



**WATER AND SEWER SYSTEM
REVENUE BOND RESOLUTION**

adopted February 18, 1997

**(as amended and restated on March 18, 1997
and as amended on August 19, 1997;
June 15, 1999; October 16, 2001;
June 27, 2005; February 14, 2006;
August 16, 2012; June 18, 2013;
and May 2, 2018)**

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NOW, THEREFORE, be it resolved by JEA as follows:

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY; CIRCUMSTANCES UNDER WHICH THE RESOLUTION SHALL CONSTITUTE AN AMENDMENT AND RESTATEMENT OF PRIOR OBLIGATIONS DOCUMENTS

101. Definitions. The following terms shall, for all purposes of the Resolution, have the following meanings:

Account or Accounts shall mean, as the case may be, each or all of the accounts established in subsection 1 of Section 502.

Accountant's Certificate shall mean a certificate signed by an independent certified public accountant of recognized national standing or a firm of certified public accountants of recognized national standing, selected by JEA, who may be the accountant or firm of accountants who regularly audit the books of JEA relating to the System.

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

Accrued Aggregate Debt Service shall mean, as of any date of calculation, an amount equal to the sum of the amounts of accrued Debt Service with respect to all Series, calculating the accrued Debt Service with respect to each Series at an amount equal to the sum of (i) interest on the Bonds of such Series accrued and unpaid and to accrue to the end of the then current calendar month, and (ii) Principal Installments due and unpaid and that portion of the Principal Installments for such Series next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such calendar month; *provided, however,* that (i) there shall be excluded from the calculation of Accrued Aggregate Debt Service any Principal Installments which are Refundable Principal Installments, (ii) the principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds shall be included in the calculation of Accrued Aggregate Debt Service

at the times and in the manner provided in subsection 1 of Section 207 and (iii) if the calculation of the Debt Service Reserve Requirement for any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund takes into account Accrued Aggregate Debt Service, then, for purposes of such calculation, Accrued Aggregate Debt Service shall be calculated only with respect to the Bonds of the Series secured thereby.

Act shall mean Article 21 of the Charter of the City, as amended and readopted by Chapter 80-515, Laws of Florida, Special Acts of 1980, as subsequently amended by Chapter 92-341, Laws of Florida, Special Acts of 1992 and as thereafter amended in accordance with the terms thereof.

Additional Obligations shall mean any bonds, notes or other obligations or evidences of indebtedness, as the case may be, authenticated and delivered under and Outstanding pursuant to the Resolution but shall not mean Subordinated Indebtedness or Bond Anticipation Notes.

Additionally Secured Series shall mean a Series of Bonds for which the payment of the principal or sinking fund Redemption Price, if any, of, and interest on, the Bonds of such Series shall be secured, in addition to the pledge created pursuant to subsection 1 of Section 501 hereof in favor of all of the Bonds, by amounts on deposit in a separate subaccount to be designated therefor in the Debt Service Reserve Account in the Debt Service Fund.

Adjusted Aggregate Debt Service for any period shall mean, as of any date of calculation, the Aggregate Debt Service for such period except that (a) if any Refundable Principal Installment for any Series of Bonds is included in Aggregate Debt Service for such period, Adjusted Aggregate Debt Service shall mean Aggregate Debt Service determined as if each such Refundable Principal Installment had been payable, over a period extending from the due date of such Principal Installment through the later of (x) the 30th anniversary of the issuance of such Series of Bonds or (y) the 10th anniversary of the due date of such Refundable Principal Installment, in installments which would have required equal annual payments of principal and interest over such period and (b) the principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds shall be included in the calculation of Adjusted Aggregate Debt Service at the times and in the manner provided in subsection 1 of Section 207 hereof. Interest deemed payable in any Fiscal Year after the actual due date of any Refundable Principal Installment of any Series of Bonds shall be calculated at such rate of interest as JEA, or a banking or financial institution selected by JEA, determines would be a reasonable estimate of the rate of interest that would be borne on Bonds maturing at the times determined in accordance with the provisions of the preceding sentence.

Aggregate Adjusted Water and Sewer System Debt Service shall mean, for any Fiscal Year, the sum of (x) the Adjusted Aggregate Debt Service for such Fiscal Year and (y) the Unconsented Prior Obligations Debt Service Requirements for such Fiscal Year.

Aggregate Debt Service for any period shall mean, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all Series; provided, however, that (a) for purposes of estimating Aggregate Debt Service for any future period (i) any Variable Rate Bonds Outstanding during such period shall be assumed to bear interest during such

period at the greater of (X) the actual rate of interest then borne by such Variable Rate Bonds or (Y) the Certified Interest Rate applicable thereto and (ii) any Option Bonds Outstanding during such period shall be assumed to mature on the stated maturity date thereof and (b) the principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds shall be included in the calculation of Aggregate Debt Service at the times and in the manner provided in subsection 1 of Section 207; and provided, further, that if the calculation of the Debt Service Reserve Requirement for any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund takes into account Aggregate Debt Service, then, for purposes of such calculation, Aggregate Debt Service shall be calculated only with respect to the Bonds of the Series secured thereby.

Alternate Variable Rate Taxable Index shall mean such index as, at the time, is in general use as a proxy for short-term interest rates on debt obligations of state and local governments the interest on which is not excluded from gross income for federal income tax purposes, as determined by an Authorized Officer of JEA.

Alternate Variable Rate Tax-Exempt Index shall mean such index as, at the time, is in general use as a proxy for short-term interest rates on debt obligations of state and local governments the interest on which is excluded from gross income for federal income tax purposes, as determined by an Authorized Officer of JEA.

Annual Budget shall mean the annual budget or budgets of the System, as amended or supplemented, adopted or in effect for a particular Fiscal Year as provided in Section 709.

Annual Net Revenues shall mean, with respect to any Fiscal Year, the Revenues during such Fiscal Year, determined on an accrual basis, minus the sum of (a) Operation and Maintenance Expenses during such Fiscal Year, determined on an accrual basis, to the extent paid or to be paid from Revenues, (b) the Aggregate Debt Service with respect to such Fiscal Year, (c) the Unconsented Prior Obligations Debt Service Requirements with respect to such Fiscal Year and (d) debt service payable during such Fiscal Year with respect to all other obligations issued by JEA (including, without limitation, Subordinated Indebtedness) in connection with the System, determined on an accrual basis.

Appreciated Value shall mean, with respect to any Deferred Income Bond, (i) as of any date of computation prior to the Current Interest Commencement Date with respect to such Deferred Income Bond, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the periodic date specified in the Supplemental Resolution authorizing such Deferred Income Bond on which interest on such Bond is to be compounded (hereinafter, a "Periodic Compounding Date") next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Deferred Income Bonds set forth in the Supplemental Resolution authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Appreciated Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Appreciated Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that,

unless otherwise provided in the Supplemental Resolution authorizing such Deferred Income Bonds, Appreciated Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months and (ii) as of any date of computation on and after the Current Interest Commencement Date, the Appreciated Value on the Current Interest Commencement Date.

Authorized Newspaper shall mean a newspaper or financial journal customarily published at least once a day for at least five days (other than legal holidays) in each calendar week and printed in the English language, which is of general circulation in the Borough of Manhattan, City and State of New York (which may include *The Bond Buyer* and *The Wall Street Journal*).

Authorized Officer of JEA shall mean (a) the Chairman, the Vice Chairman and the Secretary of the Governing Body, (b) the Managing Director and Chief Executive Officer, the Vice President and Chief Financial Officer and the Treasurer of JEA (or any officer of JEA hereafter serving in a capacity equivalent to that of any of the foregoing officers) or (c) any other officer or employee of JEA authorized to perform specific acts or duties by resolution duly adopted by the Governing Body.

BMA Municipal Swap Index shall mean the rate determined on the basis of an index based upon the weekly interest rates of tax-exempt variable rate issues included in a database maintained by Municipal Market Data or any successor indexing agent which meets specific criteria established by The Bond Market Association.

Bond or **Bonds** shall mean any Consented Prior Obligations and any Additional Obligations Outstanding pursuant to the Resolution.

Bond Anticipation Notes shall mean notes or other evidences of indebtedness from time to time issued in anticipation of the issuance of Bonds, the proceeds of which have been or are required to be applied to one or more of the purposes for which Bonds may be issued, the payment of which notes is to be made from the proceeds of the Bonds in anticipation of the issuance of which said notes are issued.

Bond Registrar shall mean the officer of JEA, such transfer agent duly registered pursuant to the Securities Exchange Act of 1934, as amended (or successor provision of law), or such bank or trust company organized under the laws of the United States of America or of any State of the United States of America or national banking association, located within or without the State of Florida, appointed by JEA to perform the duties of Bond Registrar enumerated in Section 703 with respect to one or more Series of Bonds.

Bond Year shall mean the 12-month period commencing on October 1 in any year and ending on September 30 of the following year.

Book Entry Bond shall mean a Bond authorized to be issued to, and issued to and, except as provided in subsection 4 of Section 309, restricted to being registered in the name of, a Securities Depository for the participants in such Securities Depository or the beneficial owners of such Bond.

Build America Bonds shall mean any Bonds with respect to which JEA has irrevocably elected, pursuant to Section 54AA(g) of the Code, or any similar federal program

creating subsidies for municipal borrowers for which JEA qualifies, to receive cash subsidy payments from the U.S. Treasury equal to a portion of the interest payable on such Bonds.

Code shall mean the Internal Revenue Code of 1986, or any successor, and the applicable regulations (including final, temporary and proposed) promulgated by the United States Department of the Treasury thereunder, including Treasury Regulations issued pursuant to Sections 103 and 141 through 150, inclusive, of said Internal Revenue Code of 1986.

Capacity Charges shall mean water and sewer capacity charges imposed by JEA with respect to the System.

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

Certified Interest Rate shall mean, as of any date of determination:

(i) with respect to any Variable Rate Bonds maturing on a particular date that were, at the date of the original issuance thereof, the subject of a Counsel's Opinion to the effect that the interest thereon is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, a rate of interest equal to the lesser of (1) the average of the Variable Rate Tax-Exempt Index for the five (5) years preceding such date of determination and (2) the average rate of interest borne by Variable Rate Bonds for the twelve (12) months preceding such date of determination; *provided, however*, if such Variable Rate Bonds are then being issued or shall not have been Outstanding for twelve (12) months, then the rate of interest determined pursuant to this clause (i) shall be the rate determined pursuant to the foregoing subclause (1);

(ii) with respect to any Variable Rate Bonds maturing on a particular date that were not, at the date of the original issuance thereof, the subject of a Counsel's Opinion to the effect that the interest thereon is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, a rate of interest equal to the lesser of (a) the average of the Variable Rate Taxable Index for the five (5) years preceding such date of determination and (b) the average rate of interest borne by such Variable Rate Bonds, for the twelve (12) months preceding such date of determination; *provided, however*, if such Variable Rate Bonds are then being issued or shall not have been Outstanding for twelve (12) months, then the rate of interest determined pursuant to this clause (ii) shall be the rate determined pursuant to the foregoing subclause (a); and

(iii) for purposes of calculating the Debt Service Reserve Requirement for any particular subaccount in the Debt Service Reserve Account in the Debt Service Fund and with respect to any Variable Rate Bonds maturing on a particular date, the interest rate set forth in a certificate of an Authorized Officer of JEA

executed on or prior to the date of the initial issuance of such Variable Rate Bonds as determined as follows: a Certified Interest Rate shall be that rate of interest determined by JEA, or a banking or financial institution or financial advisory firm selected by JEA, as the rate of interest such Variable Rate Bonds would bear if, assuming the same maturity date, terms and provisions (other than interest rate) as such proposed Variable Rate Bonds, and on the basis of JEA's credit ratings with respect to the Bonds (other than Bonds for which credit enhancement is provided by a third party), such proposed Variable Rate Bonds were issued at a fixed interest rate.

City shall mean the City of Jacksonville, Florida.

City's District Water and Sewer Obligations shall mean each item of obligations of the City issued or incurred in connection with the City's water and sewer system, as set forth in the column captioned "Issue of Obligations" in Exhibit A hereto, as the same may be revised as provided in Section 1107.

City's District Water and Sewer Obligations Documents shall mean, with respect to each issue of the City's District Water and Sewer Obligations, the agreements, ordinances and/or resolutions with respect thereto set forth opposite such City's District Water and Sewer Obligations on Exhibit A hereto, as the same may be revised as provided in Section 1107.

City's State of Florida Obligations shall mean each item of obligations of the City to the State of Florida incurred in connection with the City's water and sewer system, as set forth in the column captioned "Issue of Obligations" in Exhibit B hereto, as the same may be revised as provided in Section 1107.

City's State of Florida Obligations Documents shall mean, with respect to each issue of the City's State of Florida Obligations, the agreements, ordinances and/or resolutions with respect thereto set forth opposite such City's State of Florida Obligations on Exhibit B hereto, as the same may be revised as provided in Section 1107.

Consented Prior Obligations shall mean each issue of Prior Obligations as to which the condition set forth in subsection 1 of Section 201 shall have been satisfied, which Prior Obligations shall constitute Bonds for all purposes of the Resolution; *provided, however*, that insofar as none of the Prior Obligations have become Consented Prior Obligations, all references in the Resolution to "Consented Prior Obligations" shall be of no force or effect.

Construction Fund shall mean the Construction Fund established in subsection 1 of Section 502.

Consulting Engineer shall mean the engineer or engineering firm or corporation, if any, retained by JEA to perform the acts and carry out the duties provided for such Consulting Engineer in the Resolution. In the event that JEA shall retain an engineer or engineering firm or corporation as aforesaid, such engineer or engineering firm or corporation shall have a nationwide and favorable reputation for skill and experience in such work.

Contract Debts shall mean any obligations of JEA under a contract, lease, installment sale agreement, bulk purchase agreement or otherwise to make payments out of Revenues for property, services or commodities whether or not the same are made available, furnished or received.

Costs shall mean, the costs, expenses and liabilities paid or incurred or to be paid or incurred by JEA in connection with the planning, engineering, designing, acquiring, constructing, installing, financing, repairing, extending, improving, reconstructing, retiring and disposing of the System or any part thereof and the obtaining of all governmental approvals, certificates, permits and licenses with respect thereto (including, for this purpose, any acquisition by JEA of an interest in an existing facility), including, but not limited to, any good faith or other similar payment or deposits required in connection with the acquisition or construction of such part of the System, the cost of acquisition by or for JEA of real and personal property or any interests therein, costs of physical construction or acquisition of such part of the System, and costs of JEA incidental to such construction or acquisition, all costs relating to injury and damage claims relating to such part of the System, all costs relating to the settlement or renegotiation of any contract entered into in connection with any such part of the System, the cost of any indemnity or surety bonds and premiums on insurance, preliminary investigation and development costs, engineering fees and expenses, contractors' fees and expenses, the costs of labor, materials, equipment and utility services and supplies, legal and financial advisory fees and expenses, interest and financing costs, including, without limitation, bank commitment and letter of credit fees, bond insurance and indemnity premiums, discounts to the underwriters or other purchasers thereof, if any, amounts required to be paid under any interest rate exchanges or swaps, cash flow exchanges, options, caps, floors or collars, in each case made in connection with the issuance of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA relating to the System, fees and expenses of the Fiduciaries, administration and general overhead expense and costs of keeping accounts and making reports required by the Resolution, amounts, if any, required by the Resolution to be paid into the Debt Service Fund to provide, among other things, for interest accruing on Bonds and to provide for the Debt Service Reserve Requirement or to be paid into the Revenue Fund or the Renewal and Replacement Fund for any of the respective purposes thereof, payments when due (whether at the maturity of principal or the due date of interest or upon redemption) on any indebtedness of JEA, including Bonds, Bond Anticipation Notes and Subordinated Indebtedness, issued to finance or refinance any of the foregoing, and all federal, state and local taxes and payments in lieu of taxes in connection with the System, or any part thereof, and working capital and reserves for any of the foregoing and shall include reimbursements to JEA for any of the above items theretofore paid by or on behalf of JEA. It is intended that this definition be broadly construed to encompass all costs, expenses and liabilities of JEA related to the System which on the date of the Resolution or in the future shall be permitted to be funded with the proceeds of Bonds pursuant to the provisions of Florida law.

Counsel's Opinion shall mean an opinion signed by an attorney or firm of attorneys of recognized standing in the field of law relating to municipal bonds (who may be counsel to JEA) selected by JEA.

Credit Enhancement shall mean, with respect to the Bonds of a Series, a maturity within a Series or an interest rate within a maturity, the issuance of an insurance policy, letter of credit, surety bond or any other similar obligation, whereby the issuer thereof becomes

unconditionally obligated to pay when due, to the extent not paid by JEA or otherwise, the principal of and interest on such Bonds.

Credit Enhancer shall mean (a) in the case of any Additional Obligations, any person or entity which, pursuant to a Supplemental Resolution, is designated as a Credit Enhancer and which provides Credit Enhancement for such Additional Obligations and (b) in the case of any Consented Prior Obligations, any person or entity which provides Credit Enhancement for such Consented Prior Obligations as of the date on which the condition set forth in subsection 1 of Section 201 is satisfied with respect thereto.

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

Date of Issuance shall mean, with respect to any Series of Bonds, the date upon which such Bonds are or have been authenticated and delivered by the Bond Registrar therefor.

Debt Service for any period shall mean, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) interest accruing during such period on Bonds of such Series, except to the extent that such interest is to be paid from deposits into the Debt Service Account in the Debt Service Fund made from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA (including amounts, if any, transferred thereto from the Construction Fund); *provided*, that in the event that the Bonds of any Series (or any portion thereof) shall constitute Build America Bonds, then in respect of the interest payable on such Bonds, for purposes of this definition, the interest on the Bonds of such Series shall be calculated net of the amount of the cash subsidy payments due from the U.S. Treasury. If for whatever reason, JEA no longer receives cash subsidy payments from the U.S. Treasury in respect of the interest payable on such Bonds (other than as a result of the U.S. Treasury reducing a particular payment by offsetting an amount due from JEA to it), for purposes of this definition, the interest on the Bonds of such Series shall be calculated without regard to such subsidy and (ii) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, (x) in the case of Bonds other than Reimbursement Obligations, if (1) there shall be no such preceding Principal Installment due date or (2) such preceding Principal Installment due date is more than one year prior to the due date of such Principal Installment, then, from a date one year preceding the due date of such Principal Installment or from the Date of Issuance of Bonds of such Series, whichever date is later, and (y) in the case of Reimbursement Obligations, in accordance with the terms thereof and the Supplemental Resolution authorizing such Reimbursement Obligations), except to the extent that such Principal Installment is paid or to be paid from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA. Such interest and Principal Installments for such Series shall be calculated on the assumption that (x) no Bonds (except for Option Bonds actually tendered for payment prior to the stated maturity thereof and paid, or to be paid, from Revenues) of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment

of each Principal Installment on the due date thereof, (y) the principal amount of Option Bonds tendered for payment before the stated maturity thereof and paid, or to be paid, from Revenues, shall be deemed to accrue on the date required to be paid pursuant to such tender and (z) the principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds shall be included in the calculation of Debt Service at the times and in the manner provided in subsection I of Section 207; provided, however, that if the calculation of the Debt Service Reserve Requirement for any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund takes into account Debt Service, then, for purposes of such calculation, Debt Service shall be calculated only with respect to the Bonds of the Series secured thereby.

Notwithstanding anything to the contrary contained herein, (a) if JEA has in connection with any Bonds entered into a Designated Swap Obligation which provides that, in respect of a notional amount equal to the Outstanding principal amount of such Bonds, JEA is to pay to a Designated Swap Obligation Provider an amount determined based upon a variable rate of interest and the Designated Swap Obligation Provider is to pay to JEA an amount determined based upon a fixed rate of interest, then, for purposes of calculating the Debt Service with respect to such Bonds for purposes of clause (g) of subsection 1 of Section 203 and Section 711, it will be assumed that such Bonds bear interest at a rate equal to the sum of (1) the lesser of (A) the average of the variable rate payable by JEA pursuant to such Designated Swap Obligation for the five (5) years preceding the date of determination, calculating such rate based upon the method, formula or index with respect thereto set forth in such Designated Swap Obligation and (B) the average of the actual rates paid by JEA pursuant to such Designated Swap Obligation for the twelve (12) months preceding such date of determination; *provided, however*, if such Designated Swap Obligation shall not have been in effect for twelve (12) months, then the rate of interest determined pursuant to this clause (1) shall be the rate determined pursuant to the foregoing subclause (A) and (2) the difference (whether positive or negative) between (X) the fixed rate of interest on such Bonds and (Y) the fixed rate of interest payable to JEA pursuant to such Designated Swap Obligation and (b) if JEA has in connection with any Variable Rate Bonds entered into a Designated Swap Obligation which provides that, in respect of a notional amount equal to the Outstanding principal amount of such Variable Rate Bonds, JEA is to pay to a Designated Swap Obligation Provider an amount determined based upon a fixed rate of interest and the Designated Swap Obligation Provider is to pay to JEA an amount determined based upon a variable rate of interest, then, for purposes of calculating the Debt Service Requirement with respect to such Variable Rate Bonds for purposes of clause (g) of subsection 1 of Section 203 and Section 711, it will be assumed that such Variable Rate Bonds bear interest at the fixed rate of interest payable by JEA pursuant to such Designated Swap Obligation.

Debt Service Fund shall mean the Debt Service Fund established in subsection 1 of Section 502.

Debt Service Reserve Requirement shall mean, with respect to each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund, unless otherwise specified in the Supplemental Resolution establishing such subaccount (or, in the case of any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund established for a Series of Consented Prior Obligations pursuant to subsection 3 of Section 201, in accordance with the Prior Obligations Documents related thereto, or otherwise as determined pursuant to said

subsection 3 of Section 201), as of any date of calculation, an amount equal to the maximum Aggregate Debt Service coming due on the Bonds of all Series secured thereby then Outstanding in the then current or any future Bond Year excluding interest on such Bonds to be paid from deposits in the Debt Service Account in the Debt Service Fund made from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA (including amounts, if any, transferred thereto from the Construction Fund).

For the purpose of the calculation of the Debt Service Reserve Requirement in the event that the Bonds of any Series shall constitute Build America Bonds, then until such time, if any, as JEA, for whatever reason, no longer receives cash subsidy payments from the U.S. Treasury in respect of the interest payable on such Bonds (other than as a result of the U.S. Treasury reducing a particular payment by offsetting an amount due from JEA to it), for purposes of this definition, the interest on such Bonds shall be calculated net of the amount of such subsidy; *provided, however,* that if at any time the specified percentage of the interest payable on such Bonds represented by such subsidy shall be permanently reduced, then the amount of such Debt Service Reserve Requirement shall be increased to reflect the amount of interest payable on such Bonds that no longer is payable to JEA by the U.S. Treasury, and the amount of such increase shall be required to be funded in equal semiannual installments over a five-year period, with the first such installment becoming due on April 1 or October 1 that is at least six months following the date on which such specified percentage is so reduced, except that if at any time from the commencement of such funding, either (x) any of such Bonds shall cease to be Outstanding or (y) the amount of such Debt Service Reserve Requirement shall be reduced for any reason whatsoever, then the obligation of JEA to make deposits during the balance of such period shall be redetermined (taking into account the amount (if any) of such Bonds that remain Outstanding and the amount (if any) of such reduction in such Debt Service Reserve Requirement) and the resulting reduction in the amount required to be deposited to the Initial Subaccount established in Section 6.01 of the First Supplemental Water and Sewer System Revenue Bond Resolution adopted by JEA on August 19, 1997 shall be evenly apportioned over the remainder of such five-year period and provided, further, that in the event that JEA, for whatever reason, ceases to receive cash subsidy payments from the U.S. Treasury in respect of the interest payable on any such Bonds (other than as a result of the U.S. Treasury reducing a particular payment by offsetting an amount due from JEA to it), then the amount of such Debt Service Reserve Requirement shall be increased to reflect the full amount of interest payable on such Bonds, and such increase shall be required to be funded in equal semiannual installments over a five-year period, with the first such installment becoming due on the first April 1 or October 1 that is at least six months following the date on which JEA does not receive the first such cash subsidy payment that it theretofore was qualified to receive, except that if at any time from the commencement of such funding, either (x) any of such Bonds shall cease to be Outstanding or (y) the amount of such Debt Service Reserve Requirement shall be reduced for any reason whatsoever, then the obligation of JEA to make deposits during the balance of such period shall be redetermined (taking into account the amount (if any) of such Bonds that remain Outstanding and the amount (if any) of such reduction in such Debt Service Reserve Requirement) and the resulting reduction in the amount required to be deposited to such Initial Subaccount shall be evenly apportioned over the remainder of such five-year period. Notwithstanding any other provision of the Resolution, any one or more installments of any increase in the Debt Service Reserve Requirement with respect to such Initial Subaccount in the Debt Service Reserve Account in the Debt Service Fund provided for in the preceding sentence may be prepaid at any time in

whole or in part by JEA by designating in JEA's records that such payment(s) is (or are) to be treated as a prepayment.

Defaulted Interest shall have the meaning given to such term in Section 308.

Defeasance Securities shall mean, unless otherwise provided with respect to the Bonds of a Series in the Supplemental Resolution authorizing such Bonds, U.S. Obligations which shall not be subject to redemption prior to their maturity other than at the option of the holder thereof or as to which an irrevocable notice of redemption of such securities on a specified redemption date has been given and such securities are not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof.

Defeased Municipal Obligations shall mean any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable prior to maturity, or which have been duly called for redemption by the obligor on a date or dates specified and as to which irrevocable instructions have been given to a trustee in respect of such bonds or other obligations by the obligor to give due notice of such redemption on such date or dates, which date or dates shall be also specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or U.S. Obligations which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this definition, as appropriate, (c) as to which the principal of and interest on the U.S. Obligations on deposit in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this definition on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this definition, as appropriate and (d) which at the time of their purchase hereunder are rated "AAA" by Standard & Poor's Ratings Group and, if rated by Moody's Investors Service, are rated "Aaa" by such agency.

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

Depository shall mean any bank, trust company, national banking association, savings and loan association, savings bank or other banking association selected by JEA as a depository of moneys and securities held under the provisions of the Resolution.

Designated Swap Obligation shall mean, to the extent from time to time permitted by law, any interest rate swap transaction (i) which is entered into by JEA for the purpose of converting synthetically the interest rate on any particular Bonds from a fixed rate to a variable rate or from a variable rate to a fixed rate (regardless of whether such Designated Swap Obligation shall have a term equal to the remaining term of such Bonds) and (ii) which has been designated in a certificate of an Authorized Officer of JEA filed with the records of JEA as such (which

certificate shall specify the Bonds with respect to which such Designated Swap Obligation is entered into).

Designated Swap Obligation Provider shall mean any person with whom JEA enters into a Designated Swap Obligation.

Escrow Agent shall mean, with respect to the refunding or defeasance of any particular Bond or Bonds at any one time, the entity with which moneys or investments shall be deposited in trust for the Holders of such Bond or Bonds to be refunded or defeased, and who shall agree, through an appropriate agreement with JEA, to perform the duties of Escrow Agent with respect to such Bond or Bonds as provided in the Resolution or the Supplemental Resolution authorizing the Series of which such Bond or Bonds are a part.

Event of Default shall have the meaning given to such term in Section 801.

Federal Agency Securities shall mean bonds, debentures, or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America which at the time of their purchase hereunder are rated “AAA” by Standard & Poor’s Ratings Group and “Aaa” by Moody’s Investors Service, if rated by both rating agencies, and, if rated by one rating agency, shall have a rating of “AAA” or “Aaa” by Standard & Poor’s Ratings Group or Moody’s Investors Service, as the case may be.

Fiduciary or **Fiduciaries** shall mean the Bond Registrars, the Paying Agents, any Escrow Agent in respect of the refunding or defeasance of Bonds, or any or all of them, as may be appropriate.

Fiscal Year shall mean the 12-month period established by the Governing Body or provided by law from time to time as the fiscal year for the System, and which, as of the date of adoption of this Resolution, is the 12-month period commencing on October 1 of any year and ending on September 30 of the following year.

Fund or **Funds** shall mean, as the case may be, each or all of the Funds established in Section 502.

Governing Body shall mean the governing body of JEA as set forth in the Charter of the City, as amended from time to time.

Holder shall mean (a) when used with reference to Bonds, any person who shall be the registered owner of any Bond or Bonds and (b) when used with reference to Unconsented Prior Obligations, any person who shall be the registered owner of any Unconsented Prior Obligation or Obligations or who shall be entitled to the payment thereof in accordance with the terms thereof.

Investment Securities shall mean and include any other securities, obligations or investments that, at the time, shall be permitted by Florida Law for the investment of JEA’s funds.

JEA shall mean the Jacksonville Electric Authority, a body politic and corporate, or, if JEA shall be abolished, the authority, board, body, commission or agency succeeding to the principal functions and obligations thereof.

Maximum Annual Aggregate Adjusted Water and Sewer System Debt Service shall mean, as of any date of calculation, the greatest Aggregate Adjusted Water and Sewer System Debt Service for the then current or any future Fiscal Year.

Net Revenues shall mean, for any period, the Revenues during such period, determined on an accrual basis, minus the Operation and Maintenance Expenses during such period, determined on an accrual basis, to the extent paid or to be paid from Revenues.

One-Month LIBOR Rate shall mean, as of any date of determination, the offered rate for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 at approximately 11:00 A.M., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

Operation and Maintenance Expenses shall mean the current expenses, paid or accrued, of operation, maintenance and repair of the System, including administration costs, as calculated in accordance with generally accepted accounting principles, and shall include all Contract Debts. Notwithstanding the foregoing, Operation and Maintenance Expenses shall not include any reserve for renewals or replacements or any allowance for depreciation or amortization and there shall be included in Operation and Maintenance Expenses only that portion of the total administrative, general and other expenses of JEA which are properly allocable to the System.

Option Bonds shall mean Bonds which by their terms may be tendered by and at the option of the Holder thereof for payment by JEA prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the Holder thereof.

Outstanding shall mean (a) when used with reference to Bonds, as of any date, Bonds theretofore or thereupon being authenticated and delivered under the Resolution and Consented Prior Obligations theretofore authenticated and delivered under the Prior Obligations Documents related thereto except:

(i) Bonds cancelled (or, in the case of Book Entry Bonds, to the extent provided in subsection 6 of Section 309, portions thereof deemed to have been cancelled) by the Bond Registrar therefor at or prior to such date;

(ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust under the Resolution and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), *provided* that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as provided in Article IV or in the Supplemental Resolution authorizing the Series of which such Bonds are a part or provision shall have been made for the giving of such notice;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Article III or Section 405 or 1106 unless proof satisfactory to JEA is presented that any such Bonds are held by a bona fide purchaser in due course; and

(iv) Bonds (or, in the case of Book Entry Bonds, to the extent provided in subsection 8 of Section 309, portions thereof) deemed to have been paid as provided in subsection 2 of Section 1201 or in the Supplemental Resolution authorizing the Series of which such Bonds are a part; and

(b) when used with reference to Unconsented Prior Obligations, such Unconsented Prior Obligations except Unconsented Prior Obligations theretofore paid in accordance with their terms or as to which provision for payment or prepayment theretofore has been made in accordance with the terms of such Unconsented Prior Obligations and the Prior Obligations Documents related thereto.

Paying Agent shall mean an officer of JEA, a transfer agent duly registered pursuant to the Securities Exchange Act of 1934, as amended, or a bank or trust company organized under the laws of any state of the United States of America or a national banking association appointed to act in such capacity hereunder.

Principal Installment shall mean, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, (i) the principal amount of Bonds (including, in the case of any Option Bond, the principal amount thereof tendered for payment prior to the stated maturity thereof and paid, or to be paid, from Revenues) of such Series due (or so tendered for payment and paid, or to be so paid) on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance (determined as provided in Section 514) of any Sinking Fund Installments due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

Prior Obligations shall mean the City's State of Florida Obligations and the City's District Water and Sewer Obligations.

Prior Obligations Documents shall mean the City's State of Florida Obligations Documents and the City's District Water and Sewer Obligations Documents.

Prudent Utility Practice shall mean, in respect of any particular utility industry, any of the practices, methods and acts which, in the exercise of reasonable judgment, in the light of the facts, including but not limited to the practices, methods and acts engaged in or approved by a significant portion of such utility industry prior thereto, known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. It is recognized that Prudent Utility Practice is

not intended to be limited to the optimum practice or act to the exclusion of all others, but rather is a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition.

Rate Stabilization Fund shall mean the Rate Stabilization Fund established in subsection 1 of Section 502.

Redemption Price shall mean, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Resolution.

Refundable Principal Installment shall mean any Principal Installment for any Series of Bonds which JEA intends to pay with moneys which are not Revenues, *provided* that such intent shall have been expressed in the Supplemental Resolution authorizing such Series of Bonds and provided further that such Principal Installment shall be a Refundable Principal Installment only through the penultimate day of the month preceding the month in which such Principal Installment comes due or such earlier time as JEA no longer intends to pay such Principal Installment with moneys which are not Revenues.

Refunding Bonds shall mean Additional Obligations authenticated and delivered pursuant to Section 205, and all Additional Obligations thereafter authenticated and delivered in lieu of or in substitution for such Additional Obligations pursuant to Article III or Section 405 or Section 1106.

Regular Record Date shall have the meaning given to such term in Section 308.

Reimbursement Obligations shall mean all Bonds issued pursuant to Section 206 and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III or Section 405 or Section 1106 and the Supplemental Resolution authorizing such Reimbursement Obligations.

Renewal and Replacement Fund shall mean the Renewal and Replacement Fund established in subsection 1 of Section 502.

Renewal and Replacement Requirement shall mean, at any date of calculation, an amount equal to ten percent (10%) of the sum of (a) the aggregate amount of Bonds Outstanding under the Resolution, (b) the aggregate amount of Unconsented Prior Obligations Outstanding under the Prior Obligations Documents related thereto and (c) the aggregate amount of all other obligations issued by JEA in connection with the System (including, without limitation, Subordinated Indebtedness) outstanding and unpaid (or as to which provision for payment has not been made in accordance with the terms thereof).

Resolution shall mean this resolution, sometimes referred to herein as the “Water and Sewer System Revenue Bond Resolution,” as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms hereof.

Revenue Fund shall mean the Revenue Fund established in subsection 1 of Section 502.

Revenues shall mean (i) all revenues, income, rents, service fees and receipts properly allocable to the System resulting from ownership and operation of the System, excluding (a) unless otherwise determined by the Governing Body, Capacity Charges* (b) customer deposits and any other deposits subject to refund unless such deposits have become property of JEA and (c) if and to the extent determined by the Governing Body, special assessments, if any, levied by JEA in connection with any facilities constituting a part of the System, (ii) the proceeds of any insurance covering business interruption loss relating to the System and (iii) interest received or to be received on any moneys or securities held pursuant to the Resolution and paid or required to be paid into the Revenue Fund. For any purpose of the Resolution that requires the computation of Revenues with respect to any period of time, “Revenues” shall include such amounts resulting, received or to be received, as the case may be, during such period, determined on an accrual basis, plus (x) the amounts, if any, paid from the Rate Stabilization Fund into the Revenue Fund during such period, but only to the extent provided in subsection 4 of Section 511 (excluding from (x) amounts included in the Revenues for such period representing interest earnings transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to Section 603) and minus (y) the amounts, if any, paid from the Revenue Fund into the Rate Stabilization Fund during such period. Notwithstanding the foregoing, all cash subsidy payments received by JEA from the U.S. Treasury in respect of interest payable on any Build America Bonds shall not constitute “Revenues” for any purpose of the Resolution.

Securities Depository shall mean, with respect to a Book Entry Bond, the person, firm, association or corporation specified in the Supplemental Resolution authorizing the Bonds of the Series of which such Book Entry Bond is a part (or, in the case of a Consented Prior Obligation, in the Prior Obligation Documents related thereto) to serve as the securities depository for such Book Entry Bond, or its nominee, and its successor or successors and any other person, firm, association or corporation which may at any time be substituted in its place pursuant to the Resolution or such Supplemental Resolution.

Series shall mean (a) in the case of the Additional Obligations, that portion of the Additional Obligations authenticated and delivered in a single transaction and identified pursuant to the Supplemental Resolution authorizing such Additional Obligations as a separate Series of Bonds, regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions, and (b) in the case of the Consented Prior Obligations, each separate issue thereof, as indicated on Exhibit A or Exhibit B hereof, as the case may be, in either such case, together with any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III or Section 405 or Section 1106.

* Note: Pursuant to Section 2.01(1) of the Eighth Supplemental Water and Sewer System Revenue Bond Resolution adopted by JEA on October 16, 2001, the Governing Body of JEA determined that, effective as of October 1, 2001, Revenues shall include Capacity Charges. In addition, pursuant to Section 2.01(2) of said Eighth Supplemental Water and Sewer System Revenue Bond Resolution, the Governing Body of JEA found and determined that Capacity Charges constitute “impact fees” within the meaning of applicable Florida law and, accordingly, that Capacity Charges may, under such applicable Florida law, be used and applied only for the purpose of paying Costs of expansion of the System, or paying or providing for the payment of debt service on Bonds, Subordinated Indebtedness or other indebtedness of JEA relating to the System issued for such purpose.

Sinking Fund Installment shall mean (a) with respect to any Series of Additional Obligations, an amount so designated which is required by a Supplemental Resolution authorizing the Bonds of such Series to be paid into the Debt Service Account in the Debt Service Fund by a specified date for application (on or prior to the due date of such Sinking Fund Installment and pursuant to subsection 2 of Section 508) to the retirement by purchase, redemption or payment at maturity of a portion of the Bonds of a particular maturity or an interest rate within a maturity of such Series equal in principal amount to such Sinking Fund Installment and (b) with respect to any Series of Consented Prior Obligations, any portion of the principal amount thereof that, in accordance with the terms thereof and/or the terms of the Prior Obligations Documents related thereto, is specified as coming due on a date prior to the final maturity date thereof.

Special Record Date shall have the meaning given to such term in Section 308.

Subordinated Indebtedness shall mean an evidence of indebtedness referred to in, and complying with the provisions of, Section 515.

Subordinated Indebtedness Fund shall mean the Subordinated Indebtedness Fund established in subsection 1 of Section 502.

Supplemental Resolution shall mean any resolution supplemental to or amendatory of the Resolution adopted by JEA in accordance with Article X hereof.

System shall mean each and every part of the water system and sewer system of the City that shall be transferred to JEA and owned and operated by JEA for water supply, transmission, treatment and distribution and for sewage collection, transmission, treatment and disposal or distribution now existing and hereafter acquired by lease, contract, purchase or otherwise or constructed, including any interest or participation of JEA in any facilities in connection with said system, together with all additions, betterments, extensions and improvements to said system or any part thereof hereafter constructed or acquired and together with all lands, easements, licenses and rights of way and all other works, property or structures and contract rights and other tangible and intangible assets now or hereafter owned or used in connection with or related to said System; *provided, however*, that upon compliance with the provisions of Section 716, the term System shall be deemed to include other utility functions added to the System such as the acquisition, distribution, and sale of natural gas, the production, distribution and sale of process steam, or other utility functions that are, in accordance with Prudent Utility Practice, reasonably related to the services provided by the System. Notwithstanding the foregoing definition of the term System, such term shall not include the existing electric system owned by JEA or any bulk power supply utilities or systems now owned or hereafter acquired by JEA, nor shall it include any properties or interests in properties of JEA (a) which JEA determines shall not constitute a part of the System for the purpose of the Resolution at the time of the acquisition thereof by JEA or (b) as to which there shall be filed with the records of JEA a certificate of the Consulting Engineer stating, in its opinion, that the exclusion of such properties or interests in properties from the System will not materially impair the ability of JEA to comply during the current or any future Fiscal Year with the provisions of Section 711.

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

Account in the Debt Service Fund), including the investments and investment income, if any, thereof.

Unconsented Prior Obligations shall mean each issue of Prior Obligations as to which the condition set forth in subsection 1 of Section 201 shall not have been satisfied.

Unconsented Prior Obligations Debt Service Requirements shall mean, for any period, and with respect to all of the Unconsented Prior Obligations then Outstanding, the sum of (i) interest accruing during such period on such Unconsented Prior Obligations, except to the extent that such interest is to be paid from the proceeds of debt and (ii) the amounts, if any, required pursuant to the Prior Obligations Documents related thereto to be deposited during such period into any fund or account established under such Prior Obligations Documents with respect to the payment of the principal thereof when due (whether at maturity or pursuant to any sinking fund, amortization or other similar installment). Such interest and such amounts referred to in clause (ii) of the preceding sentence shall be calculated on the assumption that no Unconsented Prior Obligations Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of the principal thereof on the due date thereof.

U.S. Obligations shall mean any bonds or other obligations which constitute direct obligations of, or as to principal and interest are unconditionally guaranteed by, the United States of America, including Federal Agency Securities to the extent unconditionally guaranteed by the United States of America.

U.S. Treasury shall mean the U.S. Treasury or any party designated by the federal government to issue cash subsidy payments on Build America Bonds.

Variable Rate Bond shall mean any Bond not bearing interest throughout its term at a specified rate or specified rates determined at the time of issuance of the Series of Bonds of which such Bond is one.

Variable Rate Taxable Index shall mean the One-Month LIBOR Rate or, if the One-Month LIBOR Rate no longer shall be available, the Alternate Variable Rate Taxable Index.

Variable Rate Tax-Exempt Index shall mean the BMA Municipal Swap Index or, if the BMA Municipal Swap Index no longer shall be available, the Alternate Variable Rate Tax-Exempt Index.

Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations, corporations, districts, agencies and bodies.

102. Authority for the Resolution. The Resolution is adopted pursuant to the provisions of the Act, as the same is proposed to be amended in connection with the transfer by the City to JEA of the City's water and sewer system.

103. Circumstances Under Which the Resolution Shall Constitute an Amendment and Restatement of Prior Obligations Documents. In the event that the condition set forth in subsection 1 of Section 201 hereof shall be satisfied with respect to the Prior

Obligations of any issue, then, for purposes of the Consented Prior Obligations of such issue, simultaneously with such Prior Obligations becoming Consented Prior Obligations as provided in said subsection 1 of Section 201, the Resolution shall be deemed to be, and shall constitute, an amendment and restatement of the Prior Obligations Documents relating thereto for all purposes thereof. In such event, and except as provided in subsection 1 or subsection 3 of Section 201, all references in such Consented Prior Obligations to such Prior Obligations Documents shall be deemed to be references to the Resolution.

104. Resolution to Constitute Contract. In consideration of the acceptance of any and all of the Bonds by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between JEA and the Holders from time to time of the Bonds; and the pledge made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of JEA shall, except as expressly set forth in the Resolution or in a Supplemental Resolution, be for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or permitted by the Resolution.

ARTICLE II

THE BONDS

201. Consented Prior Obligations. 1. In the event that the Holders of all of the Prior Obligations of a particular issue (or any other person(s) that, in accordance with the Prior Obligations Documents related thereto, is(are) entitled to consent or vote with respect thereto) shall have executed and delivered to JEA an irrevocable instrument or instruments in writing satisfactory to an Authorized Officer of JEA consenting to the securing of such Prior Obligations under, and in accordance with the terms of, the Resolution, then such Prior Obligations (a) shall be and be deemed to be Consented Prior Obligations and (b) shall constitute Bonds of a Series for all purposes of the Resolution; provided, however, that in the event that a person other than the Holder of a Prior Obligation shall have delivered to JEA an instrument referred to in the first sentence of this subsection, then any provisions of the Prior Obligations Documents related to such Prior Obligations that, in accordance with the provisions thereof, require the consent of such Holder in connection with any amendment thereto shall continue to be applicable to such Prior Obligations and shall be deemed to be incorporated into the Resolution for all purposes thereof, but shall apply only to such Consented Prior Obligations.

2. The terms and conditions of the Consented Prior Obligations, including, without limitation, the principal amounts, maturity dates, interest rates and payment and prepayment or redemption provisions, shall be as provided for in the Consented Prior Obligations.

3. In the event that the Prior Obligations Documents related to any issue of Prior Obligations shall have established a debt service reserve or other similar fund or account as security for such Prior Obligations, forthwith upon such Prior Obligations becoming Consented Prior Obligations pursuant to subsection 1 of this Section 201, JEA shall establish in the Debt Service Reserve Account in the Debt Service Fund a separate subaccount with respect to such Consented Prior Obligations, and shall fund or cause to be funded such subaccount in the same

manner and upon the same terms and conditions as such debt service reserve or other similar fund or account was funded as provided in such Prior Obligations Documents, and such Series of Consented Prior Obligations shall be an Additionally Secured Series for all purposes of the Resolution; provided, however, that in the event that the instrument(s) referred to in the first sentence of said subsection 1 with respect to such Consented Prior Obligations shall set forth other or different terms or conditions as to the funding thereof, then such separate subaccount shall be funded in accordance with such other or different terms or conditions.

202. Authorization of Additional Obligations. 1. JEA is hereby authorized to issue from time to time, as hereinafter provided, Additional Obligations of JEA to be designated as “Water and Sewer System Revenue Bonds.” The aggregate principal amount of the Additional Obligations which may be executed, authenticated and delivered under the Resolution is not limited except as may hereafter be provided in the Resolution or in any Supplemental Resolution or as may be limited by law.

2. The Additional Obligations may, if and when authorized by JEA pursuant to one or more Supplemental Resolutions, be issued in one or more Series. The designation of each Series, in addition to the name “Water and Sewer System Revenue Bonds,” shall include such further appropriate particular designation added to or incorporated in the title for the Additional Obligations of such Series as JEA may determine. Each Additional Obligation shall bear upon its face the designation so determined by JEA for the Series to which it belongs.

3. Nothing in the Resolution shall be deemed to preclude or restrict the consolidation into a single Series for purposes of issuance and sale of Additional Obligations otherwise permitted by the Resolution to be issued at the same time in two or more separate Series, provided that solely for the purpose of satisfying the requirements of Section 203, Section 204, Section 205 or Section 206, as the case may be, the Additional Obligations otherwise permitted by the Resolution to be issued as a separate Series shall be considered separately as if such Additional Obligations were to be issued as a separate Series. In the event that separate Series are combined for purposes of issuance and sale, they may be issued under a single Supplemental Resolution notwithstanding any other provision of the Resolution.

203. General Provisions for Issuance of Additional Obligations of Each Series. 1. When authorized pursuant to a Supplemental Resolution, the officers of JEA specified in Section 303 may execute all (but not less than all) the Additional Obligations of each Series for issuance under the Resolution and deliver such Additional Obligations to the Bond Registrar therefor for completion, authentication and delivery. Such Bond Registrar shall authenticate and deliver such Additional Obligations to JEA or upon its order, but only upon satisfaction by JEA of the conditions specified in Article X of the Resolution and in the Supplemental Resolution authorizing the Series of which such Additional Obligations are a part and upon satisfaction by JEA of the following conditions:

(a) with respect to the initial Series of Additional Obligations to be issued pursuant to the Resolution, filing with the records of JEA of a copy of the ordinance(s) and/or resolution(s) enacted by the City Council of the City approving this Water and Sewer System Revenue Bond Resolution and the issuance of Additional Obligations, certified by the Council Secretary of the City;

(b) receipt of a Counsel's Opinion to the effect that (a) JEA has the right and power under the Act as amended to the date of such Opinion to adopt the Resolution, and the Resolution has been duly and lawfully adopted by JEA, is in full force and effect and is valid and binding upon JEA in accordance with its terms, and no other authorization for the Resolution is required; (b) the Resolution creates the valid pledge which it purports to create of the Trust Estate and, if such Series of Additional Obligations shall be an Additionally Secured Series, the separate subaccount in the Debt Service Reserve Account in the Debt Service Fund established for the benefit of such Additional Obligations, subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution; and (c) the Additional Obligations of such Series are valid and binding obligations of JEA as provided in the Resolution and are entitled to the benefits of the Resolution and of the Act as amended to the date of such Opinion, and such Additional Obligations have been duly and validly authorized and issued in accordance with law, including the Act as amended to the date of such Opinion, and in accordance with the Resolution. Such Opinion may take exception as to the effect of, or for restrictions or limitations imposed by or resulting from, bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights and may state that no opinion is being rendered as to the availability of any particular remedy. No opinion need be expressed as to the priority of the pledge created by the Resolution over the rights of other persons in the Trust Estate and, if applicable, such separate subaccount in the Debt Service Reserve Account in the Debt Service Fund;

(c) adoption of a Supplemental Resolution authorizing such Additional Obligations, which shall specify such terms and conditions relative to the Additional Obligations of such Series, and such other matters relative thereto, as JEA may determine;

(d) deposit of the amount, if any, required by the Supplemental Resolution to be deposited in the Debt Service Account in the Debt Service Fund for the payment of interest on Bonds and, if such Series shall be an Additionally Secured Series, the amount, if any, necessary for deposit in the separate subaccount in the Debt Service Reserve Account in the Debt Service Fund designated therefor so that the amount on deposit in such subaccount shall equal the Debt Service Reserve Requirement related thereto calculated immediately after the authentication and delivery of such Series of Additional Obligations; *provided, however,* that a Supplemental Resolution establishing a separate subaccount in the Debt Service Reserve Account in the Debt Service Fund may provide that, in lieu of maintaining all or a portion of the moneys or investments required to be maintained in such separate subaccount in the Debt Service Reserve Account in the Debt Service Fund, there may be credited to said subaccount at any time an irrevocable surety bond, an insurance policy, a letter of credit or any other similar obligation, or any combination thereof, of the type specified therein, or such amount may be deposited thereafter from Revenues or otherwise, in such manner as may be specified therein;

(e) except in the case of any Series of Refunding Bonds issued pursuant to the authority contained in subsection 1 of Section 205, execution by an Authorized Officer of JEA of a certificate stating that upon the issuance of such Series JEA will not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution;

(f) in the case of each Series of Additional Obligations any portion of the proceeds of which is to be deposited in the Debt Service Account in the Debt Service Fund (other than any accrued interest that is to be applied to the payment of interest on the Additional Obligations of such Series on the interest payment date next following the date of issuance of such Additional Obligations), execution by an Authorized Officer of JEA of a certificate setting forth the then estimated application of such proceeds so deposited for the payment of interest on any particular Series of Bonds, whether or not such Series of Bonds is then Outstanding, or then being issued, or to be issued thereafter;

(g) except in the case of the initial Additional Obligations issued hereunder and any Series of Refunding Bonds or Reimbursement Obligations, execution by an Authorized Officer of JEA of a certificate (a) setting forth the amounts of Net Revenues and Capacity Charges for any twelve (12) consecutive month period within the twenty-four (24) consecutive months immediately preceding the date of issuance of the Additional Obligations of the Series with respect to which such certificate is being given; and (b) stating that the difference between such Net Revenues and such Capacity Charges for such twelve (12) consecutive month period is at least equal to the greater of (X) 125% of the Maximum Annual Aggregate Adjusted Water and Sewer System Debt Service (calculating such Maximum Annual Aggregate Adjusted Water and Sewer System Debt Service with respect to (I) the Bonds of all Series then Outstanding, (II) the Unconsented Prior Obligations then Outstanding and (III) the Additional Obligations of the Series with respect to which such certificate is given) or (Y) the sum of (i) the Maximum Annual Aggregate Adjusted Water and Sewer System Debt Service (calculated as aforesaid) and (ii) the amount most recently determined to be required to be deposited in the Renewal and Replacement Fund for the then current, or a previous, Fiscal Year; *provided, however*, that the Net Revenues for such twelve (12) month period may be adjusted for the purposes of such certificate (a) to reflect for such period revisions in the rates, fees, rentals and other charges of JEA for the product and services of the System made after the commencement of such period and preceding the date of issuance of the Additional Obligations of the Series with respect to which such certificate is given; (b) to reflect any increase in Net Revenues due to any new facilities of the System having been placed into use and operation subsequent to the commencement of such period and prior to the date of issuance of such Additional Obligations; and (c) to include an amount equal to the average annual contribution to Net Revenues for the first three full Fiscal Years commencing after the date of acquisition thereof, estimated to be made by facilities anticipated to be acquired and expected to be placed into use and operation within two years of the date of such certificate; and

(h) delivery of such further documents, moneys and securities as are required by the provisions of Section 204, 205 or 206 or Article X or any Supplemental Resolution adopted pursuant to Article X.

2. All the Additional Obligations of each Series of like maturity shall be identical in all respects, except as to interest rates, redemption provisions, denominations, numbers and letters. After the issuance of the Additional Obligations of any Series, no Additional Obligations of such Series shall be issued except in lieu of or in substitution for other Additional Obligations of such Series pursuant to Article III or Section 405 or Section 1106.

204. Additional Obligations Other Than Refunding Bonds and Reimbursement Obligations. 1. One or more Series of Additional Obligations may be issued at any time for the purpose of paying all or a portion of the Costs of the System. Additional Obligations of each such Series shall be authenticated and delivered only upon compliance with the terms and conditions set forth in Section 203.

2. The proceeds, including accrued interest, of each Series of Additional Obligations authorized under this Section 204 shall be applied simultaneously with the delivery of such Additional Obligations as provided in the Supplemental Resolution authorizing such Series.

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

2. In addition to the conditions set forth in Section 203, the Bonds of each Series of Refunding Bonds issued pursuant to subsection 1 of this Section 205 may be authenticated and delivered only upon satisfaction of the following conditions:

(a) JEA shall provide instructions to the Escrow Agent for the Bonds to be refunded, satisfactory to it, to give due notice of redemption, if applicable, of all the Bonds to be refunded on a redemption date or dates specified in such instructions;

(b) if the Bonds to be refunded are not to be redeemed or paid at maturity within the next succeeding 60 days, JEA shall provide instructions to the Escrow Agent for such Bonds, satisfactory to it, to give due notice of defeasance in the manner provided for in the Resolution or the Supplemental Resolution authorizing the Bonds of the Series being refunded; and

(c) JEA shall provide either (i) moneys (including moneys withdrawn and deposited pursuant to subsection 5 of Section 508 and subsection 5 of Section 509) in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be redeemed and at the principal amount of the Bonds to be paid at maturity, together with accrued interest on such Bonds to the redemption date or maturity date, as applicable, which moneys shall be held by the Escrow Agent for such Bonds in a separate account irrevocably in trust for and assigned to the

respective Holders of the Bonds to be refunded, or (ii) Defeasance Securities in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications and any moneys, as shall be necessary to comply with (X) the provisions of subsection 3 of Section 1201 or (Y) the provisions relating to defeasance of the Bonds being refunded set forth in the Supplemental Resolution authorizing the Bonds of the Series being refunded, as applicable, which Defeasance Securities and moneys shall be held in trust and used only as provided in said provisions.

3. One or more Series of Refunding Bonds may be issued at any time to provide for the payment or prepayment of all or any of the Unconsented Prior Obligations in accordance with their terms, including, to the extent necessary, to replenish funds that, absent such payment or prepayment, would have been applied to the payment of Costs of the System. Refunding Bonds issued for such purpose shall be issued in a principal amount sufficient, together with other moneys available therefor, (a) to accomplish such payment or prepayment, as the case may be, (b) to the extent necessary, to replenish such funds that would have been applied to the payment of Costs of the System, and (c) to make the deposits in the Funds and Accounts under the Resolution required by the provisions of the Supplemental Resolution authorizing such Bonds. In addition to the conditions set forth in Section 203, the Bonds of each Series of Refunding Bonds issued pursuant to this subsection 3 may be authenticated and delivered upon the filing with the records of JEA of a certificate of an Authorized Officer of JEA certifying that all conditions relating to the payment or prepayment of such Unconsented Prior Obligations as set forth in the documents relating to such Unconsented Prior Obligations have been satisfied.

4. The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied simultaneously with the delivery of such Bonds for the purposes of making deposits in such Funds and Accounts under the Resolution as shall be provided by the Supplemental Resolution authorizing such Series of Refunding Bonds and shall be applied to the refunding purposes thereof or to the payment or prepayment purposes thereof in the manner provided in said Supplemental Resolution.

206. Reimbursement Obligations. One or more Series of Reimbursement Obligations may be issued concurrently with the issuance of the Additional Obligations of a Series authorized pursuant to the provisions of Section 204 or 205 hereof for which Credit Enhancement or liquidity support is being provided with respect to such Additional Obligations (or a maturity or maturities or interest rate within a maturity thereof) by a third party. Such Reimbursement Obligations shall be issued for the purpose of evidencing JEA's obligation to repay any advances or loans made to, or on behalf of, JEA in connection with such Credit Enhancement or liquidity support; provided, however, that the stated maximum principal amount of any such Series of Reimbursement Obligations shall not exceed the aggregate principal amount of the Additional Obligations with respect to which such Credit Enhancement or liquidity support is being provided, and such number of days' interest thereon as JEA shall determine prior to the issuance thereof, but not in excess of 366 days' interest thereon, computed at the maximum interest rate applicable thereto.

207. Special Provisions Relating to Capital Appreciation Bonds, Deferred Income Bonds and Reimbursement Obligations. 1. The principal and interest portions of the

Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments made under the definitions of Debt Service, Accrued Aggregate Debt Service, Adjusted Aggregate Debt Service and Aggregate Debt Service only from and after the date (the "Calculation Date") which is one year prior to the date on which such Accreted Value or Appreciated Value, as the case may be, becomes so due, and the principal and interest portions of such Accreted Value or Appreciated Value shall be deemed to accrue in equal daily installments from the Calculation Date to such due date.

2. For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, or (ii) receiving payment of a Capital Appreciation Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default, as provided in Section 801 of the Resolution or (iii) computing the principal amount of Bonds held by the Holder of a Capital Appreciation Bond in giving to JEA any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its then current Accreted Value.

3. For the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed prior to maturity, or (ii) receiving payment of a Deferred Income Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default, as provided in Section 801 of the Resolution or (iii) computing the principal amount of Bonds held by the Holder of a Deferred Income Bond in giving to JEA any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever, the principal amount of a Deferred Income Bond shall be deemed to be its then current Appreciated Value.

4. Except as otherwise provided in a Supplemental Resolution authorizing a Series of Reimbursement Obligations, for the purposes of (i) receiving payment of a Reimbursement Obligation, whether at maturity, upon redemption or if the principal of all Bonds is declared immediately due and payable following an Event of Default, as provided in Section 801 of the Resolution or (ii) computing the principal amount of Bonds held by the Holder of a Reimbursement Obligation in giving to JEA any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever, the principal amount of a Reimbursement Obligation shall be deemed to be the actual principal amount that JEA shall owe thereon, which shall equal the aggregate of the amounts advanced to, or on behalf of, JEA in connection with the Bonds of the Series or maturity or interest rate within a maturity for which such Reimbursement Obligation has been issued to evidence JEA's obligation to repay any advances or loans made in respect of the Credit Enhancement or liquidity support provided for such Bonds, less any prior repayments thereof.

ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS

301. Medium of Payment; Form and Date; Letters and Numbers. 1. The Bonds of each Series shall be payable, with respect to interest, principal and Redemption Price, in any coin or currency of the United States of America which at the time of payment is legal tender

for the payment of public and private debts or such other currency as may be specified in the Supplemental Resolution authorizing the Series of which such Bonds are a part.

2. The Consented Prior Obligations of each Series shall be in the respective forms of such instruments as they exist on the respective dates on which the condition set forth in subsection I of Section 201 shall have been satisfied with respect thereto.

3. Unless otherwise provided in a Supplemental Resolution, the Additional Obligations of each Series shall be issued in the form of fully registered Bonds without coupons. The Additional Obligations of each Series shall be in substantially the form set forth in the Supplemental Resolution authorizing the Series of which such Bonds are a part.

4. Each Additional Obligation shall be lettered and numbered as provided in the Supplemental Resolution or Supplemental Resolutions authorizing the Series of which such Additional Obligation is a part and so as to be distinguished from every other Bond.

5. The Additional Obligations of each Series shall be dated the date of their authentication, except as otherwise may be provided in the Supplemental Resolution authorizing the Series of which such Bonds are a part, and shall bear interest as provided in such Supplemental Resolution.

302. Legends. The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of the Resolution as may be necessary or desirable to comply with custom, the rules of any securities exchange or commission or brokerage board, or otherwise, as may be determined by JEA prior to the authentication and delivery thereof.

303. Execution and Authentication. 1. The Bonds executed and delivered on or after the effective date of the Resolution shall be executed in the name of JEA by the manual or facsimile signature of its Chairman or Vice Chairman and its corporate seal (or a facsimile thereof) shall be impressed, imprinted, engraved or otherwise reproduced thereon and attested by the manual or facsimile signature of its Secretary or an Assistant Secretary, or in such other manner as may be required or permitted by law. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer before the Bonds so signed and sealed shall have been authenticated and delivered by the Bond Registrar therefor, such Bonds may, nevertheless, be authenticated and delivered as herein provided, and may be issued as if the persons who signed or sealed such Bonds had not ceased to hold such offices. Any Bond of a Series may be signed and sealed on behalf of JEA by such persons as at the time of the execution of such Bonds shall be duly authorized or hold the proper office in JEA, although at the date borne by the Bonds of such Series such persons may not have been so authorized or have held such office.

2. Any Bonds which have been validated in accordance with the provisions of Chapter 75, Florida Statutes, may have imprinted thereon a certificate of validation in substantially the form set forth in the Supplemental Resolution authorizing the Series of which such Bonds are a part. Such certificate of validation shall be executed with the facsimile signature of the Chairman or the Vice-Chairman of JEA.

3. The Additional Obligations of each Series shall bear thereon a certificate of authentication, in the form set forth in the Supplemental Resolution authorizing the Series of which such Bonds are a part, executed manually by the Bond Registrar therefor. Any Consented Prior Obligations authenticated and delivered on or after the effective date of the Resolution shall bear thereon a certificate of authentication in substantially the following form:

This instrument is one of the Consented Prior Obligations referred to in the Water and Sewer System Revenue Bond Resolution adopted by the Jacksonville Electric Authority on February 18, 1997, as amended and supplemented.

as Bond Registrar

Except in the case of Consented Prior Obligations that have been executed and delivered prior to the effective date of the Resolution, only such Bonds as shall bear thereon such certificate of authentication shall be entitled to any right or benefit under the Resolution, and no such Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Bond Registrar therefor. Such certificate of the Bond Registrar upon any Bond executed on behalf of JEA shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under the Resolution and that the Holder thereof is entitled to the benefits of the Resolution. Any Consented Prior Obligations that shall have been executed and delivered prior to the effective date of the Resolution shall, immediately upon their becoming Consented Prior Obligations as provided in subsection 1 of Section 201, be valid and obligatory for all purposes of the Resolution.

304. Interchangeability of Bonds. Except as otherwise provided in a Supplemental Resolution, the Bonds, upon surrender thereof at the office of the Bond Registrar therefor with a written instrument of transfer satisfactory to such Bond Registrar, duly executed by the registered owner or its duly authorized attorney, may, at the option of the registered owner thereof, and upon payment by such registered owner of any charges which such Bond Registrar may make as provided in Section 306, be exchanged for an equal aggregate principal amount of Bonds of the same Series, maturity, interest rate and redemption provisions of any other authorized denominations.

305. Negotiability, Transfer and Registry. 1. Except as otherwise provided in a Supplemental Resolution, the Bonds shall be transferable only upon the books of JEA, which shall be kept for such purposes at the respective offices of the Bond Registrar(s) therefor, by the registered owner thereof or by its attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to such Bond Registrar duly executed by the registered owner or its duly authorized attorney. As soon as practicable following the date on which any issue of Prior Obligations shall become Consented Prior Obligations in accordance with the provisions of subsection 1 of Section 201 hereof, an Authorized Officer of JEA shall designate the Bond Registrar therefor, and shall deliver or cause to be delivered to such Bond Registrar an initial listing of the Holders thereof and the respective principal amounts to be registered in the name of each such Holder. Upon the transfer of any Bond, there shall be issued in the name of the

transferee a new Bond or Bonds of the same aggregate principal amount and Series, maturity, interest rate and redemption provisions as the surrendered Bond.

2. JEA and each Fiduciary may deem and treat the person in whose name any Bond shall be registered upon the books of JEA as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if any, of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon its order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither JEA nor any Fiduciary shall be affected by any notice to the contrary.

306. Regulations with Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging or transferring Bonds is exercised, the appropriate officers of JEA shall execute and the Bond Registrar therefor shall authenticate and deliver Bonds in accordance with the provisions of the Resolution. All Bonds surrendered in any such exchanges or transfers shall forthwith be delivered to the Bond Registrar therefor and cancelled or retained by such Bond Registrar. For every such exchange or transfer of Bonds, JEA or the Bond Registrar therefor may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Unless otherwise provided in a Supplemental Resolution, neither JEA nor the Bond Registrar therefor shall be required (a) to transfer or exchange Bonds of any Series for the period next preceding any interest payment date for the Bonds of such Series beginning with the Regular Record Date for such interest payment date and ending on such interest payment date, or for the period next preceding any date for the proposed payment of Defaulted Interest with respect to such Bonds beginning with the Special Record Date for the date of such proposed payment and ending on the date of such proposed payment, (b) to transfer or exchange Bonds of any Series for a period beginning 15 days before the mailing of any notice of redemption and ending on the day of such mailing, or (c) to transfer or exchange any Bonds called for redemption.

307. Bonds Mutilated, Lost, Stolen or Destroyed. If any Bond becomes mutilated or is lost, stolen or destroyed, an Authorized Officer of JEA may cause to be executed and the Bond Registrar therefor shall authenticate and deliver a new Bond of like Series, date of issue, maturity date, principal amount, interest rate per annum and redemption provisions as the Bond so mutilated, lost, stolen or destroyed, provided that (i) in the case of such mutilated Bond, such Bond is first surrendered to JEA, (ii) in the case of any such lost, stolen or destroyed Bond, there is first furnished evidence of such loss, theft or destruction satisfactory to such Authorized Officer of JEA together with indemnity satisfactory to such Authorized Officer of JEA, (iii) all other reasonable requirements of such Authorized Officer of JEA are complied with, and (iv) expenses in connection with such transaction are paid by the Holder. Any Bond surrendered for exchange shall be cancelled. Any such new Bonds issued pursuant to this Section in substitution for Bonds alleged to be lost, stolen or destroyed shall constitute original additional contractual obligations on the part of JEA, whether or not the Bonds so alleged to be lost, stolen or destroyed be at any time enforceable by anyone, and shall be equally secured by, and entitled to equal and proportionate benefits with all other Bonds issued under the Resolution in, the Trust Estate and, if such new Bond shall be part of an Additionally Secured Series, in the amounts on deposit in the separate subaccount in the Debt Service Reserve Account in the Debt Service Fund established for the benefit of such Series. If any such Bond lost, stolen or destroyed shall have matured or be

about to mature, instead of issuing a new Bond pursuant to this Section, an Authorized Officer of JEA may cause the same to be paid, upon being indemnified as aforesaid, without surrender thereof.

308. Payment of Interest on Bonds; Interest Rights Preserved. Interest on any Bond which is payable, and is punctually paid or duly provided for, on any interest payment date shall be paid to the person in whose name that Bond is registered at the close of business on the date (hereinafter, the “Regular Record Date”) which is the 15th day of the calendar month next preceding such interest payment date (or such other date as may be provided in the Supplemental Resolution authorizing the Series of which such Bond is a part).

Any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any interest payment date (hereinafter, “Defaulted Interest”) shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date by virtue of having been such owner; and such Defaulted Interest shall be paid by JEA to the persons in whose names the Bonds are registered at the close of business on a date (hereinafter, the “Special Record Date”) for the payment of such Defaulted Interest, which shall be fixed in the following manner. JEA shall notify the Bond Registrar therefor in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment, and at the same time JEA shall deposit with the Paying Agents an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Paying Agents for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this Section provided. Thereupon such Bond Registrar shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by such Bond Registrar of the notice of the proposed payment. Such Bond Registrar shall promptly notify JEA of such Special Record Date and, in the name and at the expense of JEA, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each Holder of a Bond at its address as it appears upon the registry books, not less than 10 days prior to such Special Record Date. Such Bond Registrar may, in its discretion, in the name and at the expense of JEA, cause a similar notice to be published at least once in an Authorized Newspaper, but such publication shall not be a condition precedent to the establishment of such Special Record Date.

Subject to the foregoing provisions of this Section, each Bond delivered under the Resolution upon transfer of or in exchange for or in lieu of any other Bond shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond.

309. Book Entry Bonds. 1. Anything in the Resolution to the contrary notwithstanding, (a) if and to the extent provided in the Supplemental Resolution authorizing the Additional Obligations of the Series of which such Additional Obligation is a part, any Additional Obligation may be authorized and issued as a Book Entry Bond and (b) any Consented Prior Obligation that, as of the date on which the condition set forth in subsection 1 of Section 201 shall have been satisfied with respect thereto, is issued in book-entry form through the facilities of a securities depository shall be and constitute a Book Entry Bond.

2. For all purposes of the Resolution, the Holder of a Book Entry Bond shall be the Securities Depository therefor and neither JEA nor any Fiduciary shall have any responsibility or obligation to the beneficial owner of such Bond or to any direct or indirect participant in such Securities Depository. Without limiting the generality of the foregoing, neither JEA nor any Fiduciary shall have any responsibility or obligation to any such participant or to the beneficial owner of a Book Entry Bond with respect to (i) the accuracy of the records of the Securities Depository or any participant with respect to any beneficial ownership interest in such Bond, (ii) the delivery to any participant of the Securities Depository, the beneficial owner of such Bond or any other person, other than the Securities Depository, of any notice with respect to such Bond, including any notice of the redemption thereof, or (iii) the payment to any participant of the Securities Depository, the beneficial owner of such Bond or any other person, other than the Securities Depository, of any amount with respect to the principal or Redemption Price of, or interest on, such Bond. JEA and the Fiduciaries may treat the Securities Depository therefor as, and deem such Securities Depository to be, the absolute owner of a Book Entry Bond for all purposes whatsoever, including (w) payment of the principal or Redemption Price of, and interest on, such Bond, (x) giving notices of redemption and of other matters with respect to such Bond, (y) registering transfers with respect to such Bond and (z) giving to JEA any notice, consent, request or demand pursuant to the Resolution for any purpose whatsoever. The Paying Agents shall pay the principal or Redemption Price of, and interest on, a Book Entry Bond only to or upon the order of the Securities Depository therefor, and all such payments shall be valid and effective to satisfy fully and discharge JEA's obligations with respect to such principal or Redemption Price, and interest, to the extent of the sum or sums so paid. Except as otherwise provided in subsection 4 of this Section 309 or in any Supplemental Resolution authorizing a Book Entry Bond, no person other than the Securities Depository shall receive a Bond or other instrument evidencing JEA's obligation to make payments of the principal or Redemption Price thereof, and interest thereon.

3. JEA, in its sole discretion and without the consent of any other person, may, by notice to the Bond Registrar therefor and a Securities Depository, terminate the services of such Securities Depository with respect to the Book Entry Bonds for which such Securities Depository serves as securities depository if JEA determines that (i) the Securities Depository is unable to discharge its responsibilities with respect to such Bond or (ii) a continuation of the requirement that all of the Bonds issued as Book Entry Bonds be registered in the registration books of JEA in the name of the Securities Depository, is not in the best interests of the beneficial owners of such Bonds or of JEA. Additional or other terms and provisions relating to the termination or resignation of a Securities Depository may be provided in the Supplemental Resolution authorizing a Book Entry Bond.

4. Upon the termination of the services of a Securities Depository with respect to a Book Entry Bond pursuant to clause (ii) of subsection 3 of this Section 309, such Bond shall no longer be restricted to being registered in the registration books kept by the Bond Registrar therefor in the name of a Securities Depository. Upon the termination of the services of a Securities Depository with respect to a Book Entry Bond pursuant to clause (i) of subsection 3 of this Section 309, JEA may within 90 days thereafter appoint a substitute securities depository which, in the opinion of JEA, is willing and able to undertake the functions of Securities Depository under the Resolution upon reasonable and customary terms. If no such successor can be found within such period, such Book Entry Bond shall no longer be restricted to being registered in the registration books kept by such Bond Registrar in the name of a Securities Depository. In the event that a

Book Entry Bond shall no longer be restricted to being registered in the registration books kept by such Bond Registrar in the name of a Securities Depository, (a) JEA shall execute and such Bond Registrar shall authenticate and deliver, upon presentation and surrender of the Book Entry Bond, Bond certificates as requested by the Securities Depository so terminated of like Series, principal amount, maturity, interest rate and redemption provisions, in authorized denominations, to the identifiable beneficial owners in replacement of such beneficial owners' beneficial ownership interests in such Book Entry Bond and (b) JEA shall notify such Bond Registrar and the Paying Agents that such Bond is no longer restricted to being registered in the registration books kept by such Bond Registrar in the name of a Securities Depository.

5. Anything in the Resolution to the contrary notwithstanding, payment of the Redemption Price of a Book Entry Bond, or portion thereof, called for redemption prior to maturity may be paid to the Securities Depository by check or draft mailed to the Securities Depository or by wire transfer. Anything in the Resolution to the contrary notwithstanding, such Redemption Price may be paid without presentation and surrender to the Paying Agent of the Book Entry Bond, or portion thereof, called for redemption; *provided, however*, that payment of (a) the principal payable at maturity of a Book Entry Bond and (b) the Redemption Price of a Book Entry Bond as to which the entire principal amount thereof has been called for redemption shall be payable only upon presentation and surrender of such Book Entry Bond to the Paying Agent; and *provided, further*, that no such Redemption Price shall be so payable without presentation and surrender unless the Securities Depository therefor shall have procedures in effect that provide for the reduction, on its records, of the aggregate amount of securities (and related positions therein) held by it upon such payment without presentation and surrender. Anything in the Resolution to the contrary notwithstanding, upon any such payment to the Securities Depository without presentation and surrender, for all purposes of (i) the Book Entry Bond as to which such payment has been made and (ii) the Resolution, the unpaid principal amount of such Book Entry Bond Outstanding shall be reduced automatically by the principal amount so paid. In such event, the Paying Agent shall notify forthwith the Bond Registrar therefor as to the particular Book Entry Bond as to which such payment has been made, and the principal amount of such Bond so paid, and such Bond Registrar shall note such payment on the registration books of JEA maintained by it, but failure to make any such notation shall not affect the automatic reduction of the principal amount of such Book Entry Bond Outstanding as provided in this subsection.

6. For all purposes of the Resolution authorizing or permitting the purchase of Bonds, or portions thereof, by, or for the account of, JEA for cancellation, and anything in the Resolution to the contrary notwithstanding, a portion of a Book Entry Bond may be deemed to have been purchased and cancelled without surrender thereof upon delivery to the Bond Registrar therefor of a certificate executed by JEA and a participant of the Securities Depository therefor to the effect that a beneficial ownership interest in such Bond, in the principal amount stated therein, has been purchased by, or for the account of, JEA through the participant of the Securities Depository executing such certificate; *provided, however*, that any purchase for cancellation of the entire principal amount of a Book Entry Bond shall be effective for purposes of the Resolution only upon surrender of such Book Entry Bond to such Bond Registrar; and *provided, further*, that no portion of a Book Entry Bond may be deemed to have been so purchased and cancelled without surrender thereof unless the condition set forth in the second proviso to the second sentence of subsection 5 of this Section 309 shall have been satisfied. Anything in the Resolution to the contrary notwithstanding, upon delivery of any such certificate to such Bond Registrar, for all

purposes of (i) the Book Entry Bond to which such certificate relates and (ii) the Resolution, the unpaid principal amount of such Book Entry Bond Outstanding shall be reduced automatically by the principal amount so purchased. In such event, such Bond Registrar shall note such reduction on the registration books of JEA maintained by it, but failure to make any such notation shall not affect the automatic reduction of the principal amount of such Book Entry Bond Outstanding as provided in this subsection.

7. Anything in the Resolution to the contrary notwithstanding, a Securities Depository may make a notation on a Book Entry Bond (i) redeemed in part or (ii) purchased by, or for the account of, JEA in part for cancellation, to reflect, for informational purposes only, the date of such redemption or purchase and the principal amount thereof redeemed or deemed cancelled, but failure to make any such notation shall not affect the automatic reduction of the principal amount of such Book Entry Bond Outstanding as provided in subsection 5 or 6 of this Section 309, as the case may be.

8. Anything in the Resolution to the contrary notwithstanding, in the case of a Book Entry Bond, JEA shall be authorized to defease, redeem or purchase (by or for the account of JEA), or issue Refunding Bonds to refund, less than all of the entire Outstanding principal amount thereof (in portions thereof of \$5,000 or integral multiples thereof, or such other denominations as shall be specified in the Supplemental Resolution authorizing such Book Entry Bond), and in the event of such partial defeasance, redemption, purchase or refunding, the provisions of the Resolution relating to the defeasance, redemption, purchase or refunding of a Bond or Bonds shall be deemed to refer to the defeasance, redemption, purchase or refunding of a portion of a Bond.

ARTICLE IV

REDEMPTION OF BONDS

401. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity pursuant to their terms or the terms of the Resolution shall be redeemable, upon notice given as provided in this Article IV, at such times, at such Redemption Prices and upon such terms in addition to the terms contained in this Article IV as may be specified in such Bonds or in the Supplemental Resolution authorizing the Series of which such Bonds are a part.

402. Redemption of Bonds. In the case of any redemption of Bonds, JEA shall give written notice to the Bond Registrar(s) therefor and the Paying Agents of the redemption date, of the Series, and of the principal amounts of the Bonds of each maturity of such Series and of the Bonds of each interest rate within a maturity to be redeemed (which Series, maturities, interest rates within a maturity and principal amounts thereof to be redeemed shall be determined by JEA in its sole discretion, subject to any limitations with respect thereto contained in the Resolution or any Supplemental Resolution authorizing the Series of which such Bonds are a part). Such notice shall be filed with such Bond Registrars and the Paying Agents for the Bonds to be redeemed at least 40 days prior to the redemption date (or such shorter period (a) as shall be specified in the Supplemental Resolution authorizing the Series of the Bonds to be redeemed or (b) as shall be acceptable to such Bond Registrars and Paying Agents). In the event notice of redemption shall

have been given as in Section 404 provided, and unless such notice shall have been revoked or shall cease to be in effect in accordance with the terms thereof, there shall be paid on or prior to the redemption date to the appropriate Paying Agents an amount which, in addition to other moneys, if any, available therefor held by such Paying Agents, will be sufficient to redeem on the redemption date at the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, all of the Bonds to be redeemed.

403. Selection of Bonds to be Redeemed. If less than all of the Bonds of like maturity or interest rate within a maturity of any Series shall be called for prior redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected in such manner as JEA in its discretion may deem fair and appropriate; provided, however, that for any Bond of a denomination of more than the minimum denomination for such Series, the portion of such Bond to be redeemed shall, unless otherwise specified in the Supplemental Resolution relating to such Series, be in a principal amount equal to such minimum denomination or an integral multiple thereof, and that, in selecting portions of such Bonds for redemption, each such Bond shall be treated as representing that number of Bonds of such minimum denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by the amount of such minimum denomination.

404. Notice of Redemption. When any Bonds shall become subject to redemption, JEA shall give notice, or provide for the giving of notice, of the redemption of such Bonds, which notice shall specify the Series, maturities and interest rates within maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like Series, maturity and interest rate are to be redeemed the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date, if there shall be sufficient moneys available therefor, then there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be mailed by first class mail, postage prepaid, by or on behalf of JEA, not less than 30 days nor more than 60 days prior to the redemption date, to the Holders of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books. Failure to give notice of redemption by mail, or any defect in such notice, to the Holder of any Bond shall not affect the validity of the proceedings for the redemption of any other Bonds. Notwithstanding the foregoing, a Supplemental Resolution authorizing the Bonds of a Series may specify a different method for the giving of a notice of redemption, or a different time by which such notice shall be given.

405. Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 404 or in the manner provided in the Supplemental Resolution authorizing the Bonds of a Series, on the redemption date so designated, (a) unless such notice shall have been revoked or shall cease to be in effect in accordance with the terms thereof and (b) if there shall be sufficient moneys available therefor, then the Bonds or portions thereof so called for redemption shall become due and payable on such redemption date at the Redemption Price, plus interest

accrued and unpaid to the redemption date, and, if presentation and surrender shall be required hereby, upon presentation and surrender thereof at the office specified in such notice, such Bonds, or portions thereof, shall be paid at the Redemption Price, plus interest accrued and unpaid to the redemption date. If there shall be drawn for redemption less than all of a Bond, if presentation and surrender thereof are required hereby, JEA shall execute and the Bond Registrar shall authenticate and the Paying Agent shall deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, Bonds of like Series, maturity, interest rate and redemption provisions in any of the authorized denominations. If, on the redemption date, moneys for the redemption of all the Bonds or portions thereof of any like Series, maturity and interest rate to be redeemed, together with interest to the redemption date, shall be held by the Paying Agents so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date interest on the Bonds or portions thereof of such Series, maturity and interest rate so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

ARTICLE V

ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

501. The Pledge Effected by the Resolution. 1. The Bonds are special obligations of JEA payable from and secured by the funds pledged therefor. There is hereby pledged for the payment of the principal and Redemption Price of, and interest on, the Bonds in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution, the Trust Estate. The Trust Estate shall immediately be subject to the lien of this pledge without physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against JEA, without regard to whether such parties have notice thereof.

2. There are hereby pledged, as additional security for the payment of the principal or sinking fund Redemption Price, if any, of, and interest on, the Bonds of each Additionally Secured Series secured thereby, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution, amounts on deposit in any separate subaccount established in the Debt Service Reserve Account in the Debt Service Fund, including the investments and investment income, if any, thereof. Such amounts on deposit in any separate subaccount established in the Debt Service Reserve Account in the Debt Service Fund shall immediately be subject to the lien of this pledge without physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against JEA, without regard to whether such parties have notice thereof.

3. Nothing contained in the Resolution shall be construed to prevent JEA from acquiring, constructing or financing through the issuance of its bonds, notes or other evidences of indebtedness any facilities which do not constitute a part of the System for the purposes of the Resolution; *provided that* such bonds, notes or other evidences of indebtedness shall not be payable

out of or secured by the Revenues or any Fund or Account held under the Resolution and neither the cost of such facilities nor any expenditure in connection therewith or with the financing thereof shall be payable from the Revenues or from any such Fund or Account.

502. Establishment of Funds and Accounts. 1. The following Funds and Accounts, to be held by JEA, are hereby established:

- (1) Construction Fund;
- (2) Revenue Fund;
- (3) Debt Service Fund, which shall consist of a Debt Service Account and a Debt Service Reserve Account;
- (4) Subordinated Indebtedness Fund;
- (5) Rate Stabilization Fund; and
- (6) Renewal and Replacement Fund;

provided, however, that if and to the extent provided in a Supplemental Resolution authorizing Subordinated Indebtedness, the Subordinated Indebtedness Fund shall be held by the entity specified in such Supplemental Resolution.

2. There may be established within any Fund or Account established hereunder such further accounts or subaccounts as an Authorized Officer of JEA may determine.

503. Construction Fund. 1. There shall be paid into the Construction Fund the amounts required to be so paid by the provisions of the Resolution and there may be paid into the Construction Fund, at the option of JEA, any moneys received for or in connection with the System by JEA from any other source, unless required to be otherwise applied as provided by the Resolution. Amounts in the Construction Fund shall be applied to the payment of the Costs of the System in the manner provided in this Section 503.

2. The proceeds of insurance maintained pursuant to the Resolution against physical loss of or damage to the System or of contractors' performance bonds or other assurances of completion with respect thereto, pertaining to the period of construction or acquisition thereof, shall, upon receipt by JEA, be paid into the Construction Fund.

3. JEA shall withdraw amounts from the Construction Fund for the payment of amounts due and owing on account of the Costs of the System upon determination of an Authorized Officer of JEA (or such officer's designee) that an obligation in the amount to be paid from the Construction Fund has been incurred by JEA and that each item thereof is a proper and reasonable charge against the Construction Fund, and that such amount has not been paid theretofore.

4. Notwithstanding any of the other provisions of this Section, to the extent that other moneys are not available therefor, amounts in the Construction Fund shall be applied to the payment of the principal of and interest on the Bonds when due.

5. Amounts credited to the Construction Fund which JEA determines at any time to be in excess of the amounts required for the purposes thereof shall be deposited in the Debt Service Reserve Account in the Debt Service Fund, if and to the extent necessary to make the amount in any separate subaccount therein equal to the Debt Service Reserve Requirement related thereto (or, if such excess shall be less than the amount necessary to make up the deficiencies with respect to all of the separate subaccounts in the Debt Service Reserve Account, then such excess shall be applied ratably, in proportion to the deficiency in each such subaccount), and any balance of such excess, upon written determination of an Authorized Officer of JEA, shall be deposited in the Revenue Fund and may be used in accordance with the provisions of subsection 2 of Section 507 hereof, *provided, however*, that the amount of any such deposit to the Revenue Fund shall not constitute or be deemed to constitute Revenues for any purpose of the Resolution.

6. Nothing in this Section 503 shall be construed to prevent JEA from permanently discontinuing the acquisition or construction of any portion of the System, the Costs of which are at the time being paid out of the Construction Fund, if the Governing Body determines by resolution that such discontinuance is necessary or desirable in the conduct of the business of JEA and not disadvantageous to the Holders of the Bonds.

504. Payments Due Under Prior Obligations Documents. JEA covenants and agrees that, for so long as any issue of Unconsented Prior Obligations (or any portion thereof) shall remain Outstanding, it shall make or cause to be made all payments from Revenues and other sources required to be made pursuant to the Prior Obligations Documents related to such issue of Unconsented Prior Obligations as they become due and payable, at the times and in the manner therein provided.

505. Revenues and Revenue Fund. 1. Subject, for so long as any issue of Unconsented Prior Obligations (or any portion thereof) shall remain Outstanding, to any required application thereof as provided in the Prior Obligations Documents related to such issue of Unconsented Prior Obligations, all Revenues shall be deposited promptly by JEA to the credit of the Revenue Fund.

2. At any time and from time to time JEA may deposit in the Revenue Fund from any source such additional amounts as JEA deems necessary or desirable; *provided, however*, that any such amount shall not constitute or be deemed to constitute Revenues for any purpose of the Resolution.

3. Notwithstanding anything to the contrary contained in the Resolution, in the event that any Revenues shall constitute “impact fees” within the meaning of applicable Florida law, JEA shall use and apply such Revenues only in the manner permitted or required thereby, and JEA shall take such measures (including, without limitation, the establishment of such separate

accounts or subaccounts or the implementation of such accounting procedures) as an Authorized Officer of JEA may determine are necessary or desirable to effect the foregoing.*

506. Payment of Operation and Maintenance Expenses. 1. Unless otherwise paid pursuant to the Prior Obligations Documents, and subject to the provisions of subsection 3 of Section 505, Operation and Maintenance Expenses shall be paid from the Revenue Fund as they become due and payable.

2. If and to the extent provided in a Supplemental Resolution authorizing Bonds of a Series, amounts from the proceeds of such Bonds may be deposited in the Revenue Fund and set aside therein as working capital or as reserves for Operation and Maintenance Expenses; *provided, however*, that any such amount shall not constitute or be deemed to constitute Revenues for any purpose of the Resolution. JEA may also from time to time set aside additional amounts in the Revenue Fund as working capital or as reserves for Operation and Maintenance Expenses; *provided, however*, that unless any such amount shall be described in the first sentence of the definition of Revenues in Section 101, such amount shall not constitute or be deemed to constitute Revenues for any purpose of the Resolution.

507. Payments into Certain Funds. 1. As soon as practical in each month after the deposit of Revenues in the Revenue Fund and payment of Operation and Maintenance Expenses pursuant to Section 506, but in any case not later than the last day of such month, JEA shall withdraw from the Revenue Fund, to the extent of amounts available therein, and subject to the provisions of subsection 3 of Section 505, and deposit in the following Funds and Accounts in the following order the amounts set forth below:

(a) in the Debt Service Fund, (i) for credit to the Debt Service Account, an amount at least equal to the amount, if any, required so that the balance in said Account shall equal the Accrued Aggregate Debt Service as of the last day of the then current month; *provided that* (A) for the purposes of computing the amount to be deposited in said Account, there shall be excluded from the balance in said Account the amount, if any, set aside in said Account from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA (including

*Note: Section 2.02 of the Eighth Supplemental Water and Sewer System Revenue Bond Resolution adopted by JEA on October 16, 2001, directed that, as a result of the inclusion of Capacity Charges in Revenues as provided in subsection I of Section 2.01 of said Eighth Supplemental Water and Sewer System Revenue Bond Resolution, the Authorized Officers of JEA take such measures as are necessary or desirable to segregate the Capacity Charges from all other amounts constituting Revenues, for the purpose of ensuring that such Capacity Charges are used and applied only for the purpose of paying Costs of expansion of the System, or paying or providing for the payment of debt service on Bonds, Subordinated Indebtedness or other indebtedness of JEA relating to the System issued for such purpose. In furtherance of the foregoing, said Section 2.02 further directed the Authorized Officers of JEA take such measures as are necessary or desirable to ensure that (a) that portion of Revenues consisting of Capacity Charges attributable to the water system shall be used and applied only for the purpose of paying Costs of expansion of such water system, or paying or providing for the payment of debt service on Bonds, Subordinated Indebtedness or other indebtedness of JEA relating to the System issued for such purpose and (b) that portion of Revenues consisting of Capacity Charges attributable to the sewer system shall be used and applied only for the purpose of paying Costs of expansion of such sewer system, or paying or providing for the payment of debt service on Bonds, Subordinated Indebtedness or other indebtedness of JEA relating to the System issued for such purpose.

amounts, if any, transferred thereto from the Construction Fund) for the payment of interest on Bonds less that amount of such proceeds to be applied in accordance with the Resolution to the payment of interest accrued and unpaid and to accrue on Bonds to the last day of the then current calendar month; and (B) any amount deposited into said Account during any month that is in excess of the minimum amount required to be deposited therein during such month may, upon written determination of an Authorized Officer of JEA, be deemed to be accumulated therein with respect to (1) any Sinking Fund Installment or (2) any principal amount of Bonds (including, in the case of any Option Bond, the principal amount thereof tendered for payment prior to the stated maturity thereof) due (or so tendered for payment) on a certain future date for which no Sinking Fund Installments have been established or (3) some combination of (1) and (2), and interest thereon; and (ii) for deposit in each separate subaccount in the Debt Service Reserve Account, the amount, if any, required so that the balance in each such subaccount shall equal the Debt Service Reserve Requirement related thereto as of the last day of the then current month (or, if the amount on deposit in the Revenue Fund shall not be sufficient to make the deposits required to be made pursuant to this clause (ii) with respect to all of the separate subaccounts in the Debt Service Reserve Account, then such amount on deposit in the Revenue Fund shall be applied ratably, in proportion to the amount necessary for deposit into each such subaccount);

(b) in the Subordinated Indebtedness Fund, an amount at least equal to the amount, if any, as shall be required to be deposited therein in the then current month to pay principal or sinking fund installments of and premiums, if any, and interest on each issue of Subordinated Indebtedness coming due in such month, whether as a result of maturity or prior call for redemption, and to provide reserves therefor, as required by the Supplemental Resolution authorizing such issue of Subordinated Indebtedness;

(c) in the Rate Stabilization Fund, the amount, if any, budgeted for deposit into such Fund for the then current month as set forth in the then current Annual Budget or the amount otherwise determined by JEA to be credited to such Fund for the month; and

(d) in the Renewal and Replacement Fund, an amount at least equal to the difference between (i) the sum of (A) one-twelfth (1/12th) of ten percent (10%) of the Annual Net Revenues of the System for the preceding Fiscal Year and (B) such additional amount as shall make the total annual payment into such Fund during the Fiscal Year of which such month shall be a part equal to at least five percent (5%) of the Revenues of the System for the preceding Fiscal Year and (ii) the sum of the amounts, if any, required to be deposited during such month into any renewal and replacement or other similar fund or account established pursuant to any of the Prior Obligations Documents; *provided, however*, that so long as there shall be held in the Renewal and Replacement Fund an amount which, together with the sum of all amounts, if any, held in all renewal and replacement or other similar funds or accounts established pursuant to the Prior Obligations Documents, shall be at least equal to the Renewal and Replacement Requirement, no deposits

shall be required to be made into the Renewal and Replacement Fund; and *provided, further*, however, that the failure of JEA to make such payment into the Renewal and Replacement Fund in any month shall not constitute an Event of Default hereunder, *provided* that any deficiencies therefor shall have been restored prior to the end of the Fiscal Year of which such month shall be a part and *provided* further that the full amount required to be deposited in said Renewal and Replacement Fund in such Fiscal Year shall have been deposited therein by the end of such Fiscal Year.

During any period in which the Debt Service with respect to any Series of Bonds containing Build America Bonds shall be calculated in the manner provided in the proviso contained in clause (i) of the first paragraph of the definition thereof contained in Section 101 hereof, no later than each interest payment date for such Build America Bonds then Outstanding, JEA shall withdraw from the Revenue Fund and transfer to the Debt Service Fund an amount equal to the amount of the cash subsidy payment payable to JEA by the U.S. Treasury in respect of the interest payable on such Build America Bonds on such interest payment date, without regard to any reduction thereto made by the U.S. Treasury for the purpose of offsetting any amount due from JEA to it. Any cash subsidy payment received by JEA from the U.S. Treasury in respect of the interest payable on any Build America Bonds shall be deposited by JEA upon the receipt thereof in the Revenue Fund, but no such payment shall constitute Revenues for any purpose of the Resolution.

2. Subject to the provisions of subsection 3 of Section 505, the balance of any moneys remaining in the Revenue Fund after the above required payments have been made may be used by JEA for any lawful purpose of JEA (including, but not limited to, (a) the purchase, redemption or provision for payment of any of the Bonds or the Unconsented Prior Obligations and (b) transfers to any utility system owned and/or operated by JEA currently or in the future) not otherwise prohibited by the Resolution; *provided, however*, that none of the remaining moneys shall be used for any purpose other than those specified in subsection 1 of this Section unless all current payments, including all deficiencies in prior payments, if any, have been made in full and unless JEA shall have complied fully with all the covenants and provisions of the Resolution.

3. Notwithstanding the provisions of subsection 1 of this Section 507, so long as there shall be held in the Debt Service Fund an amount sufficient to pay in full all Outstanding Bonds in accordance with their terms (including the maximum amount of principal or applicable sinking fund Redemption Price and interest which could become payable thereon), no deposits shall be required to be made into the Debt Service Fund.

508. Debt Service Fund — Debt Service Account. 1. JEA shall pay out of the Debt Service Account to the respective Paying Agents (i) on or before each interest payment date for any of the Bonds, the amount required for the interest payable on such date; (ii) on or before each Principal Installment due date, the amount required for the Principal Installment payable on such due date; and (iii) on or before any redemption date for the Bonds, the amount required for the payment of interest on the Bonds then to be redeemed. Such amounts shall be applied by the Paying Agents on and after the due dates thereof. JEA shall also pay out of the Debt Service Account the accrued interest included in the purchase price of Bonds purchased for retirement.

2. Amounts accumulated in the Debt Service Account with respect to any Sinking Fund Installment (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Installment was established) may be applied by JEA, on or prior to the 40th day preceding the due date of such Sinking Fund Installment, to (i) the purchase of Bonds of the Series, maturity and interest rate within each maturity for which such Sinking Fund Installment was established, or (ii) the redemption at the applicable sinking fund Redemption Price of such Bonds, if then redeemable by their terms. All purchases of any Bonds pursuant to this subsection 2 shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Bonds plus accrued interest, and such purchases shall be made in such manner as JEA shall determine. The applicable sinking fund Redemption Price (or principal amount of maturing Bonds) of any Bonds so purchased or redeemed shall be deemed to constitute part of the Debt Service Account until such Sinking Fund Installment date, for the purpose of calculating the amount of such Account. As soon as practicable after the 40th day preceding the due date of any such Sinking Fund Installment, JEA shall proceed to call for redemption, by giving notice as provided in Section 404 or the Supplemental Resolution authorizing the Bonds of the Series, maturity and interest rate within each maturity for which such Sinking Fund Installment was established, on such due date such Bonds (except in the case of Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment after making allowance for any Bonds purchased or redeemed which JEA has determined to apply as a credit against such Sinking Fund Installment as provided in Section 514. JEA shall pay out of the Debt Service Account to the appropriate Paying Agents, on or before such redemption date or maturity date, the amount required for the redemption of the Bonds so called for redemption or for the payment of such Bonds then maturing, and such amount shall be applied by such Paying Agents to such redemption or payment.

3. Amounts accumulated in the Debt Service Account with respect to any principal amount of Bonds (including, in the case of any Option Bond, the principal amount thereof tendered for payment prior to the stated maturity thereof) due (or so tendered for payment) on a certain future date for which no Sinking Fund Installments have been established (together with amounts accumulated therein with respect to interest on such Bonds) may be applied by JEA, on or prior to the due date thereof, to (i) the purchase of such Bonds or (ii) the redemption at the principal amount of such Bonds, if then redeemable by their terms. All purchases of any Bonds pursuant to this subsection 3 shall be made at prices not exceeding the principal amount of such Bonds plus accrued interest, and such purchases shall be made in such manner as JEA shall determine. The principal amount of any Bonds so purchased or redeemed shall be deemed to constitute part of the Debt Service Account until such due date, for the purpose of calculating the amount of such Account.

4. The amount, if any, deposited in the Debt Service Account from the proceeds of each Series of Bonds shall be set aside in such Account and applied to the payment of interest on Bonds in accordance with certificates of Authorized Officers of JEA filed with the records of JEA pursuant to paragraph (f) of subsection 1 of Section 203 or, in the event that JEA shall modify or amend any such certificate by a subsequent certificate signed by an Authorized Officer of JEA and filed with the records of JEA, then in accordance with the most recent such certificates or amended certificates. The amount, if any, deposited in the Debt Service Account from the proceeds of Subordinated Indebtedness or other evidences of indebtedness of JEA shall be set aside in such Account and applied to the payment of interest on Bonds in accordance with

certificates of Authorized Officers of JEA filed with the records of JEA at the time of any such deposit or, in the event that JEA shall modify or amend any such certificate by a subsequent certificate signed by an Authorized Officer of JEA and filed with the records of JEA, then in accordance with the most recent such certificates or amended certificates.

5. In the event of the refunding or defeasance of any Bonds, JEA may withdraw from the Debt Service Account in the Debt Service Fund all or any portion of the amounts accumulated therein and deposit such amounts with the Escrow Agent for the Bonds being refunded or defeased to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Bonds being refunded or defeased; *provided that* such withdrawal shall not be made unless (a) immediately thereafter the Bonds being refunded or defeased shall be deemed to have been paid pursuant to subsection 2 of Section 1201, and (b) the amount remaining in the Debt Service Account in the Debt Service Fund, after giving effect to the issuance of any obligations being issued to refund any Bonds being refunded and the disposition of the proceeds thereof, shall not be less than the requirement of such Account pursuant to paragraph (a) of subsection 1 of Section 507. In the event of such refunding or defeasance, JEA may also withdraw from the Debt Service Account in the Debt Service Fund all or any portion of the amounts accumulated therein and deposit such amounts in any Fund or Account under the Resolution; *provided that* such withdrawal shall not be made unless items (a) and (b) referred to hereinabove have been satisfied; and *provided further*, that, at the time of such withdrawal, there shall exist no deficiency in any Fund or Account held under the Resolution.

509. Debt Service Fund — Debt Service Reserve Account. 1. There shall be established in the Debt Service Reserve Account in the Debt Service Fund one or more separate subaccounts, each of which subaccounts shall be for the benefit and security of one or more Series of Bonds, in the manner and to the extent provided in subsection 3 of Section 201 or the Supplemental Resolution establishing such subaccount, as the case may be.

2. If on any day on which the principal or sinking fund Redemption Price of or interest on the Bonds shall be due the amount on deposit in the Debt Service Account in the Debt Service Fund (exclusive of amounts, if any, set aside in said Account from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA (including amounts, if any, transferred thereto from the Construction Fund) for the payment of interest on Bonds on a future date) shall be less than the amount required to pay such principal, Redemption Price or interest, then JEA shall apply amounts from each separate subaccount in the Debt Service Reserve Account to the extent necessary to cure the deficiency that exists with respect to the Additionally Secured Series of the Bonds secured thereby.

3. Whenever the moneys on deposit in any subaccount established in the Debt Service Reserve Account shall exceed the Debt Service Reserve Requirement related thereto, and after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation that may be credited to such subaccount in accordance with the provisions of the Supplemental Resolution establishing such subaccount or subsection 3 of Section 201, as the case may be, such excess shall be deposited in the Revenue Fund and applied as provided in subsection 2 of Section 507 hereof; *provided, however*, that the amount of any such deposit to the Revenue Fund shall not constitute or be deemed to constitute Revenues for any purpose of the Resolution.

4. Whenever the amount in the Debt Service Reserve Account, together with the amount in the Debt Service Account, is sufficient to pay in full all Outstanding Bonds in accordance with their terms (including the maximum amount of principal or applicable sinking fund Redemption Price and interest which could become payable thereon), the funds on deposit in the Debt Service Reserve Account shall be transferred to the Debt Service Account. Prior to said transfer, all investments held in the Debt Service Reserve Account shall be liquidated to the extent necessary in order to provide for the timely payment of principal or Redemption Price, if applicable, and interest on the Bonds.

5. In the event of the refunding or defeasance of any Bonds of an Additionally Secured Series, JEA may withdraw from the separate subaccount in the Debt Service Reserve Account established for the benefit of the Bonds of such Additionally Secured Series all or any portion of the amounts accumulated therein and deposit such amounts with the Escrow Agent for the Bonds being refunded or defeased to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Bonds being refunded or defeased; *provided that* such withdrawal shall not be made unless (a) immediately thereafter the Bonds being refunded or defeased shall be deemed to have been paid pursuant to subsection 2 of Section 1201, and (b) the amount remaining in such separate subaccount in the Debt Service Reserve Account, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation that may be credited to such subaccount in accordance with the provisions of the Supplemental Resolution establishing such subaccount, and after giving effect to the issuance of any obligations being issued to refund any Bonds being refunded and the disposition of the proceeds thereof, shall not be less than the Debt Service Reserve Requirement related thereto. In the event of such refunding or defeasance, JEA may also withdraw from such separate subaccount in the Debt Service Reserve Account all or any portion of the amounts accumulated therein and deposit such amounts in any Fund or Account under the Resolution; *provided that* such withdrawal shall not be made unless items (a) and (b) referred to hereinabove have been satisfied; and *provided further*, that, at the time of such withdrawal, there shall exist no deficiency in any Fund or Account held under the Resolution.

510. Subordinated Indebtedness Fund. 1. Subject to subsection 3 hereof, amounts in the Subordinated Indebtedness Fund shall be applied to the payment of the principal or sinking fund installments of and interest and premium on each issue of Subordinated Indebtedness and reserves therefor in accordance with the provisions of, and subject to the priorities and limitations and restrictions provided in, the Supplemental Resolution authorizing each issue of Subordinated Indebtedness.

2. At any time and from time to time JEA may deposit in the Subordinated Indebtedness Fund for the payment of the principal or sinking fund installments of and interest and premium on each issue of Subordinated Indebtedness amounts received from the proceeds of additional issues of Subordinated Indebtedness or amounts received from any other source.

3. If at any time the amounts in the Debt Service Account or any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund shall be less than the current requirements of such Account or subaccount, respectively, pursuant to paragraph (a) of subsection 1 of Section 507, and there shall not be on deposit in the Renewal and Replacement Fund available moneys sufficient to cure such deficiency, then there shall be withdrawn from the

Subordinated Indebtedness Fund for deposit in the Debt Service Account or such separate subaccount(s) in the Debt Service Reserve Account, as the case may be, the amount necessary to make up such deficiency (or, if the amount in said Fund shall be less than the amount necessary to make up the deficiencies with respect to the Debt Service Account and all of the separate subaccounts in the Debt Service Reserve Account, then the amount in said Fund shall be applied first to make up the deficiency in the Debt Service Account, and any balance remaining shall be applied ratably to make up the deficiencies with respect to the separate subaccounts in the Debt Service Reserve Account, in proportion to the deficiency in each such subaccount).

511. Rate Stabilization Fund. 1. Each month JEA shall transfer from the Rate Stabilization Fund to the Revenue Fund the amount budgeted for transfer into such Fund for the then current month as set forth in the then current Annual Budget or the amount otherwise determined by JEA to be deposited into such Fund for the month.

2. At any time and from time to time JEA may transfer for deposit in the Rate Stabilization Fund from any source such amounts as JEA deems necessary or desirable; such amounts to be applied for purposes of the Rate Stabilization Fund in accordance with subsection 3 of this Section 511; *provided, however*, any such amounts deposited into the Rate Stabilization Fund pursuant to this subsection 2 shall not constitute or be deemed to constitute Revenues for any purpose of the Resolution.

3. JEA may, from time to time, withdraw amounts on deposit in the Rate Stabilization Fund and (i) transfer such amounts to any other Fund or Account established under the Resolution, (ii) use such amounts to purchase or redeem Bonds and/or Unconsented Prior Obligations, or (iii) use such amounts to otherwise provide for the payment of Bonds and/or Unconsented Prior Obligations or interest thereon.

4. In the event that amounts on deposit in the Rate Stabilization Fund shall be transferred to the Revenue Fund as provided in subsection 1 or 3 of this Section, the amount so transferred shall constitute Revenues as provided in clause (x) of the last sentence of the definition thereof to the extent (and only to the extent) that such amount was deposited to the Rate Stabilization Fund pursuant to paragraph (c) of subsection 1 of Section 507.

512. Renewal and Replacement Fund. 1. Amounts in the Renewal and Replacement Fund shall be applied to the Costs of the System, the payment of extraordinary operation and maintenance costs and contingencies and payments with respect to the prevention or correction of any unusual loss or damage in connection with all or part of the System, all to the extent not paid as Operation and Maintenance Expenses or from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA. Amounts in the Renewal and Replacement Fund also may be applied (a) to the purchase, redemption, payment or provision for payment of Bonds and/or Unconsented Prior Obligations or interest thereon or (b) upon determination of the Governing Body, to the payment of the costs of enlargements, extensions, improvements and replacements of capital assets of any other utility system owned and operated by JEA and not constituting a part of the System.

2. If and to the extent provided in the Supplemental Resolution authorizing Bonds of a Series or Subordinated Indebtedness, amounts from the proceeds of such Bonds or

Subordinated Indebtedness may be deposited in the Renewal and Replacement Fund for any purpose of such Fund.

3. No payments shall be made from the Renewal and Replacement Fund if and to the extent that the proceeds of insurance or other moneys recoverable as the result of damage, if any, are available to pay the costs otherwise payable from such Fund.

4. If at any time the amounts in the Debt Service Account or any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund shall be less than the current requirements of such Account or subaccount, respectively, pursuant to paragraph (a) of subsection 1 of Section 507, then JEA shall transfer from the Renewal and Replacement Fund for deposit in the Debt Service Account or such separate subaccount(s) in the Debt Service Reserve Account, as the case may be, the amount necessary to make up such deficiency (or, if the amount in said Fund shall be less than the amount necessary to make up the deficiencies with respect to the Debt Service Account and all of the separate subaccounts in the Debt Service Reserve Account, then the amount in said Fund shall be applied first to make up the deficiency in the Debt Service Account, and any balance remaining shall be applied ratably to make up the deficiencies with respect to the separate subaccounts in the Debt Service Reserve Account, in proportion to the deficiency in each such subaccount).

5. If at any time the amounts in the Subordinated Indebtedness Fund shall be less than the current requirement of such Fund and the amounts on deposit in the Debt Service Account and each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund shall equal the current requirements of such Account and subaccounts, respectively, pursuant to paragraph (a) of subsection 1 of Section 507 and such amounts are not required for the payment of Operation and Maintenance Expenses, then JEA shall transfer from the Renewal and Replacement Fund for deposit in the Subordinated Indebtedness Fund the amount necessary (or all the moneys in the Renewal and Replacement Fund if less than the amount necessary) to make up such deficiency.

6. In furtherance of the provisions of subsection 3 of Section 505 and notwithstanding anything to the contrary contained in the Resolution, in the event that any amounts on deposit in the Renewal and Replacement Fund shall constitute "impact fees" within the meaning of applicable Florida law, JEA shall use and apply such amounts only in the manner permitted or required thereby, and JEA shall take such measures (including, without limitation, the establishment of such separate accounts or subaccounts in the Renewal and Replacement Fund or the implementation of such accounting procedures) as an Authorized Officer of JEA may determine are necessary or desirable to effect the foregoing.

513. Cancellation and Destruction of Bonds. Except as provided in Section 309, and except as may be otherwise provided with respect to Option Bonds in the Supplemental Resolution providing for the issuance thereof, all Bonds paid or redeemed, either at or before maturity, shall be delivered to the Bond Registrar(s) therefor when such payment or redemption is made, and such Bonds, together with all Bonds purchased by JEA and delivered to such Bond Registrar(s) for cancellation, shall thereupon promptly be cancelled (other than Book Entry Bonds, to the extent provided in subsection 6 of Section 309, that have been deemed to have been cancelled). Bonds so cancelled may at any time be destroyed by such Bond Registrar(s), who shall

execute a certificate of destruction in duplicate by the signature of one of its authorized officers describing the Bonds so destroyed, and one executed certificate shall be filed with JEA and the other executed certificate shall be retained by such Bond Registrar(s).

514. Credits Against Sinking Fund Installments. If at any time Bonds of any Series, maturity and interest rate within a maturity for which Sinking Fund Installments shall have been established are (i) purchased or redeemed other than pursuant to subsection 2 of Section 508 or (ii) deemed to have been paid pursuant to subsection 2 of Section 1201 and, with respect to such Bonds which have been deemed paid, irrevocable instructions have been given to the Escrow Agent therefor to redeem or purchase the same on or prior to the due date of the Sinking Fund Installment to be credited under this Section 514, JEA may from time to time and at any time determine the portions, if any, of such Bonds so purchased, redeemed or deemed to have been paid and not previously applied as a credit against any Sinking Fund Installment which are to be credited against future Sinking Fund Installments. Such determination shall include the amounts of such Bonds to be applied as a credit against such Sinking Fund Installment or Installments and the particular Sinking Fund Installment or Installments against which such Bonds are to be applied as a credit; provided, however, that none of such Bonds may be applied as a credit against a Sinking Fund Installment to become due less than 40 days after such determination is made. Except as provided in Section 309 with respect to Book Entry Bonds, all such Bonds to be applied as a credit shall be surrendered to the Bond Registrar(s) therefor for cancellation on or prior to the due date of the Sinking Fund Installment against which they are being applied as a credit. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

515. Subordinated Indebtedness. JEA may, at any time, or from time to time, issue Subordinated Indebtedness for any lawful purpose of JEA related to the System, which Subordinated Indebtedness shall be payable out of, and may be secured by a pledge of, such amounts in the Subordinated Indebtedness Fund as may from time to time be available for the purpose of payment thereof as provided in Section 510; provided, however, that any pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge of the Trust Estate created by the Resolution as security for the Bonds.

516. Purchases of Bonds. Any purchase of Bonds (or portions thereof) by or at the direction of JEA pursuant to the Resolution may be made with or without tenders of Bonds and at either public or private sale, in such manner as JEA may determine.

ARTICLE VI

DEPOSITORIES OF MONEYS, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

601. Depositories. 1. All moneys held by JEA under the Resolution shall be deposited with one or more Depositories in the name of JEA and shall be held in trust and applied only in accordance with the provisions of the Resolution, and each of the Funds and Accounts established by the Resolution shall be a trust fund for the purposes thereof.

2. Each Depository shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, having capital stock, surplus and undivided earnings aggregating at least \$10,000,000 and willing and able to accept the office on reasonable and customary terms and authorized by law to act in accordance with the provisions of the Resolution.

602. Deposits. 1. All Revenues and moneys held by any Depository under the Resolution may be placed on demand, savings or time deposit, if and as directed by JEA, provided that such deposits shall permit the moneys so held to be available to use at the time when needed. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor checks and drafts on such deposit with the same force and effect as if it were not such Fiduciary. All moneys held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by JEA and acceptable to such Fiduciary, on savings or time deposit, provided that such moneys on deposit be available for use at the time when needed. Such Fiduciary shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

2. All moneys held under the Resolution by any Depository shall be held in such manner as may then be required by applicable Federal or State of Florida laws and regulations and applicable state laws and regulations of the state in which such Depository is located, regarding security for, or granting a preference in the case of, the deposit of public or trust funds or, in the absence of such laws and regulations, shall be either (1) continuously and fully insured by the Federal Deposit Insurance Corporation, or (2) continuously and fully secured by lodging with any other bank, trust company or national banking association or any Federal Reserve Bank, as custodian, as collateral security, U.S. Obligations, Defeased Municipal Obligations, Federal Agency Securities, New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America, and direct and general obligations of the State of Florida for the payment of the principal of and interest on which the full faith and credit of said State is pledged, or any bonds or other obligations which as to principal and interest are unconditionally guaranteed by the State of Florida, having a market value not less than the amount of such moneys; *provided, however*, that, to the extent permitted by law, it shall not be necessary for the Fiduciaries to give security under this subsection 2 for the deposit of any moneys with them held in trust and set aside by them for the payment of the principal or Redemption Price of or interest on any Bonds, or for any Depository to give security for any moneys which shall be represented by obligations or certificates of deposit purchased as an investment of such moneys.

3. All moneys deposited with each Depository shall be credited to the particular Fund or Account to which such moneys belong.

603. Investment of Certain Funds. Unless further limited as to maturity by the provisions of a Supplemental Resolution, moneys held in the Funds and Accounts established under the Resolution may be invested and reinvested by JEA in Investment Securities which will

provide moneys not later than such times as shall be needed for payments to be made from such Funds and Accounts. In making any investment in any Investment Securities with moneys in any Fund or Account established under the Resolution and held by JEA, JEA may combine such moneys with moneys in any other Fund or Account held by JEA, but solely for purposes of making such investment in such Investment Securities.

Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) earned on any moneys or investments in such Funds and Accounts, other than the Construction Fund, shall be paid into the Revenue Fund. Interest earned on any moneys or investments in the Construction Fund shall be held in such Fund for the purposes thereof or, upon written determination of an Authorized Officer of JEA, paid into the Revenue Fund.

If on any day one or more of the Investment Securities on deposit in any Fund or Account established under the Resolution shall be sold, redeemed or otherwise liquidated, any net profit realized by JEA as a result of such sale, redemption or liquidation of all such Investment Securities may, upon determination of an Authorized Officer of JEA, be transferred to the Revenue Fund; *provided, however*, that no such transfer shall be made if, on the immediately preceding date of valuation of such Fund or Account, as the case may be, the amount on deposit therein shall have been less than the amount required to be on deposit therein as provided in the Resolution.

Nothing contained herein shall prevent JEA, to the extent permitted by law, from entering into securities lending agreements or bonds borrowed agreements (“lending agreements”) with banks which are members of the Federal Deposit Insurance Corporation, having capital stock, surplus and undivided earnings aggregating at least \$25,000,000 and government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, secured by securities, which are obligations described in the definition of Investment Securities in Section 101, *provided that* each such lending agreement (i) is in commercially reasonable form and is for a commercially reasonable period, and (ii) results in a transfer to JEA of legal title to, or a grant to JEA of a prior perfected security interest in, identified securities which are obligations described in the definition of Investment Securities and which are free and clear of any claims by third parties and are segregated in a custodial or trust account held by a third party (other than the borrower) as the agent solely of, or in trust solely for the benefit of, JEA, provided that such securities acquired or pledged pursuant to such lending agreements shall have a current market value not less than 102% of the market value of the securities loaned by JEA under such agreement. Any Investment Securities loaned by JEA under any such agreement shall be released from the lien of the pledge of the Trust Estate created hereunder, but only if all rights of JEA under the lending agreement (including, but not limited to, the monetary obligations to JEA of the bank and/or government bond dealer party to such agreement) and any related collateral agreement and all rights of JEA to the identified securities transferred or pledged to JEA in connection therewith are substituted for the securities loaned, and such rights of JEA are hereby declared to be subject to the lien of the pledge of the Trust Estate created hereunder to the same extent that the loaned Investment Securities formerly were subject.

604. Valuation and Sale of Investments. Obligations purchased as an investment of moneys in any Fund created under the provisions of the Resolution shall be deemed at all times to be a part of such Fund and any profit realized from the liquidation of such investment

shall be credited to such Fund, and any loss resulting from the liquidation of such investment shall be charged to the respective Fund.

In computing the amount in any Fund created under the provisions of the Resolution for any purpose provided in the Resolution, obligations purchased as an investment of moneys therein shall be valued at the amortized cost of such obligations. Such computation shall be determined as of September 30 in each year. In the event that JEA causes to be deposited in any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund, pursuant to the provisions of the Supplemental Resolution establishing such subaccount or subsection 3 of Section 201, as the case may be, an irrevocable surety bond, an insurance policy, a letter of credit or any other similar obligation, such surety bond, insurance policy, letter of credit or other obligation shall be valued at the lesser of the face amount thereof or the maximum amount available thereunder.

ARTICLE VII

PARTICULAR COVENANTS OF JEA

JEA covenants and agrees with the Holders of the Bonds as follows:

701. Payment of Bonds. JEA shall duly and punctually pay or cause to be paid, but solely from the Trust Estate, and, in the case of the Bonds of each Additionally Secured Series, the separate subaccount in the Debt Service Reserve Account in the Debt Service Fund with respect thereto, the principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner provided in the Bonds, according to the true intent and meaning thereof.

702. Extension of Payment of Bonds. JEA shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement, and in case the maturity of any of the Bonds or the time for payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Resolution, to the benefit of the Resolution or to any payment out of Revenues or Funds established by the Resolution, including the investments and investment income, if any, thereof, or the moneys (except moneys held in trust for the payment of particular Bonds or claims for interest pursuant to the Resolution) held by JEA or the Fiduciaries, except subject to the prior payment of the principal of all Bonds Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing herein shall be deemed to limit the right of JEA to issue Option Bonds or Refunding Bonds and neither such issuance nor the exercise by the Holder of any Option Bond of any of the rights appertaining to such Option Bond shall be deemed to constitute an extension of maturity of Bonds.

703. Offices for Servicing Bonds. Except as may be otherwise provided in any Supplemental Resolution with respect to any Series of Bonds, JEA shall at all times maintain one or more agencies where Bonds may be presented for payment and shall at all times maintain one or more agencies where Bonds may be presented for registration, transfer or exchange, and where

notices, demands and other documents may be served upon JEA in respect of the Bonds or of the Resolution. JEA hereby appoints each Bond Registrar to maintain an agency for the registration, transfer or exchange of Bonds, and for the service upon JEA of such notices, demands and other documents and the Bond Registrars shall continuously maintain or make arrangements to provide such services. JEA hereby appoints the Paying Agent or Agents in such cities as its respective agents to maintain such agencies for the payment or redemption of Bonds.

704. Further Assurance. At any and all times JEA shall, as far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, Revenues and other moneys, securities and funds hereby pledged, or intended so to be, or which JEA may become bound to pledge.

705. Power to Issue Bonds and Pledge Revenues and Other Funds. JEA is duly authorized under all applicable laws to create and issue (or, in the case of the Consented Prior Obligations, to assume) the Bonds and to adopt the Resolution and to pledge the Trust Estate and, in the case of the Bonds of each Additionally Secured Series, the separate subaccount in the Debt Service Reserve Account in the Debt Service Fund with respect thereto, in the manner and to the extent provided in the Resolution. Except to the extent otherwise provided in the Resolution, the Trust Estate and each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto superior to, or of equal rank with, the respective pledges created by the Resolution, and all corporate or other action on the part of JEA to that end has been and will be duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable obligations of JEA in accordance with their terms and the terms of the Resolution. JEA shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Trust Estate and each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund and all the rights of the Holders of the Bonds under the Resolution against all claims and demands of all persons whomsoever.

706. Power to Fix and Collect Rates, Fees and Charges. JEA has, and will have as long as any Bonds are Outstanding, good right and lawful power to acquire, construct, reconstruct, improve, maintain, operate and repair the System and to fix, establish, maintain and collect rates, fees and charges with respect to the use of the capability of and sale of the output, capacity, use or service of the System subject to the terms of contracts relating thereto and subject to the jurisdiction of any applicable regulatory authority.

707. Creation of Liens; Sale and Lease of Property. 1. JEA shall not issue any bonds, notes, debentures or other evidences of indebtedness of similar nature, other than the Bonds, payable out of or secured by a security interest in or pledge of the Trust Estate, any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund or other moneys, securities or funds held or set aside by JEA or by the Fiduciaries under the Resolution and shall not create or cause to be created any lien or charge on the Trust Estate, any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund or such moneys, securities or funds; provided, however, that nothing contained in the Resolution shall prevent JEA from issuing, if and to the extent permitted by law, (a) Bond Anticipation Notes or other evidences of indebtedness

payable out of, and which may be secured by a pledge of (i) the proceeds of sale of Bonds or investment income therefrom, or (ii) amounts in the Construction Fund derived from the proceeds of sale of said Bond Anticipation Notes or investment income therefrom as may from time to time be available for payment of such Bond Anticipation Notes or other evidences of indebtedness (including redemption premiums, if any, and interest thereon) as part of the Costs of the System, or (iii) Revenues to be derived on and after such date as the pledge of the Revenues provided in the Resolution shall be discharged and satisfied as provided in Section 1201, or (b) Subordinated Indebtedness.

2. No part of the System shall be sold, mortgaged, leased or otherwise disposed of, except as follows:

(a) JEA may sell or exchange at any time and from time to time any property or facilities constituting part of the System only if (i) JEA shall determine that such property or facilities are not needed or useful in the operation of the System, or (ii) the net book value of the property or facilities sold or exchanged is not more than 5% of the net book value of the property and facilities of the System, or (iii) there shall be filed with the records of JEA a certificate of the Consulting Engineer stating, in its opinion, that the sale or exchange of such property or facilities will not materially impair the ability of JEA to comply during the current or any future Fiscal Year with the provisions of Section 711. The proceeds of any sale or exchange of any property or facilities constituting a part of the System not used to acquire other property necessary or desirable for the safe or efficient operation of the System shall forthwith be deposited in the Revenue Fund; *provided, however*, that the amount of any such deposit to the Revenue Fund shall not constitute or be deemed to constitute Revenues for any purpose of the Resolution;

(b) In addition to any agreement in effect as of the date on which JEA assumes ownership of the System to which JEA and/or the City is a party relating to the ownership or operation of any part of the System or the use of the output thereof, JEA may lease or make contracts or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights with respect to, any part of the System, *provided that* any such lease, contract, license, arrangement, easement or right (i) does not impede the operation by JEA or its agents of the System and (ii) does not materially adversely affect the rights or security of the Holders of the Bonds under the Resolution. Any payments received by JEA under or in connection with any such lease, contract, license, arrangement, easement or right in respect of the System or any part thereof shall constitute Revenues;

(c) The limitations imposed upon JEA by clauses (a) and (b) of this subsection 2 shall not apply to any disposition of property by JEA where: (i) such property is leased back to JEA under a lease having a term of years (including renewal options) (X) of not less than 75% of the remaining useful life of the property as estimated by JEA computed from the date of disposition and lease if such property is disposed of by sale or a lease for more than 90% of the remaining

estimated useful life or any other means of disposition except as set forth in the following clause (Y), or (Y) 75% of the term of the lease out by JEA if such property is disposed of by a lease for less than 90% of the useful life of the property so estimated, (ii) fair value to JEA (as determined by JEA) is received by JEA for the property subject to such transaction, and (iii) there shall have been delivered to the Governing Body a Counsel's Opinion to the effect that the disposition and lease will not have a material adverse effect on the interests of the Holders of Outstanding Bonds (in rendering such opinion, such counsel may rely on such certifications of (a) any banking or financial institution serving as financial advisor to JEA, as to financial and economic matters, (b) the Consulting Engineer, as to matters within its field of expertise and (c) such other experts, as to matters within their fields of expertise as it, in its reasonable judgment, determines necessary or appropriate). The proceeds of any such transaction not used to acquire other property necessary or desirable for the safe or efficient operation of the System shall forthwith be deposited in the Revenue Fund; *provided, however*, that the amount of any such deposit to the Revenue Fund shall not constitute or be deemed to constitute Revenues for any purpose of the Resolution; and

(d) JEA may permanently discontinue the acquisition or construction of any portion of the System as provided in paragraph 6 of Section 503.

708. No Further Prior Obligations. Except for obligations issued in substitution of or replacement for Prior Obligations Outstanding on the effective date of the Resolution in accordance with the terms thereof, JEA shall not issue or incur, cause to be issued or incurred or consent to the issuance or incurrence of any indebtedness or other obligations pursuant to the Prior Obligations Documents.

709. Annual Budget. Not less than 30 days prior to the beginning of each Fiscal Year, JEA shall prepare and file with the records of JEA an Annual Budget for the ensuing Fiscal Year which shall set forth in reasonable detail the estimated Revenues, payments with respect to all obligations assumed or incurred by JEA with respect to the System (including, without limitation, the Unconsented Prior Obligations, the Bonds and any Subordinated Indebtedness) and Operation and Maintenance Expenses and other expenditures for the System for such Fiscal Year, and which shall include appropriations for the estimated payments with respect to such obligations for such Fiscal Year, the estimated Operation and Maintenance Expenses for the System for such Fiscal Year, including provisions for any general reserve for Operation and Maintenance Expenses or other reserves determined necessary or desirable by JEA and the estimated amount to be expended during such Fiscal Year from the Renewal and Replacement Fund or any renewal and replacement or other similar fund or account established pursuant to any of the Prior Obligations Documents. Such Annual Budget also shall set forth such detail with respect to such Revenues, payments with respect to such obligations, Operation and Maintenance Expenses and other expenditures and may set forth such additional material as JEA may determine. JEA shall at any time, as necessary, adopt an amended Annual Budget for the remainder of the then current Fiscal Year.

710. Operation and Maintenance of the System. JEA shall at all times use its best efforts to operate or cause to be operated the System properly and in an efficient and

economical manner, consistent with Prudent Utility Practice, and shall use its best efforts to maintain, preserve, reconstruct and keep the same or cause the same to be so maintained, preserved, reconstructed and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or use its best efforts to cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the System may be properly and advantageously conducted.

711. Rates, Fees and Charges. 1. JEA shall at all times fix, establish, maintain, charge and collect rates, fees and charges for the use or the sale of the output, capacity or service of the System which shall be sufficient to provide an amount at least equal to the difference between (a) Net Revenues in each Bond Year and (b) Capacity Charges in such Bond Year which shall be the greater of (i) 125% of the sum of (X) the Aggregate Debt Service for such Bond Year and (Y) the Unconsented Prior Obligations Debt Service Requirements for such Bond Year; provided, however, that any Principal Installment which is a Refundable Principal Installment may be excluded from Aggregate Debt Service for purposes of the foregoing but only to the extent that JEA intends to pay such Principal Installment from sources other than Revenues, and (ii) the amount which, together with other available funds, shall be sufficient for the payment of

(a) the amount to be paid during such Bond Year into any fund or account established pursuant to the Prior Obligations Documents with respect to the payment when due of the principal of or interest on the Unconsented Prior Obligations;

(b) the amount to be paid during such Bond Year into the Debt Service Account in the Debt Service Fund (other than amounts required to be paid into such Account out of the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA);

(c) the amount, if any, be paid during such Bond Year into each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund (other than amounts required to be paid into any such subaccount out of the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA);

(d) the amount, if any, to be paid during such Bond Year into the Subordinated Indebtedness Fund (other than amounts required to be paid into such Fund out of the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA);

(e) the amount, if any, to be paid during such Bond Year into the Renewal and Replacement Fund (other than amounts required to be paid into such Fund out of the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA) and into any renewal and replacement or other similar fund or account established pursuant to any of the Prior Obligations Documents; and

(f) all other charges and liens whatsoever payable out of Revenues during such Bond Year.

Nothing in this subsection 1 shall be deemed to prevent or preclude JEA, for purposes of financial reporting, from preparing and disseminating schedules of debt service coverage based upon Net Revenues without deduction therefrom of Capacity Charges, nor shall anything in this subsection 1 be deemed to require JEA, for purposes of financial reporting, to prepare schedules of debt service coverage based upon the difference between Net Revenues and Capacity Charges.

2. JEA will not furnish or supply or cause to be furnished or supplied any use, output, capacity or service of the System, free of charge to any person, firm or corporation, public or private, nor will any preferential rates be established for users of the same class; *provided, however,* that JEA shall not be required to charge the City, including its departments, agencies or instrumentalities, for any use, output, capacity or service of the System to the extent (and only to the extent) that the cost of such use, output, capacity or service is included in the rates, fees or charges imposed by JEA on all customers of the System or a specified class or classes or category or categories thereof. Except as provided in the proviso contained in the preceding sentence, whenever the City, including its departments, agencies and instrumentalities, shall avail itself of the product, facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged to the City and any such department, agency or instrumentality. Such charges shall be paid as they accrue, and the City shall transfer to JEA sufficient sums to pay such charges. The revenues so received shall be deemed to be Revenues derived from the operation of the System, and shall be applied, deposited and accounted for in the same manner as other Revenues derived from such operation of the System.

712. Maintenance of Insurance. 1. JEA shall at all times keep or cause to be kept the properties of the System which are of an insurable nature and of the character usually insured by those operating properties similar to such properties of the System insured against loss or damage by fire and from other causes customarily insured against and in such relative amounts as are usually obtained. JEA shall at all times maintain or cause to be maintained insurance or reserves against loss or damage from such hazards and risks to the person and property of others as are usually insured or reserved against by those operating properties similar to the properties of the System.

2. JEA shall also use its best efforts to maintain or cause to be maintained any additional or other insurance which it shall deem necessary or advisable to protect its interests and those of the Holders of the Bonds.

3. Any such insurance shall be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to JEA.

713. Reconstruction; Application of Insurance Proceeds; Condemnation Awards. 1. If any useful portion of the System shall be damaged or destroyed or taken by any governmental authority under the power of eminent domain or otherwise (“Condemnation”), JEA shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the reconstruction or replacement thereof, unless there shall be filed with the records of JEA a certificate of an Authorized Officer of JEA setting forth a determination by JEA that, taking into account all relevant facts and circumstances, including, if and to the extent JEA deems appropriate,

the advice of the Consulting Engineer as to engineering matters, its attorneys as to legal matters and other consultants and advisors, such reconstruction or replacement is not in the interest of JEA and the Holders of the Bonds. Except as provided in subsection 2 of Section 503, the proceeds of any insurance paid or award received on account of such damage, destruction (other than any business interruption loss insurance or insurance proceeds deposited in the Construction Fund pursuant to subsection 2 of Section 503) or Condemnation shall be held by JEA in a special account and made available for, and to the extent necessary be applied to, the cost of such reconstruction or replacement. Pending such application, such proceeds may be invested by JEA in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed to pay such costs of reconstruction or replacement. Interest earned on such account or investments shall be deposited in the Revenue Fund. Any such proceeds not applied within 36 months after receipt thereof by JEA to repairing or replacing damaged, destroyed or taken property, or in respect of which notice in writing of intention to apply the same to the work of repairing or replacing the property damaged, destroyed or taken shall not have been filed with the records of JEA within such 36 months, or which JEA shall at any time determine are not to be so applied, unless otherwise applied, shall, upon written determination of an Authorized Officer of JEA, be deposited in the Revenue Fund; provided, however, that the amount of any such deposit to the Revenue Fund shall not constitute or be deemed to constitute Revenues for any purpose of the Resolution. Notwithstanding the foregoing, in the event that payments for any such repairing or replacing of property damaged, destroyed or taken prior to the availability of proceeds of insurance or Condemnation therefor are made from the Renewal and Replacement Fund, or from other funds of JEA not held in any Fund or Account established pursuant to the Resolution, such proceeds when received shall be deposited in the Renewal and Replacement Fund to the extent of such payments therefrom, or shall be paid over to JEA, free and clear of any trust, lien or pledge securing the Bonds or otherwise existing under the Resolution, as appropriate.

2. If the proceeds of insurance or Condemnation authorized by this Section to be applied to the reconstruction or replacement of any portion of the System are insufficient for such purpose, the deficiency may be supplied out of moneys in the Renewal and Replacement Fund.

3. The proceeds of business interruption loss insurance, if any, shall be paid into the Revenue Fund.

714. Accounts and Reports. 1. JEA shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in accordance with generally accepted accounting principles (or other comprehensive basis of accounting) in which complete and correct entries shall be made of its transactions relating to the System, the amount of Revenues and the application thereof and each Fund and Account established under the Resolution, and which, together with all other books and papers of JEA, including insurance policies, relating to the System, shall, subject to the terms thereof, at all times be subject to the inspection of the Holders of an aggregate of not less than 5% in principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

2. JEA shall annually, within 120 days after the close of each Fiscal Year, file with the records of JEA and otherwise as provided by law, a copy of an annual report for such Fiscal Year, accompanied by an Accountant's Certificate, relating to the System and including

reasonably detailed information relating to the following: (i) the assets and liabilities of the System as of the end of such Fiscal Year; (ii) the Revenues and Operation and Maintenance Expenses of the System for such Fiscal Year; and (iii) a summary, with respect to each Fund and Account, and each subaccount thereof, established under the Resolution, of the receipts therein and disbursements therefrom during such Fiscal Year and the amount held therein at the end of such Fiscal Year; *provided, however*, that in the case of the Fiscal Year ending September 30, 1997, (a) such report shall be for such period of time as shall be appropriate to accurately reflect ownership of the System by JEA and (b) such report shall be filed as soon as practicable following the end of such Fiscal Year. Such Accountant's Certificate shall state whether or not, to the knowledge of the signer, JEA is in default with respect to any of the covenants, agreements or conditions on its part contained in the Resolution, and if so, the nature of such default.

3. The reports, statements and other documents required to be prepared or obtained by JEA pursuant to any provisions of the Resolution shall be available for the inspection of Holders of the Bonds at the office of JEA and shall be mailed to each Holder of a Bond who shall file a written request therefor with JEA. JEA may charge each Holder of a Bond requesting such reports, statements and other documents a reasonable fee to cover reproduction, handling and postage.

715. Payment of Taxes and Charges. JEA will from time to time duly pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges, or required payments in lieu thereof, lawfully imposed upon the properties of JEA or upon the rights, revenues, income, receipts, and other moneys, securities and funds of JEA when the same shall become due (including all rights, moneys and other property transferred, assigned or pledged under the Resolution), and all lawful claims for labor and material and supplies, except those taxes, assessments, charges or claims which JEA shall in good faith contest by proper legal proceedings if JEA shall in all such cases have set aside on its books reserves deemed adequate with respect thereto.

716. Additional Utility Functions. JEA may expand the utility functions of the System as they exist as of the date on which JEA assumes the ownership thereof as permitted by the proviso contained in the definition of "System" in Section 101, only if JEA files with the books and records of JEA a certified copy of resolutions of the Governing Body to the effect that the addition of such utility functions (a) will not impair the ability of JEA to comply during the current or any future Fiscal Year with the provisions of the Resolution, including specifically Section 711 and (b) will not materially adversely affect the rights of the Holders of the Bonds. In making the determinations to be set forth in such resolutions, the Governing Body may rely upon such certificates and opinions of its Consulting Engineer, independent certified public accountants, bond counsel, financial advisors or other appropriate advisors as the Governing Body shall deem necessary or appropriate.

717. Compliance with Prior Obligations Documents. For so long as any issue of the Unconsented Prior Obligations (or any portion thereof) shall remain Outstanding, JEA shall comply with the provisions of the Prior Obligations Documents related to such issue.

718. General. 1. JEA shall at all times maintain its corporate existence (or, if JEA shall be dissolved or abolished, a successor shall be named to assume the rights and

obligations of JEA) and shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of JEA under the provisions of the Act and the Resolution.

2. Upon the date of authentication and delivery of any of the Bonds, all conditions, acts and things required by law and the Resolution to exist, to have happened and to have been performed prior to and in connection with the issuance of such Bonds shall exist, have happened and have been performed, and the issuance of such Bonds, together with all other obligations of JEA, shall comply in all respects with the applicable laws of the State of Florida.

ARTICLE VIII

REMEDIES OF HOLDERS OF THE BONDS

801. Events of Default. If one or more of the following Events of Default shall happen:

(i) if default shall be made in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise (determined without giving effect to any payments made with funds provided by any Credit Enhancer pursuant to any Credit Enhancement);

(ii) if default shall be made in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment therefor (except when such Sinking Fund Installment is due on the maturity date of such Bond), when and as such interest installment or Sinking Fund Installment shall become due and payable (determined without giving effect to any payments made with funds provided by any Credit Enhancer pursuant to any Credit Enhancement) and such default shall continue for a period of 30 days;

(iii) if default shall be made by JEA in the performance or observance of any other of the covenants, agreements or conditions on its part in the Resolution or in the Bonds contained, and such default shall continue for a period of 60 days after written notice thereof to JEA by the Holders of not less than 10% in principal amount of the Bonds Outstanding;

(iv) if there shall occur the dissolution (without a successor being named to assume the rights and obligations) or liquidation of JEA or the filing by JEA of a voluntary petition in bankruptcy, or adjudication of JEA as a bankrupt, or assignment by JEA for the benefit of its creditors, or the entry by JEA into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to JEA in any proceeding for its reorganization instituted under the provisions of the Bankruptcy Code, as amended, or under any similar act in any jurisdiction which may now be in effect or hereafter enacted;

(v) if an order or decree shall be entered, with the consent or acquiescence of JEA, appointing a receiver or receivers of the System, or any part

thereof, or of the rents, fees, charges or other revenues therefrom, or if such order or decree, having been entered without the consent or acquiescence of JEA, shall not be vacated or discharged or stayed within 90 days after the entry thereof, or

(vi) for so long as any issue of the Unconsented Prior Obligations (or any portion thereof) shall remain Outstanding, if a default shall occur under any of the Prior Obligations Documents related to such issue;

then, and in each and every such case, so long as such Event of Default shall not have been remedied, unless the principal of all the Bonds shall have already become due and payable, the Holders of not less than 25% in principal amount of the Bonds Outstanding (by notice in writing to JEA), may declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything contained to the contrary in the Resolution or in any of the Bonds notwithstanding; *provided, however*, that in the event that a Supplemental Resolution authorizing Bonds for which Credit Enhancement is being provided provides that the principal of such Bonds, and the accrued interest thereon, may not be declared due and payable immediately (nor such declaration be rescinded and annulled, as provided in the following sentence) without the consent in writing of the Credit Enhancer therefor, then such Bonds, and the interest accrued thereon, shall not become due and payable immediately as aforesaid (nor may such declaration be rescinded and annulled, as provided in the following sentence) without such written consent, and, in that event, the remedies available to the Holders of such Bonds (or such Credit Enhancer, on behalf of such Holders) shall be limited to those set forth in Sections 802, 804 and 805. The right of the Holders of not less than 25% in principal amount of the Bonds to make such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of interest upon the Bonds, together with interest on such overdue installments of interest to the extent permitted by law and all other sums then payable by JEA under the Resolution (except the principal of, and interest accrued since the next preceding interest date on, the Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of JEA or provision shall be made for such payment, and all defaults under the Bonds or under the Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or adequate provision shall be made therefor, then and in every such case the Holders of 25% in principal amount of the Bonds Outstanding, by written notice to JEA, may rescind such declaration and annul such default in its entirety, but no such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

802. Accounting and Examination of Records After Default. 1. JEA covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of JEA and all other records relating to the System shall at all times be subject to the inspection and use of the Holders and of their agents and attorneys.

2. JEA covenants that if an Event of Default shall have happened and shall not have been remedied, JEA, upon demand of the Holders of not less than 25% in principal amount of the Bonds of the time Outstanding, will account, as if it were the trustee of an express trust, for all Revenues and other moneys, securities and funds pledged or held under the Resolution for such period as shall be stated in such demand.

803. Application of Revenues and Other Moneys After Default. 1. During the continuance of an Event of Default, JEA, subject, for so long as any issue of the Unconsented Prior Obligations (or any portion thereof) shall remain Outstanding, to the application thereof as provided in the Prior Obligations Documents, and subject to the provisions of subsection 3 of Section 505, shall apply all moneys, securities, funds and Revenues held or received by JEA under the Resolution (other than amounts on deposit in any separate subaccount in the Debt Service Reserve Account in the Debt Service Fund) as follows and in the following order:

(i) Operation and Maintenance Expenses—to the payment of the amounts required for Operation and Maintenance Expenses and for the reasonable renewals, repairs and replacements of the System necessary in the judgment of JEA to prevent a loss of Revenues. For this purpose, the books of record and accounts of JEA relating to the System shall at all times be subject to the inspection of the Holders and their representatives and agents during the continuance of such Event of Default;

(ii) Principal or Redemption Price and Interest—to the payment of the interest and principal or Redemption Price then due on the Bonds, as follows:

(a) unless the principal of all the Bonds shall have become or have been declared due and payable,

First: Interest—to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: Principal or Redemption Price—to the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; or

(b) if the principal of all the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and

interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds; and

(iii) Subordinated Indebtedness—to the payment of principal, redemption price and interest then due on Subordinated Indebtedness in accordance with the Supplemental Resolution(s) authorizing such Subordinated Indebtedness.

During the continuance of an Event of Default, JEA shall apply all amounts on deposit in each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund as follows and in the following order:

(a) unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: Interest—to the payment to the persons entitled thereto of all installments of interest then due on the Bonds of each Additionally Secured Series secured by such separate subaccount in the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds of such Additionally Secured Series theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any such installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: Principal or Redemption Price—to the payment to the persons entitled thereto of the unpaid principal or sinking fund Redemption Price of any Bonds of such Additionally Secured Series which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all such Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or sinking fund Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; or

(b) if the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds of each Additionally Secured Series secured by such separate subaccount without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Bond over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds.

2. If and whenever all overdue installments of interest on all Bonds, together with the reasonable and proper charges, expenses and liabilities of the Fiduciaries, and all other sums payable by JEA under the Resolution including the principal and Redemption Price of and accrued unpaid interest on all Bonds which shall then be payable by declaration or otherwise, shall either be paid by or for the account of JEA, and all defaults under the Resolution or the Bonds shall be made good, JEA and the Holders shall be restored, respectively, to their former positions and rights under the Resolution. No such restoration of JEA and the Holders to their former positions and rights shall extend to or affect any subsequent default under the Resolution or impair any right consequent thereon.

804. Appointment of Receiver. If an Event of Default shall happen and shall not have been remedied, the Holders of the Bonds shall be entitled as a matter of right, upon application to a court of competent jurisdiction, to have appointed a receiver of the System.

805. Remedies Not Exclusive. No remedy by the terms of the Resolution conferred upon or reserved to the Holders of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or in equity or by statute on or after the date of adoption of the Resolution.

806. Effect of Waiver and Other Circumstances. 1. No delay or omission of any Holder of a Bond to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein; and every power and remedy given by this Article to the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient by the Holders of the Bonds.

2. Prior to the declaration of maturity of the Bonds as provided in Section 801, the Holders of not less than a majority in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Holders of all of the Bonds waive any past default under the Resolution and its consequences, except a default in the payment of interest on or principal or Redemption Price, if any, of any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

807. Notice of Default. JEA shall promptly mail written notice of the occurrence of any Event of Default to each Holder of Bonds then Outstanding at its address, if any, appearing upon the registry books of JEA.

ARTICLE IX

THE FIDUCIARIES

901. Paying Agents. 1. JEA shall appoint one or more Paying Agents for the Bonds of each Series, and may at any time or from time to time appoint one or more other Paying Agents. Each Paying Agent shall be an officer of JEA, a transfer agent duly registered pursuant to the Securities Exchange Act of 1934, as amended, or a bank or trust company organized under the laws of any state of the United States or a national banking association, having capital stock,

surplus and undivided earnings aggregating at least \$25,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

2. Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by executing and delivering to JEA a written acceptance thereof.

3. Unless otherwise provided, the principal offices of the Paying Agents are designated as the respective offices or agencies of JEA for the payment of the interest on and principal or Redemption Price of the Bonds.

4. Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least 60 days' written notice to JEA and the other Paying Agents, provided that no such resignation shall be effective until a successor shall have been appointed. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and signed by an Authorized Officer of JEA, provided that no such removal shall be effective until a successor shall have been appointed. In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys and records held by it in such capacity to its successor.

902. Responsibilities of Fiduciaries. The recitals of fact herein and in the Bonds contained shall be taken as the statements of JEA and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Resolution or of any Bonds or as to the security afforded by the Resolution, and no Fiduciary shall incur any liability in respect thereof. Each Bond Registrar shall, however, be responsible for its representation contained in its certificate of authentication on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid by such Fiduciary in accordance with the provisions of the Resolution to JEA or to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence, misconduct or default.

903. Evidence on Which Fiduciaries May Act. 1. Each Fiduciary, upon receipt of any notice, resolution, request, consent, (order, certificate, report, opinion, bond or other paper or document furnished to it pursuant to any provision of the Resolution, shall examine such instrument to determine whether it conforms to the requirements of the Resolution and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be counsel to JEA, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Resolution in good faith and in accordance therewith.

2. Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be

conclusively proved and established by a certificate of an Authorized Officer of JEA, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Resolution upon the faith thereof; but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

3. Except as otherwise expressly provided in the Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by JEA to any Fiduciary shall be sufficiently executed in the name of JEA by an Authorized Officer of JEA.

904. Compensation. JEA shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under the Resolution, in accordance with the agreements made from time to time between JEA and the Fiduciary. Subject to the provisions of Section 902, JEA further agrees to indemnify and save each Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder and which are not due to its negligence, misconduct or default.

905. Certain Permitted Acts. Any Fiduciary may become the owner of any Bonds, with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Holders of the Bonds or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the Bonds then Outstanding.

906. Merger or Consolidation. Any company into which any Fiduciary may be merged or converted 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 any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company organized under the laws of any state of the United States or a national banking association and shall be authorized by law to perform all the duties imposed upon it by the Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

907. Adoption of Authentication. In case any of the Bonds shall have been authenticated but not delivered, any successor Bond Registrar may adopt the certificate of authentication of any predecessor Bond Registrar so authenticating such Bonds and deliver such Bonds so authenticated; and in case any of the said Bonds shall not have been authenticated, any successor Bond Registrar may authenticate such Bonds in the name of the predecessor Bond Registrar, or in the name of the successor Bond Registrar, and in all such cases such certificate shall have the full force which it is anywhere in said Bonds or in the Resolution provided that the certificate of the Bond Registrar shall have.

ARTICLE X

SUPPLEMENTAL RESOLUTIONS

1001. Supplemental Resolutions Effective Without Delivery of Counsel's Opinion as to No Material Adverse Effect and Without Consent of Holders of the Bonds. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of JEA may be adopted, which, upon its adoption and compliance with the provisions of Section 1004, shall be fully effective in accordance with its terms:

(1) to close the Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Resolution on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;

(2) to add to the covenants and agreements of JEA in the Resolution other covenants and agreements to be observed by JEA which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(3) to add to the limitations and restrictions in the Resolution other limitations and restrictions to be observed by JEA which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(4) to authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in Article II, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

(5) to provide for the issuance, execution, delivery, authentication, payment, registration, transfer and exchange of Bonds in coupon form payable to bearer or in uncertificated form, and, in connection therewith, to specify and determine any matters and things relative thereto;

(6) to confirm, as further assurance, any security interest or pledge under, and the subjection to any security interest or pledge created or to be created by, the Resolution of the Revenues or of any other moneys, securities or funds;

(7) if and to the extent authorized in a Supplemental Resolution authorizing an Additionally Secured Series of Bonds, to specify the qualifications of any provider of an obligation similar to a surety bond, insurance policy or letter of credit for deposit into the particular subaccount in the Debt Service Reserve Account securing the Bonds of such Additionally Secured Series;

(8) to modify any of the provisions of the Resolution in any other respect whatever, *provided that* (i) such modification shall be, and be expressed to be, effective only after all Bonds of each Series Outstanding at the date of the

adoption of such Supplemental Resolution shall cease to be Outstanding, and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof; and

(9) to authorize Subordinated Indebtedness and, in connection therewith, specify and determine any matters and things relative to such Subordinated Indebtedness which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Subordinated Indebtedness.

1002. Supplemental Resolutions Effective Upon Delivery of Counsel's Opinion as to No Material Adverse Effect. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted, which, upon (i) delivery of a Counsel's Opinion to the effect that the provisions of such Supplemental Resolution will not have a material adverse effect on the interests of the Holders of Outstanding Bonds (in rendering such opinion, such counsel may rely on such certifications of (a) any banking or financial institution serving as financial advisor to JEA, as to financial and economic matters, (b) the Consulting Engineer, as to matters within its field of expertise and (c) such other experts, as to matters within their fields of expertise as it, in its reasonable judgment, determines necessary or appropriate) and (ii) compliance with the provision of Section 1004, shall be fully effective in accordance with its terms:

(1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution;

(2) to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect; or

(3) to make any other modification to or amendment of the Resolution which such counsel in its reasonable judgment shall determine will not have a material adverse effect on the interests of Holders of the Bonds.

Notwithstanding any other provision of the Resolution, in determining whether the interests of the Holders of Outstanding Bonds are materially adversely affected, such counsel shall consider the effect on the Holders of any Bonds for which Credit Enhancement has been provided without regard to such Credit Enhancement.

1003. Supplemental Resolutions Effective with Consent of Holders of the Bonds. At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Holders of the Bonds in accordance with and subject to the provisions of Article XI, which Supplemental Resolution, upon compliance with the provisions of said Article XI, shall become fully effective in accordance with its terms as provided in said Article XI.

1004. General Provisions. 1. The Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article X and Article XI. Nothing in this Article X or Article XI contained shall affect or limit the right or obligation of JEA to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 704 or the right or obligation of JEA to execute and deliver to any Fiduciary any instrument which elsewhere in the Resolution it is provided shall be delivered to said Fiduciary.

2. Any Supplemental Resolution referred to and permitted or authorized by Section 1001 or 1002 may be adopted by JEA without the consent of any of the Holders of the Bonds, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. Prior to the effectiveness of any such Supplemental Resolution JEA shall secure a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon JEA in accordance with its terms.

3. No Supplemental Resolution shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

4. Promptly following the adoption thereof, JEA shall send to each Credit Enhancer a copy of each Supplemental Resolution adopted pursuant to Section 1002 or Article XI of the Resolution, together with a full transcript of all proceedings relating to the adoption thereof.

ARTICLE XI

AMENDMENTS

1101. Mailing. Any provision in this Article for the mailing of a notice or other paper to Holders of the Bonds shall be fully complied with if it is mailed postage prepaid to each Holder of affected Bonds then Outstanding at its address, if any, appearing upon the registry books of JEA.

1102. Powers of Amendment. Any modification or amendment of the Resolution and of the rights and obligations of JEA and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in Section 1103 (i) of the Holders of not less than a majority in principal amount of the Bonds affected by such modification or amendment Outstanding at the time such consent is given, and (ii) in case the modification or amendment changes the terms of any Sinking Fund Installment, of the Holders of not less than a majority in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Installment and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the

consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purpose of this Section, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. JEA may in its discretion determine whether or not in accordance with the foregoing powers of amendment Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall, absent manifest error, be binding and conclusive on JEA and all Holders of Bonds. For the purpose of this Section, a change in the terms of redemption of any Outstanding Bond shall be deemed only to affect such Bond, and shall be deemed not to affect any other Bond. For the purpose of this Section, the Holders of any Bonds may include the initial Holders thereof, regardless of whether such Bonds are being held for resale.

1103. Consent of Holders of the Bonds. JEA may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of Section 1102 to take effect when and as provided in this Section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto), together with a request to affected Holders of the Bonds for their consent thereto, shall be mailed by JEA to affected Holders of the Bonds (but failure of any affected Holder of a Bond to receive such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in this Section provided). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with JEA (a) the written consents of Holders of the percentages of affected Outstanding Bonds specified in Section 1102 and (b) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted and filed by JEA in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon JEA in accordance with its terms, and (ii) a notice shall have been mailed as hereinafter in this Section 1103 provided. It shall not be necessary that the consents of Holders of Bonds approve the particular form of wording of the proposed modification or amendment or of the proposed Supplemental Resolution effecting such modification or amendment, but it shall be sufficient if such consents approve the substance of the proposed amendment or modification. Each such consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 1202. A certificate or certificates executed by an Authorized Officer of JEA stating that such Officer has examined such proof and that such proof is sufficient in accordance with Section 1202 shall be prima facie evidence that the consents have been given by the Holders of the Bonds described in such certificate or certificates. Any such consent shall be binding upon the Holder of the affected Bonds giving such consent and, anything in Section 1202 to the contrary notwithstanding, upon any subsequent Holder of such affected Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof) unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with JEA, prior to the time when the written statement of JEA hereinafter in this Section 1103 provided for is filed, such revocation. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Officer of JEA filed with the records of JEA to the effect that no revocation thereof is on file with JEA. At any time after the Holders of the required percentages of affected Bonds shall have filed their consents to the Supplemental Resolution, an Authorized Officer of JEA shall make and file with the records of

JEA a written statement that the Holders of such required percentages of affected Bonds have filed consents. Such written statements shall be prima facie evidence that such consents have been so filed. At any time thereafter, notice stating in substance that the Supplemental Resolution adopted by JEA on a stated date (a copy of which is on file with JEA) has been consented to by the Holders of the required percentages of affected Bonds and will be effective as provided in this Section 1103, may be given to affected Holders of the Bonds by JEA by mailing such notice to affected Holders of the Bonds (but failure of any affected Holder of a Bond to receive such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this Section 1103 provided) not more than 90 days after the Holders of the required percentages of affected Bonds shall have filed their consents to the Supplemental Resolution and the written statement of an Authorized Officer of JEA hereinabove provided for is filed. JEA shall file with its records proof of the mailing of such notice. A record, consisting of the certificates or statements required or permitted by this Section 1103 to be made by JEA, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon JEA, the Fiduciaries and the Holders of all Bonds at the expiration of 40 days after the filing with the records of JEA of the proof of the mailing of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such 40-day period; provided, however, that any Fiduciary and JEA during such 40-day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

1104. Modifications by Unanimous Consent. The terms and provisions of the Resolution and the rights and obligations of JEA and of the Holders of the Bonds thereunder may be modified or amended in any respect upon the adoption by JEA of a Supplemental Resolution and the consent of the Holders of all of the affected Bonds then Outstanding and, for so long as any Consented Prior Obligations are Outstanding for which MBIA Insurance Corporation is the Credit Enhancer, the consent of MBIA Insurance Corporation, such consents to be given as provided in Section 1103 except that no notice to affected Holders of the Bonds by mailing shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the records of JEA of the written assent thereto of such Fiduciary in addition to the consent of the affected Holders of the Bonds.

1105. Exclusion of Bonds. Bonds owned or held by or for the account of JEA shall not be deemed Outstanding for the purpose of consent or other action or any calculation of affected Outstanding Bonds provided for in this Article XI, and JEA shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, an Authorized Officer of JEA shall file with the records of JEA a certificate as to all Bonds so to be excluded.

1106. Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as in Article X or this Article XI provided may, if JEA so determines, bear a notation by endorsement or otherwise in form approved by JEA as to such action, and in that case upon demand of the Holder of any Bond Outstanding at such effective date and presentation of its Bond for the purpose at the principal office of the Bond Registrar therefor or upon any

transfer or exchange of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by such Bond Registrar as to any such action. If JEA shall so determine, new Bonds so modified as in the opinion of JEA to conform to such action shall be prepared, authenticated and delivered, and upon demand of the Holder of any Bond then Outstanding shall be exchanged, without cost to such Holder, for Bonds of the same Series, principal amount, maturity, interest rate and redemption provisions then Outstanding, upon surrender of such Bonds. Any action taken as in Article X or this Article XI provided shall be effective and binding upon all Holders of Bonds notwithstanding that the notation is not endorsed on all Bonds.

1107. Revisions to Exhibits A and B. In the event that it shall be determined that the information set forth on Exhibit A or Exhibit B hereto shall be incorrect or incomplete, an Authorized Officer of JEA shall, and is hereby authorized to, revise such Exhibit(s) in order to correct or complete such information, and such revised Exhibit(s) shall supersede such Exhibit(s) attached hereto, and shall become a part of the Resolution for all purposes whatsoever.

ARTICLE XII

MISCELLANEOUS

1201. Defeasance. 1. If JEA shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the pledge of the Trust Estate and each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund, and all covenants, agreements and other obligations of JEA to the Holders of the Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Fiduciaries shall pay over or deliver to JEA all moneys or securities held by them pursuant to the Resolution which are not required for the payment of principal or Redemption Price, if applicable, of and interest on Bonds. If JEA shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of any Outstanding Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution such Bonds shall cease to be entitled to any lien, benefit or security under the Resolution, and all covenants, agreements and obligations of JEA to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

2. Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Paying Agents (through deposit by JEA of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in subsection 1 of this Section 1201. In addition, any Outstanding Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subsection 1 of this Section (a) upon compliance with the provisions of subsection 3 of this Section or (b) if JEA shall have satisfied all of the conditions precedent to such Bonds being so deemed to have been paid set forth in the Supplemental Resolution authorizing the Series of which such Bonds are a part.

3. Subject to the provisions of subsections 4 through 8 of this Section 1201, any Outstanding Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subsection 1 of this Section 1201 if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, JEA shall have given to the Escrow Agent therefor instructions accepted in writing by such Escrow Agent to give as provided in Article IV notice of redemption of such Bonds (other than Bonds which have been purchased or otherwise acquired by JEA as hereinafter provided prior to the giving of such notice of redemption) on said date, (b) there shall have been deposited with the Escrow Agent therefor either moneys (including moneys withdrawn and deposited pursuant to subsection 5 of Section 508 and subsection 5 of Section 509) in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with such Escrow Agent at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not to be redeemed or paid at maturity within the next succeeding 60 days, JEA shall have given such Escrow Agent in form satisfactory to it instructions to give, as soon as practicable, by first-class mail, postage prepaid, to the Holders of such Bonds at their last addresses appearing on the books of JEA kept at the office of the Bond Registrar(s) therefor a notice that the deposit required by clause (b) above has been made with such Escrow Agent and that said Bonds are deemed to have been paid in accordance with this Section 1201 and stating such maturity or redemption date upon which moneys are expected, subject to the provisions of subsection 8 of this Section 1201, to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds (other than Bonds which have been purchased or otherwise acquired by JEA and delivered to such Escrow Agent as hereinafter provided prior to the giving of the notice of redemption referred to in clause (a) hereof). Any notice given pursuant to the preceding sentence with respect to Bonds which constitute less than all of the Outstanding Bonds of any maturity within a Series shall specify the letter and number or other distinguishing mark of each such Bond. The Escrow Agent shall, as and to the extent necessary, apply moneys held by it pursuant to this Section 1201 to the retirement of said Bonds in amounts equal to the unsatisfied balances (determined as provided in Section 514) of any Sinking Fund Installments with respect to such Bonds, all in the manner provided in the Resolution. The Escrow Agent shall, if so directed by JEA (i) prior to the maturity date of Bonds deemed to have been paid in accordance with this Section 1201 which are not to be redeemed prior to their maturity date or (ii) prior to the giving of the notice of redemption referred to in clause (a) above with respect to any Bonds deemed to have been paid in accordance with this Section 1201 which are to be redeemed on any date prior to their maturity, apply moneys deposited with it in respect of such Bonds and redeem or sell Defeasance Securities so deposited with the Escrow Agent and apply the proceeds thereof to the purchase of such Bonds and, except as provided in Section 309 with respect to Book Entry Bonds, the Escrow Agent shall immediately thereafter surrender all such Bonds so purchased to the Bond Registrar(s) therefor for cancellation; *provided, however*, that the moneys and Defeasance Securities remaining on deposit with the Escrow Agent after the purchase and cancellation of such Bonds (or, in the case of a purchase of a portion of Book Entry Bonds, the deemed cancellation thereof in accordance with subsection 6 of Section 309) shall be sufficient to pay when due the Principal Installments or Redemption Price, if applicable, and interest due or to become due on all Bonds, in respect of which such moneys and Defeasance Securities are being held by the Escrow Agent on or prior to the redemption date or maturity date thereof, as the case may be. If, at any

time (i) prior to the maturity date of Bonds deemed to have been paid in accordance with this Section 1201 which are not to be redeemed prior to their maturity date or (ii) prior to the giving of the notice of redemption referred to in clause (a) with respect to any Bonds deemed to have been paid in accordance with this Section 1201 which are to be redeemed on any date prior to their maturity, JEA shall purchase or otherwise acquire any such Bonds and, except as provided in Section 309 with respect to Book Entry Bonds, deliver such Bonds to the Escrow Agent prior to their maturity date or redemption date, as the case may be, the Escrow Agent shall immediately surrender all such Bonds so delivered to the Bond Registrar(s) therefor for cancellation; such delivery of Bonds to the Escrow Agent (or, in the case of a purchase of Book Entry Bonds, the deemed cancellation thereof in accordance with subsection 6 of Section 309) shall be accompanied by directions from JEA to the Escrow Agent as to the manner in which such Bonds are to be applied against the obligation of the Escrow Agent to pay or redeem Bonds deemed paid in accordance with this Section 1201. The directions given by JEA to the Escrow Agent referred to in the preceding sentences shall also specify the portion, if any, of such Bonds so purchased or delivered and cancelled or deemed cancelled to be applied against the obligation of the Escrow Agent to pay Bonds deemed paid in accordance with this Section 1201 upon their maturity date or dates and the portion, if any, of such Bonds so purchased or delivered and cancelled or deemed cancelled to be applied against the obligation of the Escrow Agent to redeem Bonds deemed paid in accordance with this Section 1201 on any date or dates prior to their maturity. In the event that on any date as a result of any purchases, acquisitions and cancellations or deemed cancellations of Bonds as provided in this Section 1201 the total amount of moneys and Defeasance Securities remaining on deposit with the Escrow Agent under this Section 1201 is in excess of the total amount which would have been required to be deposited with the Escrow Agent on such date in respect of the remaining Bonds in order to satisfy clause (b) of this subsection 3 of Section 1201, the Escrow Agent shall, if requested by JEA, pay the amount of such excess to JEA free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under the Resolution. Except as otherwise provided in this subsection 3 of Section 1201 and in subsections 4 through 8 of this Section 1201, neither Defeasance Securities nor moneys deposited with the Escrow Agent pursuant to this Section 1201 nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; *provided that* any cash received from such principal or interest payments on such Defeasance Securities deposited with the Escrow Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to JEA as received by the Escrow Agent, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under the Resolution, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to JEA as received by the Escrow Agent, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under the Resolution.

4. For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Securities and moneys, if any, in accordance with the first sentence of subsection 3 of Section 1201, the interest to come due on such Variable Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated

at the maximum rate permitted by the terms thereof; *provided, however*, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and Defeasance Securities on deposit with the Escrow Agent for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited with the Escrow Agent on such date in respect of such Variable Rate Bonds in order to satisfy the first sentence of subsection 3 of Section 1201, the Escrow Agent shall, if requested by JEA, pay the amount of such excess to JEA free and clear of any trust, lien or pledge securing the Bonds or otherwise existing under the Resolution.

5. Option Bonds shall be deemed to have been paid in accordance with the first sentence of subsection 3 of this Section 1201 only if, in addition to satisfying the requirements of clauses (a) and (c) of such sentence, there shall have been deposited with the Escrow Agent moneys (including moneys withdrawn and deposited pursuant to subsection 5 of Section 508 and subsection 5 of Section 509) in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; *provided, however*, that if, at the time a deposit is made with the Escrow Agent pursuant to subsection 3 of this Section, the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this subsection 5. If any portion of the moneys deposited with the Escrow Agent for the payment of the principal of and premium, if any, and interest on Option Bonds is not required for such purpose the Escrow Agent shall, if requested by JEA, pay the amount of such excess to JEA free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under the Resolution.

6. Defeasance Securities described in clause (g) of the definition thereof may be included in the Defeasance Securities deposited with the Escrow Agent in order to satisfy the requirements of clause (b) of subsection 3 of this Section 1201 only if the determination as to whether the moneys and Defeasance Securities to be deposited with the Escrow Agent in order to satisfy the requirements of such clause (b) would be sufficient to pay when due either on the maturity date thereof or, in the case of any Bonds to be redeemed prior to the maturity date thereof, on the redemption date or dates specified in any notice of redemption to be given by the Escrow Agent or in the instructions to give a notice of redemption provided to the Escrow Agent in accordance with subsection 3 of this Section 1201, the principal and Redemption Price, if applicable, and interest on the Bonds which will be deemed to have been paid as provided in subsection 3 of this Section 1201 is made both (i) on the assumption that the Defeasance Securities described in such clause (g) were not redeemed at the option of the issuer prior to the maturity date thereof and (ii) on the assumptions that such Defeasance Securities would be redeemed by the issuer thereof at its option on each date on which such option could be exercised, that as of such date or dates interest ceased to accrue on such Defeasance Securities and that the proceeds of such redemption would not be reinvested by the Escrow Agent.

7. In the event that after compliance with the provisions of subsection 6 of this Section 1201 the Defeasance Securities described in clause (g) of the definition thereof are included in the Defeasance Securities deposited with the Escrow Agent in order to satisfy the requirements of clause (b) of subsection 3 of this Section 1201 and any such Defeasance Securities are actually redeemed by the issuer thereof prior to their maturity date, then the Escrow Agent at

the direction of JEA, provided that the aggregate of the moneys and Defeasance Securities to be held by the Escrow Agent, taking into account any changes in redemption dates or instructions to publish notice of redemption given to the Escrow Agent by JEA in accordance with subsection 8 of this Section 1201, shall at all times be sufficient to satisfy the requirements of clause (b) of subsection 3 of this Section 1201, shall reinvest the proceeds of such redemption in Defeasance Securities.

8. In the event that after compliance with the provisions of paragraph 6 of this Section 1201 the Defeasance Securities described in clause (g) of the definition thereof are included in the Defeasance Securities deposited with the Escrow Agent in order to satisfy the requirements of clause (b) of subsection 3 of this Section 1201, then any notice of redemption to be given by the Escrow Agent and any set of instructions relating to a notice of redemption given to the Escrow Agent may provide, at the option of JEA, that any redemption date or dates in respect of all or any portion of the Bonds to be redeemed on such date or dates may at the option of JEA be changed to any other permissible redemption date or dates and that redemption dates may be established for any Bonds deemed to have been paid in accordance with this Section 1201 upon their maturity date or dates at any time prior to the actual giving of any applicable notice of redemption in the event that all or any portion of any Defeasance Securities described in clause (g) of the definition thereof have been called for redemption pursuant to an irrevocable notice of redemption or have been redeemed by the issuer thereof prior to the maturity date thereof; no such change of redemption date or dates or establishment of redemption date or dates may be made unless taking into account such changed redemption date or dates or newly established redemption date or dates the moneys and Defeasance Securities on deposit with the Escrow Agent including any Defeasance Securities deposited with the Escrow Agent in connection with any reinvestment of redemption proceeds in accordance with subsection 7 of this Section 1201 pursuant to clause (b) of subsection 3 of this Section 1201 would be sufficient to pay when due the principal and Redemption Price, if applicable, and interest on all Bonds deemed to have been paid in accordance with subsection 3 of this Section 1201 which have not as yet been paid.

9. Anything in the Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds become due and payable, shall, at the written request of JEA, be repaid by the Fiduciary to JEA, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Holders of the Bonds shall look only to JEA for the payment of such Bonds; *provided, however*, that before being required to make any such payment to JEA the Fiduciary shall, at the expense of JEA, cause to be published at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to JEA.

1202. Evidence of Signatures of Holders of the Bonds and Ownership of Bonds. 1. Any request, consent, revocation of consent or other instrument which the Resolution may require or permit to be signed and executed by the Holders of the Bonds may be in one or

more instruments of similar tenor, and shall be signed or executed by such Holders or by their attorneys appointed in writing. Proof of the execution of any such instrument, or of an instrument appointing any such attorney, shall be sufficient for any purpose of the Resolution (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to JEA, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

The fact and date of the execution by any Holder of a Bond or its attorney of such instrument may be proved by a guarantee of the signature thereon by a bank or trust company or by the certificate of any notary public or other officer authorized to take acknowledgements of deeds, that the person signing such request or other instrument acknowledged to such person the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature, guarantee, certificate or affidavit shall also constitute sufficient proof of the authority of such officer or member.

2. The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books.

3. Any request or consent by the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by JEA or any Fiduciary in accordance therewith.

1203. Moneys Held for Particular Bonds. The amounts held by any Fiduciary for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto.

1204. Preservation and Inspection of Documents. All documents received by any Fiduciary under the provisions of the Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of JEA, any other Fiduciary, and by Holders of the Bonds and their agents and their representatives, any of whom may make copies thereof.

1205. Parties Interested Herein. Nothing in the Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person or corporation, other than JEA, the Fiduciaries, the Holders of the Bonds and any Credit Enhancers, any right, remedy or claim under or by reason of the Resolution or any covenant, condition or stipulation thereof; and all the covenants, stipulations, promises and agreements in the Resolution contained by and on behalf of JEA shall be for the sole and exclusive benefit of JEA, the Fiduciaries, the Holders of the Bonds and any Credit Enhancers; provided, however, that the foregoing shall not be construed so as to limit or restrict JEA's right to covenant in any other instrument for the benefit of any other entity that JEA will comply with any or all of such covenants, stipulations, promises or agreements, and that JEA will not amend, modify, supplement or change the same.

1206. No Recourse on the Bonds. No recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on the Resolution against any present or former member or officer of JEA or any person executing the Bonds.

1207. Publication of Notice; Suspension of Publication; Notice to Credit Enhancers. 1. Any publication to be made under the provisions of the Resolution in successive weeks or on successive dates may be made in each instance upon any business day of the week and need not be made in the same Authorized Newspaper for any or all of the successive publications but may be made in a different Authorized Newspaper.

2. If, because of the temporary or permanent suspension of the publication or general circulation of any Authorized Newspaper or for any other reason, it is impossible or impractical to publish any notice pursuant to the Resolution in the manner herein provided, then such publication in lieu thereof shall constitute a sufficient publication of such notice.

3. All notices and other documents required or permitted to be given to Holders of Bonds also shall be given to each Credit Enhancer, at the address to be specified by it by notice in writing to JEA.

1208. Action by Credit Enhancer When Action by Holders of the Bonds Required. Except as otherwise provided in a Supplemental Resolution authorizing Bonds for which Credit Enhancement is being provided, if not in default in respect of any of its obligations with respect to Credit Enhancement for the Bonds of a Series, or a maturity within a Series, the Credit Enhancer for, and not the actual Holders of, the Bonds of a Series, or a maturity within a Series, for which such Credit Enhancement is being provided, shall be deemed to be the Holder of Bonds of any Series, or maturity within a Series, as to which it is the Credit Enhancer at all times for the purpose of (i) giving any approval or consent to the effectiveness of any Supplemental Resolution or any amendment, change or modification of the Resolution as specified in Sections 1003, 1102, 1103 and 1104 or any other provision hereof, which requires the written approval or consent of Holders; provided, however, that the provisions of this Section shall not apply to any change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto and (ii) giving any approval or consent, exercising any remedies or taking any other action in accordance with the provisions of Article VIII hereof.

1209. Severability of Invalid Provisions. If any one or more of the covenants or agreements provided in the Resolution on the part of JEA or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of the Resolution.

1210. Holidays. Except as may be provided otherwise in a Supplemental Resolution, if the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Resolution, shall be a legal holiday or a day on which

Exhibit A

City's District Water and Sewer Obligations

| <u>Issue of Obligations</u> | <u>Document(s)</u> |
|---|---|
| (1) Purchase Price (as defined in the Asset Purchase Agreement set forth opposite this issue of obligations) in the original principal amount of \$17,700,000 | Asset Purchase Agreement, dated December 22, 1986, between the City and Mandarin Utilities Incorporated, as amended by Amendment to Asset Purchase Agreement, dated as of December 14, 1993, between the City and Mixon, Ltd., Whitmire Leasing Corporation, Jack C. Demetree, Robert A. Nord and William C. Demetree |
| (2) \$17,290,000 City of Jacksonville, Florida District Water and Sewer Revenue Bonds, Series 1994 | Ordinance 94-303-280, enacted by the Council of the City on May 24, 1994 ("District Ordinance"), and each supplemental ordinance thereto enacted, and resolution of the City adopted, in accordance with the terms thereof |
| (3) \$59,995,000 City of Jacksonville, Florida District Water and Sewer Revenue Bonds, Series 1996 | (a) District Ordinance (b) Ordinance 95-1060-736, enacted by the Council of the City on January 23, 1996, which supplements and amends the District Ordinance, and each supplemental ordinance thereto enacted, and resolution of the City adopted, in accordance with the terms thereof |
| (4) Purchase Price (as defined in the Asset Purchase Agreement set forth opposite this issue of obligations) in the original principal amount of \$3,250,000 | (a) Asset Purchase Agreement, dated as of August 31, 1995, between the City and Beauclerc Utilities Co. (b) District Ordinance |

Exhibit B

City's State of Florida Obligations

| <u>Issue of Obligations</u> | <u>Document(s)</u> |
|---|---|
| (1) Loan (as defined in the Loan Agreement set forth opposite this issue of obligations) in the original principal amount of \$29,640,000 | Loan Agreement Relating to Providing Funds for the Construction of Water Supply and Distribution and Wastewater Treatment Facilities and/or Pollution Control and Abatement Facilities and/or Solid Waste Disposal Facilities, dated as of October 30, 1972, among the State of Florida Department of Environmental Regulation (the "FDER"), the Division of Bond Finance of the State of Florida Department of General Services (the "Division") and the City, as supplemented and amended (the "1972 State Loan Agreement") |
| (2) Loan (as defined in the 1972 State Loan Agreement) in the original principal amount of \$19,060,000 | (a) 1972 State Loan Agreement (b) Addendum to State Loan Agreement, dated May 27, 1977, among the FDER, the Division and the City |
| (3) Loan (as defined in the Loan Agreement set forth opposite this issue of obligations) in the original principal amount of \$20,225,000 | Loan Agreement Relating to Providing Funds for the Refunding of Certain Outstanding State of Florida Pollution Control Bonds, dated as of June 15, 1988, among the FDER, the Division and the City, as supplemented and amended |
| (4) Loan (as defined in the Loan Agreement set forth opposite this issue of obligations) in the original principal amount of \$2,043,238 | State Revolving Fund Loan Agreement, dated as of August 30, 1989, between the FDER and the City, as supplemented and amended |
| (5) Loan (as defined in the Loan Agreement set forth opposite this issue of obligations) in the original principal amount of \$79,600,000 | Loan Agreement Relating to Providing Funds for the Construction of Water Supply and Distribution and Wastewater Treatment Facilities and/or Pollution Control and Abatement Facilities and/or Solid Waste Disposal Facilities, dated as of May 14, 1992, among the FDER, the Division and the City, as supplemented and amended |