

A RESOLUTION AUTHORIZING THE REFUNDING OF PRESENTLY OUTSTANDING REVENUE OBLIGATIONS OF THE JACKSONVILLE ELECTRIC AUTHORITY AND THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, EXTENSIONS AND IMPROVEMENTS TO THE ELECTRIC GENERATION, TRANSMISSION AND DISTRIBUTION SYSTEM OWNED AND OPERATED BY THE AUTHORITY; PROVIDING FOR THE ISSUANCE OF NOT EXCEEDING \$487,000,000 ELECTRIC SYSTEM REVENUE BONDS, SERIES ONE, OF THE JACKSONVILLE ELECTRIC AUTHORITY TO PAY THE COST OF SUCH REFUNDING AND THE COST OF SUCH ADDITIONS, EXTENSIONS AND IMPROVEMENTS; PROVIDING FOR THE PAYMENT OF THE BONDS FROM THE NET REVENUES OF THE ELECTRIC SYSTEM AND MAKING CERTAIN COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE DATE.

**[Electric System Bond Resolution
adopted on March 30, 1982,
as amended through January 13, 2005]**

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[ELECTRIC SYSTEM BOND RESOLUTION

(COMPOSITE COPY: REFLECTS ALL AMENDMENTS
THROUGH JANUARY 13, 2005)]

BE IT RESOLVED BY THE JACKSONVILLE ELECTRIC AUTHORITY:

Section 1. Authority for this Resolution. This resolution is adopted pursuant to the Act (as such term is defined in Section 2 hereof).

Section 2. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes of this resolution have the meanings herein specified. Words importing the singular number shall include the plural number in each case and vice versa and words importing persons shall include firms and corporations.

“*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 compounding date therefor specified in the resolution of the JEA supplemental hereto authorizing such Capital Appreciation Bond (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 such 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 such 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.

“*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, and other applicable provisions of law.

“*Additional Parity Obligations*” shall mean additional obligations issued in compliance with the terms, conditions and limitations contained herein and which shall have an equal lien on the Net Revenues as herein defined and (except as otherwise expressly provided herein) the other amounts pledged hereunder, and shall rank equally in all respects with the Bonds initially issued hereunder.

“*Additionally Secured Bonds*” shall mean (a) all Bonds Outstanding on the date on which the amendments to the Resolution affected by Article I of the Amending Resolution shall become effective and (b) the Bonds of any series issued after such effective date 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 the first

sentence of the second paragraph of Section 11 of this Resolution 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 Sinking Fund.

“*Adjusted Debt Service Requirement*” for any period, as applied to the Bonds of any series, shall mean, as of any date of calculation, the Debt Service Requirement for such Bonds for such period, except that if such series includes any Outstanding Refundable Bonds, Adjusted Debt Service Requirement shall mean the Debt Service Requirement for such Bonds determined (i) in the case of Refundable Bonds other than Commercial Paper Notes and Medium-Term Notes, as if each such Refundable Bond would be payable, over a period extending from the maturity date of such Bond through the later of (x) the 30th anniversary of the issuance of such Bond or (y) the 10th anniversary of the maturity date of such Refundable Bond, in installments which would have required equal annual payments of principal and interest over such period and (ii) in the case of Commercial Paper Notes or Medium-Term Notes, in accordance with the then current Commercial Paper Payment Plan or Medium-Term Note Payment Plan, as applicable, with respect thereto. Interest deemed payable in any period after the actual maturity date of any Refundable Bond shall be calculated at such rate of interest as the JEA, or a banking or financial institution selected by the 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.

“*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.

“*Amending Resolution*” shall mean the resolution of the JEA adopted on May 19, 1998 for the purpose of making certain material amendments to the Resolution.

“*Amortization Installment*” shall mean the amount established for the payment on any date of the principal of any Term Bonds and, for any Term Bonds issued as Capital Appreciation Bonds or Deferred Interest Bonds, the Accreted Value or Appreciated Value thereof, as applicable, as of the date of such payment, as designated by resolution of the JEA supplemental hereto adopted on or prior to the Issuance Date of such Term Bonds.

“*Appreciated Value*” shall mean, (i) as of any date of computation with respect to any Deferred Interest Bond prior to the Current Interest Commencement Date, 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 resolution of the JEA supplemental hereto authorizing such Deferred Interest 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 Interest Bonds set forth in such 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 such resolution authorizing such Deferred Interest 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 Investments*” shall mean and include any securities, obligations or investments that, at the time, shall be permitted by Florida law for investment of the JEA’s funds.

“*Bank Bonds*” shall mean any Bonds issued in accordance with the provisions of subsection M of Section 13 hereof.

“*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.

“*Bonds*” 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 this Resolution, but shall not mean Subordinated Bonds.

“*Bulk Power Supply System Projects*” shall have the meaning assigned to the term “Projects” in the resolution adopted by the JEA on February 5, 1991 and referred to therein as the “Bulk Power Supply System Revenue Bond Resolution”, as amended and supplemented.

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

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

- (i) with respect to (A) any Commercial Paper Notes or Medium-Term Notes or (B) any Variable Rate Bonds maturing on a particular date, in each of the foregoing cases, that were, at the date of the original issuance thereof, the subject of an opinion of nationally recognized bond counsel 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 such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, for the twelve (12) months preceding such date of determination; provided, however, if such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, 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 (A) any Commercial Paper Notes or Medium-Term Notes or (B) any Variable Rate Bonds maturing on a particular date, in each of the foregoing cases, that were not, at the date of the original issuance thereof, the subject of an opinion of nationally recognized bond counsel 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 Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, for the twelve (12) months preceding such date of determination; provided, however, if such Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, 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 Sinking Fund and with respect to any Commercial Paper Notes or Medium-Term Notes or 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 Commercial Paper Notes, Medium-Term Notes or Variable Rate Bonds, as the case may be, 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, (A) in the case of Commercial Paper Notes or Medium-Term Notes, as the rate of interest such Commercial Paper Notes or Medium-Term Notes would bear if such Notes were issued as Bonds bearing a fixed interest rate and maturing 30 years after the date of issuance thereof and (B) in the case of Variable Rate Bonds, 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.

“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.

“Commercial Paper Note” shall mean any Bond which (a) has a maturity date which is not more than 365 days after the date of issuance thereof and (b) is designated as a Commercial Paper Note in the resolution of the JEA supplemental hereto authorizing such Bond.

“Commercial Paper Payment Plan” shall mean, with respect to any installment of Commercial Paper Notes and as of any time, the then current Commercial Paper Payment Plan

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

“*Consulting Engineer*” shall mean such qualified and recognized independent consulting engineer, having favorable repute for skill and experience with respect to the acts and duties to be provided to the JEA, as shall be from time to time retained by the JEA to act as such with respect to the Electric System.

“*Contract Debts*” shall mean any obligations of the JEA under a contract, lease, installment sale agreement, bulk electric power 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, but shall not include (a) payments required to be made in respect of (i) debt service on any obligations incurred by the JEA in connection with the financing of any separate bulk power supply utility or system undertaken by the JEA and any additional amounts relating to “debt service coverage” with respect thereto and (ii) deposits into any renewal and replacement or other similar fund or account established with respect to any such separate bulk power supply utility or system (in each such case, other than (X) the St. Johns River Power Park System and (Y) the Bulk Power Supply System Projects) and (b) payments required to be made in respect of any other arrangement(s) for the supply of power and/or energy to the Electric System for resale as may hereafter be determined by the JEA to be payable pursuant to clause (4) of subsection B of Section 13.

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

“*Credit Enhancement*” shall mean, with respect to the Bonds of an installment or a maturity within an installment, the issuance of an insurance policy, letter of credit, surety bond

or any other similar obligation, whereby the issuer thereof becomes unconditionally obligated to pay when due, to the extent not paid by the JEA or otherwise, the principal of and interest on such Bonds.

“*Credit Enhancer*” shall mean any person or entity which, pursuant to a resolution of the JEA supplemental hereto, is designated as a Credit Enhancer and which provides Credit Enhancement for an installment of the Bonds or a maturity within an installment.

“*Current Interest Commencement Date*” shall mean, with respect to any particular Deferred Interest Bonds, the date specified in the resolution of the JEA supplemental hereto authorizing such Deferred Interest Bonds (which date must be prior to the maturity date for such Deferred Interest Bonds) after which interest accruing on such Deferred Interest Bonds shall be payable periodically on dates specified in such resolution, with the first such payment date being the first such periodic date immediately succeeding such Current Interest Commencement Date.

“*Debt Service Requirement*” for any period, as applied to the Bonds of any series, shall mean the sum of:

(1) the interest to accrue on all Outstanding Bonds of such series during such period, except to the extent that such interest shall have been provided by payments into the Debt Service Account in the Sinking Fund out of Bond proceeds for a specified period of time, or by payments of investment income into the Debt Service Account in the Sinking Fund during such period,

(2) the principal to accrue on all Outstanding Serial Bonds of such series during such period, and

(3) the Amortization Installments to accrue on all Outstanding Term Bonds of such series during such period.

For purposes of the foregoing, (a) the principal of any Bond that is a Refundable Bond shall not be taken into account in calculating the Debt Service Requirement, (b) the interest described in clause (1) above shall be deemed to accrue daily in equal amounts since the preceding interest payment date (or if there shall be no such preceding interest payment date, from the dated date of such Bonds), (c) the principal of Outstanding Serial Bonds described in clause (2) above shall be deemed to accrue daily in equal amounts from a date one year (or, if any such Bonds are scheduled to mature at intervals of 6 months, 6 months) preceding the due date of such principal or from the date of issuance of such Bonds, whichever is later, and (d) the Amortization Installments described in clause (3) above shall be deemed to accrue daily in equal amounts from a date which is one year preceding the due date of such Amortization Installments or from the date of issuance of such Term Bonds, whichever is later and (e) Bank Bonds shall be deemed to be Serial Bonds, and the principal thereof shall be deemed to be payable in the manner and at the times determined in accordance with the provisions thereof and of the resolution of the JEA supplemental hereto authorizing such Bank Bonds.

For the purpose of the calculation of the Debt Service Requirement for any future period as of any date for any Bonds bearing interest at a variable or floating rate, any Commercial Paper Notes or any Medium-Term Notes, such Bonds or Notes, as the case may be, shall be deemed to bear interest at the greater of (i) the actual rate of interest then borne by such

Bonds or Notes, as the case may be, or (ii) the Certified Interest Rate applicable thereto; provided, however, that whenever a Bond that bears interest at a variable or floating rate and is convertible to a fixed rate shall be converted to a fixed rate the Debt Service Requirement for all affected Bonds shall be recalculated as of the conversion date using such fixed rate.

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 Requirement with respect to such Bonds for purposes of Sections 13(D) and 13(L) hereof, 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, Commercial Paper Notes or Medium-Term Notes 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, Commercial Paper Notes or Medium-Term Notes, as the case may be, 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, Commercial Paper Notes or Medium-Term Notes, as the case may be, for purposes of Sections 13(D) and 13(L) hereof, it will be assumed that such Variable Rate Bonds, Commercial Paper Notes or Medium-Term Notes, as applicable, bear interest at the fixed rate of interest payable by JEA pursuant to such Designated Swap Obligation.

“Debt Service Reserve Requirement” shall mean (a) with respect to the Initial Subaccount in the Debt Service Reserve Account in the Sinking Fund, as of any date of calculation, an amount equal to the maximum amount of interest to accrue on the Additionally Secured Bonds secured thereby during the then current, or any future, Fiscal Year (assuming, for this purpose, that all Additionally Secured Bonds secured thereby that bear interest at a variable or floating rate shall bear interest during such period at the greater of (i) the actual rate of interest then borne by such Bonds or (ii) the Certified Interest Rate applicable thereto) and (b) with respect to each additional subaccount, if any, in the Debt Service Reserve Account in the Sinking Fund established after the date on which the amendments to the Resolution affected by Article I of the Amending Resolution shall become effective, the amount specified in the resolution of the JEA supplemental hereto pursuant to which such subaccount shall be established.

“*Deferred Interest Bonds*” shall mean any Bonds as to which interest accruing prior to the Current Interest Commencement Date is (i) compounded periodically on dates specified in the resolution of the JEA supplemental hereto authorizing such Deferred Interest Bonds and (ii) payable only at the maturity, earlier redemption or other payment thereof.

“*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.

“*Electric System*” shall mean the existing electric generating, transmission and distribution system consisting of the existing generating plants and transmission and distribution lines and facilities together with any and all improvements, extensions and additions thereto hereafter constructed or acquired, and all lands or interests therein, including buildings, machinery, equipment and all property, real or personal, tangible or intangible, now or hereafter owned and constructed or acquired by the JEA as part of said existing electric system; such Electric System shall not be deemed to include (a) any facilities or property now or hereafter constructed, owned or operated by the JEA as a part of the St. Johns River Power Park System or the Bulk Power Supply System Projects or any other separate non-competing electric utility or system which JEA elects to acquire, construct and operate as a separate bulk power supply utility or system, (b) the existing water and sewer system owned by the JEA or any additional utility functions hereafter added to such water and sewer system or (c) any properties or interests in properties of the JEA (i) which the JEA determines shall not constitute a part of the Electric System for the purpose of this Resolution at the time of the acquisition thereof by the JEA or (ii) as to which the JEA shall determine by resolution that the exclusion of such properties or interests in properties from the Electric System will not materially impair the ability of the JEA to comply during the current or any future Fiscal Year with the provisions of subsection D of Section 13 of this Resolution.

“*Fiscal Year*” shall mean the 12-month period established by the JEA or provided by law from time to time as the fiscal year for the Electric System, and which initially shall be the 12-month period commencing on October 1 of each year and ending on the succeeding September 30.

“*Gross Revenues*” or “*Revenues*” shall mean all income or earnings, including any income from the investment of funds which is deposited in the Revenue Fund as herein provided, derived by the JEA from the ownership or operation of the Electric System. Gross Revenues shall not include customers’ deposits and any other deposits subject to refund unless such deposits have become property of the JEA. For any purpose of this Resolution that requires the computation of Gross Revenues or Revenues with respect to any period of time, “Gross Revenues” or “Revenues” shall include such amounts derived by the JEA from the ownership or

operation of the Electric System during such period plus (x) the amounts, if any, paid from the Rate Stabilization Fund into the Revenue Fund during such period (excluding from (x) amounts, if any, included in the Revenues for such period representing interest earnings transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to the penultimate paragraph of subsection B of Section 13) and minus (y) the amounts, if any, paid from the Revenue Fund into the Rate Stabilization Fund during such period.

“*Holder of Bonds*” or “*Bondholder*” shall have the meaning assigned thereto in Section 5 hereof.

“*Investment Agreements*” shall mean agreements or contracts with insurance companies or other financial institutions, or subsidiaries or affiliates thereof (hereinafter in this paragraph referred to as “*Providers*”), (a) whose outstanding unsecured senior indebtedness or claims-paying ability, as the case may be, shall be rated, or who shall have a “financial programs rating” or other equivalent rating, in the highest whole rating category by at least two nationally recognized statistical rating organizations or (b) whose obligations under such agreements or contracts shall be unconditionally guaranteed by another insurance company or other financial institution, or subsidiary or affiliate thereof, whose outstanding unsecured senior indebtedness or claims-paying ability, as the case may be, shall be rated, or who shall have a “financial programs rating” or other equivalent rating, in the highest whole rating category by at least two nationally recognized statistical rating organizations, pursuant to which agreements or contracts the Provider shall be absolutely, unconditionally and irrevocably obligated to repay the moneys invested by the JEA and interest thereon at a guaranteed rate, without any right of recoupment, counterclaim or set off. The Provider may have the right to assign its obligations under any Investment Agreement to any other insurance company or other financial institution, or subsidiary or affiliate thereof; provided, however, that such assignee also shall be an insurance company or other financial institution, or subsidiary or affiliate thereof, satisfying the requirements set forth in either clause (a) or clause (b) of the preceding sentence.

“*Issuance Date*” with respect to any installment of the Bonds shall mean the date of the day that such Bonds shall be issued and delivered to the original purchaser or purchasers thereof.

“*JEA*” shall mean the Jacksonville Electric Authority.

“*Maximum Aggregate Adjusted Debt Service Requirement*” shall mean, as of any particular date of calculation, the greatest amount of the aggregate of the Adjusted Debt Service Requirements for the Bonds of all series then Outstanding for the then current or any future Fiscal Year.

“*Medium-Term Note*” shall mean any Bond which (a) has a maturity date which is more than 365 days, but not more than 15 years, after the date of issuance thereof and (b) is designated as a Medium-Term Note in the resolution of the JEA supplemental hereto authorizing such Bond.

“*Medium-Term Note Payment Plan*” shall mean, with respect to any installment of Medium-Term Notes and as of any time, the then current Medium-Term Note Payment Plan for such notes contained in a certificate of an authorized officer of the JEA delivered on or prior

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

“*Net Revenues*” of the Electric System shall mean the Revenues or Gross Revenues, as defined above, after deduction of the Cost of Operation and Maintenance, as defined above.

“*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.

“*Outstanding*,” when used with reference to any Bonds, shall mean all Bonds thereof which shall have been authenticated and delivered by the Registrar, except: (i) the Bonds or portions thereof canceled by the Registrar or delivered to the Registrar for cancellation; (ii) the Bonds in lieu of which other Bonds shall have been authenticated and delivered in accordance with Section 7 or Section 8 of this Resolution; (iii) the Bonds which shall have been duly called for redemption in accordance with the provisions of Section 9 of this Resolution and payment thereof duly and irrevocably provided for; and (iv) the Bonds which shall have been duly defeased in accordance with applicable provisions of Section 17 of this Resolution.

“*Person*” means any individual, corporation, cooperative, partnership, joint venture, association, joint-stock company, limited liability company or partnership, trust, unincorporated organization or government or any agency or political subdivision thereof.

“*Refundable Bonds*” shall mean any Bonds (including, without limitation, Commercial Paper Notes and Medium-Term Notes) the principal of which the JEA intends to pay with moneys which are not Revenues; provided, however, that (i) in the case of Bonds other than Commercial Paper Notes or Medium-Term Notes, such intent shall have been expressed in the resolution of the JEA supplemental hereto authorizing such Bonds, (ii) in the case of Commercial Paper Notes, such intent shall be expressed in the then current Commercial Paper Payment Plan for such Commercial Paper Notes and (iii) in the case of Medium-Term Notes, such intent shall be expressed in the then current Medium-Term Note Payment Plan for such Medium-Term Notes; and provided, further, that (i) any such Bonds other than Commercial

Paper Notes and Medium-Term Notes shall be Refundable Bonds only through the penultimate day of the month preceding the month in which the principal thereof is stated to mature or such earlier time as the JEA no longer intends to pay such principal with moneys which are not Revenues and (ii) any Commercial Paper Note or Medium-Term Note shall cease to be a Refundable Bond at such time, if any, as shall be provided in the Commercial Paper Payment Plan or Medium-Term Note Payment Plan, as the case may be, applicable thereto.

“*Resolution*” shall mean this Resolution, as hereafter amended and supplemented in accordance with the terms hereof.

“*Serial Bonds*” shall mean the Bonds of a series which shall be stated to mature in annual or semiannual installments.

“*St. Johns River Power Park System*” shall mean the JEA’s undivided 80% interest in the facilities acquired and constructed jointly with Florida Power & Light Company, a Florida corporation, pursuant to the Agreement for Joint Ownership, Construction and Operation of St. Johns River Power Park, Coal Units #1 and #2, dated as of April 2, 1982, executed by and between the JEA and said corporation, as amended, and all renewals, replacements, additions, betterments, modifications and improvements to keep the Power Park System in good operating condition or to prevent a loss of revenues therefrom, or to comply with any requirement of a governmental agency exercising jurisdiction over the Power Park System, but excluding any additional generating units.

“*Subordinated Bonds*” shall mean any bonds, notes or other obligations or evidences of indebtedness, as the case may be, issued in accordance with the provisions of subsection K of Section 13 of this Resolution that are, and are expressed to be, junior and subordinate in all respects to the Bonds herein authorized, as to lien on and source and security for payment from the Net Revenues.

“*Term Bonds*” shall mean the Bonds of a series which shall be stated to mature on one date and which shall be subject to retirement by operation of the Debt Service Account in the Sinking Fund to satisfy Amortization Installments therefor.

“*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 initial issuance of such Bond.

“*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.

Section 3. Resolution to Constitute Contract. In consideration of the acceptance of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the JEA and such Holders. The covenants and agreements herein set forth to be performed by the JEA shall be for the equal benefit, protection and security of the legal Holders of any and all

of the Bonds, all of which shall be of equal rank and without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided therein and herein.

Section 4. Authorization of Bonds. Subject and pursuant to the provisions hereof, obligations of the JEA to be known as “Electric System Revenue Bonds”, herein defined as the “Bonds”, are authorized to be issued, in one or more series, and in one or more installments within any series, in such aggregate principal amount as may from time to time be permitted pursuant to applicable law.

Section 5. Description of Bonds. The Bonds of each series and installment shall be appropriately designated to distinguish the Bonds thereof from the Bonds of other series and installments and numbered as provided in the resolution of the JEA supplemental hereto authorizing such Bonds; shall be issuable as and/or exchangeable for certificated and/or uncertificated (book entry) obligations, anything herein to the contrary notwithstanding; and shall be dated, shall bear interest at such rate or rates per annum, fixed or floating, or to be determined pursuant to such supplemental resolution, payable at such place or places and on such date or dates, and may be compounded at such intervals, and shall mature on such date or dates and in such amounts, be in such denominations in United States currency or such other currency, be subject to redemption at such times, and be issued on such other terms and conditions as shall be determined by such supplemental resolution.

Certificated Bonds shall be issued in fully registered form. All dollar-denominated Bonds shall be payable in lawful money of the United States of America, and every nondollar-denominated Bond shall, as to principal thereof (and premium, if any, thereon) and/or interest thereon, be payable in the currency in which such principal (and premium, if any) and/or interest shall be denominated.

For purposes of this Resolution, the following terms shall have the following meanings:

(A) “*Registrar*” shall mean, with respect to the Bonds of any series, the officer of the JEA or such bank or trust company, located within or without the state of Florida, who shall maintain the registration books of the JEA, and who shall be responsible for the transfer and exchange of the Bonds of such series and who may also be the paying agent for such Bonds and interest thereon.

(B) “*Holder of Bonds*” or “*Bondholder*” or any similar term shall mean any person who shall be the Registered Owner of any such Bond or Bonds, or his transferee.

(C) “*Registered Owner*” shall mean the owner of any Bond or Bonds as shown on the registration books of the JEA maintained by the Registrar.

(D) “*Record Date*”, unless otherwise provided in a resolution of the JEA supplemental hereto authorizing any Bonds, shall mean the 15th day of the month immediately preceding any interest payment date for the Bonds. With respect to any interest in default, the Record Date shall be a special record date for the payment of such defaulted interest established by notice mailed by the Registrar on behalf of the JEA to the Registered Owners of the Bonds not less than fifteen (15) calendar days preceding such special record date.

The principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Interest Bonds becoming due at maturity or by virtue of an Amortization Installment shall be included in the calculations of accrued and unpaid and accruing interest or principal or Amortization Installments made for purposes of (a) the definitions of “Adjusted Debt Service Requirement”, “Debt Service Requirement” “Debt Service Reserve Requirement” and “Maximum Aggregate Adjusted Debt Service Requirement” contained in Section 2 hereof and (b) clause (2) of subsection B of Section 13 hereof 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.

For 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 subsection J of Section 13 hereof or (iii) computing the principal amount of Bonds held by the Holder of a Capital Appreciation Bond in giving to the JEA any notice, consent, request or demand pursuant to this Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its then current Accreted Value.

For purposes of (i) receiving payment of the redemption price if a Deferred Interest Bond is redeemed prior to maturity, or (ii) receiving payment of a Deferred Interest Bond if the principal of all Bonds is declared immediately due and payable following an event of default, as provided in subsection J of Section 13 hereof or (iii) computing the principal amount of Bonds held by the Holder of a Deferred Interest Bond in giving to the JEA any notice, consent, request, or demand pursuant to this Resolution for any purpose whatsoever, the principal amount of a Deferred Interest Bond shall be deemed to be its then current Appreciated Value.

Except as otherwise provided in the resolution of the JEA supplemental hereto authorizing a series of Bank Bonds, for the purposes of (i) receiving payment of a Bank Bond, 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 subsection J of Section 13 hereof or (ii) computing the principal amount of Bonds held by the Holder of a Bank Bond in giving to the JEA any notice, consent, request, or demand pursuant to this Resolution for any purpose whatsoever, the principal amount of a Bank Bond shall be deemed to be the actual principal amount that the JEA shall owe thereon, which shall equal the aggregate of the amounts advanced to, or on behalf of, the JEA in connection with the Bonds of the installment or maturity for which such Bank Bond has been issued to evidence the 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.

Section 6. Execution of Bonds. The Bonds shall be executed in the name of the JEA by its Chairman or Vice-Chairman and attested by its Secretary or Assistant Secretary, and its corporate seal or a facsimile thereof shall be affixed thereto or reproduced thereon. The facsimile signatures of the Chairman or Vice-Chairman or Secretary or Assistant Secretary may be imprinted or reproduced on the Bonds. The Registrar’s Certificate of Authentication shall

appear on the Bonds, and no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Resolution unless such certificate shall have been duly executed on such Bond.

Section 7. Negotiability, Registration, and Disposition of Bonds Paid or Replaced. (A) **NEGOTIABILITY.** The Bonds shall be and have all the qualities and incidents of negotiable instruments under the laws of the State of Florida, and each successive Holder, in accepting any of the Bonds, shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the laws of the State of Florida.

(B) **REGISTRATION.** The Bonds shall be issued only as fully registered bonds without coupons. The JEA, if it chooses to have a bank or trust company act as Registrar for the Bonds of any series, shall, not later than the date of sale of the initial installment of such Bonds, by resolution of the JEA supplemental hereto designate such bank or trust company to serve as Registrar for such Bonds and, if applicable, paying agent. The Registrar shall be responsible for maintaining the books for the registration of and for the transfer of the Bonds and, if a bank or trust company is so designated, in compliance with an agreement to be executed between the JEA and such bank or trust company as Registrar as parties on or prior to the delivery date of the initial installment of the Bonds of the series for which such bank or trust company shall serve as Registrar. Such agreement shall set forth in detail the duties, rights, and responsibilities of the parties to the agreement.

Upon surrender to the Registrar for transfer or exchange of any Bond, duly endorsed for transfer or accompanied by an assignment or written authorization for exchange, whichever is applicable, duly executed by the Registered Owner or his attorney duly authorized in writing, the Registrar shall deliver in the name of the Registered Owner or the transferee or transferees, as the case may be, a new fully registered Bond or Bonds of authorized denominations of the same series, installment, if any, within a series, maturity and interest rate for the aggregate principal amount which the Registered Owner is entitled to receive.

All Bonds presented for transfer, exchange, redemption or payment (if so required by the JEA or the Registrar) shall be accompanied by a written instrument or instruments of transfer or authorization of exchange, in form and with guaranty of signature satisfactory to the JEA or the Registrar, duly executed by the Registered Owner or by his duly authorized attorney.

The JEA and the Registrar may charge the Registered Owner or the transferee or transferees, as the case may be, a sum sufficient to reimburse them for any expenses incurred in making any exchange or transfer of the Bonds. The Registrar or the JEA may also require payment from the Registered Owner or transferee of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. Such charges and expenses shall be paid before any such new Bond shall be delivered.

Interest on any Bond shall be paid on such dates as are set forth in the resolution of the JEA supplemental hereto authorizing such Bond, to the Registered Owner whose name appears on the books of the Registrar as of 5:00 p.m. (local time in the city in which the principal office of the Registrar is located) on the Record Date.

New Bonds delivered upon any transfer or exchange shall be valid obligations of the JEA, evidencing the same debt as the Bonds surrendered, shall be secured by this Resolution, and shall be entitled to all of the security and benefits hereof to the same extent as the Bonds surrendered.

The JEA, its agents and the Registrar may treat the Registered Owner of any Bond as the absolute owner thereof for all purposes, whether or not such Bond shall be overdue, and shall not be bound by any notice to the contrary. The person in whose name any Bond is registered may be deemed the owner thereof by the JEA, its agents and the Registrar, and any notice to the contrary shall not be binding upon the JEA, its agents or the Registrar.

(C) **DISPOSITION OF BONDS PAID OR REPLACED.** Whenever any Bond shall be delivered to the Registrar for cancellation, upon payment of the principal amount thereof or for replacement or transfer or exchange, such Bond shall, after cancellation, either be retained by the Registrar for a period of time specified in writing by the JEA or, at the option of any authorized officer of the JEA, shall be destroyed by the Registrar and counterparts of a certificate of destruction evidencing such destruction shall be furnished to the JEA.

Section 8. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated, or be destroyed, stolen or lost, any authorized officer of the JEA may in such officer's discretion issue and deliver, or cause the Registrar, if any, to issue and deliver, a new Bond of like tenor as the Bond so mutilated, destroyed, stolen, or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Registered Owner furnishing proof of his ownership and the loss thereof (if lost, stolen or destroyed) and satisfactory indemnity and complying with such other reasonable regulations and conditions as the JEA may prescribe and paying such expenses as the JEA and the Registrar may incur. All Bonds so surrendered shall be cancelled by the Registrar or the JEA. If any such Bonds shall have matured or be about to mature, instead of issuing a substitute Bond the JEA may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this Section shall constitute original, additional, contractual obligations on the part of the JEA whether or not the lost, stolen or destroyed Bonds be at any time found by anyone and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien, source and security for payment, pursuant to this Resolution, from the funds herein pledged to the same extent as all other Bonds issued under this Resolution, except as otherwise expressly provided herein.

Section 9. Provisions for Redemption. The Bonds or any portions thereof shall be subject to redemption prior to their respective stated dates of maturity, at the option of the JEA, at such times and in such manner as shall be determined by resolution of the JEA supplemental hereto adopted prior to the sale thereof.

Unless otherwise provided in such supplemental resolution, notice of such redemption shall, at least thirty (30) days prior to the redemption date (i) be filed with the paying agent, and (ii) be mailed, postage prepaid, to all Registered Owners of Bonds to be redeemed at their address as they appear of record on the books of the Registrar as of forty-five (45) days

prior to the date fixed for redemption. Unless such notice shall have been revoked or shall cease to be in effect in accordance with the terms thereof, interest shall cease to accrue on any Bond duly called for prior redemption on the redemption date, if payment thereof has been duly provided. The privilege of transfer or exchange of any of the Bonds so called for redemption is suspended for a period commencing 15 calendar days preceding the mailing of the notice of redemption and ending on the date fixed for redemption.

Section 10. Form of Bonds. The text of the Bonds, together with the Registrar's Certificate of Authentication and the Validation Certificate, if any, to be endorsed thereon, shall be set forth in the resolution of the JEA supplemental hereto determining the details for the Bonds.

Section 11. Special Obligations of the JEA. The Bonds shall not be or constitute general obligations or indebtedness of the City or the JEA as "bonds" within the meaning of the Constitution of Florida, but shall be payable solely from and secured by a lien upon and a pledge of the Net Revenues and other amounts as herein provided. No Holder or Holders of any Bonds issued hereunder shall ever have the right to compel the exercise of the ad valorem taxing power of the City or of the JEA, if any, or taxation in any form of any real property in the City to pay such Bonds or the interest thereon or be entitled to payment of such principal and interest from any other funds of the City or the JEA except from the special funds in the manner provided herein.

The payment of the principal of and interest on the Bonds shall be secured forthwith equally and ratably by an irrevocable first lien on (a) the Net Revenues, as defined herein, derived from the operation of the Electric System and (b) the amounts on deposit in the Revenue Fund and the Debt Service Account in the Sinking Fund as may from time to time be available therefor, in each such case, prior and superior to all other liens or encumbrances on such Net Revenues and amounts, subject only to the provisions of this Resolution permitting the application thereof for the purposes and on the terms and conditions set forth herein, and the JEA does hereby irrevocably pledge such Net Revenues from the Electric System and such amounts to the payment of the principal of and interest on the Bonds. In addition, the payment of the principal of and interest on the Additionally Secured Bonds of each series shall be additionally secured by the amounts on deposit in the separate subaccount in the Debt Service Reserve Account in the Sinking Fund designated therefor as may from time to time be available therefor, in each such case, prior and superior to all other liens or encumbrances on such amounts, subject only to the provisions of this Resolution permitting the application thereof for the purposes and on the terms and conditions set forth herein, and the JEA does hereby irrevocably pledge such amounts to the payment of the principal of and interest on the Additionally Secured Bonds of such series.

Section 12. Application of Bond Proceeds. The proceeds, including accrued interest and premium, if any, received from the sale of any or all of the Bonds shall be applied by the JEA simultaneously with the delivery of such Bonds to the purchaser thereof in the manner provided in the resolution of the JEA supplemental hereto authorizing such Bonds.

Section 13. Covenants of the JEA. For as long as any of the principal of and interest on any of the Bonds shall be outstanding and unpaid or, subject to the provisions of Section 17 hereof, until there shall have been set apart in the Debt Service Account and the Debt

Service Reserve Account in the Sinking Fund, herein established, a sum sufficient to pay or make provision for payment when due the entire principal of the Bonds then Outstanding remaining unpaid, together with interest accrued and to accrue thereon, the JEA covenants with the Holders of any and all Bonds as follows:

A. **REVENUE FUND.** The entire Gross Revenues derived from the ownership or operation of the Electric System shall upon receipt thereof be deposited in the “Jacksonville Electric Authority Electric System Revenue Fund” (hereinafter called the “Revenue Fund”) which is hereby created and established. Such Revenue Fund shall constitute a trust fund for the purposes herein provided and shall be kept separate and distinct from all other funds of the JEA and used only for the purposes and in the manner herein provided.

B. **DISPOSITION OF REVENUES.** All Revenues at any time remaining on deposit in the Revenue Fund shall be applied monthly only in the following manner and in the following order of priority:

(1) Revenues shall first be used to pay the Cost of Operation and Maintenance, as defined in Section 2 hereof, including Contract Debts, as defined in Section 2 hereof.

(2) From the moneys remaining in the Revenue Fund, the JEA shall next deposit into a separate fund which is hereby created and designated “Jacksonville Electric Authority Electric System Sinking Fund” (herein called the “Sinking Fund”), for credit to a separate account therein which is hereby created and designated “Debt Service Account”, an amount equal to the aggregate of the Debt Service Requirements for such month for the Bonds of all series then Outstanding. Such monthly payments shall be reduced proportionately (i) by the amounts of money, if any, which have been deposited in the Debt Service Account out of proceeds from the sale of the Bonds for the payment of interest thereon and (ii) by the amount of investment income transferred to the Debt Service Account during such month.

The 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 the maturity date for any of the Bonds (other than any Refundable Bonds with respect to which moneys which are not Revenues are available for the payment thereof), the amount required for the principal payable on such date; (iii) on or before the due date for any Amortization Installment, the amount required to pay the redemption price of the Term Bonds required to be redeemed from such Amortization Installment; and (iv) on or before any redemption date for the Bonds, the amount required for the payment of interest on the Bonds then to be redeemed. The JEA also shall pay out of the Debt Service Account the accrued interest included in the purchase price of Bonds purchased for retirement.

In the event of the refunding or defeasance of any Bonds, the JEA may withdraw from the Debt Service Account all or any portion of the amount accumulated therein with respect to the Bonds being refunded or defeased and deposit such amount in the escrow being established for the Bonds being refunded or defeased; provided that such withdrawal shall not be made unless the amount on deposit in the Debt Service Account after such withdrawal and after the deposit of any amount being deposited therein out of

the proceeds of any obligations being issued in connection with such refunding or defeasance shall be at least equal to the amount required to be on deposit therein as of the beginning of the month in which such withdrawal is made as provided in this clause (2).

(3) From the moneys remaining in the Revenue Fund, the JEA shall next deposit for credit to each separate subaccount established in the separate account in the Sinking Fund which is hereby created and designated "Debt Service Reserve Account", such sums as shall be required so that the balance in each such subaccount, after giving effect to the maximum amount available to be drawn under any irrevocable surety bond, insurance policy or letter of credit deposited to any such subaccount, shall equal the Debt Service Reserve Requirement related thereto as of the last day of the then current month.

There is hereby created within the Debt Service Reserve Account, for the benefit of (a) all Bonds Outstanding on the date on which the amendments to the Resolution affected by Article I of the Amending Resolution shall become effective and (b) all Additional Parity Obligations of any series issued after the date on which the amendments to the Resolution affected by Article I of the Amending Resolution shall become effective, but only to the extent that the resolution of the JEA supplemental hereto authorizing the Additional Parity Obligations of such series shall specify that such Additional Parity Obligations shall be additionally secured by amounts on deposit therein, a subaccount designated as the "Initial Subaccount"; provided, however, that notwithstanding any other provision of this Resolution, no Capital Appreciation Bonds or Deferred Interest Bonds may be additionally secured by amounts on deposit in the Initial Subaccount. In lieu of maintaining moneys or investments in the Initial Subaccount, the JEA at any time may cause to be deposited into the Initial Subaccount for the benefit of the Holders of the Additionally Secured Bonds secured thereby an irrevocable surety bond, an insurance policy or a letter of credit (referred to herein as a "reserve fund credit instrument") satisfying the requirements set forth below in an amount equal to the difference between the Debt Service Reserve Requirement for the Initial Subaccount and the sum of moneys or value of Authorized Investments then on deposit in the Initial Subaccount, if any:

(a) A surety bond or insurance policy issued by an insurance company licensed or otherwise qualified to do business in the State of Florida may be deposited in the Initial Subaccount if the claims-paying ability of the issuer thereof is rated "AAA" by Standard & Poor's Credit Market Services, a division of The McGraw-Hill Companies, Inc. (hereinafter referred to as "S&P") and "Aaa" by Moody's Investors Service (hereinafter referred to as "Moody's").

(b) An unconditional irrevocable letter of credit issued by a bank may be deposited in the Initial Subaccount if the senior, unsecured long-term debt of the issuer thereof is rated at least "AA" by S&P and "Aa2" by Moody's, and if such letter of credit shall be payable in one or more draws upon presentation by the beneficiary thereof of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the Additionally Secured Bonds secured by the Initial Subaccount. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years. The issuer of the letter of credit

shall be required to notify the JEA and the beneficiary thereof, not later than 30 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date.

(c) If such notice indicates that the expiration date shall not be extended, the JEA shall deposit in the Initial Subaccount an amount sufficient to cause the cash or Authorized Investments on deposit in the Initial Subaccount, together with any other qualifying reserve fund credit instruments, to equal the Debt Service Reserve Requirement for the Initial Subaccount, such deposit to be paid in equal installments on at least a semi-annual basis over the remaining term of the letter of credit, unless the reserve fund credit instrument is replaced by a reserve fund credit instrument meeting the requirements in either of clauses (a) or (b) above. The letter of credit shall permit a draw in full not less than two weeks prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The beneficiary of the letter of credit shall draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Initial Subaccount is fully funded in its required amount.

(d) The use of any reserve fund credit instrument pursuant to this paragraph shall be subject to receipt of an opinion of counsel acceptable to an authorized officer of the JEA and in form and substance satisfactory to such authorized officer as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of such credit instrument is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to an authorized officer of the JEA. In addition, the use of an irrevocable letter of credit shall be subject to receipt of an opinion of counsel acceptable to an authorized officer of the JEA and in form and substance satisfactory to such authorized officer to the effect that payments under such letter of credit would not constitute avoidable preferences under Section 547 of the U.S. Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code or similar state laws by or against the JEA.

(e) The obligation to reimburse the issuer of a reserve fund credit instrument for any fees, expenses, claim or draws upon such reserve fund credit instrument shall be subordinate to the payment of debt service on the Bonds. In addition, the right of the issuer of a reserve fund credit instrument to payment or reimbursement for claims or draws under such reserve fund credit instrument and to payment or reimbursement of its fees and expenses shall be prior to the cash replenishment of the Initial Subaccount.

(f) The reserve fund credit instrument shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If (i) such revolving reinstatement feature is suspended or terminated or (ii) the rating of the claims paying ability of the issuer of the surety bond or insurance policy falls below a S&P "AAA" or a

Moody's "Aaa" or (iii) the rating of the issuer of the letter of credit falls below a S&P "AA", the JEA shall either (X) deposit into the Initial Subaccount an amount sufficient to cause the cash or Authorized Investments on deposit in the Initial Subaccount to equal the Debt Service Reserve Requirement for the Initial Subaccount, such amount to be paid over the ensuing five years in equal installments deposited at least semi-annually or (Y) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in either of clauses (a) or (b) above within six months of such occurrence. In the event (1) the rating of the claims-paying ability of the issuer of the surety bond or insurance policy falls below "A" or (2) the rating of the issuer of the letter of credit falls below "A" or (3) the issuer of the reserve fund credit instrument defaults in its payment obligations or (4) the issuer of the reserve fund credit instrument becomes insolvent, the JEA shall either (X) deposit into the Initial Subaccount an amount sufficient to cause the cash or Authorized Investments on deposit in the Initial Subaccount to equal to Debt Service Reserve Requirement for the Initial Subaccount, such amount to be paid over the ensuing year in equal installments on at least a monthly basis or (Y) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in either of clauses (a) or (b) above within six months of such occurrence.

(g) Where applicable, the amount available for draws or claims under the reserve fund credit instrument may be reduced by the amount of cash or value of Authorized Investments deposited in the Initial Subaccount pursuant to clause (X) of the final sentence of the preceding clause (f).

(h) In the event that a reserve fund credit instrument shall be deposited into the Initial Subaccount as aforesaid, any amounts owed by the JEA to the issuer of such reserve fund credit instrument as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of debt service requirements required to be made pursuant to the Resolution for purposes of subsections D and L of this Section 13.

(i) The beneficiary of any reserve fund credit instrument shall ascertain the necessity for a claim or draw upon such reserve fund credit instrument and provide notice to the issuer of the reserve fund credit instrument in accordance with its terms not later than three days (or such longer period as may be necessary depending on the permitted time period for honoring a draw under the reserve fund credit instrument) prior to each interest payment date for the Additionally Secured Bonds secured by the Initial Subaccount.

(j) Cash on deposit in the Initial Subaccount shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any reserve fund credit instrument. If and to the extent that more than one reserve fund credit instrument is deposited in the Initial Subaccount, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

The JEA may, by resolution of the JEA supplemental hereto, create within the Debt Service Reserve Account one or more additional subaccounts, for the benefit of such series of Bonds as may be specified in, or determined pursuant to, such supplemental resolution. In lieu of maintaining moneys or investments in any such subaccount, the JEA at any time may cause to be deposited into such subaccount for the benefit of the Holders of the Additionally Secured Bonds secured thereby an irrevocable surety bond, an insurance policy or a letter of credit satisfying the requirements set forth in such supplemental resolution in an amount equal to the difference between the Debt Service Reserve Requirement for such subaccount and the sum of moneys or value of Authorized Investments then on deposit therein, if any.

If on any day on which the principal or sinking fund redemption price or interest on the Bonds shall be due, the amount on deposit in the Debt Service Account shall be less than the amount required to pay such principal, redemption price or interest, then the 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.

If by reason of the retirement upon maturity or the refunding or the defeasance of any Additionally Secured Bonds, or for any other reason, there shall be on deposit to the credit of the particular subaccount in the Debt Service Reserve Account securing such Additionally Secured Bonds any surplus of funds over and above the Debt Service Reserve Requirement related thereto, such surplus may be withdrawn therefrom by the JEA and deposited in the General Reserve Fund. In the event of the refunding or defeasance of any Additionally Secured Bonds, the JEA may withdraw from the particular subaccount in the Debt Service Reserve Account securing such Additionally Secured Bonds all or any portion of the amount accumulated therein with respect to the Additionally Secured Bonds being refunded or defeased and deposit such amount in the escrow being established for such Additionally Secured Bonds being refunded or defeased; provided that such withdrawal shall not be made unless the amount on deposit in such subaccount in the Debt Service Reserve Account after such withdrawal and after the deposit of any amount being deposited therein out of the proceeds of any obligations being issued in connection with such refunding or defeasance shall be at least equal to the Debt Service Reserve Requirement related thereto.

The JEA shall not be required to make any further payments into the Sinking Fund when the aggregate amount of money in the both the Debt Service Account and the Debt Service Reserve Account in the Sinking Fund is at least equal to the entire principal of the Bonds then Outstanding, together with interest accrued and to accrue thereon, plus the amount of redemption premium, if any, then due and thereafter to become due on such Bonds then Outstanding by operation of the Debt Service Account to satisfy Amortization Installments.

(4) Moneys remaining in the Revenue Fund shall next be used by the JEA (a) for payment of the principal and interest and redemption premium, if any, on any Subordinated Bonds, (b) to make payments required to be made in respect of (i) debt service on any obligations incurred by the JEA in connection with the financing of any separate bulk power supply utility or system undertaken by the JEA and any additional

amounts relating to “debt service coverage” with respect thereto and (ii) deposits into any renewal and replacement or other similar fund or account established with respect to any such separate bulk power supply utility or system (in each such case, other than (X) the St. Johns River Power Park System and (Y) the Bulk Power Supply System Projects) and (c) to make payments in respect of any other arrangement(s) for the supply of power and/or energy to the Electric System for resale as may hereafter be determined by the JEA to be payable pursuant to this clause (4).

(5) Moneys remaining in the Revenue Fund shall next be used by the JEA for transfer to a separate fund which is hereby created and designated “Jacksonville Electric Authority Rate Stabilization Fund” (herein called the “Rate Stabilization Fund”), in the amount, if any, budgeted for deposit into such Fund for the then current month as set forth in the then current annual budget for the Electric System or the amount otherwise determined by an authorized officer of the JEA to be credited to such Fund for the month.

Each month the 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 for the Electric System or the amount otherwise determined by an authorized officer of the JEA to be deposited into such Fund for the month.

The 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 this Resolution, (ii) use such amounts to purchase or redeem Bonds and/or Subordinated Bonds and/or indebtedness of the JEA incurred in connection with any separate bulk power supply utility or system, (iii) use such amounts to otherwise provide for the payment of Bonds and/or Subordinated Bonds and/or indebtedness of the JEA incurred in connection with any separate bulk power supply utility or system or interest thereon, or (iv) use such amounts for any other lawful purpose in connection with the Electric System. In addition, if on any date on which the principal or sinking fund redemption price of, or interest on, any Bonds shall be payable and the sum of the amounts attributable to such Bonds on deposit in the Debt Service Account and, if such Bonds shall be Additionally Secured Bonds, the separate subaccount in the Debt Service Reserve Account securing such Additionally Secured Bonds, together with (X) the amount, if any, withdrawn from the Renewal and Replacement Fund for such purpose as provided in the final sentence of the second paragraph of clause (6) of this subsection B and (Y) the amount, if any, withdrawn from the General Reserve Fund for such purpose as provided in the final sentence of clause (7) of this subsection B, shall not be sufficient to pay such principal or redemption price and/or interest, then the JEA shall withdraw from the Rate Stabilization Fund and apply to such payment the amount of such insufficiency.

(6) Moneys remaining in the Revenue Fund shall next be used by the JEA to maintain a special fund to be known as the “Renewal and Replacement Fund,” being the same Fund created and established pursuant to Ordinance No. AA-357 of the City, and the JEA shall pay into said Fund from the Revenue Fund a sum not less than one-twelfth (1/12) of ten percent (10%) of the net revenues of the Electric System for the preceding Fiscal Year pursuant to, and as said net revenues are defined by, Chapter 22341, Laws of

Florida, Acts of 1943 and similarly defined by Chapter 80-515, Laws of Florida. In addition to the foregoing, the JEA shall pay such additional monthly amount into the Renewal and Replacement Fund as shall make the total annual payment equal to at least five percent (5%) of the Gross Revenues of the Electric System for the preceding Fiscal Year. Said Renewal and Replacement Fund shall be kept separate and apart from all other funds of the JEA.

The moneys in the Renewal and Replacement Fund shall be used for the purposes of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of, the Electric 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 Electric System, all to the extent not paid as a part of the Cost of Operation and Maintenance or from the proceeds of Bonds, Subordinated Bonds or other evidences of indebtedness of the 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 Subordinated Bonds and/or indebtedness of the JEA incurred in connection with any separate bulk power supply utility or system or interest thereon or (b) upon determination of the JEA, 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 Electric System. In addition, if on any date on which the principal or sinking fund redemption price of, or interest on, any Bonds shall be payable and the sum of the amounts attributable to such Bonds on deposit in the Debt Service Account and, if such Bonds shall be Additionally Secured Bonds, the separate subaccount in the Debt Service Reserve Account securing such Additionally Secured Bonds, together with the amount, if any, withdrawn from the General Reserve Fund for such purpose as provided in the final sentence of clause (7) of this subsection B, shall not be sufficient to pay such principal or redemption price and/or interest, then the JEA shall withdraw from the Renewal and Replacement Fund and apply to such payment the amount of such insufficiency.

The foregoing provisions of this clause (6) notwithstanding, failure of the JEA to make the above required payments into the Renewal and Replacement Fund in any month in any Fiscal Year shall not constitute a default on the part of the JEA, provided that any deficiencies therefor shall have been restored prior to the end of such Fiscal Year 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.

(7) The balance of any moneys remaining in the Revenue Fund after the above required payments have been made may, at the option of the JEA, be deposited into a separate fund which is hereby created and designated "Jacksonville Electric Authority Electric System General Reserve Fund" (herein called the "General Reserve Fund"). Moneys in the General Reserve Fund may be used by the JEA for any lawful purpose of the JEA (including, but not limited to, (a) the purchase, redemption or provision for payment of any of the Bonds and/or Subordinated Bonds and/or indebtedness of the JEA incurred in connection with any separate bulk power supply utility or system and (b) transfers to any utility system owned and/or operated by the JEA currently or in the

future) not otherwise prohibited by this Resolution; provided, however, that none of the remaining moneys shall be used for any purpose other than those specified in the preceding clauses (1) through (6) unless all current payments, including all deficiencies in prior payments, if any, have been made in full and unless the JEA shall have complied fully with all the covenants and provisions of this Resolution. In addition, if on any date on which the principal or sinking fund redemption price of, or interest on, any Bonds shall be payable and the sum of the amounts attributable to such Bonds on deposit in the Debt Service Account and, if such Bonds shall be Additionally Secured Bonds, the separate subaccount in the Debt Service Reserve Account securing such Additionally Secured Bonds shall not be sufficient to pay such principal or redemption price and/or interest, then the JEA shall withdraw from the General Reserve Fund and apply to such payment the amount of such insufficiency.

The Revenue Fund, the Sinking Fund, the Rate Stabilization Fund, the Renewal and Replacement Fund, the General Reserve Fund and any other special funds and accounts herein established and created shall be continuously secured in the same manner as municipal deposits are required to be secured by the laws of the State of Florida.

The designation and establishment of the various funds, accounts and subaccounts in and by this Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an allocation of certain revenues and assets of the Electric System for certain purposes and to establish certain priorities for application of such revenues and assets as herein provided. Without limiting the generality of the foregoing, the pledges in favor of the Bonds established by this Resolution shall be limited to those items specified in the second paragraph of Section 11, and nothing contained in this Resolution shall be deemed to pledge in favor of the Holders of the Bonds amounts on deposit in the Rate Stabilization Fund, the Renewal and Replacement Fund or the General Reserve Fund.

Moneys on deposit in any fund or account established pursuant to this Resolution may be invested and reinvested in Authorized Investments, provided such investments either mature or are redeemable at not less than par at the option of the JEA not later than the dates on which such moneys will be needed for the purposes of such fund or account, but in no event shall any such investment mature later than 30 years from the date of its purchase. Unless otherwise determined by an authorized officer of the JEA, all income on investments in the Debt Service Account and each separate subaccount in the Debt Service Reserve Account in the Sinking Fund shall be deposited, as received, in the Debt Service Account, all income on investments in the Rate Stabilization Fund, the Renewal and Replacement Fund and the General Reserve Fund shall be deposited, as received, in the Revenue Fund and all income on investments in the Revenue Fund shall be retained therein.

Nothing contained herein shall prevent the 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 satisfying the requirements of the definition of Authorized Investments, 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 the JEA of legal title to, or a grant to the JEA of a prior perfected security interest in, identified securities, which are obligations satisfying the requirements of the definition of Authorized Investments, 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, the JEA, provided that such securities acquired or pledged pursuant to such lending agreements shall have a current market value (determined not less frequently than monthly) not less than 102% of the market value of the securities loaned by the JEA under such agreement. Any Authorized Investment credited to the Revenue Fund or the Sinking Fund that is loaned by the JEA under any such agreement shall be released from the lien of the pledge of this Resolution applicable thereto, but only if all rights of the JEA under the lending agreement (including, but not limited to, the monetary obligations to the JEA of the bank and/or government bond dealer party to such agreement) and any related collateral agreement and all rights of the JEA to the identified securities transferred or pledged to the JEA in connection therewith are substituted for the securities loaned, and such rights of the JEA are hereby declared to be subject to such lien of the pledge, if any, to the same extent that the loaned Authorized Investments formerly were subject.

C. OPERATION OF DEBT SERVICE ACCOUNT TO SATISFY AMORTIZATION INSTALLMENTS. Moneys held for the credit of the Debt Service Account in the Sinking Fund in respect of Amortization Installments shall be applied to the retirement of Term Bonds as follows:

(1) Subject to the provisions of paragraph (3) below, the JEA may endeavor to purchase Term Bonds then Outstanding, at the most advantageous price obtainable with reasonable diligence, such price not to exceed the principal of such Term Bonds and the redemption premium which would be applicable if the moneys applied to such purchase were otherwise applied to the redemption of Term Bonds under paragraphs (2) or (3) below. The JEA shall pay the interest accrued on such Term Bonds to the date of delivery thereof and the purchase price from the Debt Service Account, but no such purchase shall be made by the JEA within the period of forty (40) days immediately preceding any interest payment date on which such Term Bonds are subject to call for redemption of Term Bonds.

(2) Subject to the provisions of paragraph (3) below, the JEA may call for redemption on each interest payment date on which Term Bonds are subject to redemption from moneys in the Debt Service Account such amount of Term Bonds then subject to redemption as will exhaust the moneys then held in the Debt Service Account accumulated with respect to Amortization Installments as nearly as may be practicable.

(3) Moneys in the Debt Service Account accumulated with respect to Amortization Installments shall be applied by the JEA in each year to the retirement of Term Bonds then Outstanding in the following order:

(i) the Term Bonds of each series to the extent of the Amortization Installment, if any, for such year for the Term Bonds of each such series then Outstanding and, if the amount available in such year shall not be sufficient therefor, then in proportion to the Amortization Installment, if any, for such year

for the Term Bonds of each such series then Outstanding, provided, however, that if the Term Bonds of any series shall not then be subject to redemption from moneys in the Debt Service Account and if the JEA shall at any time be unable to exhaust the moneys applicable to the Term Bonds of such series under the provisions of this clause (i) in the purchase of such Term Bonds under the provisions of paragraph (1) above, such moneys or the balance of such moneys, as the case may be, shall be retained in the Debt Service Account and, as soon as it is feasible, applied to the retirement of Term Bonds of such series; and

(ii) any balance then remaining other than moneys retained under clause (i) of this paragraph, shall be applied to the retirement of such Bonds as the JEA in its sole discretion shall determine, but only, in the case of the redemption of Bonds of any series, in such amounts and on such terms as may be provided in the resolution authorizing the issuance of the Bonds of such series.

The JEA shall pay from the Revenue Fund (or, at the option of an authorized officer of the JEA, the General Reserve Fund) all expenses in connection with any such purchase or redemption).

If at any time Bonds of any series and maturity for which Amortization Installments shall have been established are (i) purchased or redeemed other than pursuant to the foregoing provisions of this subsection C or (ii) defeased pursuant to Section 17 hereof and, with respect to such Bonds which have been defeased, the JEA has made irrevocable arrangements for the redemption or purchase of the same on or prior to the due date of the Amortization Installment to be credited under this paragraph, the JEA may from time to time and at any time determine the portions, if any, of such Bonds so purchased, redeemed or defeased and not previously applied as a credit against any Amortization Installment which are to be credited against future Amortization Installments. Such determination shall include the amounts of such Bonds to be applied as a credit against such Amortization Installment or Installments and the particular Amortization 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 an Amortization Installment to become due less than forty (40) days after such determination is made. All such Bonds to be applied as a credit shall be surrendered to the Registrar for cancellation on or prior to the due date of the Amortization Installment against which they are being applied as a credit. The portion of any such Amortization Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Amortization Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Amortization Installment for the purpose of calculation of Amortization Installments due on a future date.

D. *RATE COVENANT.* The JEA covenants to fix, establish, revise from time to time whenever necessary, maintain and collect always such fees, rates, rentals and other charges for the use or the sale of the products, services and facilities of the Electric System which will always provide Revenues in each Fiscal Year sufficient to pay (1) 100% of all Costs of Operation and Maintenance, including Contract Debts, of the Electric System in such Fiscal Year, (2) 120% of the Debt Service Requirement on all Bonds Outstanding during such Fiscal Year and (3) any additional amount required to make all reserve or other payments required to be made in such Fiscal Year by this Resolution. For purposes of this subsection D, Revenues shall

not include any proceeds from the sale of assets of the Electric System or any proceeds of insurance (other than business interruption insurance). Such rates, fees, rentals or other charges shall not be reduced so as to be insufficient to provide adequate revenues for such purposes.

E. **BOOKS AND RECORDS.** The JEA shall also keep books and records of the Revenues of the Electric System and the Holders of the Bonds shall have the right at all times to inspect all records, accounts and data of the JEA relating thereto.

F. **ANNUAL AUDIT.** The JEA also, at least once a year, within 120 days after the close of its Fiscal Year, shall cause the books, records and accounts relating to the Electric System to be audited by a nationally recognized independent firm of certified public accountants and shall make generally available the report of such accountants to any Holder or Holders of Bonds. Such audits shall contain a complete report of the operation of the Electric System, and a certificate by such accountants setting forth any default on the part of the JEA of any covenant herein. A copy of such annual audit shall regularly be furnished to the Holder or Holders of any Bonds who shall have requested in writing that a copy of such reports be furnished to him or them.

G. **SALE OR MORTGAGE OF THE ELECTRIC SYSTEM.** The JEA will not sell all or substantially all of the physical properties of the Electric System, nor will it create or cause to be created any mortgage or other lien on such properties to secure the repayment of borrowed money or the payment of the deferred purchase price of property. For purposes of this subsection G, “substantially all of the physical properties of the Electric System” shall be deemed to mean physical properties of the Electric System having an aggregate depreciated cost of not less than 90% of the total depreciated cost of all of the physical properties of the Electric System at the time.

H. **NO FREE SERVICE.** The JEA will not furnish or supply or cause to be furnished or supplied any use, output, capacity or service of the Electric 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. Whenever the City, including its departments, agencies and instrumentalities, shall avail itself of the product, facilities or services provided by the Electric 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 the JEA for deposit into the Revenue Fund sufficient sums to pay such charges. The revenues so received shall be deemed to be Revenues derived from the operation of the Electric System, and shall be deposited and accounted for in the same manner as other Revenues derived from such operation of the Electric System.

I. **CORPORATE REORGANIZATION.** The JEA shall have and hereby reserves the right to effect a reorganization of its corporate structure in any manner whatsoever permitted pursuant to the laws of the State of Florida; provided, however, that no such reorganization may be undertaken if the result thereof would adversely affect the security for the Bonds provided in this Resolution.

J. **REMEDIES.** 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 (including Amortization Installments) 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;

(ii) if default shall be made in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable and such default shall continue for a period of 30 days;

(iii) if default shall be made by the JEA in the performance or observance of any other of the covenants or agreements in this Resolution or in the Bonds contained, and such default shall continue for a period of 60 days after written notice thereof to the 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 the JEA or the filing by the JEA of a voluntary petition in bankruptcy, or adjudication of the JEA as a bankrupt, or assignment by the JEA for the benefit of its creditors, or the entry by the JEA into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the 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; or

(v) if an order or decree shall be entered, with the consent or acquiescence of the JEA, appointing a receiver or receivers of the Electric 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 the JEA, shall not be vacated or discharged or stayed within 90 days after the entry thereof;

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 the 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 this Resolution or in any of the Bonds notwithstanding. The right of the Holders of not less than 25% in principal amount of the Bonds to make any 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 the JEA under this Resolution (other than the payment of principal and interest due and payable solely by reason 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 this 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 the 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.

K. *ISSUANCE OF OTHER OBLIGATIONS.* Except for Contract Debts and obligations, if any, referred to in Section 16 hereof, payable as a Cost of Operation and Maintenance, the JEA will not issue any other obligations payable from the Revenues of the Electric System, nor voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien of the Bonds issued pursuant to this Resolution and the interest thereon, upon said Revenues except under the conditions and in the manner provided herein. Any obligations issued by the JEA other than Contract Debts and obligations, if any, referred to in Section 16 hereof, payable as a Cost of Operation and Maintenance, the Bonds herein authorized, and Additional Parity Obligations provided for in subsection L below, payable from such Revenues, shall contain an express statement that such obligations are junior and subordinate in all respects to the Bonds herein authorized, as to lien on and source and security for payment from such Revenues. Without limiting the generality of the foregoing, Subordinated Bonds may be issued for any purpose of the JEA relating to the Electric System including, without limitation, to refund Bonds and to finance any lawful purpose of the JEA relating to the Electric System (including, without limitation, financing the costs of additions, extensions and improvements to the generating facilities of the Electric System and purposes incidental thereto).

L. *ISSUANCE OF ADDITIONAL PARITY OBLIGATIONS.* As long as any of the Bonds shall remain Outstanding, no Additional Parity Obligations shall be issued except to finance any lawful purpose of the JEA relating to the Electric System (other than for the purpose of financing or refinancing the generating facilities of the Electric System) or to refund any of the Bonds and/or the interest payable thereon issued for any such purpose, and except in the manner herein provided and upon satisfaction of the following conditions on or prior to the date of the issuance of the first Bonds of a particular series and/or installment:

(1) The Net Revenues for any twelve (12) consecutive month period within the twenty-four (24) consecutive months immediately preceding the date of sale of such Additional Parity Obligations shall have been at least equal to 1.20 times the Maximum Aggregate Adjusted Debt Service Requirement for all Bonds then Outstanding and such Additional Parity Obligations.

(2) The Net Revenues for such twelve (12) month period may be adjusted for the purposes of the calculation required by paragraph (1) of this subsection (a) to reflect for such period revisions in the rates, fees, rentals and other charges of the JEA for the product and services of the Electric System made after the commencement of such period and preceding the date of sale of such Additional Parity Obligations; (b) to reflect any increase in Net Revenues due to any new facilities of the Electric System having been placed into use and operation subsequent to the commencement of such period and prior to the date of sale of such Additional Parity 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 completion thereof estimated to be made by the facilities to be acquired and constructed with the proceeds of such Additional Parity Obligations.

(3) Notwithstanding the foregoing, with respect to each series of Additional Parity Obligations which may be proposed to be issued for the purpose of refunding any Bonds and/or interest payable thereon, the condition set forth in clause (1) of this subsection need not be satisfied.

(4) Except in the case of any series of refunding Additional Parity Obligations, the JEA shall not be in default in performing any of the covenants and obligations assumed hereunder, and all payments herein required to have been made into the funds and accounts, as provided hereunder, shall have been made to the full extent required.

For purposes of this subsection L, Net Revenues shall not include any proceeds from the sale of assets of the Electric System or any proceeds of insurance (other than business interruption insurance).

Notwithstanding anything to the contrary contained in this Resolution, in the event that any Bonds that bear interest at a variable or floating rate contain provisions that allow the principal amount thereof to be repaid on an accelerated basis in the event that such Bonds are purchased by the Credit Enhancer therefor or the provider of liquidity support therefor and, in either such case, are not remarketed, for purposes of the condition contained in clause (1) of this subsection L, such accelerated repayment shall not be taken into account, and compliance with such condition shall be determined based upon the scheduled due date(s) of principal of such Bonds, irrespective of any such accelerated repayment.

M. *ISSUANCE OF BANK BONDS.* One or more series of Bank Bonds may be issued prior to or concurrently with the issuance of the Bonds of an installment for which Credit Enhancement or liquidity support is being provided with respect to such Bonds (or a maturity or maturities) by a third-party. Such Bank Bonds shall be issued for the purpose of evidencing the JEA's obligation to repay any advances or loans made to, or on behalf of, the JEA in connection with such Credit Enhancement or liquidity support; provided, however, that the stated maximum principal amount of any such series of Bank Bonds shall not exceed the aggregate principal amount of the Bonds with respect to which such Credit Enhancement or liquidity support is being provided, and such number of days' interest thereon as the 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. Notwithstanding anything to the contrary contained in this Resolution, such Bank Bonds need not be taken into account for purposes of determining compliance with the provisions of clause (1) of subsection L of this Section 13.

Section 14. Sale of Bonds. The Bonds shall be issued and sold in series from time to time (and may be issued and sold in installments within each series from time to time), at such price or prices consistent with the provisions of the Act and the requirements of this Resolution as the JEA shall hereafter determine by resolution.

Section 15. Modification or Amendment. No material modification or amendment of this Resolution or of any resolution amendatory hereof or supplemental hereto, may be made without the consent in writing of the Holders of not less than a majority in principal amount of the Bonds then Outstanding affected by such modification or amendment; provided, however, that no modification or amendment shall permit a change in the maturity of such Bonds or a reduction in the rate of interest thereon, or in the amount of the principal

obligation or affecting the unconditional promise of the JEA to pay the principal of and interest on the Bonds as the same shall come due from the Net Revenues of the Electric System or reduce the percentage or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any material modification or amendment hereof without the consent in writing of the Holder or Holders of all such Bonds. For the purpose of this Section, any Bond shall be deemed to be affected by a modification or amendment of this Resolution if the same adversely affects or diminishes the rights of the Holder of such Bond. The JEA may in its discretion determine whether or not in accordance with the foregoing powers of amendment any Bonds would be affected by any modification or amendment of this Resolution and any such determination shall, absent manifest error, be binding and conclusive on the 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.

Section 16. Creation of Separate Bulk Power Utilities or Systems.

Notwithstanding any other provisions of this Resolution to the contrary, the JEA shall be authorized to construct or acquire and own and/or operate, either individually or acting jointly with any other Person located either within or without the State of Florida, other electric generating utilities or systems for the purpose of furnishing and supplying electric energy.

The JEA shall be further authorized to issue its bonds, notes or other obligations to finance the cost of any such separate electric generating utility or system, which obligations shall be payable as provided in clause (4) of subsection B of Section 13 hereof (except that the obligation of the JEA to make payments required to be made in respect of the St. Johns River Power Park System and the Bulk Power Supply System Projects shall be deemed Contract Debts, and shall be paid as a Cost of Operation and Maintenance of the Electric System).

None of the revenues derived by the JEA from the operation of any such separate system shall be deemed to be Revenues of the Electric System under this Resolution.

Section 17. Defeasance. If at any time the JEA shall have paid or shall have made provision for payment of the principal, interest and redemption premiums, if any, with respect to any of the Bonds, then the pledge of and lien on the Net Revenues and other amounts pledged hereunder in favor of the Holders of such Bonds shall be no longer in effect, and such Bonds shall no longer be deemed to be Outstanding under this Resolution. For purposes of the preceding sentence, and unless otherwise provided with respect to the Bonds of a particular series in the supplemental resolution specifying the details of such Bonds, deposit by the JEA of any of the following securities:

(i) 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;

(ii) 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 for redemption prior to maturity, or which have been duly called for redemption by the obligor on a date or dates specified and as to which irrevocable instructions have been given to a trustee in respect of such 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 bonds or other obligations of the character described in clause (i) above 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 dates or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate, and (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) above 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 clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate;

(iii) certificates that evidence ownership of the right to payments of principal and/or interest on obligations described in any of clauses (i), (ii) or (v) of this section, provided that such obligations shall be held in trust by a bank or trust company or a national banking association authorized to exercise corporate trust powers and subject to supervision or examination by federal, state, territorial or District of Columbia authority and having a combined capital, surplus and undivided profits of not less than \$50,000,000;

(iv) certificates of deposit, whether negotiable or nonnegotiable, fully secured as to principal and interest by bonds or other obligations of the character described in clause (i) above;

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

(vi) Investment Agreements;

in irrevocable trust with a banking institution or trust company, for the sole benefit of the Holders of such Bonds, in respect of which such securities the principal and interest received will be sufficient to make timely payment of the principal of and interest and redemption premiums, if any, on such Bonds (or like deposit of any other securities or investments which may be authorized by law from time to time and sufficient under such law to effect such a defeasance) shall be considered provision for payment. Nothing herein shall be deemed to require the JEA to call any Outstanding Bonds for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the JEA in determining whether to exercise any such option for early redemption.

Section 18. Action by Credit Enhancer When Action by Holders of 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 such Credit Enhancement for the Bonds for which such Credit Enhancement is provided, the Credit Enhancer for, and not the actual Holders of, such Bonds for which such Credit Enhancement is being provided, shall be deemed to be the Holder of such Bonds as to which it is the Credit Enhancer at all times for the purpose of (i) giving any approval or consent to any amendment, change or modification of this Resolution as specified in Section 15 which requires the written consent of Holders; provided, however, that the provisions of this Section shall not apply to any change in the maturity of such Bonds or a reduction in the rate of interest thereon, or in the amount of the principal obligation or affecting the unconditional promise of the JEA to pay the principal of and interest on the Bonds as the same shall come due from the Net Revenues of the Electric System or reduce the percentage or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any material modification or amendment hereof and (ii) giving any approval or consent, exercising any remedies or taking any other action in accordance with the provisions of subsection J of Section 13 hereof.

Section 19. Severability. If any one or more of the covenants, agreements or provisions of this Resolution should be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separate from the remaining covenants, agreements or provisions of this Resolution or of the Bonds issued hereunder.

Section 20. Repeal of Inconsistent Resolutions. All resolutions heretofore adopted by the JEA or parts thereof in conflict herewith are hereby repealed to the extent of such conflict.