions on its part to be observed or satisfied under this Agreement and the Bond Resolution, as of the Closing Date; and (C) there is no litigation pending or threatened (1) to restrain or enjoin the issuance or delivery of any of the Bonds, (2) in any way contesting or affecting any authority for the issuance of the Bonds or the validity of the Bonds, the Bond Resolution or this Agreement, (3) in any way contesting the corporate existence or powers of the City, or (4) to restrain or enjoin the collection of the Revenues or the application thereof to make the payments on the Bonds.

(iv) Copy of the Bonds Resolution certified by the City Clerk of the City as being complete and in full force and effect, the fully executed Bond.

(v) The Continuing Covenant Agreement in the form attached hereto as Exhibit "E," duly executed on behalf of the City.

(d) At the Closing the Purchaser shall deliver to the City the Purchaser's Investment Certificate in the form attached hereto as Exhibit "F," executed on behalf of the Purchaser and the Purchaser shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City on the Closing Date an "issue price" or similar certificate in such form as reasonably required by Bond Counsel to delivery its opinion on the excludability of the interest from the gross income of the Purchaser for federal income tax purposes.

All of the evidence, opinions, letters, certificates, instruments and other documents, mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are fully completed and executed by all required parties in the form specified herein or are otherwise in form and substance satisfactory to the Purchaser and its counsel.

If the conditions to the obligations of the Purchaser to purchase, to accept delivery of and to pay for the Bonds contained in this Agreement are not satisfied, or if the obligations of the Purchaser to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the Purchaser nor

the City shall be under any further obligation hereunder, except that the respective obligations of the City and the Purchaser set forth in Paragraphs 3 and 7 hereof shall continue in full force and effect.

6. Expenses. The Purchaser shall be under no obligation to pay, and the City shall pay, such expenses incident to the issuance of the Bonds and the performance of the City's obligations hereunder, including, but not limited to the following expenses: (i) the cost of preparing the Bond Resolution and the Bonds; (ii) the fees and disbursements of Bond Counsel and Counsel to the City; (iii) the fees and disbursements of the financial advisor to the City; and (iv) the fees and disbursements of any experts, accountants, consultants or advisors retained by the City or the Corporation. The City shall pay the fee of counsel to the Purchaser in the amount of \$30,000, payable (i) in the amount of \$20,000 on the date hereof and (ii) the balance on the earlier of the Closing Date or the date on which a Break Funding Event occurs.

7. Waiver of Jury Trial. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law any right it may have to a trial by jury in any legal proceeding directly or indirectly arising out of or relating to this agreement or any other document executed in connection herewith or the transactions contemplated hereby or thereby (whether based on contract, tort or any other theory). Each party hereto (a) certifies that no representative, agent or attorney of any other person has represented, expressly or otherwise, that such other person would not, in the event of litigation, seek to enforce the foregoing waiver, (b) acknowledges that it and the other parties hereto have been induced to enter into this agreement and the other documents contemplated hereby by, among other things, the mutual waivers and certifications in this section and (c) certifies that this waiver is knowingly, willingly and voluntarily made.

8. Counterparts. This Agreement may be executed in several counterparts, which together shall constitute one and the same instrument.

9. Assignment. This Agreement cannot be assigned by either party hereto; provided, however, that, notwithstanding anything herein contained to the contrary, the Purchaser may assign this Agreement to any affiliate of the Purchaser, and any affiliate of the Purchaser may assign this Agreement to the Purchaser or any other affiliate of the Purchaser; and provided further that any company into which the Purchaser (or any affiliate of the Purchaser that may have been assigned this Agreement as above provided) may be merged or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Purchaser (or any affiliate of the Purchaser that may have been assigned this Agreement as above provided) may sell or transfer all or substantially all of its lending business shall be the successor to the Purchaser (or such affiliate of the Purchaser that may have been assigned this Agreement as above provided) hereunder, without any further act, deed or conveyance and notwithstanding any prohibitions or conditions contained herein with respect to assignability of this Agreement by the Purchaser (or any affiliate of the Purchaser that may have been assigned this Agreement as above provided).

10. Florida Law Governs. The validity, interpretation and performance of this Agreement shall be governed by the laws of the State of Florida.

11. Notices. Any notice, demand, direction, request or other instrument authorized or required by this Agreement to be given to the City or the Purchaser shall be sent by United States certified mail, first-class postage prepaid, return receipt requested, or by overnight common courier, addressed as follows (unless changed as hereinafter provided):

To the City:

City of Gainesville, Florida
301 S.E. Fourth Avenue
Gainesville, FL 32601
Attention: General Manager for Utilities

To the Purchaser:

Bank of America, N.A.
601 Creighton Road
Pensacola, FL 32504
Attention: Joe R. Miller
Telephone: (850) 934-5946
Facsimile: (850) 454-1065
E-mail: j.r.miller@bofa.com

With a copy to:

Bank of America, N.A.
Suite 10110
9128 Strada Place
Naples, FL 34108
Attention: Amy L. Roberts
Telephone: (239) 598-8807
E-mail: amy.l.roberts@bofa.com

Upon written notice to the respective parties mentioned above given in the manner provided above, any of the above or subsequent addresses may be changed.

[SIGNATURE PAGE FOLLOWS]

BANK OF AMERICA, N.A.

By: _____
Name: Mason Hurley
Title: Senior Vice President

CITY OF GAINESVILLE, FLORIDA

Name: Edward J. Bielarski, Jr.
Title: General Manager for Utilities

ATTESTED:

Name: Omichele D. Gainey
Title: City Clerk

Approved as to Form and Legality:

Name: Nicolle M. Shalley, Esq.
Title: City Attorney

#84453896_v6

EXHIBIT "A"

FORM OF PURCHASER'S DISCLOSURE LETTER

EXHIBIT "B"

FORM OF BOND COUNSEL OPINION

EXHIBIT "C"

FORM OF CITY ATTORNEY OPINION

EXHIBIT "D"

FORM OF BOND

EXHIBIT "E"

FORM OF CONTINUING COVENANT AGREEMENT

EXHIBIT "F"

FORM OF PURCHASER'S INVESTMENT CERTIFICATE

SCHEDULE "I"

BREAKAGE FEE SCHEDULE

The Breakage Fee will be calculated as if the Bond had been issued on the date of the Break Funding Event and then been immediately prepaid in full, and shall be the sum of the fees calculated separately for each Prepaid Installment (hereinafter defined), as follows:

(i) The Purchaser will first determine the amount of interest which would have accrued as of each scheduled payment date for the Prepaid Installment had it remained outstanding from the Closing Date until the applicable Original Payment Date using ___% as the interest rate.

(ii) The Purchaser will then subtract from each interest amount determined in (i), above, the amount of interest which would have accrued for that Prepaid Installment if it were reinvested from the Closing Date through the Original Payment Date, using the Swap Rate.

(iii) If (i) minus (ii) for a Prepaid Installment is greater than zero, the Purchaser will discount the differences for such Prepaid Installment to the date of the Break Funding Event using the Swap Rate as the discount rate. The Purchaser will then add together all of the discounted differences for the Prepaid Installment which sum will be the Breakage Fee.

The following definitions will apply to the calculation of the Breakage Fee:

(i) "Original Payment Dates" mean the dates on which the principal of the Bonds are scheduled to be paid as provided in the form of the Bonds included in the Bond Resolution.

(ii) "Prepaid Installment" means any amount of the principal of the Bonds due on a single Original Payment Date but which is paid prior to such Original Payment Date for any reason.

(iii) "Swap Rate" means the mid-market fixed rate for an interest rate swap with a floating rate of three month LIBOR (or a comparable or successor rate approved by the Purchaser) and having a term equal to the term of the Bonds determined from the date of the Break Funding Event as determined by the Purchaser using commercially reasonable sources at or most recently prior to 5:00 p.m. Eastern Time on the applicable date. If no term exactly corresponding to such average life is reported, the Swap Rate will be determined by linear interpolation between the reported terms that are the closest shorter and longer terms reported.

EXHIBIT G
CONTINUING COVENANT AGREEMENT

CONTINUING COVENANT AGREEMENT

between

CITY OF GAINESVILLE, FLORIDA

and

Relating to

CITY OF GAINESVILLE, FLORIDA
Utilities System Revenue Bonds
202__ Series ____

Dated _____, 2022

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CONTINUING COVENANT AGREEMENT

THIS CONTINUING COVENANT AGREEMENT is dated _____, 2022, by and between **THE CITY OF GAINESVILLE, FLORIDA** and **Bank of America, N.A.**. All capitalized terms used herein and not otherwise defined shall have the meanings assigned in Section 1.01 or as otherwise provided in Section 1.02.

W I T N E S S E T H:

WHEREAS, the City intends to issue its Bonds pursuant to the terms of the Resolutions;

WHEREAS, the Purchaser has agreed to purchase the Bonds, and as a condition to such purchase, the Purchaser has required the City to enter into this Agreement.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, including the covenants, terms and conditions hereinafter contained, and to induce the Purchaser to purchase the Bonds, the Purchaser and the City agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. In addition to terms defined at other places in this Agreement, the following defined terms are used throughout this Agreement with the following meanings:

"Accredited Investor" shall have the meaning assigned to such term in Rule 501 of Regulation D promulgated under the Securities Act.

"Affiliate" means, as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the other Person, whether through the ownership of voting securities, by contract or otherwise. Without limitation, any director, executive officer or beneficial owner of 5% or more of the equity of a Person shall for the purposes of this Agreement, be deemed to control the other Person.

"Agreement" means this Continuing Covenant Agreement.

"Bank Transferee" shall have the meaning assigned to such term in Section 9.07(c).

"Bankruptcy Code" means Title 11 of the United States Code, as amended from time to time, or any successor statute thereto.

"Base Rate" shall have the meaning assigned in the Supplemental Resolution.

"Bond Proceeds" means the principal of the Bonds and any investment earnings thereon.

"Bonds" means the City's Utilities System Revenue Bonds, 202__ Series ____.

"*Bond Resolution*" means Resolution No. 170395, incorporating by reference the Second Amended and Restated Utilities System Revenue Bond Resolution adopted by the City on September 21, 2017, as amended by the Thirtieth Supplemental Utilities System Revenue Bond Resolution No. 180747 adopted by the City on February 21, 2019, as amended from time to time in accordance with the terms thereof and hereof.

"*Business Day*" shall have the meaning assigned to such term in the Supplemental Resolution.

"*City*" means the City of Gainesville, Florida, and its successors and assigns permitted hereunder.

"*Closing Date*" means _____, 2022.

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

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

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

"*Default Rate*" shall have the meaning assigned in the Supplemental Resolution.

"*EMMA*" means the Municipal Securities Rulemaking Board's Electronic Municipal Access System or any service or services established by the Municipal Securities Rulemaking Board (or any of its successors) as a successor to the Electronic Municipal Access System.

"*Environmental Law(s)*" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, or rules, and all judgments, orders, decrees, permits, concessions, grants, franchises, licenses, permits, agreements or governmental restrictions relating to air, water or land pollution, wetlands, or the protection of the environment or the release of any materials into the

environment, including air, water or land, and those related to Hazardous Materials, air emissions and discharges to waste or public systems.

"*Environmental Liability*" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the System directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

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

"*Event of Default*," in relation to this Agreement, shall have the meaning assigned to such term in Section 7.01, and in relation to any Related Document, shall have the meaning set forth therein.

"*Fiscal Year*" shall have the meaning assigned to such term in the Bond Resolution.

"*Forward Bond Purchase Agreement*" means that Forward Bond Purchase Agreement dated _____, 2021 between the Purchaser and the City relating to the purchase of the Bonds.

"*GAAP*" shall have the meaning assigned in Section 1.03.

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

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

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

"*Investor Letter*" shall have the meaning assigned to such term in Section 9.07(d).

"*Law*" means any treaty or any federal, regional, state and local law, statute, rule, ordinance, regulation, code, license, authorization, decision, injunction, interpretation, order or decree of any court or other Governmental Authority.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset. For the purposes of this Agreement,

the City shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"*Majority Bondholder*" means the Owners owning a majority of the aggregate principal amount of Bonds from time to time Outstanding. As of the Closing Date, the Purchaser shall be the Majority Bondholder.

"*Margin Stock*" shall have the meaning assigned to such term in Regulation U promulgated by the Board of Governors of the Federal Reserve System, as now and hereafter from time to time in effect.

"*Maximum Rate*" shall have the meaning assigned to such term in the Supplemental Resolution.

"*Non-Bank Transferee*" shall have the meaning assigned to such term in Section 9.07(d).

"*Obligor Rating*" means the long-term debt rating assigned by any Rating Agency to any Parity Debt that is not guaranteed by any other Person or subject to any third-party credit enhancement.

"*Other Agreement*" means any resolution, ordinance, continuing covenant agreement, or other agreement or instrument (including any amendment, supplement or other modification thereof) under which, directly or indirectly, any Person undertakes to provide funds to purchase Parity Debt. For the avoidance of doubt, Other Agreement shall not include interest rate hedge agreements or standby bond purchase agreements, reimbursement agreements or other liquidity or credit facilities that provides liquidity or credit support to publicly traded variable rate Debt of the City.

"*Outstanding*" shall have the meaning assigned to such term in the Bond Resolution.

"*Owner*" means the registered owner of a Bond or, if the Bond is held in book entry form, the beneficial owner of such Bond.

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

"*Participant(s)*" means any bank(s) or other financial institution(s) which may purchase a participation interest from the Purchaser in this Agreement and certain of the Related Documents pursuant to a participation agreement between the Purchaser and the Participant(s).

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

"*Property*" means, when used in connection with any Person, any and all rights, title and interests of such Person in and to any and all property (including cash) whether real, personal or mixed, or tangible or intangible, and wherever situated.

"*Purchase Price*" means, as of any date of determination, one hundred percent (100%) of the principal amount of all Bonds which are Outstanding, plus accrued and unpaid interest thereon to the date of purchase.

"*Purchaser*" means, initially, Bank of America, N.A., and its successors and assigns, and upon the receipt from time to time by the Trustee and the City of a notice described in Section 9.07(b) means the Person designated in such notice as the Purchaser, as more fully provided in Section 9.07(b).

"*Qualified Institutional Buyer*" shall have the meaning assigned to such term in Rule 144A promulgated under the Securities Act.

"*Rating*" means the long-term credit rating assigned by one or more Rating Agencies to any unenhanced Parity Debt or any of such ratings individually.

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

"*Related Documents*" means, collectively, the Resolutions, the Bonds, this Agreement and any exhibits, schedules, instruments or agreements attached thereto.

"*Resolutions*" means, collectively, the Bond Resolution and the Supplemental Resolution.

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

"*Securities Act*" means the Securities Act of 1933, as amended from time to time, or any successor statute thereto.

"*State*" means the State of Florida.

"*Supplemental Resolution*" means the Thirty-Fifth Supplemental Utilities System Revenue Bond Resolution adopted by the City on July 17, 2021.

"*System*" shall have the meaning assigned to such term in the Bond Resolution.

"*Transferee*" means each Bank Transferee or Non-Bank Transferee pursuant to Section 9.07 for so long as such Bank Transferee or Non-Bank Transferee is an Owner.

"*Trust Estate*" shall have the meaning assigned to such term in the Bond Resolution.

"*Trustee*" means U.S. Bank National Association, or any successor trustee which may at any time be substituted in its place as provided in the Bond Resolution.

"*written*" or "*in writing*" means any form of written communication or a communication by means of a facsimile device or electronic mail.

Section 1.02. Incorporation of Certain Definitions by Reference. Each capitalized term used herein and not otherwise defined herein shall have the meaning provided therefor in the Resolution, as applicable, unless the context otherwise requires.

Section 1.03. Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles as in effect from time to time ("GAAP").

Section 1.04. Computation of Time Periods. In this Agreement, in the computation of a period of time from a specified date to a later specified date, unless otherwise specified herein, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding" and the word "through" means "to and including."

Section 1.05. New York City Time Presumption. All references herein to times of the day shall be presumed to refer to New York City time unless otherwise specified.

Section 1.06. Relation to Other Documents; Incorporation by Reference.

(a) Nothing in this Agreement shall be deemed to amend, or relieve the City of any of its obligations under, any Related Document to which it is a party. Conversely, to the extent that the provisions of any Related Document allow the City to take or not take certain actions, the City nevertheless shall be fully bound by the provisions of this Agreement.

(b) All references to this Agreement or any other documents, including, without limitation, the Related Documents, shall be deemed to include all amendments, restatements, modifications and supplements thereto to the extent such amendment, restatement, modification or supplement is made in accordance with the provisions of such document and this Agreement.

Section 1.07. Construction. Unless the context of this Agreement otherwise clearly requires, references to the plural include the singular, to the singular include the plural and to the part include the whole. The word "including" shall be deemed to mean "including but not limited to," and "or" has the inclusive meaning represented by the phrase "and/or." The words "hereof," "herein," "hereunder" and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. The Section headings contained in this Agreement and the table of contents preceding this Agreement are for reference purposes only and shall not control or affect the construction of this Agreement or the interpretation thereof in any

respect. Article, section, subsection, exhibit, schedule and annex references are to this Agreement unless otherwise specified.

ARTICLE II

PURCHASE OF BONDS

Section 2.01. Purchase of Bonds. The conditions precedent to the obligation of the Purchaser to purchase the Bonds are set forth in the Forward Bond Purchase Agreement.

ARTICLE III

THE CITY'S OBLIGATIONS

Section 3.01. Repayment Obligations. The City hereby unconditionally, irrevocably and absolutely agrees to make prompt and full payment of all amounts due and owing to the Purchaser hereunder and under the Bonds and the other Related Documents.

Section 3.02. Default Interest. All amounts payable by the City to the Purchaser under the Related Documents shall bear interest at the Default Rate from the earlier of the date amounts are due and not paid, but only for so long as such amounts due remain unpaid. Interest accruing hereunder at the Default Rate, other than interest on the Bonds, shall be payable to the Purchaser on demand. The obligations of the City under this Section shall survive the termination of this Agreement and the payment in full of the Bonds subject to the limitations of Section 8.03.

Section 3.03. Amendment Fee. In connection with each amendment of this Agreement or any Related Document, or consent or waiver by the Purchaser under this Agreement or any Related Document, in each case, the City shall pay, within thirty (30) days after demand, a fee in a minimum amount of \$2,500.

Section 3.04. Computation of Interest and Fees. Fees and other amounts payable hereunder shall be calculated on the basis of a year of 360 days and the actual number of days elapsed. Interest hereunder shall accrue during each period for which interest is computed from and including the first day thereof to but excluding the last day thereof.

Section 3.05. Method and Application of Payments. All payments by or on behalf of the City to the Purchaser hereunder shall be fully earned when due and nonrefundable when paid and made in lawful currency of the United States of America and in immediately available funds. Amounts payable to the Purchaser hereunder shall be paid by wire transfer in accordance with written instructions provided to the City by the Purchaser, or in such other manner as may be agreed upon by the City and the Purchaser. Any payment received by the Purchaser after 3:30 p.m. on the date payment is due shall be deemed to have been received by the Purchaser on the next Business Day. If any payment hereunder is due on a day that is not a Business Day, then such payment shall be due on the next succeeding Business Day, and, in the case of the computation of the interest or fees hereunder, such extension of time shall, in such case, be excluded in the computation of the payment due hereunder. Payments received by the Purchaser shall be applied, first, to any fees, costs, charges or expenses payable by the City under this Agreement; second, to past due interest; third, to current interest; and, fourth, to principal.

ARTICLE IV

CONDITIONS PRECEDENT TO PURCHASE OF BONDS

Section 4.01. Conditions. The conditions precedent to the obligation of the Purchaser to purchase the Bonds are set forth in the Forward Bond Purchase Agreement.

ARTICLE V

REPRESENTATION AND WARRANTIES

The City represents and warrants as follows, as of the date of execution and delivery of this Agreement:

Section 5.01. Financial Condition. The balance sheet of Gainesville Regional Utilities at September 30, 2021, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended, reported on by the auditor of the City, heretofore delivered to the Purchaser, are complete and correct and present fairly the financial condition of Gainesville Regional Utilities as of such date, and the results of its operations and changes in financial position for the year then ended. All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by such accountants and as disclosed therein).

Section 5.02. No Change. Since September 30, 2021, except as disclosed by the City in writing to the Purchaser, there has been no material change in the business, operations, properties or financial or other condition of the System which would adversely affect the ability of the City to perform its obligations under the Related Documents.

Section 5.03. Organization; Compliance with Law. The City (a) is a municipal corporation duly organized and validly existing under the laws of the State of Florida, (b) has all requisite power and authority and the legal right to own and operate its property and to conduct its business, including without limitation, the System, and (c) is in compliance with all Requirements of Law, except to the extent that the failure to comply therewith would not, in the aggregate, have a material adverse effect on the business, operations, properties or financial or other condition of the System, and would not materially adversely affect the ability of the City to perform its obligations under Related Documents.

Section 5.04. Authorization; Enforceable Obligations. The City has all requisite power and authority and the legal right to adopt the Resolutions and to make, deliver and perform this Agreement, the Bonds and the other Related Documents, and has taken all necessary action to authorize the execution, delivery and performance of this Agreement, the Bonds and the other Related Documents. No consent or authorization of, filing with, or other act by or in respect of any Governmental Authority is required in connection with the execution, delivery, performance, validity or enforceability of this Agreement, the Bonds or the other Related Documents, except such consents, authorizations, filings or other acts as have been obtained, made or given. This Agreement, the Bonds and the other Related Documents (other than the Resolutions) have been duly authorized, executed and delivered on behalf of the City. The Resolutions have been duly

adopted by the City and are in full force and effect. This Agreement, the Bonds and the other Related Documents constitute legal, valid and binding obligations of the City enforceable against the City in accordance with their respective terms, subject to the effect of, and restrictions and limitations imposed by or resulting from, bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights and judicial discretion and the valid exercise of the sovereign police powers of the State of Florida and of the constitutional power of the United States of America.

Section 5.05. No Legal Bar. The execution, delivery and performance of this Agreement, the Bonds and the other Related Documents will not violate any Requirements of Law or any Contractual Obligation of the City.

Section 5.06. No Material Litigation. Except as disclosed in writing by the City to the Purchaser, no litigation or proceeding or, to the knowledge of the City, investigation of or before any arbitrator or Governmental Authority is pending (a) with respect to this Agreement, the Bonds or any other Related Document or any of the transactions contemplated thereby or hereby, or (b) which would have a material adverse effect on the business, operations, properties or financial or other condition of the System or the ability of the City to perform its obligations under this Agreement, the Bonds or any other Related Document or in respect of any other Debt incurred to finance or otherwise in respect of the System or secured by Revenues or other assets of the System.

Section 5.07. No Default. The City is not in default under or with respect to this Agreement, the Bonds or the other Related Documents, or with respect to any Contractual Obligation in any respect which would be materially adverse to the business, operations, properties or financial or other condition of the System or which would materially and adversely affect the ability of the City to perform its obligations under this Agreement, the Bonds or the other Related Documents or in respect of any other Debt incurred to finance or otherwise in respect of the System or secured by any Revenues or other assets of the System. No Event of Default has occurred and is continuing.

Section 5.08. Security. The Bonds are secured ratably with all other Utilities System Revenue Bonds heretofore or hereafter issued by a Lien on and pledge of the Trust Estate.

Section 5.09. Tax Exempt Status. No part of the proceeds of the Bonds or other funds of the City shall at any time be used in a manner that would cause the Bonds or any of them to be treated as "arbitrage bonds" within the meaning of Section 148 (or any successor Section thereto) of the Code.

Section 5.10. Federal Reserve Regulations. No part of the proceeds of any Bonds has been, or will be, used for the purpose, whether immediate, incidental or ultimate, to purchase or carry any Margin Stock or for any other purpose which would violate any of the regulations of the Board of Governors of the Federal Reserve System.

Section 5.11. ERISA Matters. The City does not maintain any employee benefit plan that is subject to Title I or Title IV of ERISA.

Section 5.12. No Sovereign Immunity. The defense of sovereign immunity is not available to the City in any proceedings by the Purchaser to enforce any of the obligations of the

City under this Agreement, the Bonds or any of the other Related Documents, except to the extent that any such proceeding seeks enforcement based on tort or similar claim and in such case such defense is available only to the extent set forth under Florida Statutes Section 768.28 or other similarly applicable provision of law, and, to the extent permitted by applicable law, the City consents to the initiation of any such proceedings in any court of competent jurisdiction and agrees not to assert the defense of sovereign immunity in any such proceedings.

Section 5.13. Full Disclosure. To the best of the City's knowledge, all information heretofore furnished (including pursuant to any representation or warranty) by the City to the Purchaser for purposes of or in connection with this Agreement true and accurate in all material respects on the date as of which such information is stated or certified.

Section 5.14. Incorporation by Reference. The representations and warranties made by the City in any Related Document are hereby incorporated by reference and made for the benefit of the Purchaser.

Section 5.15. No Proposed Legal Changes. Except as provided for by Section 716 of the Bond Resolution and as otherwise disclosed in writing to the Purchaser, there is no amendment or proposed amendment certified for placement on a ballot or referendum or, to the knowledge of the City, to the Constitution of the State of Florida or to any law, ordinance, or regulation of the State of Florida applicable to the System, or any legislation that has passed either house of the legislature of the State of Florida, or any published judicial decision interpreting any of the foregoing, the effect of which could reasonably be expected to have a material adverse effect upon (a) the ability of the City to perform its obligations under this Agreement, the Bonds or any other Related Document in any material respect or any other material contract related to the System to which any one or more of them is a party; (b) the legality, validity or enforceability of this Agreement, the Bonds or any other Related Document; or (c) the priority of the Liens granted under the Resolutions or the rights and remedies of the Purchaser under this Agreement, the Bonds or any other Related Document.

Section 5.16. Environmental Laws. The System and any of the property of the City that constitutes a part of the System is in material compliance with all applicable Environmental Laws and has not become subject to any Environmental Liability, nor does the City know of any basis for such Environmental Liability.

Section 5.17. Solvency. The City is generally paying its debts as they come due and, after giving effect to the obligations contemplated by this Agreement and the other Related Documents, the Net Revenues of the System for the current and each future Fiscal Year are expected to exceed the amount required to satisfy the debts of the City related to the System (including contingent, subordinated, unmatured and unliquidated liabilities) as they become due in each such Fiscal Year.

Section 5.18. Not an Investment Company. The City is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended

Section 5.19. Bond. The Bond has been or will be duly and validly issued under the Resolutions and entitled to the benefits thereof.

ARTICLE VI

AFFIRMATIVE COVENANTS

The City covenants and agrees that it will comply with the following affirmative covenants until the date on which no amount is due or owing to the Purchaser under this Agreement, the Bonds or any other Related Document, unless the Purchaser shall otherwise consent in writing:

Section 6.01. Performance of Covenants in Resolution. The City shall perform each of its covenants set forth in Article V and in Article VII of the Bond Resolution and in the Supplemental Resolution (as the same may be amended from time to time after the date of this Agreement) at the time such performance is required thereby (and giving effect to any applicable grace periods set forth therein).

Section 6.02. Financial and Other Information. The City shall furnish to the Purchaser:

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

(b) within sixty (60) days after its adoption, the current annual budget for the System including each amendment to the annual budget;

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

Section 6.03. Inspection of Property; Discussions. The City shall permit representatives of the Purchaser to visit and inspect any of the properties of the System and examine and make abstracts from any of its books and records (except to the extent such books and records are subject to legal privilege) at any reasonable time and as often as may reasonably be desired, and to discuss the business, operations, properties and financial and other condition of the System with officers and employees of the System and with its independent certified public accountants.

Section 6.04. Notices. The City shall promptly give notice to the Purchaser upon an officer of the City obtaining knowledge:

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

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

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

(c) of any change in the Obligor Ratings;

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

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

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

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

Each notice pursuant to Section 6.04(b) shall be accompanied by a statement of an Authorized Officer of the City setting forth details of the occurrence referred to therein and stating what actions, if any, the City proposes to take with respect thereto.

As and to the extent the information required by this Section 6.04 has been properly and timely filed with the Municipal Securities Rulemaking Board (or any successor agency) through EMMA, the City will be deemed to have complied with the provisions of this Section.

Section 6.05. Amendment of Related Documents. The City shall not modify, amend or supplement either Resolution without the prior written consent of the Purchaser; provided, however, that no such consent shall be required in connection with any amendment to the Bond Resolution, other than the Supplemental Resolution, permitted under the provisions of Section 1001 or 1002 of the Bond Resolution. The City shall not modify, amend or supplement or agree to modify, amend or supplement, any other Related Document in any respect which is adverse to the interests of the Purchaser or is inconsistent with this Agreement without the prior written consent of the Purchaser. The City shall promptly furnish to the Purchaser copies, certified by the Clerk as being in full force and effect, of any modification of, amendment of or supplement to either of the Resolutions as in effect on the Closing Date; provided, however, that the City shall not be required to furnish any such modification, amendment or supplement permitted under the provisions of Section 1001 or 1002 of the Bond Resolution.

Section 6.06. Power to Fix and Collect Rates, Fees and Charges. The City has, and except due to a change in law, will have as long as any Bonds are outstanding or other amounts are owing to the Purchaser hereunder, the City, subject in all respects to Section 716 of the Bond Resolution, shall have good right and lawful power to establish and collect rates, fees and charges with respect to the use and the sale of the capacity, output or service of the System subject to the terms of contracts relating thereto and subject to the jurisdiction of any applicable regulatory authority.

Section 6.07. Sovereign Immunity. To the extent authorized by applicable law, the City agrees to waive sovereign immunity from suit and liability for the purposes of adjudicating a claim to enforce its duties and obligations under this Agreement, the Bonds and Resolution or for damages for a breach of any of the foregoing, except to the extent that any such proceeding seeks enforcement based on tort or similar claim and in such case such defense is available only to the extent set forth under Florida Statutes, Section 768.28 or other similarly applicable provision of law.

Section 6.08. Most Favored Covenant. In the event that the City shall, directly or indirectly, enter into or otherwise consent to any contract, or any amendment, supplement or modification thereto, under which, directly or indirectly, any Person or Persons undertakes to make or provide credit or loans to the City or under which the City issues or incurs or could issue or incur Debt, in either such case, which is on a parity with the Bonds, which contract (or amendment, supplement or modification) provides such Person or Persons with additional or more restrictive financial covenants than are provided to the Purchaser in this Agreement (any such contract, or amendment, supplement or modification thereto, a "Favored Covenant Agreement"), the City shall provide the Purchaser with a copy of each such Favored Covenant Agreement within five (5) Business Days of the effective date of any such Favored Covenant Agreement. Upon the request of the Purchaser, the City shall promptly enter into an amendment to this Agreement to incorporate herein and make a part hereof such additional or more restrictive financial covenants for so long as such provisions remain in effect in the related Favored Covenant Agreement.

Section 6.09. Compliance with Laws. The City will comply in all material respects, within the time period, if any, given for such compliance by the relevant Governmental Authority, with all applicable laws, ordinances, rules and requirements of Governmental Authorities (including, without limitation, Environmental Laws) except where the necessity of compliance therewith is contested in good faith by appropriate proceedings.

Section 6.10. Further Assurances. The City shall, upon the request of the Purchaser, from time to time, execute and deliver such further documents and take such further action as may be reasonably necessary to effect the provisions of this Agreement and the Related Documents.

Section 6.11. Maintenance of Ratings. The City shall at all times maintain Obligor Ratings from at least one Rating Agency.

Section 6.12. Disclosure to Participants. The City agrees to permit the Purchaser to disclose any information received by the Purchaser in connection herewith, including without limitation the financial information described in Section 6.02, to any assignees or Participants of the Purchaser without notice to or further consent from the City.

Section 6.13. Proceeds of Bonds. The Bond Proceeds will be used solely for the purposes described in the Supplemental Resolution.

Section 6.14. Filing of Agreement. In the event the City delivers or permits, authorizes or consents to the delivery of this Agreement to any Person for delivery to the Municipal Securities Rulemaking Board, prior to such delivery the City agrees, to the extent permitted by law, that it shall redact all signatures, contact information, account information and other personal information contained herein.

ARTICLE VII

EVENTS OF DEFAULT

Section 7.01. Events of Default. The occurrence of any of the following events (including the expiration of any specified time) shall constitute an "Event of Default," unless waived by the Purchaser in writing:

(a) **Payments.** (i) The City shall fail to pay, or cause to be paid, when due (A) any payment of the principal of, Prepayment Fee as may be due, or interest on the Bonds, or (ii) the City shall fail to pay, or cause to be paid, within ten (10) days after the same shall become due, any other amount owed by the City to the Purchaser pursuant to this Agreement or any of the Related Documents.

(b) **Covenants.** The City shall fail to perform or observe any covenant set forth in Sections 6.05, 6.06, 6.07 or 6.11 and such default shall remain unremedied for a period of ten (10) days after the Purchaser shall have given written notice thereof to the City.

(c) **Other Covenants.** The City shall fail to perform any term, covenant, condition or provision of this Agreement or any of the Related Documents (other than as specified in any other subsection of this Section), which failure continues unremedied for forty five (45) days after the Purchaser shall have given written notice thereof to the City.

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

(e) **Parity Debt Payment Default.** The City shall fail to make any payment in respect of principal or interest on any Parity Debt when due (i.e., whether upon said Parity Debt's scheduled maturity, required prepayment, upon demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Parity Debt, or pursuant to the provisions of any resolution, indenture or instrument pursuant to which Parity Debt has been issued, the maturity of such Parity Debt shall as a result of the occurrence of a default in payment under such resolution, indenture or instrument, be accelerated or required to be prepaid prior to the stated maturity thereof.

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

(g) **Validity.** (i) Any provision of the Act, this Agreement, the Resolution or the Bonds relating to (A) the ability or the obligation of the City to pay, when due, the principal of or interest on the Bonds or (B) the Trust Estate securing the Bonds shall at any time, be declared to be null and void, invalid or unenforceable as the result of a final nonappealable judgment by any federal or state court or as a result of any legislative or administrative action by any Governmental Authority having jurisdiction over the City or (ii) (A) any Governmental Authority with jurisdiction to rule on the validity or enforceability of this Agreement, the Bonds, the Act, any Parity Debt or the Resolutions shall find or rule, in a judicial or administrative proceeding, that any provision of this Agreement, the Bonds, the Act, the Resolutions or any Parity Debt, as the case may be, relating to (1) the ability or the obligation of the City to pay, when due, the principal of or interest on the Bonds or any Parity Debt or (2) the Trust Estate securing the Bonds and Parity Debt is not valid or not binding on, or enforceable against, the City; or (B) an authorized representative for the City (1) makes a claim in a judicial or administrative proceeding that the City has no further liability or obligation hereunder, under the Bonds, the Act, the Resolutions or any Parity Debt to pay, when due, the principal of or interest on the Bonds or any Parity Debt or (2) contests in a judicial or administrative proceeding the validity or enforceability of any provision of this Agreement, the Bonds, the Act, the Resolutions or any Parity Debt relating to or otherwise affecting (x) the City's ability or obligation to pay, when due, the principal of or interest on the Bonds or any Parity Debt or (y) the Trust Estate securing the Bonds and Parity Debt.

(h) **Judgments.** A final, unappealable judgment or judgments for a claim not limited by or precluded by sovereign immunity under Section 768.28, Florida Statutes or other similarly applicable law, rendered by a court of competent jurisdiction that is enforceable against the City for the payment of money in excess of \$20,000,000 in the aggregate shall be payable from the funds and other property comprising the Trust Estate securing the Bonds and not be covered by insurance, the operation or result of which judgment or judgments shall remain unpaid, unstayed, undischarged, unbonded or

undismissed for a period of sixty (60) days; an obligation shall be considered "covered by insurance" to the extent the City has self-insured against such obligation or risk and has maintained adequate reserves therefor under appropriate insurance industry standards.

(i) ***Insolvency.*** (A) The City shall (1) commence any case, proceeding or other action (x) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition, declaration of a payment moratorium or other relief with respect to it or its debts or (y) seeking the appointment of a receiver, trustee, custodian or similar official for it or for all or any substantial part of its assets, or (2) make a general assignment for the benefit of its creditors; (B) there shall be commenced against the City any case, proceeding or other action of a nature referred to in clause (A) above which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains undismissed, undischarged or unbonded for a period of sixty (60) days; (C) there shall be commenced against the City any case, proceeding or other action seeking the issuance of a warrant of attachment, execution, restraint or similar process against all or any substantial part of the assets of the System or the Net Revenues of the System, which results in the entry of a final and non-appealable order or ruling for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; (D) the City shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (A), (B) or (C) above; or (E) the City shall (1) admit in writing its inability to pay its debts as such debts become due or (2) become insolvent within the meaning of the United States Bankruptcy Code.

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

(k) ***Downgrade.*** Any Obligor Rating is withdrawn or suspended by the applicable Rating Agency for credit related reasons or below Investment Grade.

Section 7.02. Consequences of an Event of Default. If an Event of Default specified in Section 7.01 shall occur, then in addition to any other rights or remedies available to the Trustee or the Purchaser under any of the Related Documents or under applicable Law, the Purchaser may exercise any one or more of the following rights and remedies:

(a) cure any Default, Event of Default or event of nonperformance under this Agreement or the Related Documents; provided, however, that the Purchaser shall have no obligation to effect such a cure; or

(b) exercise, or cause to be exercised, any and all remedies as it may have under this Agreement or the Related Documents (other than as provided in subsection (b) above) and as otherwise available at law and at equity.

Section 7.03. Default Rate. During the continuance of any Event of Default, amounts owing from the City to the Purchaser hereunder shall bear interest at the Default Rate.

Section 7.04. No Waiver; Remedies. No failure on the part of the Purchaser to exercise, and subject to the limitation of Section 8.03, no delay in exercising, any right, power or privilege under this Agreement shall operate as a waiver of such right, power or privilege; nor shall any single or partial exercise of any right, power or privilege under this Agreement preclude any other further exercise of such right, power or privilege or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law or which the Purchaser would otherwise have. The rights and remedies of the Purchaser are for the sole and exclusive benefit, use and protection of the Purchaser, and the Purchaser is entitled, but shall have no duty or obligation to the City, the Trustee or any other Person or otherwise, (i) to exercise or to refrain from exercising any right or remedy reserved to the Purchaser hereunder or under any Related Document, or (ii) to cause the Trustee or any other Person to exercise or to refrain from exercising any right or remedy available to it under any of the Related Documents.

ARTICLE VIII

NATURE OF OBLIGATIONS; INDEMNIFICATION

Section 8.01. Liability of the Purchaser. (a) Except as otherwise provided in this Section 8.01, any action taken or omitted by the Purchaser under or in connection with this Agreement or any related certificates or other documents, if taken or omitted in good faith and without gross negligence, shall be binding upon the City and shall not put the Purchaser under any resulting liability to the City.

(b) Except as otherwise provided in this Section 8.01, neither the Purchaser nor any of its officers or directors shall be liable or responsible for (i) the use which may be made of the Bond Proceeds or for any acts or omissions of the Trustee, (ii) the general and particular conditions stipulated in this Agreement, (iii) the validity or genuineness of any documents presented under this Agreement (or any endorsement thereon), even if such documents should in fact prove to be in any or all respects forged, fraudulent, invalid, unenforceable or insufficient or any statement therein being inaccurate in any respect whatsoever, (iv) payment by the Purchaser under this Agreement against presentation of documents which do not comply with the terms of this Agreement, including failure of any documents to bear any reference or adequate reference to this Agreement, (v) the existence, form, sufficiency and breach of contracts of any nature whatsoever, including the Related Documents and this Agreement, (vi) the solvency, standing and responsibility of any Person whomsoever, (vii) any delay by any Person other than the Purchaser in giving or failure to give any notice, demand or protest, (viii) failure of any Person (other than the Purchaser) to comply with the terms of this Agreement, (ix) errors, omissions, delays in or non-delivery of any message, however sent, or (x) any other circumstance or happening

whatsoever, whether or not similar to any of the foregoing, in making or failing to make payment under this Agreement. Notwithstanding the foregoing, the Purchaser shall be liable to the City for the City's direct damages which result from or arise out of the events described in the next sentence, including any liability of the City as a result of claims by third parties, but the liability of the Purchaser shall not include consequential damages. The events giving rise to liability of the Purchaser pursuant to the preceding sentence shall be limited to (A) the Purchaser's gross negligence or willful misconduct in determining whether documents presented under this Agreement comply with the terms hereof or (B) the Purchaser's gross negligence or willful misconduct in failing to pay under this Agreement amounts owed by the Purchaser when due. Without in any way limiting the Purchaser's liability as provided by the foregoing, the Purchaser may accept documents under this Agreement that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

Section 8.02. Expenses; Indemnification. (a) The City shall pay all out of pocket expenses of the Purchaser, including fees and disbursements of counsel or other reasonably required consultant for the Purchaser, in connection with the preparation of this Agreement and the Related Documents, any waiver or consent hereunder or any amendment hereof or any Default or Event of Default or alleged Default or Event of Default hereunder.

(b) To the fullest extent permitted by applicable law, the City agrees to indemnify the Purchaser and hold the Purchaser harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind including, without limitation, the reasonable fees and disbursements of counsel, which may be incurred by the Purchaser in connection with any investigative, administrative or judicial proceeding (whether or not the Purchaser shall be designated a party thereto) relating to or arising out of this Agreement or any Related Document; provided, however, that the Purchaser shall not have the right to be indemnified hereunder for its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final and nonappealable judgment.

(c) In the event the Purchaser shall commence, appear in or defend any action or proceeding which reasonably might be expected to directly affect its rights, duties or liabilities under this Agreement or any Related Document, the City will pay the Purchaser, upon demand by the Purchaser (i) all of the Purchaser's reasonable out of pocket costs and expenses and (ii) the reasonable legal fees and disbursements incurred by the Purchaser in those actions and proceedings (including, without limitation, the allocated costs and expenses of in house counsel). In no event and under no circumstances shall the City be required (x) to reimburse the Purchaser for any costs, expenses, fees or disbursements incurred by any Participant in connection with any such proceeding or action or (y) to reimburse any Participant for any costs, expenses, fees or disbursements incurred by any person in connection with any such proceeding or action.

Section 8.03. Survival of Representations and Warranties. All agreements, covenants, representations and warranties contained in this Agreement and in any certificates delivered pursuant hereto shall survive the execution and delivery of this Agreement, and the agreements contained in Sections 8.02 shall survive payment of any amounts payable hereunder and thereunder and with respect to any Bonds and the termination of this Agreement; provided,

however, any request for payments under Sections 8.02 must be requested from the City in writing within 90 days from the later of the termination of this Agreement or the payment or purchase of the Bonds held by the Purchaser in full.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Right of Setoff. The Purchaser hereby waives any rights of set-off for any amounts owed hereunder with respect to any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Purchaser to or for the credit or the account of the City

Section 9.02. Amendments and Waivers. No amendment or waiver of any provision of this Agreement or consent to any departure by the City from any such provision shall in any event be effective unless the same shall be in writing and signed by the Purchaser. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. In the event any agreement contained in this Agreement should be breached by the City and thereafter waived by the Purchaser, such waiver shall be limited to the particular breach so waived for the specific period set out in such waiver and such waiver shall not constitute a waiver of such breach for any other period and shall not waive any other or similar breach hereunder.

Section 9.03. Counterparts. This Agreement may be signed in any number of counterpart copies (and by different parties on different counterparts), each of which shall constitute an original but all such copies shall constitute one and the same instrument.

Section 9.04. Notices. All notices, requests, demands, directions and other communications (collectively "notices") under the provisions of this Agreement shall be in writing (including facsimile communication), unless otherwise expressly permitted hereunder, and shall be properly addressed and sent by registered or certified mail or by express courier for next Business Day delivery and shall be deemed received as follows: (a) if by registered or certified mail, five (5) days after mailing; (b) if by express courier, on the next Business Day; and (c) if by facsimile, when confirmation of transmission is obtained if prior to 5:00 p.m. local time on a Business Day, and otherwise, on the next Business Day; provided that service of a notice prescribed by any applicable Law shall be considered complete when the requirements of such applicable Law are met. Notices by electronic mail (e mail) shall not constitute notice under this Agreement and are only to be used in addition to notice given as prescribed under subsections (a), (b) or (c) of this Section. All notices shall be sent to the applicable party at the following address or in accordance with the last unrevoked written direction from such party to the other party hereto and the Trustee:

if to the City, addressed to it at:

City of Gainesville, Florida
301 S.E. Fourth Avenue
Gainesville, FL 32601
Attention: General Manager for Utilities
Telephone: (352) 393-1007
Facsimile: (352) 334-2277

or if to the Purchaser, addressed to it at:

Bank of America, N.A.
601 Creighton Road
Pensacola, FL 32504
Attention: Joe R. Miller
Telephone: (850) 934-5946
Facsimile: (850) 454-1065
E-mail: j.r.miller@bofa.com

with a copy to:

Bank of America, N.A.
Suite 10110
9128 Strada Place
Naples, FL 34108
Attention: Amy L. Roberts
Telephone: (239) 598-8807
E-mail: amy1.l.roberts@bofa.com

or if to the Trustee, addressed to it at:

U.S. Bank National Association
225 Water Street, Suite 700
EX-FL-WWSJ
Jacksonville, Florida 32202
Attention: Sarah B. Lemmerman, Asst. Vice President
Telephone: (904) 358-5377
Email: sarah.lemmerman@usbank.com

The Purchaser may in its sole discretion rely on any notice (including telephone communication or e mail communication) purportedly made by or on behalf of the City or the Trustee, but it shall have no duty to accept any notice not given as prescribed in this Section and shall have no duty to verify the identity or authority of the Person giving such notice, unless such actions or omissions would amount to gross negligence or intentional misconduct.

A party may, by delivery of notice in the manner provided herein, revise such party's notice address.

Section 9.05. Severability. Any provision of this Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 9.06. Governing Law; Consent To Jurisdiction; Waiver Of Jury Trial.

(a) ***Governing Law.*** THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACT UNDER, AND TOGETHER WITH ANY DISPUTES OR CONTROVERSIES ARISING OUT OF OR RELATING TO THIS AGREEMENT, SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE AND APPLICABLE FEDERAL LAW, WITHOUT REGARD TO CHOICE OF LAW RULES.

(b) ***Consent to Jurisdiction.*** EACH PARTY HERETO CONSENTS TO AND SUBMITS TO IN PERSONAM JURISDICTION AND VENUE IN ALACHUA COUNTY, FLORIDA AND IN THE FEDERAL DISTRICT COURTS WHICH ARE LOCATED IN ALACHUA COUNTY, FLORIDA. EACH PARTY ASSERTS THAT IT HAS PURPOSEFULLY AVAILED ITSELF OF THE BENEFITS OF THE LAWS OF THE STATE AND WAIVES ANY OBJECTION TO IN PERSONAM JURISDICTION ON THE GROUNDS OF MINIMUM CONTACTS, WAIVES ANY OBJECTION TO VENUE, AND WAIVES ANY PLEA OF FORUM NON CONVENIENS. THIS CONSENT TO AND SUBMISSION TO JURISDICTION IS WITH REGARD TO ANY ACTION RELATED TO THIS AGREEMENT, REGARDLESS OF WHETHER THE PARTY'S ACTIONS TOOK PLACE IN THE STATE OR ELSEWHERE IN THE UNITED STATES OF AMERICA, THIS SUBMISSION TO JURISDICTION IS NONEXCLUSIVE, AND DOES NOT PRECLUDE EITHER PARTY FROM OBTAINING JURISDICTION OVER THE OTHER IN ANY COURT OTHERWISE HAVING JURISDICTION.

(c) ***Waiver of Jury Trial.*** EACH PARTY HERETO WAIVES ITS RIGHT TO A JURY TRIAL OF ANY AND ALL CLAIMS OR CAUSES OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT AND THE RELATED DOCUMENTS. IT IS HEREBY ACKNOWLEDGED THAT THE WAIVER OF A JURY TRIAL IS A MATERIAL INDUCEMENT FOR THE PURCHASER TO PURCHASE THE BONDS AND THAT THE EXECUTION AND DELIVERY OF THIS AGREEMENT BY THE CITY AND THE PURCHASER IS MADE IN RELIANCE UPON SUCH WAIVER. EACH PARTY HERETO FURTHER WARRANTS AND REPRESENTS THAT SUCH WAIVER HAS BEEN KNOWINGLY AND VOLUNTARILY MADE FOLLOWING CONSULTATION WITH ITS RESPECTIVE LEGAL COUNSEL.

(d) The covenants and waivers made pursuant to this Section shall be applicable to any subsequent amendments, renewals, supplements or modifications of this Agreement.

Nothing in this Section shall affect the right of the Purchaser to serve legal process in any other manner permitted by Law.

Section 9.07. Successors and Assigns.

(a) **Generally.** This Agreement is a continuing obligation and shall be binding upon the City, its successors, transferees and assigns and shall inure to the benefit of the Purchaser and each Transferee and their respective permitted successors, transferees and assigns. The City may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Purchaser. The Purchaser and each Transferee may, in its sole discretion and in accordance with Applicable Law, from time to time assign, sell or transfer in whole or in part, this Agreement, its interest in the Bonds and the other Related Documents in accordance with the provisions of subsections (c) or (d) below. The Purchaser and each Transferee may at any time and from time to time pledge or assign a certain security interest in accordance with the provisions of subsection (e) below and enter into participation agreements in accordance with the provisions of subsection (f) below.

(b) **Designation of Purchaser.** Bank of America, N.A. shall be the Purchaser hereunder until such time as the Majority Bondholder designates an alternate Person to serve as the Purchaser hereunder by delivery of written notice to the City and the Trustee and such Person accepts and agrees to act as the Purchaser hereunder and under the Related Documents. The Majority Bondholder may so designate an alternate Person to act as the Purchaser from time to time. Upon acceptance and notification thereof to the City and the Trustee, the successor to the Purchaser for such purposes shall thereupon succeed to and become vested with all of the rights, powers, privileges and responsibilities of the Purchaser or any other Person being replaced as the Purchaser shall be discharged from its duties and obligations as the Purchaser hereunder.

(c) **Sales and Transfers to a Bank Transferee.** Without limitation of the foregoing generality, the Purchaser may at any time sell or otherwise transfer to one or more transferees all or a portion of the Bonds to a Person that is (i) an Affiliate of the Purchaser or (ii) a trust or other custodial arrangement established by the Purchaser or an Affiliate of the Purchaser, the owners of any beneficial interest in which are limited to Qualified Institutional Buyers (each, a "Bank Transferee"). From and after the date of such sale or transfer, Bank of America, N.A. (and its successors) shall continue to have all of the rights of the Purchaser hereunder and under the Related Documents as if no such transfer or sale had occurred; provided, however, that (A) no such sale or transfer referred to in clause (i) or (ii) of this subsection shall in any way affect the obligations of the Purchaser hereunder, (B) the City and the Trustee shall be required to deal only with the Purchaser with respect to any matters under this Agreement and (C) in the case of a sale or transfer referred to in clause (i) or (ii) of this subsection, only the Purchaser shall be entitled to enforce the provisions of this Agreement against the City.

(d) **Sales and Transfers to a Non-Bank Transferee.** (i) Without limitation of the foregoing generality, the Purchaser or any Owner may at any time sell or otherwise transfer to one or more transferees which are not Bank Transferees but each of which

constitutes a Qualified Institutional Buyer (each a "Non-Bank Transferee") all or a portion of the Bonds if (A) written notice of such sale or transfer, including that such sale or transfer is to a Non-Bank Transferee, together with addresses and related information with respect to the Non-Bank Transferee, shall have been given to the City, the Trustee and the Purchaser (if the Purchaser is not the Owner) by such selling Owner and Non-Bank Transferee, and (B) the Non-Bank Transferee shall have delivered to the City, the Trustee and the selling Owner, an investment letter in substantially the form attached as an exhibit to the Forward Bond Purchase Agreement (the "Investor Letter").

(ii) From and after the date the City, the Trustee and the selling Owner have received written notice and an executed Investor Letter, (A) the Non-Bank Transferee thereunder shall be a party hereto and shall have the rights and obligations of an Owner hereunder and under the Related Documents, and any reference to the assigning Owner hereunder and under the Related Documents shall thereafter refer to such transferring Owner and to the Non-Bank Transferee to the extent of their respective interests, and (B) if the transferring Owner no longer owns any Bonds, then it shall relinquish its rights and be released from its obligations hereunder and under the Related Documents.

(e) ***Certain Pledges.*** The Purchaser may at any time pledge or grant a security interest in all or any portion of its rights under this Agreement, the Bonds and the other Related Documents to secure obligations of the Purchaser, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release the Purchaser from any of its obligations hereunder or substitute any such pledgee or assignee for the Purchaser as a party hereto.

(f) ***Participations.*** The Purchaser shall have the right to grant participations in all or a portion of the Purchaser's interest in this Agreement, the Bonds and the other Related Documents to one or more other banking institutions, and such participants shall, except as set forth in the clause (ii) of this subsection, be entitled to the benefits of the this Agreement and the Related Documents to the same extent as if they were a direct party to this Agreement; provided, however, that (i) no such participation by any such Participant shall in any way affect the obligations of the Purchaser hereunder and (ii) the Trustee and the City shall be required to deal only with the Purchaser with respect to any matters under this Agreement and the Related Documents and no such Participant shall be entitled to enforce against the City any provision hereunder.

Section 9.08. Complete and Controlling Agreement. This Agreement and the Related Documents completely set forth the agreements between the Purchaser and the City and fully supersede all prior agreements, both written and oral, between the Purchaser and the City relating to all matters set forth herein and in the Related Documents.

Section 9.09. No Advisory or Fiduciary Responsibility. In connection with all aspects of the transactions contemplated by this Agreement and the Related Documents (including in connection with any amendment, waiver or other modification of this Agreement or of any Related Document), the City acknowledges that: (a)(i) any arranging, structuring and other services regarding this Agreement and the Related Documents provided by the Purchaser are arm's length

commercial transactions between the City on the one hand, and the Purchaser on the other hand, (ii) the City has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (iii) the City is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated by this Agreement and the Related Documents; (b)(i) the Purchaser is and has been acting solely as a principal and has not been, is not, and will not be acting as an advisor, agent or fiduciary for the City or any other Person and (ii) the Purchaser does not have any obligation to the City with respect to the transactions contemplated by this Agreement and the Related Documents, except those obligations expressly set forth herein; and (c) the Purchaser may be engaged in a broad range of transactions that involve interests that differ from those of the City, and the Purchaser does not have any obligation to disclose any of such interests to the City.

Section 9.10. Payment Set Aside. To the extent that the Purchaser or any Owner receives any payment from or on behalf of the City which payment amount or any part thereof is subsequently invalidated, declared to constitute a fraudulent conveyance or preferential transfer, set aside, or required to be repaid (including pursuant to any settlement entered into by the Purchaser or any Owner in its discretion) to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause (collectively, "Set Aside"); then, to the extent of any such Set Aside, the obligations or part thereof intended to be satisfied shall be revived and continue in full force and effect, as if such payment amount had not been received by the Purchaser or such Owner.

Section 9.11. Contractual Interpretation. The parties acknowledge that they have read and fully understand the terms of this Agreement, have consulted with such attorneys, accountants, advisors, or other professionals as they have deemed appropriate prior to executing this Agreement with adequate opportunity and time for review thereof, and are fully aware of its contents and of its legal effect. Accordingly, neither this Agreement nor any ambiguity herein shall be construed against any party on the grounds that such party drafted this Agreement and instead, this Agreement shall be interpreted as though drafted equally by all parties.

Section 9.12. Electronic Signatures. The parties agree that the electronic signature of a party to this Agreement shall be as valid as an original signature of such party and shall be effective to bind such party to this Agreement. The parties agree that any electronically signed document (including this Agreement) shall be deemed (i) to be "written" or "in writing," (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Such paper copies or "printouts", if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule. For purposes hereof, "electronic signature" means a manually signed original signature that is then transmitted by electronic means; "transmitted by electronic means" means sent in the form of a facsimile or sent via the internet as a "pdf" (portable document format) or other replicating image attached to an e mail message; and, "electronically signed document" means a document transmitted by electronic means and containing, or to which there is affixed, an electronic signature.

Section 9.13. USA Patriot Act Notification. The Purchaser is subject to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56, signed into law October 26, 2001) (the "Act") and hereby notifies the City that pursuant to the requirements of the Act, it is required to obtain, verify, and record information that identifies the City, which information includes the name and address of the City and other information that will allow the Purchaser to identify the City in accordance with the Act.

[Remainder of page intentionally left blank]

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

CITY OF GAINESVILLE, FLORIDA

By: _____
Claudia Rasnick
Utility Chief Financial Officer

APPROVED AS TO FORM AND
LEGALITY

By: _____
Nicolle M. Shalley, Esq.
City Attorney

BANK OF AMERICA, N.A.

By: _____
Name: Mason Hurley
Title: Senior Vice President

[Signature Page to Continuing Covenant Agreement]

EXHIBIT H
TERM SHEET

Gainesville Regional Utilities

Response to Request for Information for a Tax-Exempt Forward
Delivery Direct Purchase to Refund the 2012 Series A Bonds

Due: June 2, 2021

Bank of America, N.A.
620 S. Tryon Street
Charlotte, NC 28255



June 1, 2021

Mark Benton
Gainesville Regional Utilities
301 SE 4th Avenue
Gainesville, FL 32601

Chris Lover
Public Financial Management
11605 N. Community House Rd
Charlotte NC, 28277

Mark and Chris:

On behalf of Bank of America, N.A. ("BANA" or the "Bank"), thank you for the opportunity to submit our response to Gainesville Regional Utilities ("GRU") in connection with the potential issuance of its Utilities System Revenue Refunding Bonds, 2021 Series B ("2021 Bonds"). We trust you will find our historical experience in partnering with GRU on innovative financing solutions combined with our broader municipal lending experience make BANA extremely well qualified to serve as lender for a Tax-Exempt Forward Delivery Bank Direct Purchase. We would like to highlight several key factors that we believe distinguish our proposal from our competitors:

- **Fully Credit Approved.** We have received full internal credit approval subject only to agreement over the final terms and definitive documentation. Additionally, we have reviewed GRU's approved form of BPA and Continuing Covenants Agreement and, as with prior GRU transactions with BANA, are able to accept the documents in a substantially similar form as currently drafted. Combined with our significant experience executing other forward delivery direct purchase transactions (including GRU's 2020 Series A financing), we are confident that we are able to meet GRU's financing schedule. We would note the draft BPA and Continuing Covenants Agreement are silent on break funding charges. We would anticipate utilizing break funding language substantially similar to that in the Bank's purchase of GRU's 2020 Series A financing last year.
- **Ability to Structure the Direct Purchase to Meet GRU's Needs.** As one of GRU's top bank credit providers, we have extensive knowledge and experience working with GRU and your bond counsel. Our prior history includes purchasing GRU's Tax-Exempt Forward Delivery Direct Purchase 2020 Series A Bonds. Specifically we note the following items:
 - Ratings/CUSIP/Ongoing Disclosure: We do not require a rating or CUSIP on the Direct Purchase. The only required disclosure would be for GRU's annual audited financial statements, as it already provides to the Bank in conjunction with other credit extensions. No other ongoing disclosure required between pricing of the Direct Purchase and closing in 2022.
 - Documentation: We agree to negotiate a Forward Delivery Bond Purchase Agreement and Continuing Covenants Agreement substantially similar to those provided in the RFI and in-line with the agreements executed with BANA's purchase of GRU's 2020 Series A financing.
 - Default rate: lesser of 12% and the maximum rate permitted by law.
 - Breakage fees: similar to the language included in the Bank's purchase of GRU's 2020 Series A financing.
 - Taxability: In the event GRU was unable to provide the appropriate tax opinion and documents at funding, the Direct Purchase would fund at the pre-determined taxable rate included in the bond documents. As with GRU's 2020 Series A financing, there will be two separate defined taxable rates. A lower, to be negotiated, taxable rate would be applicable in the event the Direct Purchase was unable to fund at a tax-exempt rate as a result solely from an amendment to the Internal Revenue Code enacted after the closing date and prior to the funding date. If the Direct Purchase is unable to fund at a tax-exempt rate for any other reason, a second higher taxable rate, to be negotiated, would be applicable.
 - Determination of Taxability: applicable only as a result of GRU's direct or indirect actions.

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- Bank Counsel fees: capped at \$30,000 with \$20,000 due at the signing of the BPA and the remaining \$10,000 due at funding. BANA would propose using Mark Raymond who has represented us in previous transactions with GRU including the Forward Delivery Direct Purchase of the 2020 Series A financing.
- Additional fees: none. BANA would not charge any up-front fee or other facility fees.
- **Indicative Interest Rate and Rate Setting Mechanics.** For fixed rate transactions, both taxable and tax-exempt, our internal cost of funds closely approximates the 3M LIBOR swap curve for a tenor corresponding to the weighted average maturity of the loan. As such, we do not typically price off a spread to MMD as GRU would price in the capital markets. Additionally, for a forward delivery transaction, our internal cost of the forward premium includes both an interest rate curve component as well as a premium to compensate BANA for the capital charges incurred during the forward period. Given the fact that interest rates will fluctuate between now and the anticipated pricing date of July 20th, BANA is unable to provide a firm and fixed forward premium in advance of July 20th. However, we are willing to work with GRU and PFM to see if we can come up with a mutually agreeable method of pricing. Below we provide current market indicative pricing for a Tax-Exempt Forward Delivery Direct Purchase with an assumed “closing” date of July 20, 2021 and a “funding” date of July 5, 2022 (note the RFI states a funding date of August 3, 2022 but we believe GRU could fund one month earlier – assuming an August 3, 2022 funding date would not have a meaningful change in our below indicative rates).
 - The indicative Tax-Exempt Forward Delivery Direct Purchase interest rate as of June 1, 2021 is 1.48%, which is comprised of the following:
 - 5-year LIBOR swap rate of 0.89% (average life of loan including forward period is approximately 4.8 years)
 - Fixed credit spread added to the LIBOR swap rate of 0.38%
 - Forward premium of 0.21%
 - We note that while we cannot lock-in the forward premium with respect to the Direct Purchase (for the reasons listed above), we are able to commit to indexing the Direct Purchase at the 5-year LIBOR swap rate + 0.38%, with the forward premium to be determined on, or around, July 20, 2021 (vs. locking-in the forward premium now with the credit spread determined at a later date).
 - Additionally, if GRU wanted to accelerate the pricing ahead of the scheduled pricing date for the capital markets transaction, we would be willing to discuss alternative pricing dates and potential ability to hold rates.

We are confident that our team can provide GRU with top-notch execution of this Direct Purchase and look forward to having the opportunity to working with GRU again in this capacity. Feel free to contact us if you have any questions or if we can provide any further information.

Sincerely,



Andrew Hildreth, Director
 BofA Securities, Inc.
 Bank of America N.A.
 Phone: 561-789-0683
 Email: andrew.hildreth@bofa.com



Mason Hurley, Senior Vice President
 Bank of America, N.A.
 Phone: 980-387-2370
 Email: mason.hurley@bofa.com

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We do not provide legal, compliance, tax or accounting advice. If any person uses or refers to any such tax statement in promoting, marketing or recommending a partnership or other entity, investment plan or arrangement to any taxpayer, then the statement expressed herein is being delivered to support the promotion or marketing of the transaction or matter addressed and the recipient should seek advice based on its particular circumstances from an independent tax advisor. Notwithstanding anything that may appear herein or in other materials to the contrary, the Company shall be permitted to disclose the tax treatment and tax structure of a transaction (including any materials, opinions or analyses relating to such tax treatment or tax structure, but without disclosure of identifying information or any nonpublic commercial or financial information (except to the extent any such information relates to the tax structure or tax treatment)) on and after the earliest to occur of the date of (i) public announcement of discussions relating to such transaction, (ii) public announcement of such transaction or (iii) execution of a definitive agreement (with or without conditions) to enter into such transaction; provided, however, that if such transaction is not consummated for any reason, the provisions of this sentence shall cease to apply.

Appendix A

Risk Disclosures Pursuant to MSRB G-17

Risk Disclosures Pursuant to MSRB Rule G-17

You should consult with your financial and/or municipal, legal, accounting, tax and other advisors, as applicable; to the extent you deem appropriate concerning such risks.

FIXED RATE BONDS		
Material Risk Consideration	Description of Risk	Potential Consequences
Issuer Default Risk	Possibility that the Issuer defaults under the authorizing documents	<ul style="list-style-type: none"> • Range of available remedies may be brought against Issuer (e.g., forcing Issuer to raise taxes or rates) • Credit ratings negatively impacted • Access to capital markets impaired • Possibility of receivership or bankruptcy for certain issuers
Redemption Risk	The ability to redeem the bonds prior to maturity may be limited	<ul style="list-style-type: none"> • Inability to refinance at lower interest rates
Refinancing Risk	Possibility that the bonds cannot be refinanced	<ul style="list-style-type: none"> • Inability to refinance at lower interest rates
Reinvestment Risk	Possibility that the Issuer may be unable to invest unspent proceeds at or near the interest rate on the bonds	<ul style="list-style-type: none"> • Negative arbitrage resulting in a higher cost of funds
Tax Compliance Risk	For tax-exempt bonds, possibility that failure to comply with tax-related covenants results in the bonds becoming taxable obligations	<ul style="list-style-type: none"> • Increase in debt service costs retroactively to date of issuance • Possible mandatory redemption of bonds affected • Risk of IRS audit • Difficulty in refinancing the bonds • Access to tax-exempt market impacted • Difficulty in issuing future tax-exempt debt

Risk Disclosures Pursuant to MSRB Rule G-17

You should consult with your financial and/or municipal, legal, accounting, tax and other advisors, as applicable; to the extent you deem appropriate concerning such risks.

FORWARD DELIVERY BOND ISSUES		
Material Risk Consideration	Description of Risk	Potential Consequences
Risk of Inability to Satisfy Conditions for Delivery of Bonds	Possibility that conditions to closing cannot be met on delivery date (e.g., intervening changes in law (resulting in either a change in tax status or any other reason that would prevent counsel from delivering an opinion), material litigation filed, adverse change in rating on the bonds or an event of default or material adverse change occurs)	<ul style="list-style-type: none"> • Transaction cannot be consummated
Underwriter Default Risk	Possibility that underwriter cannot perform on delivery date	<ul style="list-style-type: none"> • Transaction cannot be consummated
Fewer Potential Purchasers	Risk that the universe of potential investors may be limited to additional risks	<ul style="list-style-type: none"> • Pricing of the bonds and the amount of the forward delivery premium may be adversely affected
Availability of Better Alternatives	Possibility that it is more advantageous to wait and remarket or refinance outstanding bonds	<ul style="list-style-type: none"> • May not obtain the best economic result by proceeding with issuance of forward delivery bonds