
JEA

**Water and Sewer System
Subordinated Revenue Bonds**

**WATER AND SEWER SYSTEM
SUBORDINATED REVENUE BOND RESOLUTION**

**[Water and Sewer System Subordinated Bond Resolution
adopted on May 15, 2003,
as amended through April 20, 2013]**

**WATER AND SEWER SYSTEM
SUBORDINATED REVENUE BOND RESOLUTION**

WHEREAS, on February 18, 1997, JEA (formerly known as the Jacksonville Electric Authority) adopted a resolution (as heretofore amended, restated and supplemented, and as more particularly defined in Section 1.02 hereof, the “Resolution”) for the purpose of authorizing the issuance of Bonds (such term, and all other capitalized terms used in these recitals without definition, having the respective meanings ascribed thereto in the Resolution) in order to finance and refinance Costs of the System; and

WHEREAS, the Resolution also permits the issuance of Subordinated Indebtedness pursuant to one or more Supplemental Resolutions, subject to the terms and conditions contained therein; and

WHEREAS, it is hereby determined that it is in the best interests of JEA that Subordinated Indebtedness in the form of the Subordinated Bonds (as such term is defined in Section 1.02 hereof) authorized hereby be authorized to be issued to finance and refinance Costs of the System; and

WHEREAS, JEA has heretofore issued and incurred certain Subordinated Indebtedness (as more particularly defined in Section 1.02 hereof, the “Existing Parity Subordinated Indebtedness”) and has reserved the right to issue or incur additional Subordinated Indebtedness on a parity therewith as to payment from such amounts in the Subordinated Indebtedness Fund established pursuant to the Resolution as may from time to time be available for the purpose of payment thereof, and it is hereby determined that the Subordinated Bonds shall be on a parity with such Existing Subordinated Indebtedness as to payment from such amounts in the Subordinated Indebtedness Fund as may from time to time be available for the purpose of payment thereof; and

WHEREAS, it is hereby determined that it is in the best interest of JEA to permit certain additional Subordinated Indebtedness (as more particularly defined in Section 1.02 hereof, the “Additional Parity Subordinated Indebtedness”) to be issued or incurred in the future on a parity with the Existing Parity Subordinated Indebtedness and the Subordinated Bonds as to payment from such amounts in the Subordinated Indebtedness Fund as may from time to time be available for the purpose of payment thereof in the manner provided herein.

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

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

SECTION 1.01. Supplemental Resolution. This Water and Sewer System Subordinated Revenue Bond Resolution is supplemental to the Resolution.

SECTION 1.02. Definitions. 1. The following terms shall, for all purposes of this resolution, have the following meanings:

Accreted Value:

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

Additional Parity Subordinated Indebtedness:

The term “Additional Parity Subordinated Indebtedness” shall mean any obligation incurred by JEA subsequent to the date of adoption of the Subordinated Resolution in respect of amounts payable by JEA in repayment of draws under any surety bond, insurance policy, letter of credit or other similar obligation that is deposited, in lieu of a cash deposit thereto, to any subaccount in the Debt Service Reserve Account in the Debt Service Fund established pursuant to the Resolution, and all expenses with respect thereto and interest thereon, and that is designated as such by an Authorized Officer of JEA in a certificate filed with the records of JEA on the date of the deposit of such surety bond, insurance policy, letter of credit or other similar obligation to such subaccount.

Adjusted Aggregate Debt Service:

The term “Adjusted Aggregate Debt Service” shall have the meaning assigned to such term in the Resolution, except that prior to the effectiveness of the amendment of the definition of the term “Debt Service” contained in the Resolution provided for in the May 2003 Senior Amending Resolution, (i) except as otherwise provided in clause (ii) below, any Variable Rate Bonds Outstanding during the period with respect to which Adjusted Aggregate Debt Service is being calculated shall be assumed to bear interest during such period at the Stipulated Interest Rate applicable thereto and (ii) notwithstanding anything to the contrary contained herein or in the Resolution, (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 it will be assumed that such Bonds bear interest at a rate equal to the sum of (1) the lesser of (A) the average of the variable rate payable by JEA pursuant to such Designated Swap Obligation for the five (5) years preceding the date of determination, calculating such rate based

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

Adjusted Aggregate Subordinated Debt Service:

The term “Adjusted Aggregate Subordinated Debt Service” for any period shall mean, as of any date of calculation, the Aggregate Subordinated Debt Service for such period except that (a) if any Refundable Subordinated Principal Installment for any Series of Subordinated Bonds is included in Aggregate Subordinated Debt Service for such period, Adjusted Aggregate Subordinated Debt Service shall mean Aggregate Subordinated Debt Service determined (i) in the case of Refundable Subordinated Principal Installments with respect to Subordinated Bonds other than Commercial Paper Notes and Medium-Term Notes, as if each such Refundable Subordinated Principal Installment had been payable, over a period extending from the due date of such Subordinated Principal Installment through the earlier of (x) the 40th anniversary of the issuance of such Series of Subordinated Bonds or (y) the 30th anniversary of the due date of such Refundable Subordinated Principal Installment, in installments which would have required equal annual payments of principal and interest over such period and (ii) in the case of Refundable Subordinated Principal Installments with respect to 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 and (b) the principal and interest portions of the Accreted Value of Capital Appreciation Subordinated Bonds or the Appreciated Value of Deferred Income Subordinated Bonds shall be included in the calculation of Adjusted Aggregate Subordinated Debt Service at the times and in the manner provided in subsection 1 of Section 2.07 hereof. Interest deemed payable in any Fiscal Year after the actual due date of any Refundable Subordinated Principal Installment of any Series of Subordinated Bonds shall be calculated at such rate of interest as JEA, or a banking or financial institution or financial advisory firm selected by JEA, determines would be a reasonable estimate of the rate of interest that would be borne on Subordinated Bonds maturing at the times determined in accordance with the provisions of clause (a) of the preceding sentence, determined as of such date of calculation.

Aggregate Subordinated Debt Service:

The term “Aggregate Subordinated Debt Service”, for any period shall mean, as of any date of calculation, the sum of the amounts of Subordinated Debt Service for such period with respect to all Series; *provided, however*, that (a) for purposes of estimating Aggregate Subordinated Debt Service for any future period (i) any Variable Rate Subordinated Bonds,

Commercial Paper Notes and Medium-Term Notes Outstanding during such period shall be assumed to bear interest during such period at the Stipulated Interest Rate applicable thereto, determined as of such date of calculation and (ii) any Option Subordinated Bonds Outstanding during such period shall be assumed to mature on the stated maturity date thereof and (b) the principal and interest portions of the Accreted Value of Capital Appreciation Subordinated Bonds or the Appreciated Value of Deferred Income Subordinated Bonds shall be included in the calculation of Aggregate Subordinated Debt Service at the times and in the manner provided in subsection 1 of Section 2.07 hereof.

Alternate Variable Rate Taxable Index:

The term “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:

The term “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.

Appreciated Value:

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

April 2010 Amending Resolution:

The term “April 2010 Amending Resolution” shall mean JEA’s Resolution no. 2010-8 adopted April 20, 2010.

Authenticating Agent:

The term “Authenticating Agent” shall mean an officer of JEA, a transfer agent duly registered pursuant to the Securities Exchange Act of 1934, as amended (or successor provision of law), or a bank or trust company or national banking association at the time appointed by a Subordinated Bond Registrar as its agent to authenticate Commercial Paper Notes or Medium-Term Notes.

Average Annual Adjusted Aggregate Debt Service:

The term “Average Annual Adjusted Aggregate Debt Service” shall mean, as of any date of calculation, the arithmetic average of the Adjusted Aggregate Debt Service for the then current and each future Bond Year.

Average Annual Adjusted Aggregate Subordinated Debt Service:

The term “Average Annual Adjusted Aggregate Subordinated Debt Service” shall mean, as of any date of calculation, the arithmetic average of the Adjusted Aggregate Subordinated Debt Service for the then current and each future Bond Year.

Bearer Commercial Paper Note:

The term “Bearer Commercial Paper Note” shall mean any Commercial Paper Note that, in accordance with the Supplemental Subordinated Resolution authorizing the Series of which such Commercial Paper Note is a part, is issued in bearer form, not registrable as to principal or face amount.

BMA Municipal Swap Index:

The term “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.

Book Entry Subordinated Bond:

The term “Book Entry Subordinated Bond” shall mean a Subordinated Bond authorized to be issued to, and issued to and, except as provided in subsection 4 of Section 3.09, restricted to being registered in the name of, a Securities Depository for the participants in such Securities Depository or the beneficial owners of such Subordinated Bond.

Build America Bonds:

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

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

Capital Appreciation Subordinated Bonds:

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

Code:

The term “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:

The term “Commercial Paper Note” shall mean any Subordinated 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 Supplemental Subordinated Resolution authorizing such Subordinated Bond.

Commercial Paper Payment Plan:

The term “Commercial Paper Payment Plan” shall mean, with respect to any Series of Commercial Paper Notes and as of any time, the then current Commercial Paper Payment Plan for such Notes contained in a certificate of an Authorized Officer of JEA delivered pursuant to clause (4) of Section 2.02 hereof and setting forth the sources of funds expected to be utilized by JEA to pay the 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) Subordinated Bonds other than Commercial Paper Notes or Medium-Term Notes or (b) Bonds, in either such case, that JEA intends to pay from Revenues, the principal of such Commercial Paper Notes 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 earlier of (x) the 40th anniversary of the first issuance of Commercial Paper Notes of such Series or (y) the 30th 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 Notes in each Fiscal Year in such period will be equal to the principal and interest payable on such Commercial Paper Notes in each other Fiscal Year in such period.

Credit Enhancement:

The term “Credit Enhancement” shall mean, with respect to the Bonds of a Series, a maturity within a Series or an interest rate within a maturity or the Subordinated Bonds of a Series, a maturity within a Series or an interest rate within a maturity, the issuance of an insurance policy, letter of credit, surety bond or any other similar obligation, whereby the issuer thereof becomes unconditionally obligated to pay when due, to the extent not paid by JEA or otherwise, the principal of and interest on such Bonds or Subordinated Bonds, as the case may be.

Credit Enhancer:

The term “Credit Enhancer” shall mean any person or entity which, pursuant to a Supplemental Subordinated Resolution, is designated as a Credit Enhancer and which provides Credit Enhancement for the Bonds of a Series, a maturity within a Series or an interest rate within a maturity or the Subordinated Bonds of a Series, a maturity within a Series or an interest rate within a maturity.

Current Interest Commencement Date:

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

Defaulted Subordinated Interest:

The term “Defaulted Subordinated Interest” shall have the meaning given to such term in Section 3.08.

Defeasance Securities:

The term “Defeasance Securities” shall have the meaning given to such term in the Resolution except that (a) the references therein to “Bonds of a Series” and “the Supplemental Resolution authorizing such Bonds” shall be deemed to refer to “Subordinated Bonds of a Series” and “the Supplemental Subordinated Resolution authorizing such Subordinated Bonds”, respectively and (b) the reference in clause (g) thereof to subsection 6 of Section 1201 of the Resolution shall be deemed to refer to subsection 6 of Section 12.01 of the Subordinated Resolution.

Deferred Income Subordinated Bonds:

The term “Deferred Income Subordinated Bonds” shall mean any Subordinated Bonds issued under the Subordinated Resolution as to which interest accruing prior to the Current Interest Commencement Date is (i) compounded periodically on dates specified in the

Supplemental Subordinated Resolution authorizing such Deferred Income Subordinated Bonds and (ii) payable only at the maturity, earlier redemption or other payment thereof pursuant to the Subordinated Resolution or the Supplemental Subordinated Resolution authorizing such Deferred Income Subordinated Bonds.

Designated Swap Obligation:

The term “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 or Subordinated 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 or Subordinated Bonds, as the case may be) 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 or Subordinated Bonds, as applicable, with respect to which such Designated Swap Obligation is entered into).

Designated Swap Obligation Provider:

The term “Designated Swap Obligation Provider” shall mean any person with whom JEA enters into a Designated Swap Obligation.

Escrow Agent:

The term “Escrow Agent” shall mean, with respect to the refunding or defeasance of any particular Bond or Bonds or Subordinated Bond or Bonds at any one time as a result of the issuance of Subordinated Bonds, the entity with which moneys or investments shall be deposited in trust for the Holders of such Bond or Bonds or Subordinated Bond or Bonds to be refunded or defeased, and who shall agree, through an appropriate agreement with JEA, to perform the duties of Escrow Agent with respect to such Bond or Bonds or Subordinated Bond or Bonds as provided in the Resolution or the Subordinated Resolution, as the case may be.

Event of Default:

The term “Event of Default”, when used with respect to the Subordinated Bonds, shall mean any event specified as such in Section 801 of the Resolution and any other event specified as such in Section 8.01 hereof.

Existing Parity Subordinated Indebtedness:

The term “Existing Parity Subordinated Indebtedness” shall mean (i) JEA’s Water and Sewer System Subordinated Revenue Bonds, First Crossover Series (the “First Crossover Series Bonds”), which were issued pursuant to a resolution, supplemental to the Resolution, adopted by JEA on February 26, 2001 entitled “Water and Sewer System Subordinated Revenue Bond Resolution No. 1” (the “Subordinated Resolution No. 1”), but only to the extent that the amounts on deposit in the Special Escrow Fund established pursuant to the Subordinated Resolution No. 1 shall not be sufficient to pay, when due, the principal or redemption price of, or interest on, the First Crossover Series Bonds, (ii) the Reimbursement Obligations of JEA under (and as defined in) the Debt Service Reserve Fund Policy Agreement, dated as of January 4,

2001, between JEA and Financial Guaranty Insurance Company (“FGIC”), (iii) the Reimbursement Obligations of JEA under (and as defined in) the Debt Service Reserve Fund Policy Agreement, dated as of April 11, 2002, between JEA and FGIC and (iv) the Reimbursement Obligations of JEA under (and as defined in) the Debt Service Reserve Fund Policy Agreement, dated as of October 24, 2002, between JEA and FGIC.

Holder:

The term “Holder”, when used with respect to Bonds, shall have the meaning given to such term in the Resolution and, when used with respect to Subordinated Bonds, shall mean (i) any person who shall be the registered owner of any Subordinated Bond or Subordinated Bonds other than Bearer Commercial Paper Notes and (ii) any person who shall be the bearer of any Bearer Commercial Paper Note or Notes.

May 2003 Senior Amending Resolution:

The term “May 2003 Senior Amending Resolution” shall mean the resolution of JEA entitled “Fifteenth Supplemental Water and Sewer System Revenue Bond Resolution,” adopted by JEA on the date of adoption of this Subordinated Resolution for the purpose of making certain amendments to the Resolution.

Medium-Term Note:

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

Medium-Term Note Payment Plan:

The term “Medium-Term Note Payment Plan” shall mean, with respect to any Series 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 JEA delivered pursuant to clause (5) of Section 2.02 hereof and setting forth the sources of funds expected to be utilized by JEA to pay the 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) Subordinated Bonds other than Commercial Paper Notes or Medium-Term Notes or (b) Bonds, in either such case, that JEA intends to pay from Revenues, the principal of such Medium-Term Notes 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 earlier of (x) the 40th anniversary of the first issuance of Medium-Term Notes of such Series or (y) the 30th 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 Notes in each Fiscal Year in such period will be equal to the principal and interest payable on such Medium-Term Notes in each other Fiscal Year in such period.

One-Month LIBOR Rate:

The term “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.

Option Subordinated Bonds:

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

Outstanding:

The term “Outstanding”, when used with respect to Bonds, shall have the meaning given to such term in the Resolution and, when used with respect to Subordinated Bonds, shall mean, as of any particular time, all Subordinated Bonds theretofore or thereupon being authenticated and delivered under the Subordinated Resolution except:

(a) Subordinated Bonds theretofore cancelled (or, in the case of Book Entry Subordinated Bonds, to the extent provided in subsection 6 of Section 3.09, portions thereof deemed to have been cancelled) by the Subordinated Bond Registrar therefor at or prior to such date;

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

(c) Subordinated Bonds in lieu of or in substitution for which other Subordinated Bonds shall have been authenticated and delivered pursuant to Article III or Section 4.05 or Section 11.05 hereof unless proof satisfactory to JEA is presented that any such Subordinated Bonds are held by a bona fide purchaser in due course; and

(d) Subordinated Bonds (or, in the case of Book Entry Subordinated Bonds, to the extent provided in subsection 8 of Section 3.09, portions thereof) deemed to have been paid as provided in subsection 2 of Section 12.01 hereof or in the Supplemental Subordinated Resolution authorizing the Series of which such Subordinated Bonds are a part.

Redemption Price:

The term “Redemption Price”, when used with respect to any Bond, shall have the meaning given to such term in the Resolution and, when used with respect to any Subordinated Bond, shall mean the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to such Subordinated Bond or the Supplemental Subordinated Resolution authorizing such Subordinated Bond.

Refundable Subordinated Principal Installment:

The term “Refundable Subordinated Principal Installment” shall mean any Subordinated Principal Installment for any Series of Subordinated Bonds which JEA intends to pay with moneys which are not Revenues; *provided, however*, that (i) in the case of Subordinated Bonds other than Commercial Paper Notes or Medium-Term Notes, such intent shall have been expressed in the Supplemental Subordinated Resolution authorizing such Series of Subordinated 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 such Subordinated Principal Installment shall be a Refundable Subordinated Principal Installment only through the penultimate day of the month preceding the month in which such Principal Installment comes due or such earlier time as JEA no longer intends to pay such Subordinated Principal Installment with moneys which are not Revenues.

Refunding Subordinated Bonds:

The term “Refunding Subordinated Bonds” shall mean Subordinated Bonds authenticated and delivered pursuant to Section 2.04, whether issued in one or more Series, and all Subordinated Bonds thereafter authenticated and delivered in lieu of or in substitution for such Subordinated Bonds pursuant to Article III or Section 4.05 or Section 11.05 hereof and the Supplemental Subordinated Resolution authorizing such Refunding Subordinated Bonds.

Regular Record Date:

The term “Regular Record Date”, when used with respect to the Subordinated Bonds, shall have the meaning given to such term in Section 3.08.

Resolution:

The term “Resolution” shall mean the resolution adopted by JEA on February 18, 1997 and referred to therein as the “Water and Sewer System Revenue Bond Resolution,” as the same has been or may hereafter be amended, restated and supplemented by Supplemental Resolutions (including the Subordinated Resolution) in accordance with the provisions thereof.

Securities Depository:

The term “Securities Depository” shall mean, with respect to a Book Entry Subordinated Bond, the person, firm, association or corporation specified in the Supplemental Subordinated Resolution authorizing the Subordinated Bonds of the Series of which such Book

Entry Subordinated Bond is a part to serve as the securities depository for such Book Entry Subordinated Bond, or its nominee, and its successor or successors and any other person, firm, association or corporation which may at any time be substituted in its place pursuant to the Subordinated Resolution or such Supplemental Subordinated Resolution.

Series:

The term “Series”, when used with respect to the Bonds, shall have the meaning given to such term in the Resolution and, when used with respect to the Subordinated Bonds, shall mean all of the Subordinated Bonds identified pursuant to the Supplemental Subordinated Resolution authorizing such Subordinated Bonds as a separate Series of Subordinated Bonds, or any Subordinated Bonds thereafter authenticated and delivered in lieu of or in substitution for such Subordinated Bonds pursuant to Article III or Section 4.05 or Section 11.05 hereof and the Supplemental Subordinated Resolution authorizing such Subordinated Bonds, regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions.

Sinking Fund Installment:

The term “Sinking Fund Installment”, when used with respect to the Subordinated Bonds, shall mean an amount so designated which is required by the Supplemental Subordinated Resolution authorizing the Subordinated Bonds of a Series to be paid into the Subordinated Indebtedness Fund by a specified date for application (on or prior to the due date of such Sinking Fund Installment and pursuant to subsection 3 of Section 5.02) to the retirement by purchase, redemption or payment at maturity of a portion of the Subordinated Bonds of a particular maturity or an interest rate within a maturity of such Series equal in principal amount to such Sinking Fund Installment.

Special Record Date:

The term “Special Record Date”, when used with respect to the Subordinated Bonds, shall have the meaning given to such term in Section 3.08.

Stipulated Interest Rate:

The term “Stipulated Interest Rate” shall mean, as of any date of determination:

(i) with respect to (A) any Commercial Paper Notes or Medium-Term Notes, (B) any Variable Rate Subordinated Bonds maturing on a particular date or (C) prior to the effectiveness of the amendment of the definition of the term “Certified Interest Rate” contained in the Resolution provided for in the May 2003 Senior Amending Resolution, 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 a Counsel’s Opinion to the effect that the interest thereon is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, a rate of interest equal to the lesser of (1) the average of the Variable Rate Tax-Exempt Index for the five (5) years preceding such date of determination and (2) the average rate of interest borne by such Commercial Paper Notes, Medium-Term Notes, Variable Rate Subordinated Bonds 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, Variable Rate Subordinated Bonds 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) and

(ii) with respect to (A) any Commercial Paper Notes or Medium-Term Notes, (B) any Variable Rate Subordinated Bonds maturing on a particular date or (C) prior to the effectiveness of the amendment of the definition of the term “Certified Interest Rate” contained in the Resolution provided for in the May 2003 Senior Amending Resolution, 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 a Counsel’s Opinion to the effect that the interest thereon is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, a rate of interest equal to the lesser of (a) the average of the Variable Rate Taxable Index for the five (5) years preceding such date of determination and (b) the average rate of interest borne by such Commercial Paper Notes, Medium-Term Notes, Variable Rate Subordinated Bonds 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, Variable Rate Subordinated Bonds 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).

Subordinated Bond Construction Fund:

The term “Subordinated Bond Construction Fund” shall mean the fund by that name established pursuant to Section 5.03 hereof.

Subordinated Bond Fiduciary or Fiduciaries:

The term “Subordinated Bond Fiduciary” or “Subordinated Bond Fiduciaries” shall mean the Subordinated Bond Registrar(s), the Subordinated Bond Paying Agents, any Escrow Agent in respect of the refunding of Bonds or Subordinated Bonds and any Authenticating Agent, or any or all of them, as may be appropriate.

Subordinated Bond Paying Agent:

The term “Subordinated Bond Paying Agent” shall mean the officer of JEA, such transfer agent duly registered pursuant to the Securities Exchange Act of 1934, as amended (or successor provision of law), or such bank or trust company organized under the laws of the United States of America or of any state of the United States of America or national banking association, located within or without the State of Florida, appointed by JEA to act in such capacity hereunder.

Subordinated Bond Rate Stabilization Fund:

The term “Subordinated Bond Rate Stabilization Fund” shall mean the fund by that name established pursuant to Section 5.03 hereof.

Subordinated Bond Registrar:

The term “Subordinated Bond Registrar” shall mean the officer of JEA, such transfer agent duly registered pursuant to the Securities Exchange Act of 1934, as amended (or successor provision of law), or such bank or trust company organized under the laws of the United States of America or of any state of the United States of America or national banking association, located within or without the State of Florida, appointed by JEA to perform the duties of Subordinated Bond Registrar enumerated in Section 7.03 with respect to one or more Series of Subordinated Bonds.

Subordinated Bonds:

The term “Subordinated 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 the Subordinated Resolution, which shall constitute “Subordinated Indebtedness”, and shall not constitute “Bonds”, for purposes of the Resolution.

Subordinated Debt Service:

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

Installment on the due date thereof, (y) the principal amount of Option Bonds tendered for payment before the stated maturity thereof, and paid, or to be paid, from Revenues, shall be deemed to accrue on the date required to be paid pursuant to such tender and (z) the principal and interest portions of the Accreted Value of Capital Appreciation Subordinated Bonds or the Appreciated Value of Deferred Income Subordinated Bonds shall be included in the calculation of Subordinated Debt Service at the times and in the manner provided in subsection 1 of Section 2.07 hereof.

Notwithstanding anything to the contrary contained herein, (a) if JEA has in connection with any Subordinated Bonds entered into a Designated Swap Obligation which provides that, in respect of a notional amount equal to the Outstanding principal amount of such Subordinated 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 Subordinated Debt Service with respect to such Subordinated Bonds for purposes of Sections 2.03(1) and 7.08 hereof, it will be assumed that such Subordinated 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 Subordinated 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 Subordinated 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 Subordinated 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 Subordinated Debt Service with respect to such Variable Rate Subordinated Bonds, Commercial Paper Notes or Medium-Term Notes, as the case may be, for purposes of Sections 2.03(1) and 7.08 hereof, it will be assumed that such Variable Rate Subordinated 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.

For the purpose of the calculation of the Subordinated Debt Service Reserve Requirement in the event that the Subordinated Bonds of any Series shall constitute Build America Bonds, then until such time, if any, as JEA, for whatever reason, no longer receives cash subsidy payments from the U.S. Treasury in respect of the interest payable on such Subordinated Bonds (other than as a result of the U.S. Treasury reducing a particular payment by offsetting an amount due from JEA to it), for purposes of this definition, the interest on such Subordinated Bonds shall be calculated net of the amount of such subsidy; *provided, however*, that if at any time the specified percentage of the interest payable on such Subordinated Bonds represented by such subsidy shall be permanently reduced, then the amount of such Subordinated

Debt Service Reserve Requirement shall be increased to reflect the amount of interest payable on such Subordinated Bonds that no longer is payable to JEA by the U.S. Treasury, and the amount of such increase shall be required to be funded in equal semiannual installments over a five-year period, with the first such installment becoming due on April 1 or October 1 that is at least six months following the date on which such specified percentage is so reduced, except that if at any time from the commencement of such funding, either (x) any of such Subordinated Bonds shall cease to be Outstanding or (y) the amount of such Subordinated Debt Service Reserve Requirement shall be reduced for any reason whatsoever, then the obligation of JEA to make deposits during the balance of such period shall be redetermined (taking into account the amount (if any) of such Subordinated Bonds that remain Outstanding and the amount (if any) of such reduction in such Subordinated Debt Service Reserve Requirement) and the resulting reduction in the amount required to be deposited to the Initial Subordinated Debt Service Reserve Fund shall be evenly apportioned over the remainder of such five-year period and *provided, further*, that in the event that JEA, for whatever reason, ceases to receive cash subsidy payments from the U.S. Treasury in respect of the interest payable on any such Subordinated Bonds (other than as a result of the U.S. Treasury reducing a particular payment by offsetting an amount due from JEA to it), then the amount of such Subordinated Debt Service Reserve Requirement shall be increased to reflect the full amount of interest payable on such Subordinated Bonds, and such increase shall be required to be funded in equal semiannual installments over a five-year period, with the first such installment becoming due on the first April 1 or October 1 that is at least six months following the date on which JEA does not receive the first such cash subsidy payment that it theretofore was qualified to receive, except that if at any time from the commencement of such funding, either (x) any of such Subordinated Bonds shall cease to be Outstanding or (y) the amount of such Subordinated Debt Service Reserve Requirement shall be reduced for any reason whatsoever, then the obligation of JEA to make deposits during the balance of such period shall be redetermined (taking into account the amount (if any) of such Subordinated Bonds that remain Outstanding and the amount (if any) of such reduction in such Subordinated Debt Service Reserve Requirement) and the resulting reduction in the amount required to be deposited to such Initial Subordinated Debt Service Reserve Fund shall be evenly apportioned over the remainder of such five-year period. Notwithstanding any other provision of the Subordinated Resolution, any one or more installments of any increase in the Subordinated Debt Service Reserve Requirement with respect to such Initial Subordinated Debt Service Reserve Fund provided for in the preceding sentence may be prepaid at any time in whole or in part by JEA by designating in JEA's records that such payment(s) is (or are) to be treated as a prepayment.

Subordinated Principal Installment:

The term "Subordinated Principal Installment" shall mean, as of any date of calculation and with respect to any Series, so long as any Subordinated Bonds thereof are Outstanding, (i) the principal amount of Subordinated Bonds (including, in the case of any Option Subordinated Bond, the principal amount thereof tendered for payment prior to the stated maturity thereof and paid, or to be paid, from Revenues) of such Series due (or so tendered for payment and paid, or to be so paid) on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance (determined as provided in Section 5.08) of any Sinking Fund Installments due on a certain future date for Subordinated Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (iii) if such future dates

coincide as to different Subordinated Bonds of such Series, the sum of such principal amount of Subordinated Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

Subordinated Reimbursement Obligations:

The term “Subordinated Reimbursement Obligations” shall mean all Subordinated Bonds issued pursuant to Section 2.06, whether issued in one or more Series, and any Subordinated Bonds thereafter authenticated and delivered in lieu of or in substitution for such Subordinated Bonds pursuant to Article III or Section 4.05 or Section 11.05 hereof and the Supplemental Subordinated Resolution authorizing such Subordinated Reimbursement Obligations.

Subordinated Resolution:

The term “Subordinated Resolution” shall mean this Water and Sewer System Subordinated Revenue Bond Resolution, supplemental to the Resolution, as from time to time amended or supplemented by Supplemental Subordinated Resolutions in accordance with the terms of the Resolution and the terms hereof. This Water and Sewer System Subordinated Revenue Bond Resolution shall constitute a “Supplemental Resolution” within the meaning of the Resolution.

Supplemental Subordinated Resolution:

The term “Supplemental Subordinated Resolution” shall mean any resolution supplemental to the Subordinated Resolution adopted by JEA in accordance with Article X of the Resolution and Article X hereof.

U.S. Treasury:

The term “U.S. Treasury” shall mean the U.S. Treasury or any party designated by the federal government to issue each subsidy payments on Build America Bonds.

Variable Rate Subordinated Bond:

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

Variable Rate Taxable Index:

The term “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:

The term “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.

2. The following terms shall, for all purposes of the Subordinated Resolution, have the respective meanings ascribed thereto in the Resolution, as the same may be amended from time to time: “Act”, “Adjusted Aggregate Debt Service”, “Aggregate Debt Service”, “Annual Budget”, “Authorized Newspaper”, “Authorized Officer of JEA”, “Bond Year”, “Bonds”, “Consulting Engineer”, “Costs”, “Counsel’s Opinion”, “Debt Service Fund”, “Debt Service Reserve Account”, “Fiscal Year”, “Investment Securities”, “Principal Installment”, “Refundable Principal Installment”, “Renewal and Replacement Fund”, “Revenue Fund”, “Subordinated Indebtedness”, “Subordinated Indebtedness Fund”, “Supplemental Resolution”, “System”, “Trust Estate” and “Variable Rate Bonds”.

The term “Revenues” shall have the meaning given thereto in the Resolution, as such meaning may hereafter be amended or modified in accordance with the provisions of the Resolution. Prior to the effectiveness of the amendment of the definition of the term “Revenues” contained in the Resolution provided for in the April 2010 Amending Resolution, for any purpose of this Subordinated Resolution that requires the computation of Revenues with respect to any period of time, “Revenues” shall be determined in the manner provided in such amendment of such definition contained in the April 2010 Amending Resolution (as if such amendment were fully effective), as such definition may hereafter be amended or modified in accordance with the provisions of the Resolution.

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

SECTION 1.03. Authority for the Subordinated Resolution. This Water and Sewer System Subordinated Revenue Bond Resolution is adopted (i) pursuant to the provisions of the Act and (ii) in accordance with subsection 9 of Section 1001 of the Resolution.

SECTION 1.04. Subordinated Resolution to Constitute Contract. In consideration of the purchase and acceptance of any and all of the Subordinated Bonds authorized to be issued hereunder by those who shall hold the same from time to time, the Subordinated Resolution shall be deemed to be and shall constitute a contract between JEA and the Holders from time to time of the Subordinated Bonds; and the pledge made in the Subordinated Resolution and the covenants and agreements therein set forth to be performed on behalf of JEA shall, except as expressly set forth in the Subordinated Resolution or in a Supplemental Subordinated Resolution, be for the equal benefit, protection and security of the Holders of any and all of the Subordinated Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority or distinction of any of the Subordinated Bonds over any other thereof except as expressly provided in or permitted by the Subordinated Resolution.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF SUBORDINATED BONDS

SECTION 2.01. Authorization of Subordinated Bonds. 1. JEA is hereby authorized to issue from time to time, as hereinafter provided, Subordinated Bonds of JEA to be designated as “Water and Sewer System Subordinated Revenue Bonds”. Subject to compliance with applicable law and the conditions specified in the Resolution for the issuance of Subordinated Indebtedness, the aggregate principal amount of the Subordinated Bonds which may be executed, authenticated and delivered under the Subordinated Resolution is not limited except as may hereafter be provided in the Subordinated Resolution or in any Supplemental Subordinated Resolution or as may be limited by law. The Subordinated Bonds shall constitute “Subordinated Indebtedness”, and shall not constitute “Bonds”, for purposes of the Resolution.

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

3. Nothing in the Subordinated Resolution shall be deemed to preclude or restrict the consolidation into a single Series for purposes of issuance and sale of Subordinated Bonds otherwise permitted by the Subordinated Resolution to be issued at the same time in two or more separate Series; *provided, however*, that solely for the purpose of satisfying the requirements of Section 2.02, Section 2.03, Section 2.04 or Section 2.06, as the case may be, the Subordinated Bonds otherwise permitted by the Subordinated Resolution to be issued as a separate Series shall be considered separately as if such Subordinated Bonds were to be issued as a separate Series. In the event that separate Series are combined for purposes of issuance and sale, they may be issued under a single Supplemental Subordinated Resolution notwithstanding any other provision of the Subordinated Resolution.

SECTION 2.02. General Provisions for Issuance of Subordinated Bonds. When authorized pursuant to a Supplemental Subordinated Resolution, the officers of JEA specified in Section 3.03 may execute Subordinated Bonds of a Series for issuance under the Subordinated Resolution from time to time and deliver such Subordinated Bonds to the Subordinated Bond Registrar or the Authenticating Agent therefor for completion, authentication and delivery. Such Subordinated Bond Registrar or its agent or such Authenticating Agent, as appropriate, shall authenticate and deliver such Subordinated Bonds to JEA or upon its order, but only upon satisfaction by JEA, on or prior to the date of the issuance of the first Subordinated Bonds of such Series to be issued, of the conditions specified in Article X of the Resolution, in Article X of the Subordinated Resolution and in the Supplemental Subordinated Resolution authorizing the Series of which such Subordinated Bonds are a part and upon satisfaction by JEA of the following conditions:

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

(2) receipt of a Counsel's Opinion to the effect that (a) JEA has the right and power under the Act as amended to the date of such Opinion to adopt the Resolution, and the Resolution has been duly and lawfully adopted by JEA, is in full force and effect and is valid and binding upon JEA in accordance with its terms, and no other authorization for the Resolution is required; (b) the Subordinated Resolution creates the valid pledge which it purports to create of (i) amounts in the Subordinated Indebtedness Fund as may from time to time be available for the purpose of payment of such Series of Subordinated Bonds as provided in Section 510 of the Resolution; *provided, however*, that such pledge shall be subordinate in all respects to the pledge of the Trust Estate created by the Resolution as security for the Bonds and (ii) amounts on deposit in the Funds established pursuant to the Subordinated Resolution, in each such case, subject only to the provisions of the Resolution and the Subordinated Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution and the Subordinated Resolution; and (c) the Subordinated Bonds of such Series are (or, if less than all of the Subordinated Bonds of such Series are to be issued on the date of first issuance of such Bonds, that the Subordinated Bonds of such Series not to be so issued on such date, when duly executed, authenticated and delivered, will be) valid and binding obligations of JEA as provided in the Subordinated Resolution, and entitled to the benefits of the Subordinated Resolution and of the Act as amended to the date of such Opinion, and such Subordinated Bonds have been duly and validly authorized and have been (or, when duly executed, authenticated and delivered, will be) issued in accordance with law, including the Act as amended to the date of such Opinion, and in accordance with the Subordinated Resolution, and setting forth such other matters as may be specified in the Supplemental Subordinated Resolution authorizing the Subordinated Bonds of such Series. Such Opinion may take exception as to the effect of, or for restrictions or limitations imposed by or resulting from, bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights and may state that no opinion is being rendered as to the availability of any particular remedy. No opinion need be expressed as to the priority of the pledge created by the Subordinated Resolution over the rights of other persons in the Subordinated Indebtedness Fund and the Funds established pursuant to the Subordinated Resolution;

(3) in the case of each Series of Subordinated Bonds any portion of the proceeds of which is to be deposited in the Subordinated Indebtedness Fund or in any separate fund or account established therefor pursuant to subsection 3 of Section 5.03 for the payment of interest on Subordinated Bonds (other than any accrued interest that is to be applied to the payment of interest on the Subordinated Bonds of such Series on the interest payment date next following the date of issuance of such Subordinated Bonds), execution by an Authorized Officer of JEA of a certificate setting forth the then estimated application of such

proceeds so deposited for the payment of interest on any particular Series of Subordinated Bonds, whether or not such Series of Subordinated Bonds is then Outstanding, or then being issued, or to be issued thereafter;

(4) in the case of a Series of Commercial Paper Notes, execution by an Authorized Officer of JEA of a certificate setting forth the Commercial Paper Payment Plan with respect to such Commercial Paper Notes. Such certificate shall be amended from time to time by a new certificate of an Authorized Officer of JEA to reflect changes, if any, in the expectations of JEA with respect to the sources of funds to be utilized to pay principal of and interest on such Commercial Paper Notes;

(5) in the case of a Series of Medium-Term Notes, execution by an Authorized Officer of JEA of a certificate setting forth the Medium-Term Note Payment Plan with respect to such Medium-Term Notes. Such certificate shall be amended from time to time by a new certificate of an Authorized Officer of JEA to reflect changes, if any, in the expectations of JEA with respect to the sources of funds to be utilized to pay principal of and interest on such Medium-Term Notes; and

(6) delivery of such further documents, moneys and securities as are required by the provisions of Section 2.03, 2.04 or 2.06 or Article X or any Supplemental Subordinated Resolution adopted pursuant to Article X.

SECTION 2.03. Subordinated Bonds Other than Refunding Subordinated Bonds and Subordinated Reimbursement Obligations.

1. One or more Series of Subordinated Bonds may be issued at any time for any lawful purpose of JEA related to the System, except that any Series of Refunding Subordinated Bonds shall be issued pursuant to Section 2.04 hereof and any Series of Subordinated Reimbursement Obligations shall be issued pursuant to Section 2.06 hereof. Subordinated Bonds of each such Series shall be authenticated and delivered by the Subordinated Bond Registrar or its agent or the Authenticating Agent, as appropriate, therefor only upon compliance by JEA with the terms and conditions set forth in Section 2.02 hereof and upon satisfaction by JEA, prior to the date of the issuance of the first Subordinated Bonds of such Series to be issued, of the following conditions:

(1) execution by an Authorized Officer of JEA of a certificate stating either:

(a) that the difference between Net Revenues and Capacity Charges for each of the three (3) full Bond Years succeeding the date of issuance of the Subordinated Bonds of the Series with respect to which such certificate is being given, as such Net Revenues and Capacity Charges are estimated in accordance with Section 2.05 hereof, are at least equal to the sum of (i) the Adjusted Aggregate Debt Service for each such Bond Year, as estimated in accordance with Section 2.05 hereof, (ii) 120% of the Adjusted Aggregate Subordinated Debt Service for each such Bond Year, as estimated in accordance with Section 2.05 hereof and (iii) all amounts payable by JEA for each such Bond Year with respect to all Existing Parity Subordinated Indebtedness and any Additional Parity Subordinated Indebtedness, as such amounts are estimated in accordance with Section 2.05 hereof, or

(b) that the Net Revenues for any twelve (12) consecutive month period within the twenty-four (24) consecutive months immediately preceding the date of issuance of the Subordinated Bonds of the Series with respect to which such certificate is being given is at least equal to the greater of (X) the sum of (i) the Average Annual Adjusted Aggregate Debt Service, (ii) 110% of the Average Annual Adjusted Aggregate Subordinated Debt Service and (iii) all amounts payable by JEA during such twelve (12) month period with respect to all Existing Parity Subordinated Indebtedness and any Additional Parity Subordinated Indebtedness or (Y) the sum of (i) the Average Annual Adjusted Aggregate Debt Service, (ii) the Average Annual Adjusted Aggregate Subordinated Debt Service, (iii) all amounts payable by JEA during such twelve (12) month period with respect to all Existing Parity Subordinated Indebtedness and any Additional Parity Subordinated Indebtedness and (iv) the amount most recently determined to be required to be deposited in the Renewal and Replacement Fund for the then current, or a previous, Fiscal Year; and

(2) execution by an Authorized Officer of JEA of a certificate stating that upon the issuance of such Series JEA will not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution or in the Subordinated Resolution.

For purposes of this Section 2.03, prior to the effectiveness of the amendment of the definition of the term “Debt Service” contained in the Resolution provided for in the April 2010 Amending Resolution, “Debt Service” shall be determined in the manner provided in such amendment of such definition contained in the April 2010 Amending Resolution (as if such amendment were fully effective), as such definition may hereafter be amended or modified in accordance with the provisions of the Resolution.

2. The proceeds, including accrued interest, of each Series of Subordinated Bonds authorized under this Section 2.03 shall be applied simultaneously with the delivery of such Subordinated Bonds as provided in the Supplemental Subordinated Resolution authorizing such Series.

SECTION 2.04. Refunding Subordinated Bonds. 1. One or more Series of Refunding Subordinated Bonds may be issued at any time to refund all or any Outstanding Bonds or all or any Outstanding Subordinated Bonds. Refunding Subordinated Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits required by the provisions of the Supplemental Subordinated Resolution authorizing such Refunding Subordinated Bonds.

2. In addition to the conditions set forth in Section 2.02, the Subordinated Bonds of each Series of Refunding Subordinated Bonds issued pursuant to this Section 2.04 may be authenticated and delivered only upon satisfaction of the following conditions:

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

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

(c) JEA shall provide either (i) moneys (including moneys withdrawn and deposited pursuant to subsection 5 of Section 508 and subsection 5 of Section 509 of the Resolution or subsection 6 of Section 5.02 of the Subordinated Resolution, as applicable) in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds or Subordinated Bonds, as the case may be, to be redeemed and of the principal amount of the Bonds or Subordinated Bonds, as the case may be, to be paid at maturity, together with accrued interest on such Bonds or Subordinated Bonds, as the case may be, to the redemption date or maturity date, as applicable, which moneys shall be held by the Escrow Agent for such Bonds or Subordinated Bonds, as the case may be, in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds or Subordinated Bonds, as the case may be, to be refunded, or (ii) investment securities in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications and any moneys, as shall be necessary to comply with the provisions relating to defeasance contained in (a) the Resolution or the Supplemental Resolution authorizing such Bonds to be refunded or (b) the Subordinated Resolution or the Supplemental Subordinated Resolution authorizing such Subordinated Bonds to be refunded, as applicable, which investment securities and moneys shall be held in trust and used only as provided in said provisions.

3. The proceeds, including accrued interest, of the Refunding Subordinated Bonds of each Series shall be applied simultaneously with the delivery of such Subordinated Bonds to the refunding purposes thereof in the manner provided in the Supplemental Subordinated Resolution authorizing such Series of Refunding Subordinated Bonds.

SECTION 2.05. Estimates by Authorized Officers of JEA. 1. In estimating Net Revenues and Capacity Charges for each of the Bond Years covered by any certificate required to be delivered pursuant to clause (1) of subsection 1 of Section 2.03, the Authorized Officer of JEA executing such certificate may base its estimates upon such factors as such Authorized Officer shall consider reasonable; *provided, however*, that for purposes of estimating Capacity Charges for any future period for purposes of subclause (a) of said clause (1) of subsection 1 of Section 2.03, (i) such estimated Capacity Charges may not exceed the average of the actual amount of Capacity Charges received by JEA during each of the three (3) full Bond Years preceding the date of issuance of the Subordinated Bonds of the Series with respect to which such certificate is being given and (ii) such Capacity Charges may be adjusted to include an amount equal to the actual Capacity Charges that would have been collected by JEA in respect of any service territory of the System that was acquired during such three (3) years; and *provided, further*, that for purposes of subclause (b) of said clause (1) of subsection 1 of Section 2.03, the Net Revenues for the twelve (12) month period referred to therein may be adjusted (a) to reflect for such period revisions in the rates, fees, rentals and other charges of JEA for the

product and services of the System made after the commencement of such period and preceding the date of issuance of the Subordinated Bonds of the Series with respect to which such certificate is given, (b) to reflect any increase in Net Revenues due to any new facilities of the System having been placed into use and operation subsequent to the commencement of such period and prior to the date of issuance of such Subordinated Bonds and (c) to include an amount equal to the average annual contribution to Net Revenues for the first three full Bond Years commencing after the date of acquisition thereof, estimated to be made by facilities anticipated to be acquired and expected to be placed into use and operation within two years of the date of such certificate.

2. In estimating the Adjusted Aggregate Debt Service or the Average Annual Adjusted Aggregate Debt Service for each of the Bond Years covered by any certificate required to be delivered pursuant to subclause (a) or (b) of clause (1) of subsection 1 of Section 2.03, the Authorized Officer of JEA executing such certificate shall include the Adjusted Aggregate Debt Service or the Average Annual Adjusted Aggregate Debt Service, as the case may be, with respect to (a) the Bonds of all Series then Outstanding and (b) any Bonds being issued on the date of such certificate; *provided, however*, that (i) prior to the effectiveness of the amendment of the definition of the term “Certified Interest Rate” contained in the Resolution provided for in the May 2003 Senior Amending Resolution, the interest rate or rates assumed to be borne by any Variable Rate Bonds shall be equal to the Stipulated Interest Rate(s) applicable thereto and (ii) from and after the effectiveness of such amendment, the interest rate or rates assumed to be borne by any Variable Rate Bonds shall be equal to the Certified Interest Rate(s) applicable thereto.

3. In estimating the Adjusted Aggregate Subordinated Debt Service or the Average Annual Adjusted Aggregate Subordinated Debt Service for each of the Bond Years covered by any certificate required to be delivered pursuant to subclause (a) or (b) of clause (1) of subsection 1 of Section 2.03, the Authorized Officer of JEA executing such certificate shall include the Adjusted Aggregate Subordinated Debt Service or the Average Annual Adjusted Aggregate Subordinated Debt Service, as the case may be, with respect to (a) the Subordinated Bonds of all Series then Outstanding and (b) the Subordinated Bonds of the Series with respect to which such certificate is given; *provided, however*, that the interest rate or rates assumed to be borne by any Variable Rate Subordinated Bonds shall be equal to the Stipulated Interest Rate(s) applicable thereto.

4. In estimating the amounts payable by JEA in any period with respect to all Existing Parity Subordinated Indebtedness and any Additional Parity Subordinated Indebtedness for purposes of any certificate required to be delivered pursuant to subclause (a) or (b) of clause (1) of subsection 1 of Section 2.03, the Authorized Officer of JEA executing such certificate shall base such estimate upon such assumptions as such Authorized Officer shall consider reasonable and set forth in such certificate.

SECTION 2.06. Subordinated Reimbursement Obligations. One or more Series of Subordinated Reimbursement Obligations may be issued concurrently with (a) the issuance of the Bonds of a Series authorized pursuant to the provisions of Section 204 or 205 of the Resolution for which Credit Enhancement or liquidity support is being provided with respect to such Bonds (or a maturity or maturities or interest rate within a maturity thereof) by a third-party or (b) the issuance of the Subordinated Bonds of a Series authorized pursuant to the provisions of Section 2.03 or 2.04 hereof for which Credit Enhancement or liquidity support is

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

SECTION 2.07. Special Provisions Relating to Capital Appreciation Subordinated Bonds, Deferred Income Subordinated Bonds, Variable Rate Subordinated Bonds and Subordinated Reimbursement Obligations.

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

2. For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Subordinated Bond is redeemed prior to maturity, or (ii) receiving payment of a Capital Appreciation Subordinated Bond if the principal of all Subordinated Bonds is declared immediately due and payable following an Event of Default, as provided in Section 8.01 of the Subordinated Resolution or (iii) computing the principal amount of Subordinated Bonds held by the Holder of a Capital Appreciation Subordinated Bond in giving to JEA any notice, consent, request, or demand pursuant to the Subordinated Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Subordinated Bond shall be deemed to be its then current Accreted Value.

3. For the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Subordinated Bond is redeemed prior to maturity, or (ii) receiving payment of a Deferred Income Subordinated Bond if the principal of all Subordinated Bonds is declared immediately due and payable following an Event of Default, as provided in Section 8.01 of the Subordinated Resolution or (iii) computing the principal amount of Subordinated Bonds held by the Holder of a Deferred Income Subordinated Bond in giving to JEA any notice, consent, request, or demand pursuant to the Subordinated Resolution for any purpose whatsoever, the principal amount of a Deferred Income Subordinated Bond shall be deemed to be its then current Appreciated Value.

4. Notwithstanding anything to the contrary contained in the Subordinated Resolution, in the event that any Variable Rate Subordinated Bonds contain provisions that allow the principal amount thereof to be repaid on an accelerated basis in the event that such Subordinated 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 additional bonds test contained in clause (1) of subsection 1 of Section 2.03, such accelerated repayment shall not be taken into account, and compliance with such test shall be determined based upon the scheduled due date(s) of the Subordinated Principal Installments for such Subordinated Bonds, irrespective of any such accelerated repayment.

5. Except as otherwise provided in a Supplemental Subordinated Resolution authorizing a Series of Subordinated Reimbursement Obligations, for the purposes of (i) receiving payment of a Subordinated Reimbursement Obligation, whether at maturity, upon redemption or if the principal of all Subordinated Bonds is declared immediately due and payable following an Event of Default, as provided in Section 8.01 of the Subordinated Resolution or (ii) computing the principal amount of Subordinated Bonds held by the Holder of a Subordinated Reimbursement Obligation in giving to JEA any notice, consent, request, or demand pursuant to the Subordinated Resolution for any purpose whatsoever, the principal amount of a Subordinated Reimbursement Obligation shall be deemed to be the actual principal amount that JEA shall owe thereon, which shall equal the aggregate of the amounts advanced to, or on behalf of, JEA in connection with the Bonds or Subordinated Bonds, as the case may be, of the Series or maturity or interest rate within a maturity for which such Subordinated Reimbursement Obligation has been issued to evidence JEA's obligation to repay any advances or loans made in respect of the Credit Enhancement or liquidity support provided for such Bonds or Subordinated Bonds, as the case may be, less any prior repayments thereof.

ARTICLE III

GENERAL TERMS AND PROVISIONS OF SUBORDINATED BONDS

SECTION 3.01. Medium of Payment; Form and Date; Letters and Numbers. 1. The Subordinated Bonds of each Series shall be payable, with respect to interest, principal and Redemption Price, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts or such other currency as may be specified in the Supplemental Subordinated Resolution authorizing the Series of which such Subordinated Bonds are a part.

2. Unless otherwise provided in a Supplemental Subordinated Resolution, the Subordinated Bonds of each Series shall be issued in the form of fully registered Subordinated Bonds without coupons, in substantially the tenor of the form of such Subordinated Bonds set forth in the Supplemental Subordinated Resolution authorizing the Subordinated Bonds of such Series; *provided, however*, that Commercial Paper Notes may be issued in bearer form, not registrable as to principal or face amount.

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

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

SECTION 3.02. Legends. The Subordinated Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of the Subordinated Resolution as may be necessary or desirable to comply with custom, the rules of any securities exchange or commission or brokerage board, or otherwise, as may be determined by JEA prior to the authentication and delivery thereof.

SECTION 3.03. Execution and Authentication. 1. The Subordinated Bonds shall be executed in the name of JEA by the manual or facsimile signature of its Chair or Vice Chair and its corporate seal (or a facsimile thereof) shall be impressed, imprinted, engraved or otherwise reproduced thereon and attested by the manual or facsimile signature of its Secretary or an Assistant Secretary, or in such other manner as may be required or permitted by law. In case any one or more of the officers who shall have signed or sealed any of the Subordinated Bonds shall cease to be such officer before the Subordinated Bonds so signed and sealed shall have been authenticated and delivered by the Subordinated Bond Registrar therefor or its agent, such Subordinated Bonds may, nevertheless, be authenticated and delivered as herein provided, and may be issued as if the persons who signed or sealed such Subordinated Bonds had not ceased to hold such offices. Any Subordinated Bond of a Series may be signed and sealed on behalf of JEA by such persons as at the time of the execution of such Subordinated Bonds shall be duly authorized or hold the proper office in JEA, although at the date borne by the Subordinated Bonds of such Series such persons may not have been so authorized or have held such office.

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

3. The Subordinated Bonds of each Series shall bear thereon a certificate of authentication, in the form set forth in the Supplemental Subordinated Resolution authorizing the Series of which such Subordinated Bonds are a part, executed manually by the Subordinated Bond Registrar therefor or its agent. Only such Subordinated Bonds as shall bear thereon such certificate of authentication shall be entitled to any right or benefit under the Subordinated Resolution, and no Subordinated Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Subordinated Bond Registrar therefor or its agent. Such certificate of the Subordinated Bond Registrar or its agent upon any Subordinated Bond executed on behalf of JEA shall be conclusive evidence that the Subordinated Bond so authenticated has been duly authenticated and delivered under the Subordinated Resolution and that the Holder thereof is entitled to the benefits of the Subordinated Resolution.

SECTION 3.04. Interchangeability of Subordinated Bonds. Except as otherwise provided in a Supplemental Subordinated Resolution, the Subordinated Bonds, upon surrender thereof at the office of the Subordinated Bond Registrar therefor with a written instrument of transfer satisfactory to such Subordinated Bond Registrar, duly executed by the registered owner or its duly authorized attorney, may, at the option of the registered owner thereof, and upon payment by such registered owner of any charges which such Subordinated Bond Registrar may make as provided in Section 3.06, be exchanged for an equal aggregate

principal amount of Subordinated Bonds of the same Series, maturity, interest rate and redemption provisions of any other authorized denominations.

SECTION 3.05. Negotiability, Transfer and Registry. 1. Title to any Bearer Commercial Paper Note shall pass by delivery as a negotiable instrument payable to bearer.

2. Except as otherwise provided in a Supplemental Subordinated Resolution, each Subordinated Bond (other than Bearer Commercial Paper Notes) shall be transferable only upon the books of JEA, which shall be kept for such purposes at the respective offices of the Subordinated Bond Registrar(s), by the registered owner thereof or by its attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to such Subordinated Bond Registrar duly executed by the registered owner or its duly authorized attorney. Upon the transfer of any such Subordinated Bond, there shall be issued in the name of the transferee a new Subordinated Bond or Subordinated Bonds of the same aggregate principal amount and Series, maturity, interest rate and redemption provisions as the surrendered Subordinated Bond.

3. JEA and each Subordinated Bond Fiduciary may deem and treat the bearer of any Bearer Commercial Paper Note as the absolute owner of such Bearer Commercial Paper Note, whether such Bearer Commercial Paper Note shall be overdue or not, for the purpose of receiving payment thereof and for all other purposes, and all such payments so made to any such owner or upon its order shall be valid and effectual to satisfy and discharge the liability upon such Bearer Commercial Paper Note to the extent of the sum or sums so paid, and neither JEA nor any Subordinated Bond Fiduciary shall be affected by any notice to the contrary.

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

SECTION 3.06. Regulations With Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging or transferring Subordinated Bonds is exercised, the appropriate officers of JEA shall execute and the Subordinated Bond Registrar therefor or its agent shall authenticate and deliver Subordinated Bonds in accordance with the provisions of the Subordinated Resolution. All Subordinated Bonds surrendered in any such exchanges or transfers shall forthwith be delivered to the Subordinated Bond Registrar therefor and cancelled or retained by such Subordinated Bond Registrar. For every such exchange or transfer of Subordinated Bonds, JEA or the Subordinated Bond Registrar therefor may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Unless otherwise provided in a Supplemental Subordinated Resolution, neither JEA nor the Subordinated Bond Registrar therefor shall be required (a) to transfer or exchange Subordinated Bonds of any Series for the period next preceding any interest payment date for the Subordinated Bonds of such Series beginning with the Regular Record Date for such interest payment date and ending on such interest payment date, or for the period next

preceding any date for the proposed payment of Defaulted Subordinated Interest with respect to such Subordinated Bonds beginning with the Special Record Date for the date of such proposed payment and ending on the date of such proposed payment, (b) to transfer or exchange Subordinated Bonds of any Series for a period beginning 15 days before the first publication or mailing of any notice of redemption and ending on the day of such publication or mailing, or (c) to transfer or exchange any Subordinated Bonds called for redemption.

SECTION 3.07. Subordinated Bonds Mutilated, Lost, Stolen or Destroyed.

If any Subordinated Bond becomes mutilated or is lost, stolen or destroyed, an Authorized Officer of JEA may cause to be executed and the Subordinated Bond Registrar therefor or its agent shall authenticate and deliver a new Subordinated Bond of like Series, date of issue, maturity date, principal amount, interest rate per annum and redemption provisions as the Subordinated Bond so mutilated, lost, stolen or destroyed; *provided, however*, that (i) in the case of such mutilated Subordinated Bond, such Subordinated Bond is first surrendered to JEA, (ii) in the case of any such lost, stolen or destroyed Subordinated Bond, there is first furnished evidence of such loss, theft or destruction satisfactory to such Authorized Officer of JEA together with indemnity satisfactory to such Authorized Officer of JEA, (iii) all other reasonable requirements of such Authorized Officer of JEA are complied with, and (iv) expenses in connection with such transaction are paid by the Holder. Any such Subordinated Bond surrendered for exchange shall be cancelled. Any such new Subordinated Bonds issued pursuant to this Section in substitution for Subordinated Bonds alleged to be lost, stolen or destroyed shall constitute original additional contractual obligations on the part of JEA, whether or not the Subordinated Bonds so alleged to be lost, stolen or destroyed be at any time enforceable by anyone, and shall be equally secured by, and entitled to equal and proportionate benefits with all other Subordinated Bonds issued under the Subordinated Resolution in, the funds, moneys and securities hereby pledged. If any such Subordinated Bond lost, stolen or destroyed shall have matured or be about to mature, instead of issuing a new Subordinated Bond pursuant to this Section, an Authorized Officer of JEA may cause the same to be paid, upon being indemnified as aforesaid, without surrender thereof.

SECTION 3.08. Payment of Interest on Registered Subordinated Bonds; Interest Rights Reserved. Interest on any fully registered Subordinated Bond which is payable, and is punctually paid or duly provided for, on any interest payment date shall be paid to the person in whose name that Subordinated Bond is registered at the close of business on the date (hereinafter the “Regular Record Date”) which is the 15th day of the calendar month next preceding such interest payment date (or such other date as may be provided in the Supplemental Subordinated Resolution authorizing the Series of which such Subordinated Bond is a part).

Any interest on any fully registered Subordinated Bond which is payable, but is not punctually paid or duly provided for, on any interest payment date (hereinafter “Defaulted Subordinated Interest”) shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date by virtue of having been such owner; and such Defaulted Subordinated Interest shall be paid by JEA to the person in whose name such Subordinated Bond is registered at the close of business on a date (hereinafter the “Special Record Date”) for the payment of such Defaulted Subordinated Interest, which shall be fixed in the following manner. JEA shall notify the Subordinated Bond Registrar therefor in writing of the amount of Defaulted Subordinated Interest proposed to be paid on each Subordinated Bond and the date of the proposed payment, and at the same time JEA shall deposit with the Subordinated Bond Paying

Agents an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Subordinated Interest or shall make arrangements satisfactory to the Subordinated Bond Paying Agents for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Subordinated Interest as in this Section provided. Thereupon, such Subordinated Bond Registrar shall fix a Special Record Date for the payment of such Defaulted Subordinated Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by such Subordinated Bond Registrar of the notice of the proposed payment. Such Subordinated Bond Registrar shall promptly notify JEA of such Special Record Date and, in the name and at the expense of JEA, shall cause notice of the proposed payment of such Defaulted Subordinated Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each Holder of such a Subordinated Bond at its address as it appears upon the registry books, not less than 10 days prior to such Special Record Date. Such Subordinated Bond Registrar may, in its discretion, in the name and at the expense of JEA, cause a similar notice to be published at least once in an Authorized Newspaper, but such publication shall not be a condition precedent to the establishment of such Special Record Date.

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

SECTION 3.09. Book Entry Subordinated Bonds. 1. Anything in the Subordinated Resolution to the contrary notwithstanding, if and to the extent provided in the Supplemental Subordinated Resolution authorizing the Subordinated Bonds of the Series of which such Subordinated Bond is a part, any Subordinated Bond may be authorized and issued as a Book Entry Subordinated Bond.

2. For all purposes of the Subordinated Resolution, the Holder of a Book Entry Subordinated Bond shall be the Securities Depository therefor and neither JEA nor any Subordinated Bond Fiduciary shall have any responsibility or obligation to the beneficial owner of such Subordinated Bond or to any direct or indirect participant in such Securities Depository. Without limiting the generality of the foregoing, neither JEA nor any Subordinated Bond Fiduciary shall have any responsibility or obligation to any such participant or to the beneficial owner of a Book Entry Subordinated Bond with respect to (i) the accuracy of the records of the Securities Depository or any participant with respect to any beneficial ownership interest in such Subordinated Bond, (ii) the delivery to any participant of the Securities Depository, the beneficial owner of such Subordinated Bond or any other person, other than the Securities Depository, of any notice with respect to such Subordinated Bond, including any notice of the redemption thereof, or (iii) the payment to any participant of the Securities Depository, the beneficial owner of such Subordinated Bond or any other person, other than the Securities Depository, of any amount with respect to the principal or Redemption Price of, or interest on, such Subordinated Bond. JEA and the Subordinated Bond Fiduciaries may treat the Securities Depository therefor as, and deem such Securities Depository to be, the absolute owner of a Book Entry Subordinated Bond for all purposes whatsoever, including (w) payment of the principal or Redemption Price of, and interest on, such Subordinated Bond, (x) giving notices of redemption and of other matters with respect to such Subordinated Bond, (y) registering transfers with

respect to such Subordinated Bond and (z) giving to JEA any notice, consent, request or demand pursuant to the Subordinated Resolution for any purpose whatsoever. The Subordinated Bond Paying Agents shall pay the principal or Redemption Price of, and interest on, a Book Entry Subordinated Bond only to or upon the order of the Securities Depository therefor, and all such payments shall be valid and effective to satisfy fully and discharge JEA's obligations with respect to such principal or Redemption Price, and interest, to the extent of the sum or sums so paid. Except as otherwise provided in subsection 4 of this Section 3.09 or in any Supplemental Resolution authorizing a Book Entry Subordinated Bond, no person other than the Securities Depository shall receive a Subordinated Bond or other instrument evidencing JEA's obligation to make payments of the principal or Redemption Price thereof, and interest thereon.

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

4. Upon the termination of the services of a Securities Depository with respect to a Book Entry Subordinated Bond pursuant to clause (ii) of subsection 3 of this Section 3.09, such Subordinated Bond shall no longer be restricted to being registered in the registration books kept by the Subordinated Bond Registrar therefor in the name of a Securities Depository. Upon the termination of the services of a Securities Depository with respect to a Book Entry Subordinated Bond pursuant to clause (i) of subsection 3 of this Section 3.09, JEA may within 90 days thereafter appoint a substitute securities depository which, in the opinion of JEA, is willing and able to undertake the functions of Securities Depository under the Subordinated Resolution upon reasonable and customary terms. If no such successor can be found within such period, such Book Entry Subordinated Bond shall no longer be restricted to being registered in the registration books kept by such Subordinated Bond Registrar in the name of a Securities Depository. In the event that a Book Entry Subordinated Bond shall no longer be restricted to being registered in the registration books kept by such Subordinated Bond Registrar in the name of a Securities Depository, (a) JEA shall execute and such Subordinated Bond Registrar shall authenticate and deliver, upon presentation and surrender of the Book Entry Subordinated Bond, Subordinated Bond certificates as requested by the Securities Depository so terminated of like Series, principal amount, maturity, interest rate and redemption provisions, in authorized denominations, to the identifiable beneficial owners in replacement of such beneficial owners' beneficial ownership interests in such Book Entry Subordinated Bond and (b) JEA shall notify such Subordinated Bond Registrar and the Subordinated Bond Paying Agents that such Subordinated Bond is no longer restricted to being registered in the registration books kept by such Subordinated Bond Registrar in the name of a Securities Depository.

5. Anything in the Subordinated Resolution to the contrary notwithstanding, payment of the Redemption Price of a Book Entry Subordinated Bond, or portion thereof, called

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

6. For all purposes of the Subordinated Resolution authorizing or permitting the purchase of Subordinated Bonds, or portions thereof, by, or for the account of, JEA for cancellation, and anything in the Subordinated Resolution to the contrary notwithstanding, a portion of a Book Entry Subordinated Bond may be deemed to have been purchased and cancelled without surrender thereof upon delivery to the Subordinated Bond Registrar therefor of a certificate executed by JEA and a participant of the Securities Depository therefor to the effect that a beneficial ownership interest in such Subordinated Bond, in the principal amount stated therein, has been purchased by, or for the account of, JEA through the participant of the Securities Depository executing such certificate; *provided, however*, that any purchase for cancellation of the entire principal amount of a Book Entry Subordinated Bond shall be effective for purposes of the Subordinated Resolution only upon surrender of such Book Entry Subordinated Bond to such Subordinated Bond Registrar; and *provided, further*, that no portion of a Book Entry Subordinated Bond may be deemed to have been so purchased and cancelled without surrender thereof unless the condition set forth in the second proviso to the second sentence of subsection 5 of this Section 3.09 shall have been satisfied. Anything in the Subordinated Resolution to the contrary notwithstanding, upon delivery of any such certificate to such Subordinated Bond Registrar, for all purposes of (i) the Book Entry Subordinated Bond to which such certificate relates and (ii) the Subordinated Resolution, the unpaid principal amount of such Book Entry Subordinated Bond Outstanding shall be reduced automatically by the principal amount so purchased. In such event, such Subordinated Bond Registrar shall note such reduction on the registration books of JEA maintained by it, but failure to make any such notation shall not affect the automatic reduction of the principal amount of such Book Entry Subordinated Bond Outstanding as provided in this subsection.

7. Anything in the Subordinated Resolution to the contrary notwithstanding, a Securities Depository may make a notation on a Book Entry Subordinated Bond (i) redeemed in part or (ii) purchased by, or for the account of, JEA in part for cancellation, to reflect, for informational purposes only, the date of such redemption or purchase and the principal amount thereof redeemed or deemed cancelled, but failure to make any such notation shall not affect the automatic reduction of the principal amount of such Book Entry Subordinated Bond Outstanding as provided in subsection 5 or 6 of this Section 3.09, as the case may be.

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

ARTICLE IV

REDEMPTION OF SUBORDINATED BONDS

SECTION 4.01. Privilege of Redemption and Redemption Price.

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

SECTION 4.02. Redemption of Subordinated Bonds. In the case of any redemption of Subordinated Bonds, JEA shall give written notice to the Subordinated Bond Registrar(s) therefor and the Subordinated Bond Paying Agents of the redemption date, of the Series, and of the principal amounts of the Subordinated Bonds of each maturity of such Series and of the Subordinated Bonds of each interest rate within a maturity to be redeemed (which Series, maturities, interest rates within a maturity and principal amounts thereof to be redeemed shall be determined by JEA in its sole discretion, subject to any limitations with respect thereto contained in the Subordinated Resolution or any Supplemental Subordinated Resolution authorizing the Series of which such Subordinated Bonds are a part). Such notice shall be filed with such Subordinated Bond Registrars and the Subordinated Bond Paying Agents for the Subordinated Bonds to be redeemed at least 35 days prior to the redemption date (or such shorter period (a) as may be specified in the Supplemental Subordinated Resolution authorizing the Series of the Subordinated Bonds to be redeemed or (b) as shall be acceptable to such Subordinated Bond Registrars and Subordinated Bond Paying Agents). In the event notice of redemption shall have been given as in Section 4.04 provided, and unless such notice shall have been revoked or shall cease to be in effect in accordance with the terms thereof, there shall be paid on or prior to the redemption date to the appropriate Subordinated Bond Paying Agents an amount which, in addition to other moneys, if any, available therefor held by such Subordinated

Bond Paying Agents, will be sufficient to redeem on the redemption date at the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, all of the Subordinated Bonds to be redeemed.

SECTION 4.03. Selection of Subordinated Bonds to be Redeemed. If less than all of the Subordinated Bonds of like maturity or interest rate within a maturity of any Series shall be called for prior redemption, the particular Subordinated Bonds or portions of Subordinated Bonds to be redeemed shall be selected in such manner as JEA in its discretion may deem fair and appropriate; *provided, however*, that for any Subordinated Bond of a denomination of more than the minimum denomination for such Series, the portion of such Subordinated Bond to be redeemed shall, unless otherwise specified in the Supplemental Subordinated Resolution relating to such Series, be in a principal amount equal to such minimum denomination or an integral multiple thereof, and that, in selecting portions of such Subordinated Bonds for redemption, each such Subordinated Bond shall be treated as representing that number of Subordinated Bonds of such minimum denomination which is obtained by dividing the principal amount of such Subordinated Bond to be redeemed in part by the amount of such minimum denomination.

SECTION 4.04. Notice of Redemption. When any Subordinated Bonds shall become subject to redemption, JEA shall give notice, or provide for the giving of notice, of the redemption of such Subordinated Bonds, which notice shall specify the Series, maturities and interest rates within maturities of the Subordinated Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Subordinated Bonds of any like Series, maturity and interest rate are to be redeemed the letters and numbers or other distinguishing marks of such Subordinated Bonds so to be redeemed, and, in the case of Subordinated Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date, if there shall be sufficient moneys available therefor, there shall become due and payable upon each Subordinated Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Subordinated Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be mailed by first class mail, postage prepaid, by or on behalf of JEA, not less than 30 days nor more than 60 days prior to the redemption date, to the Holders of any Subordinated Bonds or portions of Subordinated Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books; *provided, however*, that if any Subordinated Bond to be redeemed shall be a Bearer Commercial Paper Note, such notice shall also be given by publication once a week for at least two successive weeks in the Authorized Newspapers. Failure to give notice of redemption by mail, or any defect in such notice, to the Holder of any Subordinated Bond shall not affect the validity of the proceedings for the redemption of any other Subordinated Bonds. Notwithstanding the foregoing, a Supplemental Subordinated Resolution authorizing the Subordinated Bonds of a Series may specify a different method for the giving of a notice of redemption, or a different time by which such notice shall be given.

SECTION 4.05. Payment of Redeemed Subordinated Bonds. Notice having been given in the manner provided in Section 4.04 or in the manner provided in the Supplemental Subordinated Resolution authorizing the Subordinated Bonds of a Series, on the

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

ARTICLE V

SECURITY FOR THE SUBORDINATED BONDS AND APPLICATION OF FUNDS AND ACCOUNTS

SECTION 5.01. Sources of Payment and Security for the Subordinated Bonds. The Subordinated Bonds are special obligations of JEA payable from and secured by (a) such amounts in the Subordinated Indebtedness Fund as may from time to time be available for the purpose of payment thereof as provided in Section 510 of the Resolution, *subject, however,* to the pledge of the Trust Estate created by the Resolution as security for the Bonds and (b) amounts on deposit in the Funds established pursuant to the Subordinated Resolution. There is hereby pledged for the payment of the principal and Redemption Price of, and interest on, the Subordinated Bonds in accordance with their terms and the provisions of the Subordinated Resolution, subject only to the provisions of the Resolution and the Subordinated Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution and the Subordinated Resolution, (a) such amounts in the Subordinated Indebtedness Fund as may from time to time be available for the purpose of payment thereof as provided in Section 510 of the Resolution; *provided, however,* that such pledge shall be subordinate in all respects to the pledge of the Trust Estate created by the Resolution as security for the Bonds and (b) amounts on deposit in the Funds established pursuant to the Subordinated Resolution. Such amounts in the Subordinated Indebtedness Fund, and the amounts on deposit in the Funds established pursuant to the Subordinated Resolution, shall immediately be subject to the lien of this pledge without physical delivery thereof or further act, and the lien of this pledge

shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against JEA, without regard to whether such parties have notice thereof.

SECTION 5.02. Subordinated Indebtedness Fund. 1. Subject to the provisions of subsection 3 of Section 510 of the Resolution, amounts in the Subordinated Indebtedness Fund shall be applied to the payment of the principal or sinking fund Redemption Price, if any, of, and interest on, the Subordinated Bonds when due, as further provided in this Section 5.02.

2. Except to the extent that moneys are available in any separate fund or account established pursuant to subsection 3 of Section 5.03 with respect to a particular Series of the Subordinated Bonds (excluding, for this purpose, amounts, if any, set aside in said fund or account for the payment of interest on the Subordinated Bonds of such Series on a future date), JEA shall pay out of the Subordinated Indebtedness Fund to the respective Subordinated Bond Paying Agents (i) on or before each interest payment date for such Series of the Subordinated Bonds, the amount required for the interest payable on such date; (ii) on or before the due date for each Subordinated Principal Installment for such Series, the amount required for the Subordinated Principal Installment payable on such due date; and (iii) on or before any redemption date for the Subordinated Bonds of such Series, the amount required for the payment of interest on the Subordinated Bonds of such Series then to be redeemed. To the extent that moneys are available in any such separate fund or account (except as aforesaid) on or before any such date to pay the interest or Subordinated Principal Installments payable on such date with respect to such Series, JEA shall pay, or cause to be paid, to the Subordinated Bond Paying Agents on or before such date the moneys so available. Such amounts and moneys shall be applied by the Subordinated Bond Paying Agents on and after the due dates thereof. Except to the extent that moneys are available in any such separate fund or account established with respect to a particular Series of the Subordinated Bonds (excluding, for this purpose, amounts, if any, set aside in said fund or account for the payment of interest on the Subordinated Bonds of such Series on a future date), JEA shall also pay out of the Subordinated Indebtedness Fund the accrued interest included in the purchase price of Subordinated Bonds of such Series purchased for retirement. To the extent that moneys are available in any such separate fund or account (except as aforesaid) on or before the date of such purchase to pay such accrued interest, JEA shall pay, or cause to be paid, the moneys so available. During any period in which the Subordinated Debt Service with respect to any Series of Subordinated Bonds containing Build America Bonds shall be calculated in the manner provided in the *proviso* contained in clause (i) of the first paragraph of the definition thereof contained in Section 1.02 hereof, no later than each interest payment date for such Build America Bonds then Outstanding, JEA shall withdraw from the Revenue Fund and transfer to the Subordinated Indebtedness Fund an amount equal to the amount of the cash subsidy payment payable to JEA by the U.S. Treasury in respect of the interest payable on such Build America Bonds on such interest payment date, without regard to any reduction thereto made by the U.S. Treasury for the purpose of offsetting any amount due from JEA to it. Any cash subsidy payment received by JEA from the U.S. Treasury in respect of the interest payable on any Build America Bonds shall be deposited by JEA upon the receipt thereof in the Revenue Fund, but no such payment shall constitute Revenues for any purpose of the Resolution or the Subordinated Resolution.

3. Amounts accumulated in the Subordinated Indebtedness Fund with respect to any Sinking Fund Installment (together with amounts accumulated therein with respect to

interest on the Subordinated Bonds for which such Sinking Fund Installment was established) may be applied by JEA, on or prior to the 35th day preceding the due date of such Sinking Fund Installment (or such later day as may be specified in the Supplemental Subordinated Resolution authorizing such Subordinated Bonds), to (i) the purchase of Subordinated Bonds of the Series, maturity and interest rate within each maturity for which such Sinking Fund Installment was established, or (ii) the redemption at the applicable sinking fund Redemption Price of such Subordinated Bonds, if then redeemable by their terms. All purchases of any Subordinated Bonds pursuant to this subsection 3 shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Subordinated Bonds plus accrued interest, and such purchases shall be made in such manner as JEA shall determine. The applicable sinking fund Redemption Price (or principal amount of maturing Subordinated Bonds) of any Subordinated Bonds so purchased or redeemed shall be deemed to constitute part of the Subordinated Indebtedness Fund until such Sinking Fund Installment date, for the purpose of calculating the amount of such Fund. As soon as practicable after the 35th day preceding the due date of any such Sinking Fund Installment (or such later day as may be specified in the Supplemental Subordinated Resolution authorizing the Subordinated Bonds for which such Sinking Fund Installment was established), JEA shall proceed to call for redemption, by giving notice as provided in Section 4.04 or the Supplemental Subordinated Resolution authorizing the Subordinated Bonds of the Series, maturity and interest rate within each maturity for which such Sinking Fund Installment was established, on such due date such Subordinated Bonds (except in the case of Subordinated Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment after making allowance for any Subordinated Bonds purchased or redeemed which JEA has determined to apply as a credit against such Sinking Fund Installment as provided in Section 5.08. Except to the extent that moneys are available in any separate fund or account established pursuant to subsection 3 of Section 5.03 with respect to a particular Series of the Subordinated Bonds (exclusive of amounts, if any, set aside in said fund or account for the payment of interest on the Subordinated Bonds of such Series on a future date), JEA shall pay out of the Subordinated Indebtedness Fund to the appropriate Subordinated Bond Paying Agents, on or before such redemption date or maturity date, the amount required for the redemption of the Subordinated Bonds of such Series so called for redemption or for the payment of such Subordinated Bonds then maturing. To the extent that moneys are available in any such separate fund or account (except as aforesaid) on or before such redemption date or maturity date, JEA shall pay, or cause to be paid, to the Subordinated Bond Paying Agent on or before such date the moneys so available. Such amounts and moneys shall be applied by such Subordinated Bond Paying Agents to such redemption or payment. All expenses in connection with the purchase or redemption of Subordinated Bonds shall be paid by JEA from any lawfully available moneys.

4. Amounts accumulated in the Subordinated Indebtedness Fund with respect to any principal amount of Subordinated Bonds (including, in the case of any Option Subordinated Bond, the principal amount thereof tendered for payment prior to the stated maturity thereof) due (or so tendered for payment) on a certain future date for which no Sinking Fund Installments have been established (together with amounts accumulated therein with respect to interest on such Subordinated Bonds) may be applied by JEA, on or prior to the due date thereof, to (i) the purchase of such Subordinated Bonds or (ii) the redemption at the principal amount of such Subordinated Bonds, if then redeemable by their terms. All purchases of any Subordinated Bonds pursuant to this subsection 4 shall be made at prices not exceeding the principal amount of such Subordinated Bonds plus accrued interest, and such purchases shall

be made in such manner as JEA shall determine. The principal amount of any Subordinated Bonds so purchased or redeemed shall be deemed to constitute part of the Subordinated Indebtedness Fund until such due date, for the purpose of calculating the amount of such Fund. All expenses in connection with the purchase or redemption of Subordinated Bonds shall be paid by JEA from any lawfully available moneys.

5. The amount, if any, deposited in the Subordinated Indebtedness Fund from the proceeds of each Series of Subordinated Bonds shall be set aside in such Fund and applied to the payment of interest on Subordinated Bonds in accordance with certificates of Authorized Officers of JEA filed with the records of JEA pursuant to paragraph (3) of Section 2.02 or, in the event that JEA shall modify or amend any such certificate by a subsequent certificate signed by an Authorized Officer of JEA and filed with the records of JEA, then in accordance with the most recent such certificates or amended certificates.

6. In the event of the refunding or defeasance of any Subordinated Bonds, JEA may withdraw from the Subordinated Indebtedness Fund all or any portion of the amounts accumulated therein and deposit such amounts with the Escrow Agent for the Subordinated Bonds being refunded or defeased to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Subordinated Bonds being refunded or defeased; *provided, however*, that such withdrawal shall not be made unless (a) immediately thereafter the Subordinated Bonds being refunded or defeased shall be deemed to have been paid pursuant to subsection 2 of Section 12.01, and (b) the amount remaining in the Subordinated Indebtedness Fund, after giving effect to the issuance of any obligations being issued to refund any Subordinated Bonds being refunded and the disposition of the proceeds thereof, shall not be less than the requirement of such Account pursuant to paragraph (b) of subsection 1 of Section 507 of the Resolution. In the event of such refunding or defeasance, JEA may also withdraw from the Subordinated Indebtedness Fund all or any portion of the amounts accumulated therein and deposit such amounts in any Fund or Account under the Resolution or any fund or account established hereunder; *provided, however*, that such withdrawal shall not be made unless items (a) and (b) referred to hereinabove have been satisfied; and *provided, further*, that, at the time of such withdrawal, there shall exist no deficiency in any Fund or Account held under the Resolution or any fund or account held hereunder.

SECTION 5.03. Establishment of Funds. 1. The following Funds, to be held by JEA, are hereby established:

- (1) Subordinated Bond Construction Fund; and
- (2) Subordinated Bond Rate Stabilization Fund.

2. Nothing contained herein shall prevent JEA from creating such accounts or subaccounts within any Fund herein established as an Authorized Officer of JEA shall deem necessary or appropriate.

3. If and to the extent provided in a Supplemental Subordinated Resolution, JEA may establish one or more additional funds or accounts with respect to the Subordinated Bonds of one or more Series as shall be specified in such Supplemental Subordinated Resolution and, if and to the extent provided in any such Supplemental Subordinated Resolution, amounts on deposit in any such fund or account, including the investments, if any, thereof may be pledged

for the payment of the principal or Redemption Price, if any, of, and interest on, any or all of such Subordinated Bonds. In such event, deposits to and withdrawals from any such fund or account shall be governed by the provisions of such Supplemental Subordinated Resolution; *provided, however*, that in the event that any such Supplemental Subordinated Resolution shall provide for the deposit of Revenues into any such fund or account, such deposit shall not be made in any month until after the deposits required pursuant to subsection 1 of Section 507 of the Resolution shall have been made for such month, and such deposits shall be made *pro rata* with the deposits of Revenues to the Subordinated Bond Rate Stabilization Fund provided for in subsection 1 of Section 5.05; and *provided, further*, that if the amount on deposit in the Revenue Fund shall not be sufficient to make all such deposits so required to be made with respect to all such funds and accounts in any month, then such amount on deposit in the Revenue Fund shall be applied ratably, in proportion to the amount necessary for deposit into each such fund and account.

SECTION 5.04. Subordinated Bond Construction Fund. 1. There shall be paid into the Subordinated Bond Construction Fund the amounts required to be so paid by the provisions of any Supplemental Subordinated Resolution and there may be paid into the Subordinated Bond Construction Fund, at the option of JEA, any moneys received for or in connection with the System by JEA from any other source, unless required to be otherwise applied as provided by the Resolution or the Subordinated Resolution.

2. Amounts on deposit in the Subordinated Bond Construction Fund shall be withdrawn, used and applied by JEA solely for the payment of Costs of the System or any other lawful purpose of JEA relating to the System.

SECTION 5.05. Subordinated Bond Rate Stabilization Fund. 1. As soon as practicable in each month following the application of Revenues as provided in subsection 1 of Section 507 of the Resolution, but in any case not later than the last day of such month, JEA shall pay out of the amounts remaining in the Revenue Fund to the extent permitted by the Resolution, and to the extent that the amount in the Revenue Fund is available therefor, for deposit into the Subordinated Bond Rate Stabilization Fund, the amount, if any, budgeted for deposit into such Fund for the then current month as set forth in the then current annual budget, or the amount otherwise determined by JEA to be deposited to such Fund for the month, and such deposits shall be made *pro rata* with the deposits of Revenues to any funds or accounts established pursuant to subsection 3 of Section 5.03.

2. Each month JEA shall transfer from the Subordinated Bond Rate Stabilization Fund to the Subordinated Indebtedness Fund the amount budgeted for transfer into such Fund for the then current month as set forth in the then current annual budget, or the amount otherwise determined by JEA to be deposited into such Fund for the month. JEA may also from time to time withdraw amounts currently on deposit in the Subordinated Bond Rate Stabilization Fund and (i) transfer such amounts to any other Fund or Account established under the Resolution or any fund or account established under the Subordinated Resolution, (ii) use such amounts to purchase or redeem Bonds or Subordinated Bonds, (iii) use such amounts to otherwise provide for the payment of Bonds or Subordinated Bonds or (iv) use such amounts for any lawful purpose of JEA relating to the System. If JEA determines that amounts on deposit in the Subordinated Bond Rate Stabilization Fund are to be used to pay the principal or Redemption Price of, or interest on, or to otherwise provide for the payment of, Bonds or Subordinated Bonds, JEA may designate the particular Bonds or Subordinated Bonds for which such amounts

are to be so used, and such amounts shall, subject only to the other provisions of the Subordinated Resolution permitting or requiring the application thereof, be used for such purpose.

3. At any time and from time to time JEA may transfer for deposit in the Subordinated Bond Rate Stabilization Fund from any source such amounts as JEA deems necessary or desirable; such amounts shall be applied for purposes of the Subordinated Bond Rate Stabilization Fund in accordance with subsection 2 of this Section 5.05.

4. Notwithstanding anything to the contrary contained herein, whenever the amounts available therefor under the Resolution shall not be sufficient to pay the principal or Redemption Price of, or interest on, the Bonds then due, JEA shall withdraw from the Subordinated Bond Rate Stabilization Fund an amount equal to the amount of such deficiency (or the entire amount on deposit therein, if less than the amount of such deficiency), and shall deposit such amount in the Debt Service Fund established under the Resolution.

SECTION 5.06. Investment of Funds. Moneys on deposit in any fund or account established pursuant to the Subordinated Resolution may be invested and reinvested in Investment Securities, provided such investments either mature or are redeemable at not less than par at the option of JEA not later than the dates on which such moneys will be needed for the purposes of such funds or accounts. All income on such investments shall be transferred to the Revenue Fund established under the Resolution; *provided, however*, that income on the investments held in the Subordinated Bond Construction Fund shall be retained therein; and *provided, further*, that if JEA determines that income on the investments held in any particular fund or account created hereby shall either be retained therein or transferred to some other fund or account created hereby or by the Resolution, then such income shall be so applied.

SECTION 5.07. Cancellation and Destruction of Subordinated Bonds. Except as provided in Section 3.09, and except as may be otherwise provided with respect to Option Subordinated Bonds in the Supplemental Subordinated Resolution providing for the issuance thereof, all Subordinated Bonds paid or redeemed, either at or before maturity, shall be delivered to the Subordinated Bond Registrar(s) therefor or its (or their) agent(s) when such payment or redemption is made, and such Subordinated Bonds, together with all Subordinated Bonds purchased by JEA and delivered to such Subordinated Bond Registrar(s) or its (or their) agent(s) for cancellation, shall thereupon be promptly cancelled (other than Book Entry Subordinated Bonds, to the extent provided in subsection 6 of Section 3.09, that have been deemed to have been cancelled). Subordinated Bonds so cancelled may at any time be destroyed by such Subordinated Bond Registrar(s) or its (or their) agent(s), who shall execute a certificate of destruction in duplicate by the signature of one of its authorized officers describing the Subordinated Bonds so destroyed, and one executed certificate shall be filed with JEA and the other executed certificate shall be retained by such Subordinated Bond Registrar.

SECTION 5.08. Credits Against Sinking Fund Installments. If at any time Subordinated Bonds of any Series, maturity or interest rate within a maturity for which Sinking Fund Installments shall have been established are (i) purchased or redeemed other than pursuant to subsection 3 of Section 5.02 or (ii) deemed to have been paid pursuant to subsection 2 of Section 12.01 and, with respect to such Subordinated Bonds which have been deemed paid, irrevocable instructions have been given to the Escrow Agent therefor to redeem or purchase the same on or prior to the due date of the Sinking Fund Installment to be credited under this Section

5.08, JEA may from time to time and at any time determine the portions, if any, of such Subordinated Bonds so purchased, redeemed or deemed to have been paid and not previously applied as a credit against any Sinking Fund Installment which are to be credited against future Sinking Fund Installments. Such determination shall include the amounts of such Subordinated Bonds to be applied as a credit against such Sinking Fund Installment or Installments and the particular Sinking Fund Installment or Installments against which such Subordinated Bonds are to be applied as a credit; *provided, however*, that none of such Subordinated Bonds may be applied as a credit against a Sinking Fund Installment to become due less than 35 days after such determination is made (or such later day as may be specified in the Supplemental Subordinated Resolution authorizing such Subordinated Bonds). Except as provided in Section 3.09 with respect to Book Entry Subordinated Bonds, all such Subordinated Bonds to be applied as a credit shall be surrendered to the Subordinated Bond Registrar(s) therefor for cancellation on or prior to the due date of the Sinking Fund Installment against which they are being applied as a credit. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

SECTION 5.09. Purchases of Subordinated Bonds. Any purchase of Subordinated Bonds (or portions thereof) by or at the direction of JEA pursuant to the Subordinated Resolution may be made with or without tenders of Subordinated Bonds and at either public or private sale, in such manner as JEA may determine.

ARTICLE VI

PAYMENTS INTO SUBORDINATED INDEBTEDNESS FUND FROM REVENUES

In accordance with the provisions of Section 507 of the Resolution, JEA shall withdraw from the Revenue Fund and deposit in the Subordinated Indebtedness Fund (a) in each month, such amounts as shall be provided in the Annual Budget or otherwise determined by JEA to be deposited in the Subordinated Indebtedness Fund for the payment of the principal or sinking fund redemption price, if any, of, and interest on, Subordinated Bonds and other Subordinated Indebtedness on the next succeeding payment date with respect to such bonds and indebtedness and (b) in any event, on any date that any principal or sinking fund redemption price, if any, of, and interest on, any Subordinated Bonds or other Subordinated Indebtedness shall become due and payable, an amount which, together with (i) other amounts then on deposit in such Subordinated Indebtedness Fund, including the proceeds of the sale of Bonds or Subordinated Indebtedness (exclusive of amounts, if any, set aside in said Fund for the payment of interest on Subordinated Indebtedness on a future date or as a reserve for the payment of the principal or redemption price, if any, of, and interest on, Subordinated Indebtedness), (ii) in the case of Subordinated Bonds of any Series for which a separate fund or account has been established pursuant to subsection 3 of Section 5.03, the amounts then on deposit in such separate account (exclusive of amounts, if any, set aside in said fund or account for the payment of interest on the Subordinated Bonds of such Series on a future date) and (iii) in the case of any other issue of Subordinated Indebtedness for which a separate fund or account has been established as a source of moneys for the payment of the Subordinated Indebtedness of such

issue, the amounts available in such fund or account (exclusive of amounts, if any, set aside in said fund or account for the payment of interest on the Subordinated Indebtedness of such issue on a future date or as a reserve for the payment of the principal or redemption price, if any, of, and interest on, the Subordinated Indebtedness of such issue), will be sufficient and available to make such payment in full on such payment date.

ARTICLE VII

PARTICULAR COVENANTS OF JEA

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

SECTION 7.01. Payment of Subordinated Bonds. JEA shall duly and punctually pay or cause to be paid, but solely from the sources specified in the Subordinated Resolution and any Supplemental Subordinated Resolution, the principal or Redemption Price, if any, of every Subordinated Bond and the interest thereon, at the dates and places and in the manner provided in the Subordinated Bonds, according to the true intent and meaning thereof. For the purpose of providing for the payment of the principal or sinking fund Redemption Price of the Outstanding Subordinated Bonds of each Series and the interest thereon on the date that the same shall become due and payable, JEA, on or prior to such date, will, except to the extent that moneys are available therefor in any separate fund or account established with respect to such Series pursuant to subsection 3 of Section 5.03 (exclusive of amounts, if any, set aside in said fund or account for the payment of interest on the Subordinated Bonds of such Series on a future date), deposit in the Subordinated Indebtedness Fund an amount which, together with (i) other amounts then on deposit in such Subordinated Indebtedness Fund (exclusive of amounts, if any, set aside in said Fund for the payment of interest on Subordinated Indebtedness on a future date or as a reserve for the payment of the principal or sinking fund redemption price, if any, of, and interest on, Subordinated Indebtedness) and (ii) the moneys so available therefor in such separate fund or account (except as aforesaid), will be sufficient and available to make such payment on such date. For the purpose of providing for the payment of the Redemption Price of the Outstanding Subordinated Bonds that shall have been called for redemption at the election of JEA on the date that the same shall become due and payable, JEA will, on or prior to such date, pay or cause to be paid to the Subordinated Bond Paying Agents therefor, from any moneys of JEA legally available therefor, an amount which will be sufficient and available to make such payment.

SECTION 7.02. Extension of Payment of Subordinated Bonds. JEA shall not directly or indirectly extend or assent to the extension of the maturity of any of the Subordinated Bonds or the time of payment of any claims for interest by the purchase or funding of such Subordinated Bonds or claims for interest or by any other arrangement, and in case the maturity of any of the Subordinated Bonds or the time for payment of any such claims for interest shall be extended, such Subordinated Bonds or claims for interest shall not be entitled, in case of any default under the Subordinated Resolution, to the benefit of the Subordinated Resolution or to any payment out of the Subordinated Indebtedness Fund, including the investments and investment income, if any, thereof, or the moneys (except moneys held in trust for the payment of particular Subordinated Bonds or claims for interest pursuant to the Subordinated Resolution) held by JEA or the Subordinated Bond Fiduciaries, except subject to the prior payment of the principal of all Subordinated Bonds Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Subordinated Bonds as

shall not be represented by such extended claims for interest. Nothing herein shall be deemed to limit the right of JEA to issue Option Subordinated Bonds or to issue other Subordinated Bonds to refund Subordinated Bonds, and neither such issuance nor the exercise by the Holder of any Option Subordinated Bond of any of the rights appertaining to such Option Subordinated Bond shall be deemed to constitute an extension of maturity of Subordinated Bonds.

SECTION 7.03. Offices for Servicing Subordinated Bonds. Except as may be otherwise provided in any Supplemental Subordinated Resolution with respect to any Series of Subordinated Bonds, JEA shall at all times maintain one or more agencies where Subordinated Bonds may be presented for payment and shall at all times maintain one or more agencies where Subordinated Bonds may be presented for registration, transfer or exchange, and where notices, demands and other documents may be served upon JEA in respect of the Subordinated Bonds or of the Subordinated Resolution. JEA hereby appoints each Subordinated Bond Registrar to maintain an agency for the registration, transfer or exchange of Subordinated Bonds, and for the service upon JEA of such notices, demands and other documents and the Subordinated Bond Registrars shall continuously maintain or make arrangements to provide such services. JEA hereby appoints the Subordinated Bond Paying Agent or Agents in such cities as its respective agents to maintain such agencies for the payment or redemption of Subordinated Bonds.

SECTION 7.04. Further Assurance. At any and all times JEA shall, as far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, moneys, securities and funds hereby pledged, or intended so to be, or which JEA may become bound to pledge.

SECTION 7.05. Power to Issue Subordinated Bonds and Pledge Subordinated Indebtedness Fund. JEA is duly authorized under all applicable laws to create and issue the Subordinated Bonds and to adopt the Subordinated Resolution and to pledge the moneys, securities and funds hereby pledged, in the manner and to the extent provided in the Subordinated Resolution. Except with respect to the Bonds and except to the extent otherwise provided in the Subordinated Resolution, the moneys, securities and funds so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto superior to, or of equal rank with, the pledge created by the Subordinated Resolution, and all corporate or other action on the part of JEA to that end has been and will be duly and validly taken. The Subordinated Bonds and the provisions of the Resolution, including the Subordinated Resolution, are and will be the valid and legally enforceable obligations of JEA in accordance with their terms and the terms of the Resolution, including the Subordinated Resolution. JEA shall at all times, to the extent permitted by law and, in the case of the Subordinated Indebtedness Fund, subject to the lien created by the Resolution as security for the Bonds, defend, preserve and protect the pledge of the moneys, securities and funds pledged hereby and all the rights of the Holders of the Subordinated Bonds hereunder, against all claims and demands of all persons whomsoever.

SECTION 7.06. Creation of Liens. JEA shall not issue any bonds, notes, debentures or other evidences of indebtedness of similar nature, other than the Bonds and the Subordinated Bonds, payable out of or secured by a security interest in or pledge of the Subordinated Indebtedness Fund, including the funds, moneys and securities contained therein;

provided, however, that nothing contained in the Subordinated Resolution shall prevent JEA from issuing or incurring, if and to the extent permitted by law and the Resolution, (a) Additional Parity Subordinated Indebtedness and (b) Subordinated Indebtedness that is expressly made subordinate in right of payment to the Subordinated Bonds and for which any pledge of such amounts in the Subordinated Indebtedness Fund as may from time to time be available therefor shall be, and shall be expressed to be, subordinate in all respects to the pledge and lien created under the Subordinated Resolution as security for the Subordinated Bonds.

SECTION 7.07. Performance of Covenants. JEA agrees to comply with the provisions of subsection 2 of Section 707 of the Resolution, subsection 2 of Section 711 of the Resolution and Sections 706, 708, 709, 710, 712, 713, 714, 715, 716 and 717 of the Resolution, as all of said provisions may be amended from time to time, until the Subordinated Bonds and interest thereon shall have been paid or provision for such payment shall have been made, except that (i) the references therein to Section 711 of the Resolution shall be deemed to be references to Section 7.08 hereof; (ii) the references therein to the Holders of the Bonds shall be deemed to be references to the Holders of the Subordinated Bonds; (iii) the references therein to the rights or security of Holders of the Bonds under the Resolution shall be deemed to be references to the rights or security of the Holders of the Subordinated Bonds hereunder; (iv) for purposes of the reference to subsection 6 of Section 503 of the Resolution in clause (d) of subsection 2 of Section 707 of the Resolution, the reference to the Holders of the Bonds in said subsection 6 shall be deemed to be a reference to the Holders of the Subordinated Bonds; and (v) the references therein to the Resolution (other than the reference to subsection 6 of Section 503 of the Resolution in clause (d) of subsection 2 of Section 707 of the Resolution) shall be deemed to be references to the Subordinated Resolution.

SECTION 7.08. Rates, Fees and Charges. JEA shall at all times fix, establish, maintain, charge and collect rates, fees and charges for the use or the sale of the output, capacity or service of the System which shall be sufficient to provide Revenues in each Bond Year in an amount at least equal to the amount required to satisfy either clause (i) or clause (ii) below:

(i) the difference between (a) Net Revenues in each Bond Year and (b) Capacity Charges in such Bond Year shall be at least equal to the sum of (X) the Aggregate Debt Service for such Bond Year; *provided, however*, that any Principal Installment which is a Refundable Principal Installment may be excluded from Aggregate Debt Service for purposes of the foregoing but only to the extent that JEA intends to pay such Principal Installment from sources other than Revenues, (Y) the Aggregate Subordinated Debt Service for such Bond Year; *provided, however*, that any Subordinated Principal Installment which is a Refundable Subordinated Principal Installment may be excluded from Aggregate Subordinated Debt Service for purposes of the foregoing but only to the extent that JEA intends to pay such Subordinated Principal Installment from sources other than Revenues and (Z) all amounts payable by JEA during such Bond Year with respect to all Existing Parity Subordinated Indebtedness and any Additional Parity Subordinated Indebtedness; or

(ii) Net Revenues in each Bond Year shall be at least equal to the sum of (X) the Aggregate Debt Service for such Bond Year; *provided, however*, that any Principal Installment which is a Refundable Principal Installment may be excluded from Aggregate Debt Service for purposes of the foregoing but only to the extent that JEA intends to pay such Principal Installment from sources other than Revenues, (Y) 120% of the Aggregate

Subordinated Debt Service for such Bond Year; *provided, however*, that any Subordinated Principal Installment which is a Refundable Subordinated Principal Installment may be excluded from Aggregate Subordinated Debt Service for purposes of the foregoing but only to the extent that JEA intends to pay such Subordinated Principal Installment from sources other than Revenues and (Z) all amounts payable by JEA during such Bond Year with respect to all Existing Parity Subordinated Indebtedness and any Additional Parity Subordinated Indebtedness.

For purposes of this Section 7.08, prior to the effectiveness of the amendment of the definition of the term “Debt Service” contained in the Resolution provided for in the May 2003 Senior Amending Resolution, (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 it will be assumed that such Bonds bear interest at a rate equal to the sum of (1) the lesser of (A) the average of the variable rate payable by JEA pursuant to such Designated Swap Obligation for the five (5) years preceding the date of determination, calculating such rate based upon the method, formula or index with respect thereto set forth in such Designated Swap Obligation and (B) the average of the actual rates paid by JEA pursuant to such Designated Swap Obligation for the twelve (12) months preceding such date of determination; *provided, however*, if such Designated Swap Obligation shall not have been in effect for twelve (12) months, then the rate of interest determined pursuant to this clause (1) shall be the rate determined pursuant to the foregoing subclause (A) and (2) the difference (whether positive or negative) between (X) the fixed rate of interest on such Bonds and (Y) the fixed rate of interest payable to JEA pursuant to such Designated Swap Obligation and (b) if JEA has in connection with any Variable Rate Bonds entered into a Designated Swap Obligation which provides that, in respect of a notional amount equal to the Outstanding principal amount of such Variable Rate Bonds, JEA is to pay to a Designated Swap Obligation Provider an amount determined based upon a fixed rate of interest and the Designated Swap Obligation Provider is to pay to JEA an amount determined based upon a variable rate of interest, then it will be assumed that such Variable Rate Bonds bear interest at the fixed rate of interest payable by JEA pursuant to such Designated Swap Obligation.

For purposes of this Section 7.08, prior to the effectiveness of the amendment of the definition of the term “Debt Service” contained in the Resolution provided for in the April 2010 Amending Resolution, “Debt Service” shall be determined in the manner provided in such amendment of such definition contained in the April 2010 Amending Resolution (as if such amendment were fully effective), as such definition may hereafter be amended or modified in accordance with the provisions of the Resolution.

SECTION 7.09. General. 1. JEA shall at all times maintain its corporate existence (or, if JEA shall be dissolved or abolished, a successor shall be named to assume the rights and obligations of JEA) and shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of JEA under the provisions of the Act and the Subordinated Resolution.

2. Upon the date of authentication and delivery of any of the Subordinated Bonds, all conditions, acts and things required by law and the Subordinated Resolution to exist, to have happened and to have been performed prior to and in connection with the issuance of

such Subordinated Bonds shall exist, have happened and have been performed, and the issuance of such Subordinated Bonds, together with all other obligations of JEA, shall comply in all respects with the applicable laws of the State of Florida.

3. Notwithstanding the provisions of subsection 1 of Section 1201 of the Resolution, (i) the pledge of the Subordinated Indebtedness Fund, including the funds, moneys and securities contained therein, hereunder and the covenants, agreements and other obligations of JEA to the Holders of the Subordinated Bonds, (ii) JEA's obligations with respect to the Subordinated Indebtedness Fund and the Subordinated Bond Rate Stabilization Fund and (iii) all other provisions of the Resolution necessary or desirable to give effect to the foregoing shall remain in full force and effect so long as any Subordinated Bonds remain Outstanding.

ARTICLE VIII

REMEDIES OF HOLDERS OF THE SUBORDINATED BONDS

SECTION 8.01. Events of Default. If one or more of the following Events of Default shall happen:

(i) if default shall be made in the due and punctual payment of the principal or Redemption Price of any Subordinated 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 Subordinated Bond or the unsatisfied balance of any Sinking Fund Installment therefor (except when such Sinking Fund Installment is due on the maturity date of such Subordinated Bond), when and as such interest installment or Sinking Fund Installment shall become due and payable and such default shall continue for a period of 30 days;

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

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

(v) if an order or decree shall be entered, with the consent or acquiescence of JEA, appointing a receiver or receivers of the System, or any part thereof, or of the rents, fees, charges or other revenues therefrom, or if such order or decree, having been entered

without the consent or acquiescence of JEA, shall not be vacated or discharged or stayed within 90 days after the entry thereof; or

(vi) if an Event of Default shall have occurred pursuant to the provisions of the Resolution;

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 Subordinated Bonds shall have already become due and payable, the Holders of not less than 25% in principal amount of the Subordinated Bonds Outstanding (by notice in writing to JEA), may declare the principal of all the Subordinated Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything contained to the contrary in the Subordinated Resolution or in any of the Subordinated Bonds notwithstanding. The right of the Holders of not less than 25% in principal amount of the Subordinated 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 Subordinated Bonds shall have matured by their terms, all overdue installments of interest upon the Subordinated Bonds, together with interest on such overdue installments of interest to the extent permitted by law and all other sums then payable by JEA under the Subordinated Resolution (except the principal of, and interest accrued since the next preceding interest date on, the Subordinated Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of JEA or adequate provision shall be made for such payment, and all defaults under the Subordinated Bonds or under the Subordinated 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 Subordinated Bonds Outstanding, by written notice to JEA, may rescind such declaration and annul such default in its entirety, but no such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

SECTION 8.02. Accounting and Examination of Records After Default.

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

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

SECTION 8.03. Application of Moneys after Default. 1. During the continuance of an Event of Default, JEA, subject to the provisions of subsection 3 of Section 505 of the Resolution, shall apply all moneys, securities and funds held or received by it with respect to the Subordinated Bonds as follows and in the following order:

(a) to the extent required thereby, to the purposes indicated in subsection 1 of Section 803 of the Resolution; and

(b) to the payment of the interest and principal or Redemption Price then due on the Subordinated Bonds, as follows:

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

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

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

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

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

SECTION 8.04. Remedies Not Exclusive. No remedy by the terms of the Subordinated Resolution conferred upon or reserved to the Holders of the Subordinated Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be

cumulative and shall be in addition to every other remedy given under the Subordinated Resolution or existing at law or in equity or by statute on or after the date of adoption of the Subordinated Resolution.

SECTION 8.05. Effect of Waiver and Other Circumstances. 1. No delay or omission of any Holder of a Subordinated Bond to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein; and every power and remedy given by this Article to the Holders of the Subordinated Bonds may be exercised from time to time and as often as may be deemed expedient by the Holders of the Subordinated Bonds.

2. Prior to the declaration of maturity of the Subordinated Bonds as provided in Section 8.01, the Holders of not less than a majority in principal amount of the Subordinated Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Holders of all of the Subordinated Bonds waive any past default under the Subordinated Resolution and its consequences, except a default in the payment of interest on or principal or Redemption Price, if any, of any of the Subordinated Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 8.06. Notice of Default. JEA shall promptly mail written notice of the occurrence of any Event of Default to each Holder of Subordinated Bonds then Outstanding, and, if Bearer Commercial Paper Notes shall be Outstanding, JEA shall also publish such notice once a week for at least two successive weeks in the Authorized Newspapers.

ARTICLE IX

THE SUBORDINATED BOND FIDUCIARIES

SECTION 9.01. Subordinated Bond Paying Agents. 1. JEA shall appoint one or more Subordinated Bond Paying Agents for the Subordinated Bonds of each Series, and may at any time or from time to time appoint one or more other Subordinated Bond Paying Agents. Each Subordinated Bond Paying Agent shall be an officer of JEA, a transfer agent duly registered pursuant to the Securities Exchange Act of 1934, as amended (or successor provision of law), or a bank or trust company organized under the laws of any state of the United States or a national banking association, having capital stock, surplus and undivided earnings aggregating at least \$25,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Subordinated Resolution.

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

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

4. Any Subordinated Bond Paying Agent may at any time resign and be discharged of the duties and obligations created by the Subordinated Resolution by giving at least 60 days' written notice to JEA and the other Subordinated Bond Paying Agents; *provided*,

however, that no such resignation shall be effective until a successor shall have been appointed. Any Subordinated Bond Paying Agent may be removed at any time by an instrument filed with such Subordinated Bond Paying Agent and signed by an Authorized Officer of JEA; *provided, however*, that no such removal shall be effective until a successor shall have been appointed. In the event of the resignation or removal of any Subordinated Bond Paying Agent, such Subordinated Bond Paying Agent shall pay over, assign and deliver any moneys and records held by it in such capacity to its successor.

SECTION 9.02. Responsibilities of Subordinated Bond Fiduciaries. The recitals of fact herein and in the Subordinated Bonds contained shall be taken as the statements of JEA and no Subordinated Bond Fiduciary assumes any responsibility for the correctness of the same. No Subordinated Bond Fiduciary makes any representations as to the validity or sufficiency of the Subordinated Resolution or of any Subordinated Bonds or as to the security afforded by the Subordinated Resolution, and no Subordinated Bond Fiduciary shall incur any liability in respect thereof. Each Subordinated Bond Registrar shall, however, be responsible for its representation contained in its certificate of authentication on the Subordinated Bonds. No Subordinated Bond Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid by such Subordinated Bond Fiduciary in accordance with the provisions of the Subordinated Resolution to JEA or to any other Subordinated Bond Fiduciary. No Subordinated Bond Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. No Subordinated Bond Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence, misconduct or default.

SECTION 9.03. Evidence on Which Subordinated Bond Fiduciaries May Act. 1. Each Subordinated Bond Fiduciary, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of the Subordinated Resolution, shall examine such instrument to determine whether it conforms to the requirements of the Subordinated Resolution and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. Each Subordinated Bond Fiduciary may reasonably consult with counsel, who may or may not be of counsel to JEA, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Subordinated Resolution in good faith and in accordance therewith.

2. Whenever any Subordinated Bond Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Subordinated Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized Officer of JEA, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Subordinated Resolution upon the faith thereof; but in its discretion the Subordinated Bond Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

3. Except as otherwise expressly provided in the Subordinated Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any

provision thereof by JEA to any Subordinated Bond Fiduciary shall be sufficiently executed in the name of JEA by an Authorized Officer of JEA.

SECTION 9.04. Compensation. JEA shall pay to each Subordinated Bond Fiduciary from time to time reasonable compensation for all services rendered under the Subordinated Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under the Subordinated Resolution, in accordance with the agreements made from time to time between JEA and the Subordinated Bond Fiduciary. Subject to the provisions of Section 9.02, JEA further agrees to indemnify and save each Subordinated Bond Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder and which are not due to its negligence, misconduct or default.

SECTION 9.05. Certain Permitted Acts. Any Subordinated Bond Fiduciary may become the owner of any Subordinated Bonds, with the same rights it would have if it were not a Subordinated Bond Fiduciary. To the extent permitted by law, any Subordinated Bond Fiduciary may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Holders of the Subordinated Bonds or to effect or aid in any reorganization growing out of the enforcement of the Subordinated Bonds or the Subordinated Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the Subordinated Bonds then Outstanding.

SECTION 9.06. Merger or Consolidation. Any company into which any Subordinated Bond Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Subordinated Bond Fiduciary may sell or transfer all or substantially all of its business, provided such company shall be qualified to perform all the duties imposed upon it by the Subordinated Resolution and shall be authorized by law to perform all such duties, shall be the successor to such Subordinated Bond Fiduciary without the execution or filing of any paper or the performance of any further act.

SECTION 9.07. Adoption of Authentication. In case any of the Subordinated Bonds shall have been authenticated but not delivered, any successor Subordinated Bond Registrar may adopt the certificate of authentication of any predecessor Subordinated Bond Registrar so authenticating such Subordinated Bonds and deliver such Subordinated Bonds so authenticated; and in case any of the said Subordinated Bonds shall not have been authenticated, any successor Subordinated Bond Registrar may authenticate such Subordinated Bonds in the name of the predecessor Subordinated Bond Registrar, or in the name of the successor Subordinated Bond Registrar, and in all such cases such certificate shall have the full force which it is anywhere in said Subordinated Bonds or in the Subordinated Resolution provided that the certificate of the Subordinated Bond Registrar shall have.

ARTICLE X

SUPPLEMENTAL SUBORDINATED RESOLUTIONS

SECTION 10.01. Supplemental Subordinated Resolutions Effective Without Delivery of Counsel's Opinion as to No Material Adverse Effect and Without Consent of Holders of the Subordinated Bonds. For any one or more of the following purposes and at any time or from time to time, a Supplemental Subordinated Resolution of JEA supplemental to the Subordinated Resolution may be adopted, which, upon its adoption and compliance with the provisions of Section 10.04, shall be fully effective in accordance with its terms:

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

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

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

(4) to authorize Subordinated Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in Article II, and also any other matters and things relative to such Subordinated Bonds which are not contrary to or inconsistent with the Subordinated Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Subordinated Bonds, or to reduce the authorized amount of the Subordinated Bonds of such Series by an amount not greater than the aggregate principal amount of the Subordinated Bonds of such Series that, at the time of such adoption, have not yet been issued;

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

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

(7) to modify any of the provisions of the Subordinated Resolution in any other respect whatever; *provided, however*, that (i) such modification shall be, and be expressed to be, effective only after all Subordinated Bonds of each Series

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

SECTION 10.02. Supplemental Subordinated Resolutions Effective Upon Delivery of Counsel's Opinion as to No Material Adverse Effect. For any one or more of the following purposes and at any time or from time to time, a Supplemental Subordinated Resolution supplemental to the Subordinated Resolution may be adopted, which, upon (i) delivery of a Counsel's Opinion to the effect that the provisions of such Supplemental Subordinated Resolution will not have a material adverse effect on the interests of the Holders of Outstanding Subordinated Bonds (in rendering such opinion, such counsel may rely on such certifications of (a) any banking or financial institution or financial advisory firm serving as financial advisor to JEA, as to financial and economic matters, (b) the Consulting Engineer, as to matters within its field of expertise and (c) such other experts, as to matters within their fields of expertise as it, in its reasonable judgment, determines necessary or appropriate) and (ii) compliance with the provisions of Section 10.04, shall be fully effective in accordance with its terms:

- (1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Subordinated Resolution;
- (2) to insert such provisions clarifying matters or questions arising under the Subordinated Resolution as are necessary or desirable and are not contrary to or inconsistent with the Subordinated Resolution as theretofore in effect; or
- (3) to make any other modification to or amendment of the Subordinated Resolution which such counsel in its reasonable judgment shall determine will not have a material adverse effect on the interests of Holders of the Outstanding Subordinated Bonds.

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

SECTION 10.03. Supplemental Subordinated Resolutions Effective With Consent of Holders of the Subordinated Bonds. At any time or from time to time, a Supplemental Subordinated Resolution supplemental to the Subordinated Resolution may be adopted subject to consent by Holders of the Subordinated Bonds in accordance with and subject to the provisions of Article XI, which Supplemental Subordinated Resolution, upon compliance with the provisions of said Article XI, shall become fully effective in accordance with its terms as provided in said Article XI.

SECTION 10.04. General Provisions. 1. The Subordinated Resolution shall not be modified or amended in any respect except as provided in and in accordance with and

subject to the provisions of this Article X and Article XI. Nothing in this Article X or Article XI contained shall affect or limit the right or obligation of JEA to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 7.04 or the right or obligation of JEA to execute and deliver to any Subordinated Bond Fiduciary any instrument which elsewhere in the Subordinated Resolution it is provided shall be delivered to said Subordinated Bond Fiduciary.

2. Any Supplemental Subordinated Resolution referred to and permitted or authorized by Section 10.01 or 10.02 may be adopted by JEA without the consent of any of the Holders of the Subordinated Bonds, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. Prior to the effectiveness of any such Supplemental Subordinated Resolution, JEA shall secure a Counsel's Opinion stating that such Supplemental Subordinated Resolution has been duly and lawfully adopted in accordance with the provisions of the Subordinated Resolution, is authorized or permitted by the Subordinated Resolution, and is valid and binding upon JEA in accordance with its terms.

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

ARTICLE XI

AMENDMENTS

SECTION 11.01. Mailing and Publication. 1. Any provision in this Article for the mailing of a notice or other paper to Holders of the Subordinated Bonds shall be fully complied with if it is mailed postage prepaid (i) to each Holder of affected Subordinated Bonds then Outstanding at its address, if any, appearing upon the registry books of JEA and (ii) to each Holder of any affected Bearer Commercial Paper Note who shall have filed with JEA an address for notices.

2. Any provision in this Article for publication of a notice or other matter shall require the publication thereof only in the Authorized Newspapers.

SECTION 11.02. Powers of Amendment. Any modification or amendment of the Subordinated Resolution and of the rights and obligations of JEA and of the Holders of the Subordinated Bonds thereunder, in any particular, may be made by a Supplemental Subordinated Resolution, with the written consent given as provided in Section 11.03 (i) of the Holders of not less than a majority in principal amount of the Subordinated Bonds affected by such modification or amendment Outstanding at the time such consent is given, and (ii) in case the modification or amendment changes the terms of any Sinking Fund Installment, of the Holders of not less than a majority in principal amount of the Subordinated Bonds of the particular Series and maturity entitled to such Sinking Fund Installment and Outstanding at the time such consent is given; *provided, however*, that if such modification or amendment will, by its terms, not take effect so long as any Subordinated Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Subordinated Bonds shall not be required and such Subordinated Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Subordinated Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Subordinated Bond or of any installment of interest thereon or a reduction in the principal

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

SECTION 11.03. Consent of Holders of the Subordinated Bonds. JEA may at any time adopt a Supplemental Subordinated Resolution making a modification or amendment permitted by the provisions of Section 11.02 to take effect when and as provided in this Section. A copy of such Supplemental Subordinated Resolution (or brief summary thereof or reference thereto), together with a request to affected Holders of the Subordinated Bonds for their consent thereto, shall be mailed by JEA to affected Holders of the Subordinated Bonds (but failure of any affected Holder of a Subordinated Bond to receive such copy and request shall not affect the validity of the Supplemental Subordinated Resolution when consented to as in this Section provided); *provided, however*, that if any Bearer Commercial Paper Notes shall then be Outstanding, JEA shall also publish such copy, summary or reference and such request for consent in the Authorized Newspapers at least once a week for two successive weeks. Such Supplemental Subordinated Resolution shall not be effective unless and until there shall have been filed with JEA (a) the written consents of Holders of the percentages of affected Outstanding Subordinated Bonds specified in Section 11.02 and (b) a Counsel's Opinion stating that such Supplemental Subordinated Resolution has been duly and lawfully adopted and filed by JEA in accordance with the provisions of the Subordinated Resolution and the Resolution, is authorized or permitted by the Subordinated Resolution and the Resolution, and is valid and binding upon JEA in accordance with its terms. It shall not be necessary that the consents of Holders of Subordinated Bonds approve the particular form of wording of the proposed modification or amendment or of the proposed Supplemental Subordinated Resolution effecting such modification or amendment, but it shall be sufficient if such consents approve the substance of the proposed amendment or modification. Each such consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Subordinated Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 12.02. A certificate or certificates executed by an Authorized Officer of JEA stating that such Officer has examined such proof and that such proof is sufficient in accordance with Section 12.02 shall be *prima facie* evidence that the consents have been given by the Holders of the Subordinated Bonds described in such certificate or certificates. Any such consent shall be binding upon the Holder of the affected Subordinated Bonds giving such consent and, anything in Section 12.02 to the contrary notwithstanding, upon any subsequent Holder of such affected

Subordinated Bonds and of any Subordinated Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof). At any time after the Holders of the required percentages of affected Subordinated Bonds shall have filed their consents to the Supplemental Subordinated Resolution, an Authorized Officer of JEA shall make and file with the records of JEA a written statement that the Holders of such required percentages of affected Subordinated Bonds have filed consents. Such written statement shall be *prima facie* evidence that such consents have been so filed. A record, consisting of the certificates or statements required or permitted by this Section 11.03 to be made by JEA, shall be proof of the matters therein stated. Such Supplemental Subordinated Resolution making such amendment or modification shall be deemed conclusively binding upon JEA, the Subordinated Bond Fiduciaries and the Holders of all Subordinated Bonds at the expiration of 40 days after the filing with the records of JEA of such last-mentioned written statement, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Subordinated Resolution in a legal action or equitable proceeding for such purpose commenced within such 40 day period; *provided, however,* that any Subordinated Bond Fiduciary and JEA during such 40 day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Subordinated Resolution as they may deem expedient.

SECTION 11.04. Exclusion of Subordinated Bonds. Subordinated Bonds owned or held by or for the account of JEA shall not be deemed Outstanding for the purpose of consent or other action or any calculation of affected Outstanding Subordinated Bonds provided for in this Article XI, and JEA shall not be entitled with respect to such Subordinated Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, an Authorized Officer of JEA shall file with the records of JEA a certificate as to all Subordinated Bonds so to be excluded.

SECTION 11.05. Notation on Subordinated Bonds. Subordinated Bonds authenticated and delivered after the effective date of any action taken as in Article X or this Article XI provided may, if JEA so determines, bear a notation by endorsement or otherwise in form approved by JEA as to such action, and in that case upon demand of the Holder of any Subordinated Bond Outstanding at such effective date and presentation of its Subordinated Bond for the purpose at the principal office of the Subordinated Bond Registrar therefor or upon any transfer or exchange of any Subordinated Bond Outstanding at such effective date, suitable notation shall be made on such Subordinated Bond or upon any Subordinated Bond issued upon any such transfer or exchange by such Subordinated Bond Registrar as to any such action. If JEA shall so determine, new Subordinated Bonds so modified as in the opinion of JEA to conform to such action shall be prepared, authenticated and delivered and upon demand of the Holder of any Subordinated Bond then Outstanding shall be exchanged, without cost to such Holder, for Subordinated Bonds of the same Series, principal amount, maturity, interest rate and redemption provisions then Outstanding, upon surrender of such Subordinated Bonds. Any action taken as in Article X or this Article XI provided shall be effective and binding upon all Holders of Subordinated Bonds notwithstanding that the notation is not endorsed on all Subordinated Bonds.

ARTICLE XII

MISCELLANEOUS

SECTION 12.01. Defeasance. 1. If JEA shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Subordinated Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Subordinated Resolution, then the pledge of moneys, securities and funds pledged under the Subordinated Resolution and all covenants, agreements and other obligations of JEA to the Holders of the Subordinated Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Subordinated Bond Fiduciaries shall pay over or deliver to JEA all moneys or securities held by them pursuant to the Subordinated Resolution which are not required for the payment of principal or Redemption Price, if applicable, of and interest on Subordinated Bonds. If JEA shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of any Outstanding Subordinated Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Subordinated Resolution, such Subordinated Bonds shall cease to be entitled to any lien, benefit or security under the Subordinated Resolution, and all covenants, agreements and obligations of JEA to the Holders of such Subordinated Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

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

3. Subject to the provisions of subsections 4 through 8 of this Section 12.01, any Outstanding Subordinated Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subsection 1 of this Section 12.01 if (a) in case any of said Subordinated Bonds are to be redeemed on any date prior to their maturity, JEA shall have given to the Escrow Agent therefor instructions accepted in writing by such Escrow Agent to give as provided in Article IV notice of redemption of such Subordinated Bonds (other than Subordinated Bonds which have been purchased or otherwise acquired by JEA as hereinafter provided prior to the giving of such notice of redemption) on said date, (b) there shall have been deposited with the Escrow Agent therefor either moneys (including moneys withdrawn and deposited pursuant to subsection 6 of Section 5.02) in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with such Escrow Agent at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Subordinated Bonds

on or prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Subordinated Bonds are not to be redeemed or paid at maturity within the next succeeding 60 days, JEA shall have given such Escrow Agent in form satisfactory to it instructions to give, as soon as practicable, by first-class mail, postage prepaid, to the Holders of such Subordinated Bonds at their last addresses appearing on the books of JEA kept at the office of the Subordinated Bond Registrar(s) therefor a notice that the deposit required by clause (b) above has been made with such Escrow Agent and that said Subordinated Bonds are deemed to have been paid in accordance with this Section 12.01 and stating such maturity or redemption date upon which moneys are expected, subject to the provisions of subsection 8 of this Section 12.01, to be available for the payment of the principal or Redemption Price, if applicable, on said Subordinated Bonds (other than Subordinated Bonds which have been purchased or otherwise acquired by JEA and delivered to such Escrow Agent as hereinafter provided prior to the giving of the notice of redemption referred to in clause (a) hereof). Any notice given pursuant to the preceding sentence with respect to Subordinated Bonds which constitute less than all of the Outstanding Subordinated Bonds of any maturity within a Series shall specify the letter and number or other distinguishing mark of each such Subordinated Bond. The Escrow Agent shall, as and to the extent necessary, apply moneys held by it pursuant to this Section 12.01 to the retirement of said Subordinated Bonds in amounts equal to the unsatisfied balances (determined as provided in Section 5.08) of any Sinking Fund Installments with respect to such Subordinated Bonds, all in the manner provided in the Subordinated Resolution. The Escrow Agent shall, if so directed by JEA (i) prior to the maturity date of Subordinated Bonds deemed to have been paid in accordance with this Section 12.01 which are not to be redeemed prior to their maturity date or (ii) prior to the giving of the notice of redemption referred to in clause (a) above with respect to any Subordinated Bonds deemed to have been paid in accordance with this Section 12.01 which are to be redeemed on any date prior to their maturity, apply moneys deposited with it in respect of such Subordinated Bonds and redeem or sell Defeasance Securities so deposited with the Escrow Agent and apply the proceeds thereof to the purchase of such Subordinated Bonds and, except as provided in Section 3.09 with respect to Book Entry Subordinated Bonds, the Escrow Agent shall immediately thereafter surrender all such Subordinated Bonds so purchased to the Subordinated Bond Registrar(s) therefor for cancellation; *provided, however*, that the moneys and Defeasance Securities remaining on deposit with the Escrow Agent after the purchase and cancellation of such Subordinated Bonds (or, in the case of a purchase of a portion of Book Entry Subordinated Bonds, the deemed cancellation thereof in accordance with subsection 6 of Section 3.09) shall be sufficient to pay when due the Subordinated Principal Installments or Redemption Price, if applicable, and interest due or to become due on all Subordinated Bonds, in respect of which such moneys and Defeasance Securities are being held by the Escrow Agent on or prior to the redemption date or maturity date thereof, as the case may be. If, at any time (i) prior to the maturity date of Subordinated Bonds deemed to have been paid in accordance with this Section 12.01 which are not to be redeemed prior to their maturity date or (ii) prior to the giving of the notice of redemption referred to in clause (a) with respect to any Subordinated Bonds deemed to have been paid in accordance with this Section 12.01 which are to be redeemed on any date prior to their maturity, JEA shall purchase or otherwise acquire any such Subordinated Bonds and, except as provided in Section 3.09 with respect to Book Entry Subordinated Bonds, deliver such Subordinated Bonds to the Escrow Agent prior to their maturity date or redemption date, as the case may be, the Escrow Agent shall immediately surrender all such Subordinated Bonds so delivered to the Subordinated Bond Registrar(s) therefor for cancellation; such delivery of Subordinated Bonds to the Escrow Agent (or, in the case of a purchase of Book Entry Subordinated Bonds, the deemed cancellation thereof in accordance with subsection 6 of Section

3.09) shall be accompanied by directions from JEA to the Escrow Agent as to the manner in which such Subordinated Bonds are to be applied against the obligation of the Escrow Agent to pay or redeem Subordinated Bonds deemed paid in accordance with this Section 12.01. The directions given by JEA to the Escrow Agent referred to in the preceding sentences shall also specify the portion, if any, of such Subordinated Bonds so purchased or delivered and cancelled or deemed cancelled to be applied against the obligation of the Escrow Agent to pay Subordinated Bonds deemed paid in accordance with this Section 12.01 upon their maturity date or dates and the portion, if any, of such Subordinated Bonds so purchased or delivered and cancelled or deemed cancelled to be applied against the obligation of the Escrow Agent to redeem Subordinated Bonds deemed paid in accordance with this Section 12.01 on any date or dates prior to their maturity. In the event that on any date as a result of any purchases, acquisitions and cancellations or deemed cancellations of Subordinated Bonds as provided in this Section 12.01 the total amount of moneys and Defeasance Securities remaining on deposit with the Escrow Agent under this Section 12.01 is in excess of the total amount which would have been required to be deposited with the Escrow Agent on such date in respect of the remaining Subordinated Bonds in order to satisfy clause (b) of this subsection 3 of Section 12.01, the Escrow Agent shall, if requested by JEA, pay the amount of such excess to JEA free and clear of any trust, lien or pledge securing said Subordinated Bonds or otherwise existing under the Subordinated Resolution. Except as otherwise provided in this subsection 3 of Section 12.01 and in subsections 4 through 8 of this Section 12.01, neither Defeasance Securities nor moneys deposited with the Escrow Agent pursuant to this Section 12.01 nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Subordinated Bonds; *provided, however*, that any cash received from such principal or interest payments on such Defeasance Securities deposited with the Escrow Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to JEA as received by the Escrow Agent, free and clear of any trust, lien or pledge securing said Subordinated Bonds or otherwise existing under the Subordinated Resolution, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Subordinated Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to JEA as received by the Escrow Agent, free and clear of any trust, lien or pledge securing said Subordinated Bonds or otherwise existing under the Subordinated Resolution.

4. For purposes of determining whether Variable Rate Subordinated Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Securities and moneys, if any, in accordance with the first sentence of subsection 3 of Section 12.01, the interest to come due on such Variable Rate Subordinated Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; *provided, however*, that if on any date, as a result of such Variable Rate Subordinated Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and Defeasance Securities on deposit with the Escrow Agent for the payment of interest on such Variable Rate Subordinated Bonds is in excess of the total amount which would have been required to be deposited with the Escrow Agent on such date in respect of such Variable Rate Subordinated Bonds in order to satisfy the first sentence of subsection 3 of Section 12.01, the

Escrow Agent shall, if requested by JEA, pay the amount of such excess to JEA free and clear of any trust, lien or pledge securing the Subordinated Bonds or otherwise existing under the Subordinated Resolution.

5. Option Subordinated Bonds shall be deemed to have been paid in accordance with the first sentence of subsection 3 of this Section 12.01 only if, in addition to satisfying the requirements of clauses (a) and (c) of such sentence, there shall have been deposited with the Escrow Agent moneys (including moneys withdrawn and deposited pursuant to subsection 6 of Section 5.02) in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Subordinated Bonds which could become payable to the Holders of such Subordinated Bonds upon the exercise of any options provided to the Holders of such Subordinated Bonds; *provided, however*, that if, at the time a deposit is made with the Escrow Agent pursuant to subsection 3 of this Section, the options originally exercisable by the Holder of an Option Subordinated Bond are no longer exercisable, such Subordinated Bond shall not be considered an Option Subordinated Bond for purposes of this subsection 5. If any portion of the moneys deposited with the Escrow Agent for the payment of the principal of and premium, if any, and interest on Option Subordinated Bonds is not required for such purpose the Escrow Agent shall, if requested by JEA, pay the amount of such excess to JEA free and clear of any trust, lien or pledge securing said Subordinated Bonds or otherwise existing under the Subordinated Resolution.

6. Defeasance Securities described in clause (g) of the definition thereof may be included in the Defeasance Securities deposited with the Escrow Agent in order to satisfy the requirements of clause (b) of subsection 3 of this Section 12.01 only if the determination as to whether the moneys and Defeasance Securities to be deposited with the Escrow Agent in order to satisfy the requirements of such clause (b) would be sufficient to pay when due either on the maturity date thereof or, in the case of any Subordinated Bonds to be redeemed prior to the maturity date thereof, on the redemption date or dates specified in any notice of redemption to be given by the Escrow Agent or in the instructions to give a notice of redemption provided to the Escrow Agent in accordance with subsection 3 of this Section 12.01, the principal and Redemption Price, if applicable, and interest on the Subordinated Bonds which will be deemed to have been paid as provided in subsection 3 of this Section 12.01 is made both (i) on the assumption that the Defeasance Securities described in such clause (g) were not redeemed at the option of the issuer prior to the maturity date thereof and (ii) on the assumptions that such Defeasance Securities would be redeemed by the issuer thereof at its option on each date on which such option could be exercised, that as of such date or dates interest ceased to accrue on such Defeasance Securities and that the proceeds of such redemption would not be reinvested by the Escrow Agent.

7. In the event that after compliance with the provisions of subsection 6 of this Section 12.01 the Defeasance Securities described in clause (g) of the definition thereof are included in the Defeasance Securities deposited with the Escrow Agent in order to satisfy the requirements of clause (b) of subsection 3 of this Section 12.01 and any such Defeasance Securities are actually redeemed by the issuer thereof prior to their maturity date, then the Escrow Agent at the direction of JEA, *provided, however*, that the aggregate of the moneys and Defeasance Securities to be held by the Escrow Agent, taking into account any changes in redemption dates or instructions to publish notice of redemption given to the Escrow Agent by JEA in accordance with subsection 8 of this Section 12.01, shall at all times be sufficient to

satisfy the requirements of clause (b) of subsection 3 of this Section 12.01, shall reinvest the proceeds of such redemption in Defeasance Securities.

8. In the event that after compliance with the provisions of paragraph 6 of this Section 12.01 the Defeasance Securities described in clause (g) of the definition thereof are included in the Defeasance Securities deposited with the Escrow Agent in order to satisfy the requirements of clause (b) of subsection 3 of this Section 12.01, then any notice of redemption to be given by the Escrow Agent and any set of instructions relating to a notice of redemption given to the Escrow Agent may provide, at the option of JEA, that any redemption date or dates in respect of all or any portion of the Subordinated Bonds to be redeemed on such date or dates may at the option of JEA be changed to any other permissible redemption date or dates and that redemption dates may be established for any Subordinated Bonds deemed to have been paid in accordance with this Section 12.01 upon their maturity date or dates at any time prior to the actual giving of any applicable notice of redemption in the event that all or any portion of any Defeasance Securities described in clause (g) of the definition thereof have been called for redemption pursuant to an irrevocable notice of redemption or have been redeemed by the issuer thereof prior to the maturity date thereof; no such change of redemption date or dates or establishment of redemption date or dates may be made unless taking into account such changed redemption date or dates or newly established redemption date or dates the moneys and Defeasance Securities on deposit with the Escrow Agent including any Defeasance Securities deposited with the Escrow Agent in connection with any reinvestment of redemption proceeds in accordance with subsection 7 of this Section 12.01 pursuant to clause (b) of subsection 3 of this Section 12.01 would be sufficient to pay when due the principal and Redemption Price, if applicable, and interest on all Subordinated Bonds deemed to have been paid in accordance with subsection 3 of this Section 12.01 which have not as yet been paid.

9. In addition to the provisions of subsection 2 of this Section 12.01, any Outstanding Subordinated Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subsection 1 of this Section 12.01 if (a) there shall have been deposited with the Escrow Agent therefor, Bonds issued pursuant to Article II of the Resolution of the type described in this subsection (hereinafter, "Senior Bonds"), (b) in the event said Subordinated Bonds do not by their terms mature within the next succeeding 60 days, JEA shall have given such Escrow Agent in form satisfactory to it instructions to give, as soon as practicable, by first-class mail, postage prepaid, to the Holders of such Subordinated Bonds at their last addresses appearing on the books of JEA kept at the office of the Subordinated Bond Registrar(s) therefor a notice that the deposit required by clause (a) above has been made with such Escrow Agent and that said Subordinated Bonds are deemed to have been paid in accordance with this Section 12.01 and (c) JEA and such Escrow Agent shall have entered into an agreement in writing whereby such Escrow Agent agrees, among other things, to perform the duties required to be performed by it set forth in this subsection. Senior Bonds deposited for purposes of clause (a) above (i) shall be payable to such Escrow Agent as the registered owner thereof, (ii) shall provide, with respect to the giving of any notice by or on behalf of JEA, for the giving of such notice to such Escrow Agent no later than 2 business days prior to the earliest date required or permitted under the Subordinated Resolution for the giving of notice of the corresponding event with respect to the Subordinated Bonds, (iii) shall be payable in immediately available funds, and (iv) shall be identical (except as provided in clauses (ii) and (iii) above), as to aggregate principal amount, maturity dates, interest rates, and redemption features, to the Subordinated Bonds deemed to have been paid by reason of the

deposit of such Senior Bonds. In the event that any such Senior Bonds deposited as provided in clause (a) above are called for redemption, such Escrow Agent shall, in the name of and on behalf of JEA, call for redemption in accordance with the provisions of the Subordinated Resolution a principal amount of Subordinated Bonds in respect of which such Senior Bonds are deposited maturing on the same date and in a principal amount equal to such Senior Bonds being redeemed. Such Escrow Agent shall surrender any such Senior Bonds deposited as provided in clause (a) above on the maturity date or redemption date thereof and apply the proceeds thereof to pay the interest on and principal or Redemption Price of Subordinated Bonds in respect of which such Senior Bonds are have been deposited. In the event that, on the date such Senior Bonds deposited as provided in clause (a) above, the May 2003 Senior Amending Resolution theretofore shall not have been consented to by the Holders of a majority in principal amount of Bonds Outstanding under the Resolution so as to have become effective in accordance with its terms and the terms of the Resolution, notwithstanding anything to the contrary contained herein, such Escrow Agent shall, subject to the provisions of Section 1208 of the Resolution and upon receipt of notice in writing from JEA to that effect, in its capacity as registered owner of such Senior Bonds, execute and deliver to JEA an instrument in writing consenting thereto.

10. In addition to the provisions of subsections 2 and 9 of this Section 12.01, if and to the extent that the Resolution shall provide that any particular Subordinated Bonds shall be and be deemed to be Bonds following the satisfaction of the conditions therefor set forth therein, then, upon the satisfaction of such conditions with respect to any particular Subordinated Bonds, (a) such Subordinated Bonds shall be deemed to have been paid within the meaning and with the effect expressed in subsection 1 of this Section 12.01 and (b) such Subordinated Bonds shall be and be deemed to be Bonds for all purposes of the Resolution.

11. Anything in the Subordinated Resolution to the contrary notwithstanding, any moneys held by a Subordinated Bond Fiduciary in trust for the payment and discharge of any of the Subordinated Bonds which remain unclaimed for six years after the date when such Subordinated Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Subordinated Bond Fiduciary at such date, or for six years after the date of deposit of such moneys if deposited with the Subordinated Bond Fiduciary after the said date when such Subordinated Bonds become due and payable, shall, at the written request of JEA, be repaid by the Subordinated Bond Fiduciary to JEA, as its absolute property and free from trust, and the Subordinated Bond Fiduciary shall thereupon be released and discharged with respect thereto and the Holders of such Subordinated Bonds shall look only to JEA for the payment of such Subordinated Bonds; *provided, however*, that before being required to make any such payment to JEA, the Subordinated Bond Fiduciary shall, at the expense of JEA, cause to be published at least twice, at an interval of not less than 7 days between publications, in an Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to JEA.

SECTION 12.02. Evidence of Signatures of Holders and Ownership of Subordinated Bonds. 1. Any request, consent, revocation of consent or other instrument which the Subordinated Resolution may require or permit to be signed and executed by the Holders of the Subordinated Bonds may be in one or more instruments of similar tenor, and shall be signed or executed by such Holders or by their attorneys appointed in writing. Proof of (i) the execution

of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Subordinated Bonds, shall be sufficient for any purpose of the Subordinated Resolution (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to JEA, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

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

(2) The amount of Bearer Commercial Paper Notes held by any person executing any instrument as a Holder, the date of such person's holding such Bearer Commercial Paper Notes, and the numbers and other identification thereof, may be proved by a certificate, which need not be acknowledged or verified, in form satisfactory to an Authorized Officer of JEA, executed by an Authorized Officer of JEA or by a member of a financial firm or by an officer of a bank, trust company, insurance company, or financial corporation or other depository wherever situated, or by a registered representative of a securities firm or corporation which is a member of the National Association of Securities Dealers, Inc., showing at the date therein mentioned that such person exhibited to such member, officer or registered representative or had on deposit with such depository the Bearer Commercial Paper Notes described in such certificate. Such certificate may be given by a member of a financial firm or by an officer of any bank, trust company, insurance company or financial corporation or depository or by a registered representative of a securities firm or corporation which is a member of the National Association of Securities Dealers, Inc. with respect to Bearer Commercial Paper Notes owned by it. In addition to the foregoing provisions, JEA may from time to time make such reasonable regulations as it may deem advisable permitting other proof of holding of Bearer Commercial Paper Notes.

2. The ownership of Subordinated Bonds (other than Bearer Commercial Paper Notes) and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books.

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

SECTION 12.03. Moneys Held for Particular Subordinated Bonds. The amounts held by any Subordinated Bond Fiduciary for the payment of the interest, principal or

Redemption Price due on any date with respect to particular Subordinated Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Subordinated Bonds entitled thereto.

SECTION 12.04. Preservation and Inspection of Documents. All documents received by any Subordinated Bond Fiduciary under the provisions of the Subordinated Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of JEA, any other Subordinated Bond Fiduciary, and by Holders of the Subordinated Bonds and their agents and their representatives, any of whom may make copies thereof.

SECTION 12.05. Parties Interested Herein. Nothing in the Subordinated Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person or corporation, other than JEA, the Subordinated Bond Fiduciaries, the Holders of the Subordinated Bonds and any Credit Enhancers, any right, remedy or claim under or by reason of the Subordinated Resolution or any covenant, condition or stipulation thereof; and all the covenants, stipulations, promises and agreements in the Subordinated Resolution contained by and on behalf of JEA shall be for the sole and exclusive benefit of JEA, the Subordinated Bond Fiduciaries, the Holders of the Subordinated Bonds and any Credit Enhancers; *provided, however,* that the foregoing shall not be construed so as to limit or restrict JEA's right to covenant in any other instrument for the benefit of any other entity that JEA will comply with any or all of such covenants, stipulations, promises or agreements, and that JEA will not amend, modify, supplement or change the same.

SECTION 12.06. No Recourse on the Subordinated Bonds. No recourse shall be had for the payment of the principal of or interest on the Subordinated Bonds or for any claim based thereon or on the Subordinated Resolution against any present or former member or officer of JEA or any person executing the Subordinated Bonds.

SECTION 12.07. Publication of Notice; Suspension of Publication. 1. Any publication to be made under the provisions of the Subordinated Resolution in successive weeks or on successive dates may be made in each instance upon any business day of the week and need not be made in the same Authorized Newspaper for any or all of the successive publications but may be made in a different Authorized Newspaper.

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

SECTION 12.08. Action by Credit Enhancer When Action by Holders of the Subordinated Bonds Required. Except as otherwise provided in a Supplemental Subordinated Resolution authorizing Subordinated Bonds for which Credit Enhancement is being provided, if not in default in respect of any of its obligations with respect to Credit Enhancement for the Subordinated Bonds of a Series, or a maturity within a Series, the Credit Enhancer for, and not the actual Holders of, the Subordinated Bonds of a Series, or a maturity within a Series, for which such Credit Enhancement is being provided, shall be deemed to be the Holder of Subordinated Bonds of any Series, or maturity within a Series, as to which it is the Credit Enhancer at all times for the purpose of (i) giving any approval or consent to the effectiveness of

any Supplemental Subordinated Resolution or any amendment, change or modification of the Subordinated Resolution as specified in Sections 10.03, 11.02 and 11.03 or any other provision hereof, which requires the written approval or consent of Holders; *provided, however*, that the provisions of this Section shall not apply to any change in the terms of redemption or maturity of the principal of any Outstanding Subordinated Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon, or shall reduce the percentages or otherwise affect the classes of Subordinated Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Subordinated Bond Fiduciary without its written assent thereto and (ii) giving any approval or consent, exercising any remedies or taking any other action in accordance with the provisions of Article VIII hereof.

SECTION 12.09. Severability of Invalid Provisions. If any one or more of the covenants or agreements provided in the Subordinated Resolution on the part of JEA or any Subordinated Bond Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of the Subordinated Resolution.

SECTION 12.10. Holidays. Except as may be provided otherwise in a Supplemental Subordinated Resolution, if the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Subordinated Resolution, shall be a legal holiday or a day on which banking institutions in the cities in which are located the principal offices of the Subordinated Bond Paying Agents are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in the Subordinated Resolution, and no interest shall accrue for the period after such nominal date.

ARTICLE XIII

EFFECTIVE DATE

SECTION 13.01. Effective Date. This Water and Sewer System Subordinated Revenue Bond Resolution shall take effect immediately.

Approved and adopted by JEA on May 15, 2003.

JEA

By _____
Chair

Attest:

Secretary

Form Approved:

Office of General Counsel

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