

*In the opinion of Co-Bond Counsel, under existing statutes, regulations, rulings and court decisions, assuming continuing compliance with certain tax covenants and the accuracy of the certifications and representations of the City, interest on the Series 2012C Bonds and the Series 2012D Bonds (as such terms are defined below) will be excludable from gross income for federal income tax purposes. Interest on the Series 2012C Bonds and the Series 2012D Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Series 2012C Bonds and the Series 2012D Bonds will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. Interest on the Series 2012E Bonds (as defined below) is not excludable from gross income for federal income tax purposes. Co-Bond Counsel is further of the opinion that the Series 2012 Refunding Bonds (as defined below) and the interest thereon will not be subject to taxation under the laws of the State of Florida, except as to estate taxes and taxes under Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, as defined in said Chapter 220. For a more complete discussion of certain tax aspects relating to the Series 2012C Bonds and the Series 2012D Bonds, see "TAX MATTERS – SERIES 2012 TAX-EXEMPT BONDS" herein. For a more complete discussion of certain tax aspects relating to the Series 2012E Bonds, see "TAX MATTERS – SERIES 2012E BONDS" herein.*



**\$183,980,000  
CITY OF JACKSONVILLE,  
FLORIDA  
SPECIAL REVENUE  
REFUNDING BONDS,  
SERIES 2012C**

**\$11,840,000  
CITY OF JACKSONVILLE,  
FLORIDA  
SPECIAL REVENUE  
REFUNDING BONDS,  
SERIES 2012D**

**\$34,340,000  
CITY OF JACKSONVILLE,  
FLORIDA  
TAXABLE SPECIAL REVENUE  
REFUNDING BONDS,  
SERIES 2012E**

**Dated: Date of Delivery**

The \$183,980,000 City of Jacksonville, Florida Special Revenue Refunding Bonds, Series 2012C (the "Series 2012C Bonds"), \$11,840,000 City of Jacksonville, Florida Special Revenue Refunding Bonds, Series 2012D (the "Series 2012D Bonds"), and \$34,340,000 City of Jacksonville, Florida Taxable Special Revenue Refunding Bonds, Series 2012E (the "Series 2012E Bonds" and, together with the Series 2012C Bonds and the Series 2012D Bonds, the "Series 2012 Refunding Bonds") will be issued by the City of Jacksonville, Florida (the "City") to refund and defease the Refunded Bonds (as defined herein) and pay the costs of issuance related to the Series 2012 Refunding Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "PLAN OF REFUNDING" herein. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE SPECIAL REVENUE BOND ORDINANCE – Definitions of Certain Terms" attached hereto or, if not defined therein, will have the same meanings ascribed to such terms in the Special Revenue Bond Ordinance or the Bond Terms Agreement (as defined herein), as applicable.

The Series 2012 Refunding Bonds are being issued as Additional Bonds under the Special Revenue Bond Ordinance and as fully registered bonds in denominations equal to the principal amount of each maturity shown on the inside cover pages, and when issued will be registered in the name of Cede & Co., as Bondholder and securities depository nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of beneficial interests in the Series 2012 Refunding Bonds will be made in book-entry form only through DTC Participants in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Series 2012 Refunding Bonds will not receive physical delivery of bond certificates. Interest on the Series 2012 Refunding Bonds will be paid semi-annually on April 1 and October 1 of each year, commencing April 1, 2013 (each, an "Interest Payment Date"). Payments of principal of and interest on the Series 2012 Refunding Bonds will be made to purchasers of beneficial interests in the Series 2012 Refunding Bonds by DTC Participants. See "BOOK-ENTRY ONLY SYSTEM" herein. Wells Fargo Bank, N.A., Jacksonville, Florida, will serve as Deputy Registrar and Paying Agent for the Series 2012 Refunding Bonds.

The Series 2012 Refunding Bonds are subject to optional redemption prior to their stated dates of maturity as more fully described herein. See "DESCRIPTION OF THE SERIES 2012 REFUNDING BONDS – Redemption" herein.

The Series 2012 Refunding Bonds are limited obligations of the City payable from the Covenant Revenues and other legally available revenues of the City budgeted and appropriated in the manner and to the extent provided in the Special Revenue Bond Ordinance. The Series 2012 Refunding Bonds will not be secured by a lien on the Covenant Revenues or any other revenues of the City until such funds are actually budgeted and appropriated therefor and deposited in the funds and accounts under the Special Revenue Bond Ordinance. The obligation of the City to budget, appropriate and make payments from Covenant Revenues is subject to the availability of Covenant Revenues in the General Fund after the satisfaction of the funding requirements for obligations having an express lien on or pledge of such revenues and the funding requirements for essential government services of the City. The City may not expend money not appropriated or in excess of its current budgeted revenues to pay debt service on the Series 2012 Refunding Bonds. The City also has certain other obligations which are payable from Covenant Revenues, all as described herein. See "SECURITY FOR THE SERIES 2012 REFUNDING BONDS" and "ADDITIONAL DEBT" herein.

Principal of the Series 2012 Refunding Bonds, the redemption premium, if any, and the interest thereon shall not be deemed to constitute a general or moral obligation or indebtedness of the City, or of the State of Florida (the "State") or any political subdivision thereof within the meaning of the Constitution and laws of the State. Neither the City nor the State nor any political subdivision thereof, shall be obligated to pay the principal of redemption premium, if any, or the interest on the Series 2012 Refunding Bonds except from the revenues and funds herein described, and neither the faith and credit nor any taxing power of the City or the State or any political subdivision thereof, is pledged to the payment of the principal of or interest on the Series 2012 Refunding Bonds or other costs incident thereto. The City is not obligated to maintain or continue any activities that generate Covenant Revenues.

**Purchasers of the Series 2012 Refunding Bonds, by their purchase and acceptance thereof, are deemed to have expressly and irrevocably consented to and approved, as required by Section 14.02 of the Special Revenue Bond Ordinance, the amendment of the terms and provisions of the Special Revenue Bond Ordinance by incorporating the amendments (the "Amendments") set forth in Ordinance 2012-620-E enacted on November 13, 2012. As provided in the Special Revenue Bond Ordinance, the Amendments will only take effect upon the consent and approval of not less than a majority of the holders of the then Outstanding Bonds under the Special Revenue Bond Ordinance and any Insurer of Bonds then Outstanding under the Special Revenue Bond Ordinance. See "CONSENT TO AMENDMENTS TO SPECIAL REVENUE BOND ORDINANCE" contained herein and "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE SPECIAL REVENUE BOND ORDINANCE" attached hereto.**

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

*The Series 2012 Refunding Bonds are offered for delivery when, as and if issued by the City and received by the Underwriters of the Series 2012 Refunding Bonds, subject to the delivery of an approving opinion as to the legality of the Series 2012 Refunding Bonds by Greenberg Traurig, P.A., Orlando, Florida and the Ezell Lau Firm, P.A. Jacksonville, Florida, serving as Co-Bond Counsel to the City. Certain legal matters will be passed upon for the City by Greenberg Traurig, P.A., Orlando, Florida and D. Seaton and Associates, Orlando, Florida, serving as Co-Disclosure Counsel to the City. Certain other legal matters will be passed upon for the City by its Office of General Counsel. Certain matters will be passed on for the Underwriters by their counsel, Ballard Spahr LLP, Philadelphia, Pennsylvania. Public Financial Management, Inc., Orlando, Florida is acting as financial advisor to the City in connection with the issuance of the Series 2012 Refunding Bonds. It is expected that the Series 2012 Refunding Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about December 13, 2012.*

**Goldman, Sachs & Co.**

**J.P. Morgan  
Drexel Hamilton, LLC**

**Jefferies  
Siebert Brandford Shank & Co., L.L.C.**

**MATURITIES, AMOUNTS, INTEREST RATES, PRICES, YIELDS AND CUSIPS\***

**\$183,980,000**  
**CITY OF JACKSONVILLE, FLORIDA**  
**SPECIAL REVENUE REFUNDING BONDS**  
**SERIES 2012C**

<b>Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>	<b>Yield</b>	<b>CUSIP No.*</b>
2013	\$ 1,525,000	3.00%	102.155	0.30%	469487FG2
2014	3,865,000	5.00	108.090	0.48	469487FH0
2015	11,050,000	5.00	112.048	0.65	469487FJ6
2016	14,280,000	5.00	115.687	0.80	469487FK3
2017	15,055,000	5.00	118.854	0.97	469487FL1
2018	16,300,000	5.00	121.728	1.12	469487FM9
2019	8,115,000	5.00	123.783	1.33	469487FN7
2020	8,515,000	5.00	125.169	1.56	469487FP2
2021	8,945,000	5.00	125.747	1.82	469487FQ0
2022	9,390,000	5.00	126.371	2.02	469487FR8
2023	9,855,000	5.00	127.113	2.17	469487FS6
2024	10,350,000	5.00	124.160 <sup>C</sup>	2.24 <sup>C</sup>	469487FT4
2025	10,865,000	5.00	123.565 <sup>C</sup>	2.30 <sup>C</sup>	469487FU1
2026	9,235,000	5.00	122.679 <sup>C</sup>	2.39 <sup>C</sup>	469487FV9
2027	6,880,000	5.00	122.093 <sup>C</sup>	2.45 <sup>C</sup>	469487FW7
2028	7,220,000	5.00	121.509 <sup>C</sup>	2.51 <sup>C</sup>	469487FX5
2029	7,585,000	5.00	120.929 <sup>C</sup>	2.57 <sup>C</sup>	469487FY3
2030	7,965,000	4.00	109.859 <sup>C</sup>	2.84 <sup>C</sup>	469487FZ0
2031	8,285,000	5.00	120.066 <sup>C</sup>	2.66 <sup>C</sup>	469487GA4
2032	8,700,000	5.00	119.494 <sup>C</sup>	2.72 <sup>C</sup>	469487GB2

\* CUSIP numbers have been assigned by an organization not affiliated with the City and are included in this Official Statement for the convenience of the potential purchasers of the Series 2012 Refunding Bonds. The City is not responsible for the selection or uses of CUSIP numbers, nor is a representation made as to their accuracy on the Series 2012 Refunding Bonds, or as indicated above.

<sup>C</sup> Price and yield calculated to first optional redemption date of October 1, 2022.

**MATURITIES, AMOUNTS, INTEREST RATES, PRICES, YIELDS AND CUSIPS\***

**\$11,840,000**  
**CITY OF JACKSONVILLE, FLORIDA**  
**SPECIAL REVENUE REFUNDING BONDS**  
**SERIES 2012D**

<b>Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>	<b>Yield</b>	<b>CUSIP No.*</b>
2013	\$1,150,000	3.00%	102.155	0.30%	469487GC0
2014	1,075,000	5.00	108.090	0.48	469487GD8
2015	1,130,000	5.00	112.049	0.65	469487GE6
2016	900,000	5.00	115.687	0.80	469487GF3
2017	945,000	4.00	114.175	0.97	469487GG1
2018	985,000	4.00	116.128	1.12	469487GH9
2019	1,020,000	5.00	123.783	1.33	469487GJ5
2020	1,075,000	5.00	125.169	1.56	469487GK2
2021	1,130,000	5.00	125.747	1.82	469487GL0
2022	1,185,000	5.00	126.371	2.02	469487GM8
2023	1,245,000	5.00	127.113	2.17	469487GN6

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**MATURITIES, AMOUNTS, INTEREST RATES, PRICES, YIELDS AND CUSIPS\***

**\$34,340,000**  
**CITY OF JACKSONVILLE, FLORIDA**  
**TAXABLE SPECIAL REVENUE REFUNDING BONDS**  
**SERIES 2012E**

<b>Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>	<b>Yield</b>	<b>CUSIP No.*</b>
2016	\$5,205,000	1.164%	100.00	1.164%	469487GP1
2017	6,740,000	1.414	100.00	1.414	469487GQ9
2018	7,080,000	1.703	100.00	1.703	469487GR7
2019	7,450,000	2.003	100.00	2.003	469487GS5
2020	7,865,000	2.372	100.00	2.372	469487GT3

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## **CITY OF JACKSONVILLE, FLORIDA**

117 W. Duval Street  
Suite 300, City Hall  
Jacksonville, Florida 32202  
(904) 630-1298

### **MAYOR**

Alvin Brown

### **COUNCIL MEMBERS**

William Bishop, President  
Bill Gulliford, Vice President

Greg Anderson  
Lori N. Boyer  
Reginald L. Brown  
Doyle Carter  
Richard Clark  
John R. Crescimbeni  
Kimberly Daniels  
Dr. Johnny Gaffney  
Ray Holt

Warren A. Jones  
Stephen C. Joost  
E. Denise Lee  
Jim Love  
Robin Lumb  
Don Redman  
Matt Schellenberg  
Clay Yarborough

### **CHIEF ADMINISTRATIVE OFFICER**

Karen Bowling

### **CHIEF FINANCIAL OFFICER**

C. Ronald Belton

### **OFFICE OF GENERAL COUNSEL**

Cindy A. Laquidara, Esq.

### **CO-BOND COUNSEL**

Greenberg Traurig, P.A.  
Orlando, Florida

Ezell Law Firm, P.A.  
Jacksonville, Florida

### **CO-DISCLOSURE COUNSEL**

Greenberg Traurig, P.A.  
Orlando, Florida

D. Seaton & Associates  
Orlando, Florida

### **FINANCIAL ADVISOR**

Public Financial Management, Inc.  
Orlando, Florida

This Official Statement does not constitute a contract between the City and any one or more owners of Series 2012 Refunding Bonds nor does it constitute an offer to sell or the solicitation of an offer to buy the Series 2012 Refunding Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction.

No dealer, broker salesman or any other person has been authorized by the City to give any information or to make any representations, other than those contained herein, in connection with the offering of the Series 2012 Refunding Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by the City. The information set forth herein, including in the appendices, has been obtained from the City and other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2012 REFUNDING BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2012 REFUNDING BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2012 REFUNDING BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGES OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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

In making an investment decision, investors may rely on their own examination of the City, and the terms of the offering, including the merits and risks involved. The Series 2012 Refunding Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, other than as expressly provided in certificates to be delivered to the Underwriters in connection with the closing, the City has not confirmed the accuracy or determined the accuracy of this Official Statement. Any representation to the contrary may be a criminal offense.

THE SERIES 2012 REFUNDING BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE SPECIAL REVENUE BOND ORDINANCE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2012 REFUNDING BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF

ANY, IN WHICH THE SERIES 2012 REFUNDING BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2012 REFUNDING BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Series 2012 Refunding Bonds are qualified in their entirety by reference to the form thereof included in the aforesaid documents and agreements.

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS RELATING TO FUTURE RESULTS THAT ARE "FORWARD-LOOKING STATEMENTS" AS DEFINED IN THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. WHEN USED IN THIS OFFICIAL STATEMENT, THE WORDS "ESTIMATE," "FORECAST," "INTEND," "EXPECT," "PROJECTED" AND SIMILAR EXPRESSIONS IDENTIFY FORWARD-LOOKING STATEMENTS. SUCH STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTEMPLATED IN SUCH FORWARD-LOOKING STATEMENTS. ANY PROJECTION IS SUBJECT TO SUCH UNCERTAINTIES. INEVITABLY, SOME ASSUMPTIONS USED TO DEVELOP THE PROJECTIONS WILL NOT BE REALIZED AND UNANTICIPATED EVENTS AND CIRCUMSTANCES WILL OCCUR THEREFORE, IT CAN BE EXPECTED THAT THERE WILL BE DIFFERENCES BETWEEN PROJECTIONS AND ACTUAL RESULTS, AND THOSE DIFFERENCES MAY BE MATERIAL.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS IN EITHER BOUND OR PRINTED FORMAT ("ORIGINAL BOUND FORMAT"), OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITE: [WWW.MUNIOS.COM](http://WWW.MUNIOS.COM). PROSPECTIVE PURCHASERS MAY RELY ON THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT IN THE ORIGINAL BOUND FORMAT OR IN ELECTRONIC FORMAT, PROVIDED, HOWEVER THAT PROSPECTIVE PURCHASERS MUST READ THE ENTIRE OFFICIAL STATEMENT (INCLUDING THE COVER PAGE AND ALL APPENDICES ATTACHED HERETO) TO OBTAIN ALL OF THE INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

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## OFFICIAL STATEMENT

*relating to*

<b>\$183,980,000</b> <b>CITY OF JACKSONVILLE, FLORIDA</b> <b>SPECIAL REVENUE REFUNDING BONDS, SERIES 2012C</b>	<b>\$11,840,000</b> <b>CITY OF JACKSONVILLE, FLORIDA</b> <b>SPECIAL REVENUE REFUNDING BONDS, SERIES 2012D</b>	<b>\$34,340,000</b> <b>CITY OF JACKSONVILLE, FLORIDA</b> <b>TAXABLE SPECIAL REVENUE REFUNDING BONDS, SERIES 2012E</b>
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## INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the inside cover pages and the appendices attached hereto, is to furnish information in connection with the sale by the City of Jacksonville, Florida (the "City") of its \$183,980,000 City of Jacksonville, Florida Special Revenue Refunding Bonds, Series 2012C (the "Series 2012C Bonds"), its \$11,840,000 City of Jacksonville, Florida Special Revenue Refunding Bonds, Series 2012D (the "Series 2012D Bonds"), and its \$34,340,000 City of Jacksonville, Florida Taxable Special Revenue Refunding Bonds, Series 2012E (the "Series 2012E Bonds" and, together with the Series 2012C Bonds and the Series 2012D Bonds, the "Series 2012 Refunding Bonds"). The Series 2012 Refunding Bonds are being issued pursuant to the Constitution and laws of the State of Florida, particularly Section 159.11, Florida Statutes, Chapters 125 and 166, Florida Statutes, Article VIII, Section 2 of the Constitution of the State of Florida, Chapter 92-341, Laws of Florida, Special Acts of 1992, as amended and supplemented, and other applicable provisions of law (collectively, the "Act"), Ordinance 2006-888-E, enacted on September 12, 2006, as supplemented and amended from time to time, particularly as supplemented by Ordinance 2012-621-E, enacted on November 13, 2012 (collectively, the "Special Revenue Bond Ordinance") and as particularly amended by Ordinance 2012-620-E, enacted on November 13, 2012 (the "Amendatory Ordinance"), and a Bond Terms Agreement dated as of December 1, 2012 relating to the Series 2012 Refunding Bonds (the "Bond Terms Agreement"). The form of the Bond Terms Agreement is attached hereto as APPENDIX C.

All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth under "APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE SPECIAL REVENUE BOND ORDINANCE — Definitions of Certain Terms" attached hereto or, if not defined therein, will have the same meanings ascribed to such terms in the Special Revenue Bond Ordinance or the Bond Terms Agreement.

This Official Statement and the appendices attached hereto contain descriptions of the Series 2012 Refunding Bonds, the Special Revenue Bond Ordinance and the City. Such information, descriptions and summaries do not purport to be complete or definitive, and reference is made to each such document for the complete details of all the terms and conditions thereof. All references herein to the Series 2012 Refunding Bonds, the Bond Terms Agreement and the Special Revenue Bond Ordinance are qualified in their entirety by such documents, copies of which may be obtained from the City's Chief Financial Officer, Suite 300, 117 West

Duval Street, Jacksonville, Florida 32202, telephone number (904) 630-1298 or from Public Financial Management, Inc., the City's Financial Advisor, 300 South Orange Avenue, Suite 1170, Orlando, Florida 32801, telephone number (407) 648-2208.

**Purchasers of the Series 2012 Refunding Bonds, by their purchase and acceptance thereof, are deemed to have expressly and irrevocably consented to and approved, as required by Section 14.02 of the Special Revenue Bond Ordinance, the amendment of the terms and provisions of the Special Revenue Bond Ordinance by incorporating the amendments (the "Amendments") set forth in the Amendatory Ordinance. As provided in the Special Revenue Bond Ordinance, the Amendments will only take effect upon the consent and approval of not less than a majority of the holders of the Outstanding Bonds under the Special Revenue Bond Ordinance and any Insurer of Bonds then Outstanding under the Special Revenue Bond Ordinance. See "CONSENT TO AMENDMENTS TO SPECIAL REVENUE BOND ORDINANCE" contained herein and "APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE SPECIAL REVENUE BOND ORDINANCE" attached hereto.**

### **The Series 2012 Refunding Bonds**

The Series 2012 Refunding Bonds are being issued in book-entry only form as fully registered bonds in denominations equal to the principal amount of each maturity of each series as set forth on the inside cover pages, and when issued, shall, as described herein, be registered in the name of Cede & Co., as Bondholder and securities depository nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of beneficial interests in the Series 2012 Refunding Bonds will be made in book-entry form only through Direct Participants, as described herein. See "BOOK-ENTRY ONLY SYSTEM" herein. Interest will accrue from the dated date of the Series 2012 Refunding Bonds, payable on each April 1 and October 1, commencing on April 1, 2013.

The Series 2012 Refunding Bonds are subject to optional redemption prior to their stated dates of maturity as more fully described herein. See "DESCRIPTION OF THE SERIES 2012 REFUNDING BONDS — Redemption" herein.

### **Purpose of Series 2012 Refunding Bonds**

The Series 2012 Refunding Bonds will be used to refund and defease the Refunded Bonds (as defined herein) and pay the costs of issuance related to the Series 2012 Refunding Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "PLAN OF REFUNDING" herein.

### **Payment and Security for the Series 2012 Refunding Bonds**

The Series 2012 Refunding Bonds are being issued as Additional Bonds under the Special Revenue Bond Ordinance and are limited obligations of the City payable from the Covenant Revenues and other legally available revenues of the City budgeted and appropriated in the manner and to the extent provided in the Special Revenue Bond Ordinance. The Series 2012 Refunding Bonds will not be secured by a lien on the Covenant Revenues or any other revenues of the City until such funds are actually budgeted and appropriated therefor and

deposited in the funds and accounts under the Special Revenue Bond Ordinance. The obligation of the City to budget, appropriate and make payments from Covenant Revenues is subject to the availability of Covenant Revenues in the General Fund of the City after the satisfaction of the funding requirements for obligations having an express lien on or pledge of such revenues and the funding requirements for essential government services of the City. The City may not expend moneys not appropriated or in excess of its current budgeted revenues to pay debt service on the Series 2012 Refunding Bonds. In addition to the Series 2012 Refunding Bonds, the City also has certain other obligations which are payable from Covenant Revenues ("Covenant Obligations"), all as described herein. See "SECURITY FOR THE SERIES 2012 REFUNDING BONDS" and "ADDITIONAL DEBT" herein.

The Series 2012 Refunding Bonds and the indebtedness represented thereby shall not constitute a lien upon any property of the City. None of the officials of the City or any persons executing the Series 2012 Refunding Bonds are liable personally on the Series 2012 Refunding Bonds.

### **Obligations Secured by Covenant Revenues**

The City previously issued its \$54,215,000 Special Revenue Bonds, Series 2008, \$45,625,000 of which are presently outstanding (the "Series 2008 Bonds"), its \$28,613,000 Taxable Special Revenue Bond, Series 2009A, \$23,947,000 of which is presently outstanding (the "Series 2009A Bond"), its \$52,090,000 Special Revenue Bonds, Series 2009B-1A, \$49,590,000 of which are presently outstanding (the "Series 2009B-1A Bonds"), its \$55,925,000 Taxable Special Revenue Bonds, Series 2009B-1B (Direct Payment Build America Bonds), all of which are presently outstanding (the "Series 2009B-1B Bonds" and, together with the Series 2009B-1A Bonds, the "Series 2009B Bonds"), its \$70,330,000 Special Revenue Bonds, Series 2009C-1, \$49,425,000 of which are presently outstanding (the "Series 2009C-1 Bonds"), its \$37,310,000 Taxable Special Revenue Bonds, Series 2009C-2 (Direct Payment Build America Bonds), all of which are presently outstanding (the "Series 2009C-2 Bonds" and, together with the Series 2009C-1 Bonds, the "Series 2009C Bonds"), its \$94,945,000 Special Revenue Bonds, Series 2010A, \$91,630,000 of which are presently outstanding (the "Series 2010A Bonds") its \$100,205,000 Special Revenue Bonds, Series 2010B, all of which are presently outstanding (the "Series 2010B Bonds"), its \$27,205,000 Special Revenue Bonds, Series 2010C-1, all of which are presently outstanding (the "Series 2010C Bonds" and together with the Series 2010A Bonds and the Series 2010B Bonds, the "Series 2010 Bonds") its \$108,880,000 Special Revenue Bonds, Series 2011A, \$107,640,000 of which are presently outstanding (the "Series 2011A Bonds"), its \$86,600,000 Special Revenue Bonds, Series 2011B, all of which are presently outstanding (the "Series 2011B Bonds" and, together with the Series 2011A Bonds, the "Series 2011 Bonds"), its \$4,040,000 Special Revenue Bonds, Series 2012A, all of which are presently outstanding (the "Series 2012A Bonds"), its \$6,320,000 Special Revenue Bonds, Series 2012B, all of which are presently outstanding (the "Series 2012B Bonds") and other Non-Self Sufficient Debt as more fully described herein under "ADDITIONAL DEBT — Outstanding Non-Self Sufficient Debt" and "NON-SELF SUFFICIENT DEBT." The Series 2008 Bonds, the Series 2009A Bond, the Series 2009B Bonds, the Series 2009C Bonds, the Series 2010 Bonds, the Series 2011 Bonds, the Series 2012A Bonds and the Series 2012B Bonds are collectively referred to herein as the "Outstanding Special Revenue Bonds."

The Special Revenue Bond Ordinance permits the issuance of Additional Bonds payable from Covenant Revenues on a parity with the Outstanding Special Revenue Bonds, as well as any outstanding Non-Self Sufficient Debt and Self Sufficient Debt. The City is permitted under the Special Revenue Bond Ordinance to issue Non-Self Sufficient Debt for which there may be granted a prior lien on all or a portion of the Covenant Revenues, provided the City first complies with the requirements of the Anti-Dilution Test described herein. Self-Sufficient Debt is permitted to be issued, without limit, and may be secondarily secured by or payable from Covenant Revenues, if certain debt service coverage tests are met and are expected to be met, as described herein. See "ADDITIONAL DEBT" herein. See also "**CONSENT TO AMENDMENTS TO SPECIAL REVENUE BOND ORDINANCE**" herein which describes a proposed amendment to the current Anti-Dilution Test in the Special Revenue Bond Ordinance.

## **THE CITY OF JACKSONVILLE**

On August 8, 1967, the electors of Duval County, Florida approved by referendum a charter of a consolidated government of the City of Jacksonville. Such consolidated government went into effect on October 1, 1968, and extends throughout Duval County, except that the Cities of Jacksonville Beach, Atlantic Beach and Neptune Beach and the Town of Baldwin (referred to as the Second, Third, Fourth and Fifth Urban Services Districts, respectively) remain as urban services districts and each retains its individual municipal charter. The City of Jacksonville, as so consolidated, is herein referred to as the "City." For additional information concerning the City, see "**APPENDIX A — GENERAL INFORMATION ON THE CITY OF JACKSONVILLE, FLORIDA**" attached hereto.

## **PLAN OF REFUNDING**

As part of an initiative by the City to consolidate various revenue sources under the Special Revenue Bond Ordinance and achieve aggregate debt service savings, the City is issuing the Series 2012 Refunding Bonds to refund and defease various series of its outstanding Excise Taxes Revenue Bonds, Guaranteed Entitlement Revenue Bonds and Local Government Sales Tax Revenue Bonds which comprise the Refunded Bonds (as defined below).

A portion of the proceeds of each series of the Series 2012 Refunding Bonds will be used to refund and redeem the principal of, and accrued interest on the following series of bonds as indicated below, (each of which is hereinafter referred to as the "Series 2012C Refunded Bonds," the "Series 2012D Refunded Bonds" and the "Series 2012E Refunded Bonds," respectively):

<b>Series 2012C Refunded Bonds</b>	<b>Principal Amount Refunded</b>	<b>Redemption Price</b>	<b>Redemption Date</b>	<b>Principal Amount Outstanding After Refunding</b>
Excise Taxes Revenue Bonds, Series 2001B	\$38,895,000	100%	12/17/2012	\$0
Excise Taxes Revenue Bonds, Series 2002B	48,315,000	100	12/17/2012	0
Guaranteed Entitlement Revenue Refunding and Improvement Bonds, Series 2002	92,185,000	100	12/17/2012	0
Sales Tax Revenue Bonds, Series 1996	3,700,000	100	01/15/2013	0
Local Government Sales Tax Refunding and Improvement Revenue Bonds, Series 2002	36,155,000	100	01/15/2013	0

<b>Series 2012D Refunded Bonds</b>	<b>Principal Amount Refunded</b>	<b>Redemption Price</b>	<b>Redemption Date</b>	<b>Principal Amount Outstanding After Refunding</b>
Excise Taxes Revenue Bonds, Series 2003A	\$13,775,000	100%	12/17/2012	\$0

<b>Series 2012E Refunded Bonds</b>	<b>Principal Amount Refunded</b>	<b>Redemption Price</b>	<b>Redemption Date</b>	<b>Principal Amount Outstanding After Refunding</b>
Excise Taxes Revenue Refunding Bonds, Series 2003C (AMT)	\$32,450,000	100%	10/01/2013	\$20,000

The Series 2012C Refunded Bonds, the Series 2012D Refunded Bonds and the Series 2012E Refunded Bonds are collectively hereinafter referred to as the "Refunded Bonds." The \$20,000 in principal amount of the Excise Taxes Revenue Refunding Bonds, Series 2003C Bonds (AMT) maturing on October 1, 2013 and the accrued interest thereon will not be refunded with proceeds of the Series 2012 Refunding Bonds and do not constitute Refunded Bonds.

The Refunded Bonds will be called for redemption on their respective dates of redemption, at the redemption prices set forth above, expressed as a percentage of the principal amount, together with interest accrued thereon to the date of such redemption. To effect the refunding of the Refunded Bonds, the City will enter into an Escrow Deposit Agreement with respect to each series of the Series 2012 Refunding Bonds (each an "Escrow Deposit Agreement") with Wells Fargo Bank, National Association, as escrow agent (the "Escrow Agent") on or prior to the delivery of the Series 2012 Refunding Bonds.

Pursuant to the terms of the related Escrow Deposit Agreement, on the date of issuance of the Series 2012 Refunding Bonds, the City will deposit portions of the proceeds of the related

series of the Series 2012 Refunding Bonds and certain other available funds of the City with the Escrow Agent for deposit to the credit of the respective escrow deposit trust fund established for the related series of the Refunded Bonds (each an "Escrow Deposit Trust Fund") established pursuant to the related Escrow Deposit Agreement. Such monies will be applied to pay when due all principal of, and accrued interest on the related series of the Refunded Bonds, through the dates of maturity or redemption for each series of the Refunded Bonds, as applicable, as provided in the related Escrow Deposit Agreement.

Upon delivery of the Series 2012 Refunding Bonds, The Arbitrage Group, Inc., as verification agent, (the "Verification Agent") will verify the accuracy of the arithmetical computations of the sufficiency of the amounts to be deposited in each Escrow Deposit Trust Fund to be held by the Escrow Agent to pay the principal of, and accrued interest on the related series of Refunded Bonds, through the dates of maturity or redemption of each series of the Refunded Bonds. See "VERIFICATION OF CERTAIN CALCULATIONS" herein.

Upon deposit of sufficient amounts with the Escrow Agent pursuant to each Escrow Deposit Agreement, the pledge of and lien on the revenues pledged in favor of the registered owners of each series of the Refunded Bonds will no longer be in effect. The amounts held by the Escrow Agent in each Escrow Deposit Trust Fund will not be available to pay debt service on the Series 2012 Refunding Bonds.

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## ESTIMATED SOURCES AND USES OF FUNDS

	<b>Series 2012C</b>	<b>Series 2012D</b>	<b>Series 2012E</b>	
	<b>Bonds</b>	<b>Bonds</b>	<b>Bonds</b>	<b>Total</b>
<b>Sources:</b>				
Par Amount	\$183,980,000.00	\$11,840,000.00	\$34,340,000.00	\$230,160,000.00
Bond Premium	37,781,048.25	2,136,048.90	-	39,917,097.15
Guaranteed Entitlement Sinking Fund Contribution	1,237,750.44	-	-	1,237,750.44
<b>Total Sources of Funds:</b>	<b><u>\$222,998,798.69</u></b>	<b><u>\$13,976,048.90</u></b>	<b><u>\$34,340,000.00</u></b>	<b><u>\$271,314,847.59</u></b>
 <b>Uses:</b>				
Deposit to 2012C Escrow Deposit Trust Fund	\$221,745,688.71	-	-	\$221,745,688.71
Deposit to 2012D Escrow Deposit Trust Fund	-	\$13,894,536.33	-	13,894,536.33
Deposit to 2012E Escrow Deposit Trust Fund	-	-	\$34,113,108.55	34,113,108.55
Costs of Issuance <sup>(1)</sup>	1,253,109.98	81,512.57	226,891.45	1,561,514.00
<b>Total Uses of Funds:</b>	<b><u>\$222,998,798.69</u></b>	<b><u>\$13,976,048.90</u></b>	<b><u>\$34,340,000.00</u></b>	<b><u>\$271,314,847.59</u></b>

<sup>(1)</sup> Includes, among other things, underwriters' discount, and legal, financial and administrative expenses with respect to the Series 2012 Refunding Bonds.

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## **DESCRIPTION OF THE SERIES 2012 REFUNDING BONDS**

### **General Description**

The Series 2012 Refunding Bonds will bear interest at the rates and mature on the dates and in the amounts shown on the inside cover pages of this Official Statement.

The Series 2012 Refunding Bonds will be dated their date of delivery, and will bear interest from such date. Interest on each series of the Series 2012 Refunding Bonds will be payable semiannually on April 1 and October 1 of each year, with the first interest payment to be made on April 1, 2013. Wells Fargo Bank, N.A., Jacksonville, Florida, will serve as Deputy Registrar and Paying Agent for the Series 2012 Refunding Bonds (the "Deputy Registrar and Paying Agent").

The Series 2012 Refunding Bonds will be issued in fully registered form in denominations equal to the principal amount of each maturity shown on the inside cover pages in book-entry form only as described below under "DESCRIPTION OF THE SERIES 2012 REFUNDING BONDS — Book-Entry Only System."

So long as the Series 2012 Refunding Bonds are registered in the registration books kept by the Deputy Registrar and Paying Agent in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), the City and the Deputy Registrar and Paying Agent will have no responsibility or obligation to any DTC Participant (as defined herein). Without limiting the immediately preceding sentence, the City and the Deputy Registrar and Paying Agent will have no responsibility or obligation with respect to: (a) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Series 2012 Refunding Bonds; (b) the delivery to any DTC Participant or any other person other than a Bondholder, as shown in the registration books kept by the Deputy Registrar and Paying Agent, of any notice with respect to the Series 2012 Refunding Bonds, including any notice of redemption; or (c) the payment to any DTC Participant or any other Person, other than a Bondholder, as shown in the registration books kept by the Deputy Registrar and Paying Agent, of any amount with respect to principal or redemption premium, if any, or interest on the Series 2012 Refunding Bonds. The City and the Deputy Registrar and Paying Agent may treat and consider the person in whose name each Series 2012 Refunding Bond is registered in the registration books kept by the Registrar as the absolute owner of such Series 2012 Refunding Bond for the purpose of payment of principal or interest with respect to such Series 2012 Refunding Bond, for the purpose of giving notices of redemption and other matters with respect to such Series 2012 Refunding Bond, for the purpose of registering transfers with respect to such Series 2012 Refunding Bond, and for all other purposes whatsoever. The Deputy Registrar and Paying Agent will pay all principal or redemption premium, if any and interest on the Series 2012 Refunding Bonds only to or upon the order of the respective Bondholders, as shown in the registration books kept by the Deputy Registrar and Paying Agent, or their respective attorneys duly authorized in writing, as provided in the Special Revenue Bond Ordinance, and all such payments will be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal redemption premium, if any, and interest on the Series 2012 Refunding Bonds to the extent of the sum or sums so paid. No person other than an owner, as shown in the registration books kept by the Deputy Registrar and Paying Agent, will receive a

certificated Series 2012 Refunding Bond evidencing the obligation of the City to make payments of principal of redemption premium, if any, and interest pursuant to the provisions of the Special Revenue Bond Ordinance.

## **Redemption**

The Series 2012C Bonds maturing prior to October 1, 2024 are not subject to optional redemption prior to maturity. The Series 2012C Bonds maturing on and after October 1, 2024 shall be subject to redemption prior to their stated dates of maturity, at the option of the City, in whole or in part, on any date on or after October 1, 2022, in such maturities as the City shall in its discretion select and by lot within a maturity if less than a full maturity, at a redemption price equal to 100% of the principal amount of the Series 2012C Bonds to be redeemed plus accrued interest to the redemption date, but without premium. The Series 2012C Bonds maturing on October 1, 2023 are not subject to optional redemption prior to maturity.

The Series 2012D Bonds are not subject to redemption prior to maturity.

The Series 2012E Bonds are subject to optional redemption on any date prior to their maturity at the option of the City, in whole or in part, at a redemption price equal to the greater of:

- (a) 100% of the principal amount of the Series 2012E Bonds to be redeemed; or
- (b) The sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2012E Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2012E Bonds are to be redeemed, discounted to the date on which the Series 2012E Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below), plus 15 basis points; plus, in each case, accrued interest on the Series 2012E Bonds to be redeemed to the redemption date.

As used herein "Treasury Rate" means, with respect to any redemption date for a particular Series 2012E Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity excluding inflation indexed securities (as compiled and published in the most recent Federal Reserve Statistical Release H. 15 (519) that has become publicly available at least two Business Days prior to the redemption date or, if such statistical release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Series 2012E Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

## **Notice of Redemption**

Notice of redemption will be given by mail by the Deputy Registrar and Paying Agent not more than 60 days nor less than 30 days prior to the Redemption Date to all Registered Owners of the Series 2012 Refunding Bonds to be redeemed at their addresses as they appear on the registration books of the Deputy Registrar and Paying Agent as of the date 45 days prior to

the date of redemption; provided, however, that failure to so file or mail any such notice of redemption shall not affect the validity of the proceedings for such redemption with respect to Registered Owners of the Series 2012 Refunding Bonds to whom notice was mailed. The Deputy Registrar and Paying Agent must send a second notice of redemption by certified mail return receipt requested to any registered Holder who has not submitted Bonds called for redemption 30 days after the redemption date, provided, however, that the failure to give any second notice by mailing, or any defect in such notice, will not affect the validity of any proceedings for the redemption of any of the Series 2012 Refunding Bonds and the Deputy Registrar and Paying Agent shall not be liable for their failure to send any second notice. Interest shall cease to accrue on the Redemption Date on any Series 2012 Refunding Bonds duly called for redemption, if payment for the redemption price has been duly provided.

The Series 2012 Refunding Bonds in denominations greater than a minimum Authorized Denomination shall be deemed to be an equivalent number of Series 2012 Refunding Bonds in the denomination of a minimum Authorized Denomination. If a Series 2012 Refunding Bond is of a denomination larger than a minimum Authorized Denomination, a portion of such Series 2012 Refunding Bond may be redeemed, in the amount of such minimum Authorized Denomination or integral multiples thereof.

Notice of any redemption of Series 2012 Refunding Bonds shall either (i) explicitly state that the proposed redemption is conditioned on there being on deposit in the applicable fund or account on the redemption date sufficient money to pay the full redemption price of the Series 2012 Refunding Bond to be redeemed, or (ii) be sent only if sufficient money to pay the full redemption price of the Series 2012 Refunding Bonds to be redeemed is on deposit in the applicable fund or accounts.

#### *Conditional Notice of Redemption*

Notwithstanding the foregoing or any other provision of the Special Revenue Bond Ordinance, notice of optional redemption may be conditioned upon the occurrence or non-occurrence of such event or events as shall be specified in such notice of optional redemption and may also be subject to rescission by the City if expressly set forth in such notice.

#### **Effect of Notice of Redemption**

Notice having been given in the manner and under the conditions provided in the Special Revenue Bond Ordinance and upon the satisfaction of any conditions to such redemption specified in such notice, the Series 2012 Refunding Bonds or portions of Series 2012 Refunding Bonds so called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such Series 2012 Refunding Bonds or portions of such Series 2012 Refunding Bonds on such date. On the date so designated for redemption, moneys for payment of the redemption price being held in separate accounts by the Deputy Registrar and Paying Agent in trust for the Registered Owners of the Series 2012 Refunding Bonds or portions thereof to be redeemed, all as provided in the Special Revenue Bond Ordinance, interest and, if applicable, principal, on the Series 2012 Refunding Bonds or portions of Series 2012 Refunding Bonds so called for redemption shall cease to accrue, such Series 2012 Refunding Bonds and portions of Series 2012 Refunding Bonds shall

cease to be entitled to any lien, benefit or security under the Special Revenue Bond Ordinance, and the Registered Owners of such Series 2012 Refunding Bonds or portions of Series 2012 Refunding Bonds shall have no right in respect thereof except to receive payment of the redemption price thereof and, to the extent provided in the Special Revenue Bond Ordinance, to receive Bonds for any unredeemed portions of the Series 2012 Refunding Bonds.

## **BOOK-ENTRY ONLY SYSTEM**

The information in this caption concerning The Depository Trust Company, New York, New York, ("DTC") and DTC's book-entry system has been obtained from DTC and neither the City nor the Underwriters make any representation or warranty or take any responsibility for the accuracy or completeness of such information.

DTC will act as securities depository for the Series 2012 Refunding Bonds. The Series 2012 Refunding Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2012 Refunding Bond certificate will be issued for each maturity of each series of the Series 2012 Refunding Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2012 Refunding Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012 Refunding Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2012 Refunding

Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2012 Refunding Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2012 Refunding Bonds, except in the event that use of the book-entry system for the Series 2012 Refunding Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012 Refunding Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2012 Refunding Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012 Refunding Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012 Refunding Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2012 Refunding Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012 Refunding Bonds, such as redemptions, defaults, and proposed amendments to the Special Revenue Bond Ordinance. For example, Beneficial Owners of Series 2012 Refunding Bonds may wish to ascertain that the nominee holding the Series 2012 Refunding Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Deputy Registrar and Paying Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2012 Refunding Bonds of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2012 Refunding Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2012 Refunding Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of the principal of redemption premium, if any, and interest on the Series 2012 Refunding Bonds will be made to Cede & Co., or such other nominee as may be requested by an

authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Deputy Registrar and Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Deputy Registrar and Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the principal of redemption premium, if any, and interest on the Series 2012 Refunding Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Deputy Registrar and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2012 Refunding Bonds at any time by giving reasonable notice to the City or the Deputy Registrar and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2012 Refunding Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2012 Refunding Bond certificates will be printed and delivered to DTC.

## **SECURITY FOR THE SERIES 2012 REFUNDING BONDS**

### **Covenant Revenues**

"Covenant Revenues" is defined in the Special Revenue Bond Ordinance as those revenues of the City that are deposited to the credit of the City's General Fund derived from any source whatsoever that are legally available for the payment of the obligations of the City under the Special Revenue Bond Ordinance, inclusive of operating transfers from other funds into the General Fund, but exclusive of revenues derived from ad valorem taxation. Pursuant to the Special Revenue Bond Ordinance, it shall be assumed for purposes of calculating Covenant Revenues and Self Sufficient Debt that amounts required to be transferred from the City's General Fund to community redevelopment trust funds pursuant to Section 163.387 of the Florida Statutes or for other purposes for which tax increment revenues are pledged or committed, will come from revenues derived from ad valorem taxation and not Covenant Revenues. For the calculation of Covenant Revenues for the past five Fiscal Years, see the table entitled "Calculation of Covenant Revenues and Anti-Dilution Test Limitation" under "ADDITIONAL DEBT — Calculation of Covenant Revenues and Anti-Dilution Test Limitation" herein.

**The Amendatory Ordinance contains an Amendment that provides for the inclusion of Supplemental Revenues (as defined in the Amendatory Ordinance) for purposes of calculating the limitations under the Anti-Dilution Test. See "CONSENT TO AMENDMENTS TO THE SPECIAL REVENUE BOND ORDINANCE" herein.**

## **Covenant to Budget and Appropriate Covenant Revenues**

The Series 2012 Refunding Bonds are being issued as Additional Bonds under the Special Revenue Bond Ordinance. The Series 2012 Refunding Bonds and other Bonds Outstanding under the Special Revenue Bond Ordinance from time to time shall be payable from the Covenant Revenues and other legally available revenues actually budgeted and appropriated and deposited into the funds and accounts created and established pursuant to and in the manner provided in the Special Revenue Bond Ordinance. Until actually deposited into the funds and accounts created under the Special Revenue Bond Ordinance, Covenant Revenues are not pledged for the payment of the Series 2012 Refunding Bonds and the Holders of the Series 2012 Refunding Bonds will not have a lien thereon. The City has covenanted to the extent permitted by and in accordance with applicable law and budgetary processes, to prepare, approve and appropriate in its annual budget for each Fiscal Year, by amendment if necessary, and deposit to the credit of the Revenue Account established pursuant to the Special Revenue Bond Ordinance, Covenant Revenues in an amount which together with other legally available funds budgeted and appropriated for such purpose are equal to the Debt Service Requirement with respect to all Bonds Outstanding under the Special Revenue Bond Ordinance for the applicable Fiscal Year, plus an amount sufficient to satisfy all other payment obligations of the City under the Special Revenue Bond Ordinance for the applicable Fiscal Year, including, without limitation, the obligations of the City to fund and cure deficiencies in any subaccounts in the Reserve Account created under the Special Revenue Bond Ordinance. Such covenant and agreement on the part of the City to budget and appropriate sufficient amounts of Covenant Revenues shall be cumulative, and shall continue until such Covenant Revenues in amounts, together with any other legally available funds budgeted and appropriated for such purposes, sufficient to make all required payments under the Special Revenue Bond Ordinance as and when due, including any delinquent payments, shall have been budgeted, appropriated and actually paid into the appropriate funds and accounts under the Special Revenue Bond Ordinance.

The covenant described above does not create a lien, either legal or equitable, on any of the City's Covenant Revenues or other revenues or funds, nor shall it preclude the City from pledging in the future any of its Covenant Revenues or other revenues to other obligations, nor shall it give the Bondholders a prior claim on the Covenant Revenues. Anything in the Special Revenue Bond Ordinance to the contrary notwithstanding, all obligations of the City under the Special Revenue Bond Ordinance shall be payable only from the Covenant Revenues and other legally available revenues actually budgeted and appropriated and deposited into the funds and accounts created under the Special Revenue Bond Ordinance, as provided for therein. The City may not expend monies not appropriated or in excess of its current budgeted revenues.

The obligation of the City to budget, appropriate and make payments thereunder from its Covenant Revenues is subject to the availability of Covenant Revenues in the General Fund of the City after satisfying funding requirements for obligations having an express lien on or pledge of such revenues and after satisfying funding requirements for essential services of the City.

The City has not covenanted to maintain any programs or other activities which generate Covenant Revenues.

The exercise of remedies by the holders of other Covenant Obligations (whether or not so secured by a lien), including Non-Self Sufficient Debt which is not issued as Bonds under the Special Revenue Bond Ordinance and judgment creditors, may result in the payment of debt service on some Covenant Obligations prior to the payment of debt service on other Non-Self Sufficient Debt, including the Series 2012 Refunding Bonds.

### **Reserve Account**

In each supplemental ordinance or resolution authorizing the issuance of a Series of Bonds under the Special Revenue Bond Ordinance, the City is required to designate or provide for the designation as to whether such Series of Bonds is to be secured by the Composite Reserve Subaccount, a separate subaccount or is not to be secured by the Reserve Account and, if such Series is to be secured by a separate account, the Reserve Requirement with respect thereto. Bonds of each Series shall be secured only by the subaccount in the Reserve Account, if any, designated to secure such Series of Bonds and shall have no lien on or right to payment from any other subaccount in the Reserve Account. Funds on deposit in the separate subaccounts in the Reserve Account shall be used only for the purpose of curing deficiencies in the Debt Service Account with respect to the Series of Bonds to which such subaccount pertains and for no other purpose. In no event shall monies in a subaccount in the Reserve Account be used or available for the payment of principal of or interest on any other payments with respect to Bonds of any Series not secured by such subaccount. If funds on deposit in the applicable subaccount in the Reserve Account for a particular Series of Bonds exceed, in the aggregate, the Reserve Requirement with respect to such Series of Bonds (other than due to the substitution of a Reserve Product as described below), the excess funds shall be deposited into the Revenue Account for the benefit of all Bonds issued under the Special Revenue Bond Ordinance.

### **The Series 2012 Refunding Bonds are not secured by any amounts deposited in the Reserve Account.**

The City has previously designated certain series of the Outstanding Special Revenue Bonds to be secured by amounts on deposit in the Reserve Account and may also designate future series of Additional Bonds to be secured by the Reserve Account. The Special Revenue Bond Ordinance permits the City at any time to substitute a Reserve Product for any cash or investments deposited to the Reserve Account. The Reserve Product must be provided by a nationally recognized bond insurance provider or a bank or other financial institution providing such Reserve Product.

### **Limited Obligations**

**Anything in the Special Revenue Bond Ordinance to the contrary notwithstanding, all obligations of the City under the Special Revenue Bond Ordinance shall be payable only from the Covenant Revenues and other legally available revenues actually budgeted and appropriated and deposited into the funds and accounts created in the Special Revenue Bond Ordinance, as provided for therein. Nothing in the Special Revenue Bond Ordinance shall be deemed to create a pledge of or lien on the Covenant Revenues, the ad valorem tax revenues of the City or any other revenues of the City or to permit or constitute a mortgage or lien upon any assets owned by the City. No Bondholder shall ever have the right to**

**compel any exercise of the ad valorem taxing power of the City for any purpose, including, without limitation, to pay the principal of or interest on the Bonds or to make any other payment required thereunder or to maintain or continue any of the activities of the City which generate user service charges, regulatory fees or any other Covenant Revenues, nor shall the Bonds constitute a charge, lien or encumbrance, either legal or equitable, on any property, assets or funds of the City. The obligation of the City to budget, appropriate and make payments required by the Special Revenue Bond Ordinance from its Covenant Revenues is subject to the availability of Covenant Revenues in the General Fund after the satisfaction of the funding requirements for obligations having an express lien on or pledge of such revenues and the funding requirements for essential governmental services of the City.**

The Series 2012 Refunding Bonds, the redemption premium, if any, and the interest thereon shall not be secured by any proceeds from the sale, lease or other disposition, if any, of property financed with the proceeds of the Series 2012 Refunding Bonds. The Series 2012 Refunding Bonds and the indebtedness represented thereby shall not constitute a lien upon the equipment or improvements financed with the proceeds of the Series 2012 Refunding Bonds, or any part thereof, or on any other property of the City. None of the officials of the City nor any persons executing the Series 2012 Refunding Bonds are liable personally on the Series 2012 Refunding Bonds.

## **FLOW OF FUNDS**

The Special Revenue Bond Ordinance establishes the "Special Revenue Bond Fund" and the following accounts therein to be known as: the "Project Account," the "Revenue Account," the "Debt Service Account," the "Fee and Expense Account," the "Reserve Account," and the "Rebate Account." The Special Revenue Bond Fund and all accounts therein shall all constitute trust funds for the purposes provided in the Special Revenue Bond Ordinance, shall be delivered to and held by the Chief Financial Officer (or an Authorized Depositary designated by the Chief Financial Officer), who shall act as trustee of such funds for the purposes of the Special Revenue Bond Ordinance, shall be subject to a lien and charge in favor of the Holders and Registered Owners of the Bonds (provided that monies held in the separate subaccounts in the Reserve Account shall secure only the Bonds of the Series designated to be secured thereby), and shall at all times be kept separate and distinct from all other funds of the City and used only as provided in the Special Revenue Bond Ordinance.

*Revenue Account.* On or before the 15<sup>th</sup> day of each month, there shall be deposited to the credit of the Revenue Account Covenant Revenues budgeted and appropriated for such purposes amounts which, together with funds on deposit therein, will be sufficient to satisfy the cumulative deposit requirements described in paragraphs (a) through (d) below. Funds on deposit in the Revenue Account shall be disbursed in the following order and priority:

(a) First, by deposit into the Debt Service Account an amount which, together with any other amounts required to be deposited therein pursuant to the Special Revenue Bond Ordinance, will equal (i) one-sixth of the interest maturing on the Bonds on the next semiannual interest payment date, with respect to Bonds that bear interest payable semiannually, (ii) the

amount of interest next becoming due or maturing on Bonds that bear interest payable monthly, (iii) the amount of interest accruing in such month on Bonds that bear interest payable on other than a monthly or semiannual basis (other than Bonds that bear interest payable only on maturity or redemption), (iv) the amount of any Qualified Hedge Payments associated with Bonds Outstanding under the Special Revenue Bond Ordinance becoming due in such month, (v) one-twelfth of all principal maturing or becoming due during the current Bond Year (or within twelve months of such deposit date) on the various Series of Serial Bonds that mature annually, (vi) one-sixth of all principal maturing on the next maturity date in such Bond Year on the various Series of Serial Bonds that mature semiannually, and (vii) one-twelfth (one-sixth with respect to semiannual Amortization Installments) of the Amortization Installments and unamortized principal balances of Term Bonds coming due during the current Bond Year with respect to the Bonds, until there are sufficient funds then on deposit equal to the sum of the interest, principal and redemption payments due on the Bonds on the next interest, principal and redemption dates in such Bond Year and to timely pay Qualified Hedge Payments associated with Bonds Outstanding under the Special Revenue Bond Ordinance becoming due.

Deposits shall be increased or decreased to the extent required to pay principal and interest and any Qualifying Hedge Payments associated with Bonds Outstanding under the Special Revenue Bond Ordinance coming due, after making allowance for any accrued and capitalized interest and taking into account deficiencies in prior months' deposits. Additionally, if Bonds constituting Variable Rate Debt are outstanding on the 25<sup>th</sup> day of such month, unless the City shall establish a different procedure for the payment of monthly interest on Bonds constituting Variable Rate Debt, the City shall deposit into the Debt Service Account in lieu of the monthly interest deposit or the one-sixth semiannual interest deposit described above, the interest actually accruing on such Bonds for such month (plus any deficiencies in interest deposits for the preceding month), assuming the interest rate thereon for the remainder of such month equal to 110% of the interest rate applicable thereto on the date of deposit of funds from the Revenue Account. On or before each interest payment date and each payment date for Qualified Hedge Payments, the City shall make up any deficiencies in such interest deposit, based on the actual interest accruing through such date, from and to the extent of the funds remaining on deposit in the Revenue Account or from other Covenant Revenues budgeted and appropriated and available for such purpose.

(b) Second, by deposit to the credit of the Fee and Expense Account, an amount which, together with amounts then on deposit therein, shall be sufficient to pay all fees, expenses and other amounts payable (excluding reimbursements for amounts advanced for the payment of principal of or interest or premiums on the Bonds to the extent such reimbursements are payable from amounts deposited in the Debt Service Account pursuant to paragraph (a) above) due or to become due and payable in such month to any credit or liquidity facility providers, trustees, paying agents, registrars, tender agents, remarketing agents, indexing agents, auction agents or escrow agents with respect to the Bonds and any similar fees and expenses incurred with respect to the Bonds or the administration thereof.

(c) Third, by deposit to each subaccount of the Reserve Account, amounts, including amounts necessary to reimburse the issuer of a Reserve Product for draws thereunder in order to reinstate such Reserve Product, which, after taking into account other funds then on deposit therein (including amounts available under any Reserve Product), which will be sufficient to

make the funds or amounts of Reserve Product on deposit therein equal to the Reserve Account Requirement for each subaccount; provided, however, that if the funds on deposit in the Reserve Account are less than the Reserve Account Requirement as a result of a withdrawal therefrom for the payment of debt service on the Bonds due to a deficiency in the amounts available in the Debt Service Account, the amount of such deficiency may be made up through 12 substantially equal monthly installments, with such installments to commence the month after such withdrawal from the Reserve Account. Notwithstanding the foregoing, if a deficiency occurs in the Reserve Account due to the valuation of investments held therein as a result of the valuation required by the Special Revenue Bond Ordinance, the City may cure such deficiency by making substantially equal monthly deposits to the Reserve Account over a period commencing the month following the valuation giving rise to the deficiency and ending not later than 12 months after such valuation. To the extent there are insufficient moneys in the Revenue Account to make the required monthly deposit into each subaccount of the Reserve Account, such deposits shall be made to each subaccount on a pro rata basis in relation to the amount of the deficiency existing in each subaccount.

(d) Then, to the Rebate Account an amount which, together with other amounts then on deposit therein, shall equal the Rebate Amount as of the most recent calculation date.

(e) Then, by payment to the City to be used for any lawful purpose.

*Debt Service Account.*

(a) Monies on deposit in the Debt Service Account shall be used solely for the payment of principal of, interest on and any redemption premiums required with respect to the Bonds and associated Qualified Hedge Payments; provided, however, that if such principal and interest payments, or a portion thereof, have been made on behalf of the City by an insurer, credit facility issuer or other entity insuring, guaranteeing or providing for the payment of Bonds, or any Series thereof, monies on deposit therein and allocable to such Series shall be paid to such insurer, credit facility issuer or entity having theretofore made a corresponding payment.

(b) At the maturity date of each Bond and at the due date of each Amortization Installment and installment of interest on each Bond, the City shall transfer from the Debt Service Account to the Deputy Registrar and Paying Agent for such Bonds sufficient monies to pay all principal of, premium, if any, and interest then due and payable with respect to such Bonds. Interest accruing with respect to any fully registered Bond shall be paid by check or draft of the Deputy Registrar and Paying Agent to the Registered Owner thereof.

(c) Monies deposited in the Debt Service Account for the redemption of Bonds shall be applied to the retirement of Bonds issued under the provisions of the Special Revenue Bond Ordinance and then Outstanding in the following order:

(i) The City shall first endeavor to purchase Outstanding Term Bonds of each Series redeemable from Amortization Installments, and pro rata (based on the principal amount of the Amortization Installments due in such Bond Year for each such Series of Term Bonds) among all such Bonds if more than one Series of such Term Bonds are Outstanding, or if no such Term Bonds are Outstanding, Serial Bonds, whether or not

such Bonds shall then be subject to redemption, but only to the extent monies are available therefor, at the most advantageous price obtainable, such price not to exceed the principal of such Bonds plus accrued interest, but no such purchase shall be made by the City within a period of 30 days next preceding any interest payment date on which such Bonds are subject to call for redemption under the provisions of the Special Revenue Bond Ordinance;

(ii) Then, to the extent monies remain on deposit in the Debt Service Account that are held for the redemption of Bonds, the City shall call for redemption on each interest payment date on which Bonds are subject to redemption, with or without premium, from such monies, such amount of Term Bonds subject to the Amortization Installments for such Bond Year that have not been purchased pursuant to clause (i) above; and

(iii) Then, to the extent monies remain on deposit in the Debt Service Account that were deposited therein pursuant to the Special Revenue Bond Ordinance for the purpose of redeeming Bonds, the City shall call any remaining Bonds then subject to redemption, in such order and by such selection method as the City, in its discretion, may determine, from such funds as will exhaust the money then held for the redemption of such Bonds as nearly as may be possible.

If Term Bonds are purchased or redeemed in excess of the Amortization Installments for such Bond Year, such excess principal amount of such Term Bonds so purchased or redeemed shall be credited against subsequent Amortization Installments for Bonds in such Series in such Bond Year or Years as the City may determine and as may be reflected in the City's permanent accounting records. Such election shall be included in the annual audited reports of the City.

Fee and Expense Account. Amounts deposited to the credit of the Fee and Expense Account shall be withdrawn and applied by the City from time to time to pay the fees, expenses and other amounts for the payment of which such amounts were deposited.

Withdrawal of Monies. No less frequently than once every 12 months, amounts deposited in the Special Revenue Bond Fund and not credited to one of the accounts created therein pursuant to the Special Revenue Bond Ordinance shall be withdrawn by the City and used for any lawful purpose.

## ADDITIONAL DEBT

### General

The Special Revenue Bond Ordinance permits the issuance of Additional Bonds (which will be payable from Covenant Revenues on a parity with the Outstanding Special Revenue Bonds), as well as other Non-Self Sufficient Debt and Self-Sufficient Debt. The City is permitted under the Special Revenue Bond Ordinance to issue Non-Self Sufficient Debt for which there may be granted a prior lien on all or a portion of the Covenant Revenues, provided the City first complies with the requirements of the Anti-Dilution Test described below. Self-Sufficient Debt is permitted to be issued, without limit, and may be secondarily secured by

or payable from Covenant Revenues, if certain debt service coverage tests are met and are expected to be met, as described below. The Series 2012 Refunding Bonds, Outstanding Special Revenue Bonds, Additional Bonds, Non-Self Sufficient Debt and Covenant Obligations are all payable from the Covenant Revenues.

"Non-Self Sufficient Debt" means any indebtedness of the City for the payment of borrowed money other than Self Sufficient Debt.

"Self Sufficient Debt" means any indebtedness of the City for borrowed money that is either (a) secured by or payable exclusively from a source of revenues other than Covenant Revenues, or (b) primarily payable from revenues of the type described in clause (a) above and secondarily from Covenant Revenues if the Covenant Revenues have not been used (or, as provided below, deemed to have been used) to pay any portion of such indebtedness for the three Fiscal Years preceding the date of determination and if the City projects that the Covenant Revenues will not be so used during the next two Fiscal Years; and either (c) that is secured by a revenue source that has been in effect for at least three Fiscal Years and that would have provided coverage of at least 125% of the average annual debt service on such obligations secured by such revenue source in each of the three preceding Fiscal Years, or (d) if the revenue source has not been in existence for at least three Fiscal Years, that is secured by a revenue source that would have provided coverage of at least 150% of the average annual debt service on such obligations secured by such revenue source in at least the last full Fiscal Year preceding the issuance of such obligations and that is projected to provide at least 150% debt service coverage (based on revenue and debt service projections of the City) in each of the three ensuing Fiscal Years; and (e) in any such case, in the three preceding Fiscal Years, no debt service on which has been paid (or, as provided below, deemed to have been paid) from Covenant Revenues. For purposes of calculating the coverage requirements described in this definition, the historical and projected receipts of a particular revenue source shall be adjusted retroactively to the initial date of the calculation period to reflect changes in rates, levies or impositions enacted prior to the date of calculation. For purposes of this definition, Covenant Revenues will be deemed to have been used to pay debt service on any debt if Covenant Revenues have been transferred in the relevant period, other than pursuant to a Capital Transfer, to a fund or account used to pay debt service on such debt. Pursuant to the Special Revenue Bond Ordinance, a Capital Transfer means any interfund transfer from the City's General Fund to another fund of the City, designated for a specific capital project (and not for debt service with respect to debt incurred for such capital project).

City obligations payable primarily from revenues other than Covenant Revenues and secondarily from Covenant Revenues (including the Special Revenue (BJP) Bonds, as more particularly described below under "ADDITIONAL DEBT — Outstanding and Anticipated Non-Self Sufficient Debt") may constitute Self Sufficient Debt or Non-Self Sufficient Debt on any given test date based upon the criteria provided in the definition of Self Sufficient Debt and, therefore, may or may not be treated as Non-Self Sufficient Debt for purposes of the Anti-Dilution Test described below on any given test date.

## **Non-Self Sufficient Debt; Anti-Dilution Test**

The information contained under this heading describes the provisions of the Special Revenue Bond Ordinance governing the issuance of Non-Self Sufficient Debt. See "CITY OF JACKSONVILLE, FLORIDA NON-SELF SUFFICIENT DEBT" herein for a listing of the City's current outstanding Non-Self Sufficient Debt.

(a) The City has covenanted in the Special Revenue Bond Ordinance not to issue any Non-Self Sufficient Debt (including Additional Bonds) unless there shall be filed with the City a report by the Chief Financial Officer of the City projecting that for each of the three Fiscal Years following the Fiscal Year in which such Non-Self Sufficient Debt is issued, the following two tests will be met (herein referred to as the "Anti-Dilution Test"):

(i) (A) If the year in which the Maximum Annual Debt Service on Non-Self Sufficient Debt occurs is more than six years from the date of calculation, the Maximum Annual Debt Service with respect to all Non-Self Sufficient Debt then Outstanding and the Non-Self Sufficient Debt proposed to be issued will not exceed 45% of the Covenant Revenues for each such Fiscal Year forecasted by the City; or (B) if the year in which the Maximum Annual Debt Service with respect to Non-Self Sufficient Debt occurs is less than six years from the date of calculation, the Maximum Annual Debt Service with respect to all Non-Self Sufficient Debt then Outstanding and the Non-Self Sufficient Debt proposed to be issued will not exceed 35% of the Covenant Revenues for each such Fiscal Year forecasted by the City; and

(ii) The higher of (A) the Average Annual Debt Service Requirement with respect to all Non-Self Sufficient Debt then Outstanding and the Non-Self Sufficient Debt proposed to be issued, or (B) the aggregate annual debt service with respect to all such Non-Self Sufficient Debt then Outstanding including the Non-Self Sufficient Debt proposed to be issued for the Fiscal Year following the year in which the calculation is made, will not exceed 35% of the Covenant Revenues for each such Fiscal Year forecasted by the City.

(b) Concurrently with the issuance of Non-Self Sufficient Debt, the Mayor of the City shall certify (i) the dates and the principal amounts of such Non-Self Sufficient Debt (other than Designated Maturity Debt and Commercial Paper Obligations) that will be paid or redeemed in advance of the final maturity thereof to the extent that (A) separate serial maturities or Amortization Installments have not been established for such Non-Self Sufficient Debt and (B) amortization of such debt is otherwise required pursuant to the Special Revenue Bond Ordinance, as discussed under "ADDITIONAL DEBT — Amortization of Variable Rate Bonds and Designated Maturity Debt," herein, and (ii) with respect to Designated Maturity Debt and Commercial Paper Obligations, the principal amortization for each series thereof is in accordance with the Special Revenue Bond Ordinance, as discussed under "ADDITIONAL DEBT — Amortization of Variable Rate Bonds and Designated Maturity Debt," herein, assuming that the final maturity of each series of Designated Maturity Debt and Commercial Paper Obligations shall be no later than thirty years from the date of original issuance thereof. Each proposed amortization installment set forth in such certificate shall be on a date which is on or after the first optional redemption date for such Non-Self Sufficient Debt.

The City may, from time to time, amend the amortization certificate described in paragraph (b) above if the new amortization would not cause the City to violate the amortization requirements set forth in paragraph (a) above and the amortization requirements of Variable Rate Bonds and Non-Self Sufficient Debt as set forth in the Special Revenue Bond Ordinance, as discussed under "ADDITIONAL DEBT — Amortization of Variable Rate Bonds and Designated Maturity Debt," herein, as re-calculated on the date of amendment to such amortization.

The certificate of amortization provided pursuant to paragraph (b) above, as amended from time to time as provided above, shall not create an enforceable right or expectation of Bondholders to have Bonds redeemed or retired in accordance therewith but is intended to document the City's ability and intent to comply with the requirements of the Special Revenue Bond Ordinance.

**The Amendatory Ordinance contains an Amendment which, among other things, amends certain provisions of the Anti-Dilution Test and provides for the inclusion of Supplemental Revenues (as defined in the Amendatory Ordinance) for purposes of calculating the limitations under the Anti-Dilution Test. See "CONSENT TO AMENDMENTS TO THE SPECIAL REVENUE BOND ORDINANCE" herein.**

### **Issuance of Additional Bonds**

The City may not issue any obligations payable from the amounts deposited in the funds and accounts created under the Special Revenue Bond Ordinance, or voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien of any Bonds issued pursuant to the Special Revenue Bond Ordinance upon such funds and accounts, except under the conditions and in the manner described below.

Except as otherwise provided in the Special Revenue Bond Ordinance, no Series of Additional Bonds may be issued under the Special Revenue Bond Ordinance unless the City shall have first complied with the requirements set forth below, among others:

(a) There shall have been obtained and filed with the Governing Body the report required for the issuance of such Additional Bonds as Non-Self Sufficient Debt as described under paragraphs (a) and (b) above under "ADDITIONAL DEBT — Non-Self Sufficient Debt; Anti-Dilution Test."

(b) In addition to the foregoing, the City may issue at any time and from time to time Additional Bonds for the purpose of refunding any Series of Bonds, or any Bonds within a Series, without the necessity of complying with the requirements contained in paragraph (a) above, provided that prior to the issuance of such Bonds there shall be filed with the Governing Body of the City a certificate of the Chief Financial Officer of the City to the effect that (i) the net proceeds from such Additional Bonds will be sufficient to cause the lien created by the Special Revenue Bond Ordinance with respect to the Bonds to be refunded to be defeased pursuant to the Special Revenue Bond Ordinance and (ii) the Debt Service Requirement with respect to such Additional Bonds in each Bond Year following the issuance thereof shall be

equal to or less than the Debt Service Requirement for such Bond Year with respect to the Bonds which would have been outstanding in that Bond Year had the same not been refunded pursuant to the Special Revenue Bond Ordinance. In addition, prior to the issuance of such Bonds, there shall be filed with the Governing Body of the City an opinion of Bond Counsel to the effect that (i) the proceeds from the sale of such Additional Bonds have been set aside in irrevocable escrow for the payment of the Bonds to be refunded in the manner described in the Special Revenue Bond Ordinance and (ii) the issuance of such Additional Bonds and the use of the proceeds thereof as described above will not have the effect of causing the interest on any Bond then outstanding under the Special Revenue Bond Ordinance (other than Bonds issued as Taxable Debt), including the Bonds to be refunded, to become includable in the gross income of the owner thereof for federal income tax purposes.

The Chief Financial Officer of the City shall also certify that the City is not in default in the performance of any of the covenants and obligations assumed by the City under the Special Revenue Bond Ordinance and that all payments required to be made into the funds and accounts provided by the Special Revenue Bond Ordinance have been made in full to the extent required.

Bonds issued pursuant to the terms and conditions of the Special Revenue Bond Ordinance shall be deemed on a parity with the Series 2012 Refunding Bonds and all Bonds then Outstanding, and all of the covenants and other provisions of the Special Revenue Bond Ordinance shall be for the equal benefit, protection and security of the Holders of any Bonds originally authorized and issued pursuant to the Special Revenue Bond Ordinance and the Holders of any Bonds evidencing additional obligations subsequently created within the limitations of and in compliance with the Special Revenue Bond Ordinance.

### **Amortization of Variable Rate Bonds and Designated Maturity Debt**

The City has covenanted in the Special Revenue Bond Ordinance that it will not issue Bonds constituting Variable Rate Debt under the terms of the Special Revenue Bond Ordinance, unless the maximum interest rate payable on such Bonds does not exceed 12% per annum.

With respect to each Series of Non-Self Sufficient Debt, the City covenants to refund or redeem Bonds or other Non-Self Sufficient Debt of such Series in such amounts and at such times as shall cause the original principal of such Series of Bonds or other Non-Self Sufficient Debt to be amortized (by payment or defeasance) no less quickly than in equal annual installments over at least the last one-third of the original stated term to maturity (or with respect to Designated Maturity Debt, over the last one-third of the amortization schedule with respect to such Designated Maturity Debt as set forth in the Amortization Certificate). Pursuant to the Special Revenue Bond Ordinance, "Designated Maturity Debt" means all Non-Self Sufficient Debt of a Series, or a particular maturity thereof, with a stated maturity of 15 years or less, designated as such by the City prior to the issuance thereof, for which either (a) no Serial maturities or Amortization Installments or mandatory sinking fund redemption installments (with respect to other Non-Self Sufficient Debt) have been established or (b) the aggregate of such Serial maturities and Amortization Installments or mandatory sinking fund redemption installments that have been established is less than the principal amount of such Non-Self Sufficient Debt.

The City does not expect to designate any maturities of its Series 2012 Refunding Bonds as Designated Maturity Debt. The City has previously designated portions of its Series 2012B Bonds, Series 2011B Bonds, Series 2010B Bonds, Series 2010A Bonds and Series 2009C-1 Bonds and all of its outstanding Series 2009A Bond as Designated Maturity Debt for purposes of the Special Revenue Bond Ordinance.

For purposes of the Anti-Dilution Test described above under "ADDITIONAL DEBT — Non-Self Sufficient Debt; Anti-Dilution Test," the Debt Service Requirement (used in calculating Maximum Annual Debt Service and Average Annual Debt Service) is required by the Special Revenue Bond Ordinance to be calculated assuming that the principal amount of each Series of Designated Maturity Debt shall have a final maturity of not later than 30 years from the date of initial issuance thereof and shall be amortized in accordance with the Amortization Certificate provided by the City, assuming such Designated Maturity Debt bears interest at the Certified Interest Rate based on such amortization. Designation of Bonds as Designated Maturity Debt does not affect the City's obligation to pay such Bonds on their stated maturity dates, but provides for a longer term amortization to be assumed for purposes of the Anti-Dilution Test.

**The Amendatory Ordinance contains an Amendment that revises the definition of Certified Interest Rate. See "CONSENT TO AMENDMENTS TO THE SPECIAL REVENUE BOND ORDINANCE" herein.**

#### **Outstanding and Anticipated Non-Self Sufficient Debt**

The City has previously issued various series of bonds and other indebtedness that constitute Non-Self Sufficient Debt for purposes of the Special Revenue Bond Ordinance. The table following this sub-heading lists all of the City's Non-Self Sufficient Debt outstanding after the issuance of the Series 2012 Refunding Bonds and the refunding and defeasance of the Refunded Bonds (the "Non-Self Sufficient Debt Table").

The Capital Improvement Revenue Bonds listed in the Non-Self Sufficient Debt Table are payable from and secured by taxes upon the leasing or rental of hotel, motel, resort and similar accommodations, professional sports facility sales tax rebates received by the City from the State, and a portion of the public service tax collected on telecommunications services. The Excise Taxes Revenue Bonds listed in the Non-Self Sufficient Debt Table are payable from and secured by taxes collected by the City on purchases of electricity; gas (natural, liquified petroleum or manufactured); grades No. 1 (kerosene), No. 2 and No. 3 fuel oil; communications services; and occupational licenses (collectively, the "Excise Taxes"). The Guaranteed Entitlement Revenue Bonds listed in the Non-Self Sufficient Debt Table are payable from and secured by certain guaranteed amounts of sales tax revenues distributed to the City from the State. The Capital Project Revenue Refunding Bonds listed in the Non-Self Sufficient Debt Table are payable from a contribution received by the City from JEA. The Sales Tax Revenue Bonds listed in the Non-Self Sufficient Debt Table and Local Government Sales Tax Revenue Bonds listed in the Non-Self Sufficient Debt Table are payable from the local government half-cent sales tax distributed to the City from the State. The Commercial Paper Notes listed in the Non-Self Sufficient Debt Table are payable from Excise Taxes and the local government half-cent sales tax. The U.S. Government Guaranteed Notes are payable from general revenues

of the City. The City does not have any current plans to issue additional new money Excise Taxes Revenue Bonds, Capital Projects Revenue Bonds, Capital Improvement Revenue Bonds, Guaranteed Entitlement Revenue Bonds, Sales Tax Revenue Bonds, Local Government Sales Tax Revenue Bonds or U.S. Government Guaranteed Notes in the near future.

As described under the caption "PLAN OF REFUNDING" herein, the Series 2012 Refunding Bonds are being issued to refund the Refunded Bonds, which constitute all or a portion of certain of the City's Excise Taxes Revenue Bonds, Guaranteed Entitlement Revenue Bonds, and Local Government Sales Tax Revenue Bonds. Also as a part of the City's debt consolidation and savings initiative, the City anticipates issuing, in December 2012, its Capital Improvement Refunding Revenue Bonds, Series 2012 (the "Series 2012 Capital Improvement Bonds"), which will refund all or a portion of the City's previously outstanding Capital Improvement Revenue Bonds to achieve overall debt service savings.

The City has previously provided for the issuance of an irrevocable letter of credit (the "Excise Taxes Revenue Bonds Reserve Account Facility") by Wachovia Bank, National Association ("Wachovia") currently in the available amount of \$33,679,746.41 to replace the reserve account sureties issued by downgraded surety providers with respect to the City's outstanding Excise Taxes Revenue Bonds. The Excise Taxes Revenue Bonds Reserve Account Facility has the stated expiration date of March 29, 2015 (the "Maturity Date"). The loan agreement entered into by the City with Wachovia related to the Excise Taxes Revenue Bonds Reserve Account Credit Facility (the "Excise Taxes Reserve Loan Agreement"), provides a revolving line-of-credit, which the City can draw on in the event Wachovia must be reimbursed for a draw on its Excise Taxes Revenue Bonds Reserve Account Credit Facility. Pursuant to the Excise Taxes Reserve Loan Agreement, the City has covenanted to budget and appropriate, by amendment if necessary, in each Fiscal Year, sufficient Covenant Revenues of the City, together with other legally available funds budgeted and appropriated for such purpose, to pay all principal, interest and other fees, costs and amounts coming due under such agreement. The City's obligations with respect to amounts becoming due under the Excise Taxes Reserve Loan Agreement constitute Non-Self Sufficient Debt for purposes of the Special Revenue Bond Ordinance. The Excise Taxes Reserve Loan Agreement requires the City to repay interest on amounts drawn under the underlying line-of-credit on the first day of each month in arrears. Amounts outstanding under the Excise Taxes Reserve Loan Agreement bear interest at variable rate based upon LIBOR, plus a spread or, if the LIBOR quotations are no longer available, comparable methods of calculation determined by Wachovia. All principal amounts due under the Excise Taxes Reserve Loan Agreement are due on the Maturity Date, or can be prepaid in advance without premium. After the issuance of the Series 2012 Refunding Bonds and the refunding of the Refunded Bonds, the City anticipates reducing the amount available under the Excise Taxes Revenue Bonds Reserve Account Facility and the City's liability under the Excise Taxes Reserve Loan Agreement, in an amount related to the reduction in the reserve requirement allocable to the Excise Taxes Revenue Bonds remaining outstanding.

Pursuant to the Special Revenue Bond Ordinance as particularly supplemented by Ordinance 2007-816-E, enacted on September 25, 2007, as supplemented and amended from time to time (the "Banking Fund Supplemental Ordinance"), the City has authorized the issuance of Bonds in one or more Series for the purpose of financing certain litigation settlement payments, refunding certain outstanding commercial paper obligations and financing the

acquisition and construction of certain capital equipment and improvements. Pursuant to the authorization provided in the Banking Fund Supplemental Ordinance, the City has previously issued the Series 2008 Bonds, the Series 2009A Bond, the Series 2009C Bonds (only approximately \$66 million in principal amount of the Series 2009C Bonds was a part of the authorization provided by the Banking Fund Supplemental Ordinance), the Series 2010A Bonds, the Series 2010C Bonds, the Series 2011A Bonds and the Series 2012A Bonds. The City does not presently anticipate issuing Additional Bonds pursuant to the authorization provided in the Banking Fund Supplemental Ordinance but may elect to do so in the future.

Pursuant to Ordinance 2009-446-E enacted on August 11, 2009 (the "Series 2009B Supplemental Ordinance"), the City authorized the issuance of Additional Bonds under the Special Revenue Bond Ordinance in an aggregate amount necessary to provide not in excess of \$300,000,000 in net project funds (the "Special Revenue (BJP) Bonds") to finance a portion of the cost of a voter approved capital improvement program known as the Better Jacksonville Plan. The City has previously issued the Series 2009B Bonds, the Series 2010B Bonds and the Series 2011B Bonds as Special Revenue (BJP) Bonds. To finance the Better Jacksonville Plan, as authorized by the voter referendum, the City has levied an additional sales tax of 0.5% on all taxable transactions in the City (the "Infrastructure Sales Tax"). In addition to the security provided by the Special Revenue Bond Ordinance for the Special Revenue (BJP) Bonds, the Series 2009B Supplemental Ordinance provides for the payment of the Special Revenue (BJP) Bonds, on a subordinate basis, by transfer of Infrastructure Sales Tax revenues available after funding debt service requirements with respect to obligations secured by a prior lien on the Infrastructure Sales Tax revenues (the "Senior BJP Obligations") to the Better Jacksonville Revenue Account established by the Series 2009B Supplemental Ordinance in an amount up to the amounts required to be deposited under the Special Revenue Bond Ordinance with respect to the Special Revenue (BJP) Bonds. The Infrastructure Sales Tax is a limited purpose tax. Infrastructure Sales Tax revenues are not a component of Covenant Revenues and are not available to pay debt service on Bonds outstanding under the Special Revenue Bond Ordinance, other than the Special Revenue (BJP) Bonds to the limited extent provided in the Series 2009B Supplemental Ordinance. It is anticipated, however, that amounts deposited in the Better Jacksonville Revenue Account will be an operating transfer to the General Fund and that the amounts so deposited will constitute Covenant Revenues. The Series 2009B Bonds, the Series 2010B Bonds and the Series 2011B Bonds currently constitute Non-Self Sufficient Debt for purposes of the Special Revenue Bond Ordinance.

Infrastructure Sales Tax collections for Fiscal Year ending September 30, 2012 were approximately \$64.3 million. The net debt service requirements for the Senior BJP Obligations for Fiscal Year ended September 30, 2012 were approximately \$44.1 million, which left approximately \$20.2 million of Infrastructure Sales Tax revenues available for transfer to the Better Jacksonville Revenue Account to fund debt service payments on the Special Revenue (BJP) Bonds. No assurances can be given as to the amount of Infrastructure Sales Tax Revenues that will be available to pay debt service on the Special Revenue (BJP) Bonds and no inference should be made that a similar amount of Infrastructure Sales Tax Revenues will be available in future years to fund debt service payments on the Special Revenue (BJP) Bonds. It is not possible to accurately predict future Infrastructure Sales Tax collections. The total amount of Infrastructure Sales Tax revenue received by the City is subject to change due to increases or decreases in the dollar volume of taxable sales within the City, which in turn, is subject to among

other things (i) state legislative changes which may include or exclude sales of particular goods or services from taxation, and (ii) changes in the dollar volume of purchases in the City, which is affected by changes in population and economic conditions which are beyond the City's control. The amount of Infrastructure Sales Tax revenues available for payment of the Special Revenue (BJP) Bonds may also be reduced by the issuance of additional Senior BJP Obligations to complete the funding of the Better Jacksonville Plan.

Since their respective dates of issuance, the Series 2009B Bonds, the Series 2010B Bonds and the Series 2011B Bonds have constituted Non-Self Sufficient Debt and do not currently qualify as Self Sufficient Debt for purposes of the Special Revenue Bond Ordinance. With significant sustained growth in the Infrastructure Sales Tax revenues and depending upon the amount of debt service on Senior BJP Obligations and Special Revenue (BJP) Bonds outstanding, the Series 2009B Bonds, the Series 2010B Bonds, the Series 2011B Bonds and any additional Special Revenue (BJP) Bonds could qualify as Self Sufficient Debt for purposes of the Special Revenue Bond Ordinance. However, based upon its current revenue projections and the constraints of its Debt Management Policy, the City does not currently anticipate that the outstanding Special Revenue (BJP) Bonds, or any additional Special Revenue (BJP) Bonds issued in the future, will qualify as Self Sufficient Debt for purposes of the Special Revenue Bond Ordinance. Currently, if Special Revenue (BJP) Bonds were to qualify as Self Sufficient Debt, they would not have to be taken into account in calculating limitations under the Anti-Dilution Test for issuing additional Non-Self Sufficient Debt under the Special Revenue Bond Ordinance, but would still have the benefit of the covenant to budget and appropriate Covenant Revenues for the payment of debt service thereon as provided in the Special Revenue Bond Ordinance.

**The Amendatory Ordinance contains an Amendment that provides for Supplemental Revenues (which would include Infrastructure Sales Tax revenues available after payment of debt service on Senior BJP Obligations) to be included in the calculation of Covenant Revenues for purposes of the limitations under the Anti-Dilution Test. See "CONSENT TO AMENDMENTS TO THE SPECIAL REVENUE BOND ORDINANCE" herein.**

The following Non-Self Sufficient Debt Table lists all of the City's Non-Self Sufficient Debt outstanding after the issuance of the Series 2012 Refunding Bonds and the refunding and defeasance of the Refunded Bonds.

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**CITY OF JACKSONVILLE, FLORIDA**  
**NON-SELF SUFFICIENT DEBT<sup>(1)</sup>**

	<b>Balance</b>
Special Obligation Bonds Payable:	
Capital Improvement Revenue Bond, Series 1997 <sup>(2)</sup>	\$ 5,220,000
Capital Improvement and Refunding Revenue Bond, Series 1998 <sup>(2)</sup>	34,135,000
Capital Improvement Revenue Bonds, Series 2002A <sup>(2)</sup>	51,000,000
Capital Improvement and Refunding Revenue Bonds, Crossover Series 2002B <sup>(2)</sup>	25,225,000
Capital Improvement and Refunding Revenue Bonds, Crossover Series 2002C <sup>(2)</sup>	20,405,000
Capital Project Revenue Refunding Bonds, Series 2008A	61,190,000
Capital Project Revenue Refunding Bonds, Series 2008B	61,190,000
Excise Taxes revenue Bonds, Series 1993 (CAB remaining only)	3,864,937
Excise Taxes Revenue Refunding & Improvement Bonds, Series 2002A	3,030,000
Excise Taxes Revenue Refunding Bonds, Series 2003C	20,000
Excise Taxes Revenue Bonds, Series 2005A	42,675,000
Excise Taxes Revenue Refunding Bonds, Series 2006A	33,750,000
Excise Taxes Revenue Refunding Bonds (AMT), Series 2006B	5,935,000
Excise Taxes Revenue Bonds, Taxable Series 2006C	19,180,000
Excise Taxes Revenue Bonds, Taxable Series 2007	36,970,000
Excise Taxes Revenue Bonds, Taxable Series 2009A	36,515,000
Excise Taxes Revenue Bonds, Taxable Series 2009B	20,145,000
Excise Taxes Revenue Bonds, Taxable Series 2009C	14,260,000
Local Government Sales Tax Refunding Revenue Bonds, Series 2001	47,430,000
<b>TOTAL SPECIAL OBLIGATION OTHER THAN AD VALOREM</b>	<b>\$522,139,937</b>
Notes Payable from General Revenue	
U.S. Government Guaranteed Note Payable 1995 (Coach)	\$ 1,440,000
U.S. Government Guaranteed Note Payable 1996 (Sally Beauty)	80,000
U.S. Government Guaranteed Note Payable 1996-B (Hilton Hotel)	1,170,000
U.S. Government Guaranteed Note Payable 1997 (Lavilla)	595,000
U.S. Government Guaranteed Note Payable 1997 (Armor Holdings)	380,000
U.S. Government Guaranteed Note Payable 1997 (Hampton Inn)	235,000
<b>TOTAL NOTES PAYABLE</b>	<b>\$ 3,900,000</b>
Bonds & Notes Payable from Internal Services Operations	
Special Revenue Bonds, Series 2008	\$ 45,625,000
Special Revenue Bond, Series 2009A	23,947,000
Special Revenue Bonds, Series 2009B-1	105,515,000
Special Revenue Bonds, Series 2009C	86,735,000
Special Revenue Bonds, Series 2010A	91,630,000
Special Revenue Bonds, Series 2010B	100,205,000
Special Revenue Bonds, Series 2010C-1	27,205,000
Special Revenue Bonds, Series 2011A	107,640,000
Special Revenue Bonds, Series 2011B	86,600,000
Special Revenue Bonds, Series 2012A	4,040,000
Special Revenue Bonds, Series 2012B	6,320,000
Special Revenue Bonds, Series 2012C	183,980,000
Special Revenue Bonds, Series 2012D	11,840,000
Special Revenue Bonds, Series 2012E	34,340,000
Internal Loan Program / Commercial Paper Notes	23,335,000
<b>TOTAL INTERNAL SERVICES OPERATIONS</b>	<b>\$938,957,000</b>
<b>TOTAL NON-SELF SUFFICIENT DEBT</b>	<b>\$1,464,996,937</b>

<sup>(1)</sup> The Excise Taxes Revenue Bonds Reserve Account Facility is not included because there is presently no amount outstanding thereon.

<sup>(2)</sup> These bonds are expected to be refunded and defeased upon the issuance and delivery of the Series 2012 Capital Improvement Bonds.

Pursuant to the Special Revenue Bond Ordinance, the City has reserved the right to issue additional Non-Self Sufficient Debt. See "SECURITY FOR THE SERIES 2012 REFUNDING BONDS" and "ADDITIONAL DEBT" herein.

### **Calculation of Covenant Revenues and Anti-Dilution Test Limitation**

As stated in the Special Revenue Bond Ordinance, the City may issue Non-Self Sufficient Debt (including Additional Bonds) if it has complied with the requirements of the Special Revenue Bond Ordinance. The following table shows the historical calculation of Covenant Revenues for each of the past five Fiscal Years as well as an illustration of additional debt capacity after issuance of the Series 2012 Refunding Bonds.

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**CITY OF JACKSONVILLE**  
**CALCULATION OF COVENANT REVENUES**  
**AND ANTI-DILUTION TEST**

<b>Covenant Revenues</b>	<b>2008<sup>(1)</sup></b>	<b>2009<sup>(1)</sup></b>	<b>2010<sup>(1)</sup></b>	<b>2011<sup>(1)</sup></b>	<b>2012<sup>(1)</sup></b>
Total General Fund Revenues	934,323,000	959,147,000	976,478,000	984,033,000	955,415,808
Less: Property Tax Revenues	(463,374,000)	(458,539,000)	(476,532,000)	(482,694,000)	(451,387,914)
<b>Total Covenant Revenues</b>	<b>470,949,000</b>	<b>500,608,000</b>	<b>499,946,000</b>	<b>501,339,000</b>	<b>504,027,894</b>
35% Limitation <sup>(2)</sup>	164,832,150	175,212,800	174,981,100	175,468,650	176,409,763
45% Limitation <sup>(3)</sup>	211,927,050	225,273,600	224,975,700	225,602,550	226,812,552
Maximum Annual Debt Service <sup>(4)</sup>					147,338,568
% of Limit <sup>(5)</sup>					83.5%

<sup>(1)</sup> Audited numbers for Fiscal Years 2008 through 2011 derived from City's audited Comprehensive Annual Financial Reports for Fiscal Years 2008 through 2011. Unaudited numbers for Fiscal Year 2012 were provided by the City of Jacksonville, Florida - Treasury Division and are net of accruals.

<sup>(2)</sup> The percentage is 35% of the available Covenant Revenues if the year in which the Maximum Annual Debt Service on Non-Self Sufficient Debt occurs is less than six years from the date of calculation.

<sup>(3)</sup> The percentage is 45% of the available Covenant Revenues if the year in which the Maximum Annual Debt Service on Non-Self Sufficient Debt occurs is more than six years from the date of calculation.

<sup>(4)</sup> Maximum Annual Debt Service on all Outstanding Non-Self Sufficient Debt. No adjustment was made to the interest on the Series 2009B-1B Bonds or on the Series 2009C-2 Bonds for any direct payments expected to be received by the City from the federal government with respect thereto. It is anticipated that such direct payments will, upon receipt, be deposited to the credit of the General Fund and will constitute a component of Covenant Revenues. Debt service on the Series 2009A Bond is estimated based on an assumed interest rate (calculated as of October 31, 2012) of 5.00% and an assumed amortization through October 1, 2021. Debt service on the Series 2009C Bonds is estimated based on an actual par amount of \$86,735,000 with the maturities in 2012 through 2016 constituting Designated Maturity Debt with an assumed amortization through October 1, 2034 and at a certified interest rate (calculated as of October 31, 2012) of 3.40%. Debt service on the Series 2010A Bonds is estimated based on an actual par amount of \$91,630,000 with a portion of the maturities in 2013 through 2019 constituting Designated Maturity Debt with an assumed amortization through October 1, 2040 and at a certified interest rate (calculated as of October 31, 2012) of 3.64%. Debt service on the Series 2010B Bonds is estimated based on an actual par amount of \$100,205,000 with a portion of the maturities in 2013 through 2021 constituting Designated Maturity Debt with an assumed amortization through October 1, 2030 at a certified interest rate (calculated as of October 31, 2012) of 3.18%. Debt service on the Series 2011B Bonds is estimated based on an actual par amount of \$86,600,000 with a portion of the maturities in 2015 through 2021 constituting Designated Maturity Debt with an assumed amortization through October 1, 2030 at a certified interest rate (calculated as of October 31, 2012) of 3.32%. Debt service on the Series 2012B Bonds is estimated based on an actual par amount of \$6,320,000 with the par amount of \$6,295,000 maturing in 2017 constituting Designated Maturity Debt with an assumed amortization through October 1, 2024 at a certified interest rate (calculated as of October 31, 2012) of 3.17%. For purposes of this table, debt service on the Excise Taxes Revenue Bonds Reserve Account Facility is calculated based on an aggregate principal amount of \$33,679,746.41 and an estimated all-in true interest cost (calculated as of October 31, 2012) of 4.70%. Debt service on the Series 2008 Capital Project Revenue Bonds is estimated based on current par amount outstanding of \$122,380,000 and an assumed interest rate (calculated as of October 31, 2012) of 3.50%. Debt service on the Commercial Paper is calculated based on assumed interest rates of 0.50% for Fiscal Year 2012, 2.50% for Fiscal Year 2013 and 3.50% thereafter.

<sup>(5)</sup> The 35% limit applies because the estimated Maximum Annual Debt Service occurs within 6 years.

The following table reflects the estimated calculation of Covenant Revenues and the Anti-Dilution Test after the Amendments contained in the Amendatory Ordinance become effective. See "CONSENT TO AMENDMENTS TO SPECIAL REVENUE BOND ORDINANCE" herein.

**CITY OF JACKSONVILLE  
CALCULATION OF THE ESTIMATED ANTI-DILUTION TEST LIMITATION  
AS CONTEMPLATED BY AMENDATORY ORDINANCE**

Total General Fund Revenues <sup>(1)</sup>	\$984,033,000
Less Property Tax Revenues <sup>(1)</sup>	(482,694,000)
Total Covenant Revenues	\$501,339,000
Supplemental Revenues <sup>(2)</sup>	16,716,615
<b>Total Covenant Revenues and Supplemental Revenues</b>	<b>\$518,055,615</b>
Maximum Annual Debt Service <sup>(3)</sup>	151,320,317
Coverage <sup>(4)</sup>	3.42x

- (1) Extracted from City's Comprehensive Annual Financial Report for Fiscal Year 2011, which is the most recent Fiscal Year for which audited financial statements are available.
- (2) The \$16,716,615 of Supplemental Revenues shown above consists of the Infrastructure Sales Tax revenues remaining after payment of the Fiscal Year 2012 debt service on the Senior BJP Obligations that are available for and pledged to the payment of debt service on the Special Revenue (BJP) Bonds.
- (3) Maximum Annual Debt Service on all Outstanding Non-Self Sufficient Debt calculated as shown in "CALCULATION OF COVENANT REVENUES AND ANTI DILUTION TEST" on the prior page; provided, however that debt service calculations made with respect to Variable Rate Debt and Designated Maturity Debt are based on the amended definition of "Certified Interest Rate."
- (4) As amended by the Amendatory Ordinance, the Special Revenue Bond Ordinance would prohibit the City from issuing any Non-Self Sufficient Debt unless the total amount of Covenant Revenues plus any applicable Supplemental Revenues is at least 2.00 times the Maximum Annual Debt Service on all Outstanding and proposed Non-Self Sufficient Debt.

**CONSENT TO AMENDMENTS TO SPECIAL REVENUE BOND ORDINANCE**

The Amendatory Ordinance provides three Amendments to the Special Revenue Bond Ordinance, which will become effective upon the consent and approval of the Holders of not less than a majority of the Bonds Outstanding under the Special Revenue Bonds and any Insurer of Bonds then Outstanding under the Special Revenue Bond Ordinance.

**Purchasers of the Series 2012 Refunding Bonds, by their purchase and acceptance thereof, are deemed to have expressly and irrevocably consented to and approved the Amendments set forth in the Amendatory Ordinance, pursuant to the provisions of Section 14.02 of the Special Revenue Bond Ordinance.**

Upon the issuance of the Series 2012 Refunding Bonds, there will be an aggregate of \$931,117,000 in an aggregate principal amount of Bonds Outstanding under the Special Revenue Bond Ordinance, \$230,160,000 in principal amount of which will have approved and consented

to the Amendments. The City can make no assurances with respect to the precise timing for the effectiveness of the Amendments.

The Amendments contained in the Amendatory Ordinance provide as follows:

(a) New Anti-Dilution Test: The City will not issue any Non-Self Sufficient Debt unless there shall be filed with the City a certificate by the Chief Financial Officer that as of the sale date of such additional Non-Self Sufficient Debt, the total amount of Covenant Revenues based on the most recent Fiscal Year for which audited financial statements are available, plus any applicable Supplemental Revenues, will be equal to or greater than 2.00 times the Maximum Annual Debt Service with respect to (i) all Non-Self Sufficient Debt then outstanding and (ii) the Non-Self Sufficient Debt proposed to be issued.

(b) Addition of Supplemental Revenues: When calculating the Anti-Dilution Test, the City will be able to take into account Supplemental Revenues. "Supplemental Revenues" are defined as (i) any revenues other than Covenant Revenues that are available for, and have been pledged to, the payment of debt service with respect to one or more Series of Bonds Outstanding under the Special Revenue Bond Ordinance or outstanding Non-Self Sufficient Debt, and (ii) reasonably projected receipts of any new source of Covenant Revenues that have been levied to the extent not fully reflected in the most recent audited financial statements.

(c) Revised "Certified Interest Rate" Definition: Certain of the calculations required under the Special Revenue Bond Ordinance, particularly with respect to Variable Rate Debt and Designated Maturity Debt are based on the "Certified Interest Rate," which is being revised to mean "the rate of interest, not greater than the maximum amount permitted by law or the applicable agreement, determined by the City's financial advisor to be: (i) in the case of Variable Rate Debt, the higher of (a) the actual rate on the date of calculation, (b) if the indebtedness has been outstanding for at least 12 months, the average rate for the 12-months immediately preceding the calculation date, or (c) if tax exempt, the most recently published Bond Buyer "Revenue Bond Index" or, if the Bond Buyer "Revenue Bond Index" is no longer published, an equivalent successor index selected by the City or the City's financial advisor, or if taxable, the yield on direct U.S. Treasury Obligations with comparable maturities, and (ii) in the case of Designated Maturity Debt and Commercial Paper Obligations, if tax-exempt, the most recently published Bond Buyer "Revenue Bond Index" or, if the Bond Buyer "Revenue Bond Index" is no longer published, an equivalent successor index selected by the City or the City's financial advisor, at the time of pricing, or if taxable, the yield on direct 10-year U.S. Treasury Obligations plus 1.0%, except for the final scheduled maturity wherein the actual rate will be applied whether tax-exempt or taxable."

See "APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE SPECIAL REVENUE BOND ORDINANCE" attached hereto.

## GENERAL FUND

The following describes the current state of the City's financial position. Although this section includes a description of the City's General Fund, only Covenant Revenues budgeted and

appropriated and deposited into the funds and accounts under the Special Revenue Bond Ordinance are pledged to payment of the Series 2012 Refunding Bonds.

The City's General Fund provides basic governmental services, such as public safety, public works, parks and recreation, and libraries, as well as typical county services, such as jails, courts, and indigent medical care. The City's four primary sources of revenue are property taxes, utilities services (excise) taxes, sales taxes, and an "in lieu of tax" contribution from the JEA, an independent authority which provides electric and water and sewer utilities services.

The following table shows the audited revenues and expenditures of the General Fund from Fiscal Years 2008 through 2011 and unaudited revenues and expenditures for the first nine months of Fiscal Years 2011 and 2012. Although this schedule includes all General Fund revenues, only the Covenant Revenues are subject to the covenant to budget and appropriate funds for the payment of the Series 2012 Refunding Bonds. Revenues which are not available for debt service include, but are not limited to, property taxes (revenues derived from ad valorem taxation).

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**CITY OF JACKSONVILLE, FLORIDA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**FOR FISCAL YEARS 2008 THROUGH 2011**  
**AND UNAUDITED NINE-MONTH 2011 AND 2012**  
**(in thousands)**

	<b>AUDITED</b>				<b>UNAUDITED</b>	
	<b>Year Ended 9/30/2008</b>	<b>Year Ended 9/30/2009</b>	<b>Year Ended 9/30/2010</b>	<b>Year Ended 9/30/2011</b>	<b>Nine Months Ended 6/30/2011</b>	<b>Nine Months Ended 6/30/2012</b>
<b>REVENUE:</b>						
Property taxes	\$463,374	\$458,539	\$476,532	\$482,694	\$484,240	\$451,388
Utility service taxes	114,392	119,554	127,936	129,013	78,876	75,947
Franchise Fees	19,478	38,891 <sup>(1)</sup>	39,842	43,037	24,347	22,908
Licenses and permits	9,111	7,883	8,052	7,447	7,271	7,367
Intergovernmental <sup>(2)</sup>	136,031	122,056	119,296	124,777	69,939	77,265
Charges for services	68,452	69,713	71,531	72,522	51,891	50,292
Fines and forfeitures	4,302	3,364	2,997	2,656	1,870	1,558
JEA Contribution	96,096	96,962	99,188	101,688	59,318	60,776
Interest	4,803	21,918 <sup>(3)</sup>	13,952	3,200	2,760	7,936
Other	18,284	20,267	17,150	17,000	13,269	12,164
<b>Total Revenue</b>	<b>\$934,323</b>	<b>\$959,147</b>	<b>\$976,476</b>	<b>\$984,034</b>	<b>\$793,781</b>	<b>\$767,601</b>
<b>EXPENDITURES AND ENCUMBRANCES:</b>						
Central Operations	\$ 19,018	\$ 19,890	\$ 19,827	\$ 18,270	\$ 13,229	\$ 6,352
City Council	8,096	8,813	8,683	8,233	6,001	5,671
Clerk of the Courts	3,985	3,795	3,919	3,347	2,350	1,979
Courts	1,099	1,471	1,290	835	614	603
Environmental Resource Management	15,913	17,877	19,121	18,383	13,152	12,224
Finance	8,117	8,495	8,369	7,007	5,000	4,478
Fire/Rescue	141,046	152,981	163,997	160,651	117,062	111,637
General Counsel	607	425	720	417	241	358
Health Administrator	323	1,319	281	870	734	900
Housing and Neighborhoods	16	311	689	505	-	-
Jacksonville Childrens' Commission	-	4,792	5,974	4,675	2,644	3,842
Jacksonville Human Rights Commission	1,088	1,223	1,231	948	698	621
Mayor	2,314	2,079	2,085	3,035	2,050	2,210
Mayor's Boards and Commissions	403	462	455	425	295	306
Medical Examiner	2,895	2,927	2,850	2,602	1,785	1,742
Property Appraiser	8,955	9,079	9,274	8,875	6,267	6,357
Public Defender	814	882	944	908	741	961
Planning and Development	5,975	8,447	7,902	7,051	5,066	4,194
Public Libraries	34,466	37,131	41,336	38,465	28,237	26,778
Public Works	85,123	81,802	79,019	78,794	53,422	53,410
Recreation & Community Services	46,932	50,600	48,474	49,325	31,865	10,571
State Attorney	502	459	359	185	157	79
Supervisor of Elections	9,727	7,506	5,995	8,009	6,400	5,186
Office of the Sheriff	316,389	331,331	349,409	351,279	252,902	238,436
Tax Collector	13,688	14,942	14,761	14,477	10,669	10,666
Contribution to Shands-Jacksonville	23,776	23,776	23,776	23,776	23,776	23,776
Jacksonville Misc. Citywide Activities	31,508	34,652	47,598	43,990	34,823	45,079
<b>Total Expenditures</b>	<b>\$782,775</b>	<b>\$827,467</b>	<b>\$868,338</b>	<b>\$855,337</b>	<b>\$620,180</b>	<b>\$578,416</b>

<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	\$151,548	\$131,680	\$108,138	\$128,697	\$173,601	\$189,185
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	\$ 8,503	\$ 6,113	\$ 16,747	\$ 11,158	\$4,538	\$7,042
Transfers out	(150,782)	(131,062)	(126,335)	(121,377)	(99,685)	(101,195)
Long term debt issued	4,906	5,292	3,556	379	313	920
Total Other Financing Sources (Uses)	(137,373)	(119,657)	(106,032)	(109,840)	(\$94,834)	(\$93,233)

<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	\$14,175	\$12,023	\$2,106	\$18,857	\$78,767	\$95,952
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Source: Audited numbers for Fiscal Years 2008 through 2011 were extracted from the City's Comprehensive Annual Financial Reports for Fiscal Years 2008 through 2011. Unaudited revenues and expenditures for the first nine months of Fiscal Years 2011 and 2012 were provided by the City of Jacksonville, Florida - Treasury Division and are net of accruals.

(1) Increase in franchise fee revenues for Fiscal Years 2008 through 2010 reflects the phased implementation of a new franchise fee on electric, water and sewer utility services.

(2) Intergovernmental revenues are comprised of shared sales tax revenues received by the City from the State.

(3) The significant increase in interest income for Fiscal Year 2009 reflects the City's ability to capture investment opportunities particular to the financial markets during that period. There is no assurance or expectation that the City's investments will be able to produce a similar level of interest income in the future.

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**DEBT SERVICE SCHEDULE**  
**SERIES 2012 REFUNDING BONDS**

<b>Year Ending October 1</b>	<b>Series 2012C Bonds</b>		<b>Series 2012D Bonds</b>		<b>Series 2012E Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 1,525,000.00	\$ 7,271,080.00	\$ 1,150,000.00	\$ 439,760.00	-	\$ 489,794.80	\$ 10,875,634.80
2014	3,865,000.00	9,043,100.00	1,075,000.00	515,200.00	-	612,243.50	15,110,543.50
2015	11,050,000.00	8,849,850.00	1,130,000.00	461,450.00	-	612,243.50	22,103,543.50
2016	14,280,000.00	8,297,350.00	900,000.00	404,950.00	\$ 5,205,000.00	612,243.50	29,699,543.50
2017	15,055,000.00	7,583,350.00	945,000.00	359,950.00	6,740,000.00	551,657.30	31,234,957.30
2018	16,300,000.00	6,830,600.00	985,000.00	322,150.00	7,080,000.00	456,353.70	31,974,103.70
2019	8,115,000.00	6,015,600.00	1,020,000.00	282,750.00	7,450,000.00	335,781.30	23,219,131.30
2020	8,515,000.00	5,609,850.00	1,075,000.00	231,750.00	7,865,000.00	186,557.80	23,483,157.80
2021	8,945,000.00	5,184,100.00	1,130,000.00	178,000.00	-	-	15,437,100.00
2022	9,390,000.00	4,736,850.00	1,185,000.00	121,500.00	-	-	15,433,350.00
2023	9,855,000.00	4,267,350.00	1,245,000.00	62,250.00	-	-	15,429,600.00
2024	10,350,000.00	3,774,600.00	-	-	-	-	14,124,600.00
2025	10,865,000.00	3,257,100.00	-	-	-	-	14,122,100.00
2026	9,235,000.00	2,713,850.00	-	-	-	-	11,948,850.00
2027	6,880,000.00	2,252,100.00	-	-	-	-	9,132,100.00
2028	7,220,000.00	1,908,100.00	-	-	-	-	9,128,100.00
2029	7,585,000.00	1,547,100.00	-	-	-	-	9,132,100.00
2030	7,965,000.00	1,167,850.00	-	-	-	-	9,132,850.00
2031	8,285,000.00	849,250.00	-	-	-	-	9,134,250.00
2032	8,700,000.00	435,000.00	-	-	-	-	9,135,000.00
<b>Total</b>	<b>\$183,980,000.00</b>	<b>\$91,594,030.00</b>	<b>\$11,840,000.00</b>	<b>\$3,379,710.00</b>	<b>\$34,340,000.00</b>	<b>\$3,856,875.40</b>	<b>\$328,990,615.40</b>

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## **PROPERTY TAX REFORM**

Covenant Revenues do not include ad valorem tax revenues. However, pursuant to the Special Revenue Bond Ordinance, funding requirements for essential governmental services of the City must be satisfied prior to budgeting and appropriating Covenant Revenues for the payment of the Series 2012 Refunding Bonds and other obligations payable from Covenant Revenues. Ad valorem revenues have historically been used in part by the City to fund essential services of the City. Therefore, a decrease in ad valorem tax revenues may in turn increase the amount of Covenant Revenues required to fund essential government services of the City and thereby reduce the amount of Covenant Revenues available to be budgeted and appropriated to satisfy the obligation of the City under the Special Revenue Bond Ordinance. The City has provided the following discussion of property tax reform in the State of Florida, to illustrate the various initiatives put forth by the State Legislature and their respective impact on the City's financial and budgetary matters.

In June, 2007, the Florida Legislature enacted Chapter 2007-321, Laws of Florida, which has had a significant impact on the amount and rate of ad valorem taxes levied by local governments. Among other things, Chapter 2007-321 statutorily required each county, municipality, and special district to roll back their millage rates for Fiscal Year 2007-2008 to a level that, with certain adjustments and exceptions, would generate the same level of ad valorem tax revenue as in Fiscal Year 2006-2007. Depending upon the relative growth of each local government's own ad valorem tax revenues from 2001 to 2006, such rolled back millage rates were determined after first reducing Fiscal Year 2006-2007 ad valorem tax revenues by zero to nine percent.

Chapter 2007-321 also limited the growth of ad valorem tax levies in future years (except those levied by school districts) based upon the growth in a jurisdiction's population, as measured by new construction, and the statewide growth in per capita personal income. Notwithstanding the foregoing, the governing body of a county, municipality, or special district may levy a millage rate in excess of the then applicable rolled back millage rate upon a two-thirds or unanimous vote of such governing body (or three-fourths vote for jurisdictions that have a governing body comprised of nine or more members) depending on the level of the proposed increase. The rolled back millage rate may also be exceeded based on an affirmative vote of the voters in such jurisdiction.

Chapter 2007-321 further provides that in the event a county or municipality fails to comply with certain requirements of the legislation, such county or municipality will forfeit its distribution of the half-cent sales tax state revenue sharing for the 12-months following the determination of non-compliance.

In January 2008, Florida's voters approved three amendments to Florida's constitution which provided: (i) an additional homestead exemption of \$25,000 applied to the assessed property value above \$50,000; (ii) a cap of 10 percent on yearly assessment increases on non-homestead residential and commercial property; (iii) portability of the three percent cap on homestead residential property, up to \$500,000, when relocating to a new home in the state; and (iv) a \$25,000 exemption from the tangible personal property tax. The 10 percent cap on

assessments went into effect on January 1, 2009. All other reforms took effect retroactive to January 1, 2008.

In November 2008, Florida's voters also approved additional constitutional amendments, which impacted property taxes by: (a) allowing the Florida Legislature, by general law, to exempt from assessed value of residential homes, improvements made to protect property from wind damage and installation of a new renewable energy source device; (b) assessing specified working waterfront properties based on current use rather than highest and best use; and (c) providing property tax exemption for real property that is perpetually used for conservation; and, for land not perpetually encumbered, require the Florida Legislature to provide classification and assessment of land use for conservation purposes solely on the basis of character or use.

In November 2010, Florida voters approved additional homestead exemption for deployed military personnel. The exemption, which became effective January 1, 2011, is calculated to equal the percentage of days during the prior calendar year that the military homeowner was deployed outside of the United States in support of military operations designated by the legislature.

On November 6, 2012, with the approval of more than 60% of Florida's voters, proposed amendments No. 2 ("Amendment No. 2"), No. 9 ("Amendment No. 9") and No. 11 ("Amendment No. 11") to the State's Constitution were passed; each authorizing certain additional homestead property tax exemptions. Amendment No. 2 expands the availability of a homestead exemption offered to veterans who are disabled due to combat injury to include veterans who were not Florida residents at the time they entered the military. The exemption authorized in Amendment No. 2 is a percentage equal to the percentage of the veteran's permanent, service-connected disability as determined by the United States Department of Veterans Affairs. Amendment No. 2 will become effective on January 1, 2013. Amendment No. 9 authorizes the State Legislature to provide a total or partial homestead exemption to the surviving spouse of a military veteran who died from service-connected causes while on active duty or a first responder who died in the line of duty. Amendment No. 9 will become effective on January 1, 2013; provided, however, the State Legislature will have to enact authorizing legislation before this exemption becomes available. Amendment No. 11 authorizes the State Legislature to enact law authorizing counties and municipalities to provide a homestead exemption to low-income, permanent residents who are at least age 65 and have maintained permanent residency on the homestead property for no less than 25 years. This exemption will be equal to the assessed value of homestead property, if the property has a just value of less than \$250,000, and will not become effective until the State Legislature, and in turn county and municipal governments, enact the requisite authorizing legislation. At the present time, it is impossible to determine what impact, if any, these constitutional amendments will have on the City's financial condition.

During recent years, various legislative proposals and constitutional amendments relating to ad valorem taxation and restrictions on local government revenues and expenditures have been introduced. Many of these proposals sought to limit local government revenues and expenditures, provide new or increased exemptions to ad valorem taxation, limit the amount of revenues that local governments could generate from ad valorem taxation or otherwise restrict the ability of local governments in the State to levy ad valorem taxes at recent historical levels.

There can be no assurance that legislative proposals or constitutional amendments introduced in the future will be enacted or approved by voters, or might apply to, or have a material adverse effect upon, the City or its finances.

## **FISCAL MATTERS**

### **General**

The City has been impacted by the prolonged global economic recession. Like other Florida local governments, the City has experienced reduced revenues, primarily ad valorem taxes and sales taxes revenues. However, the City's economy is rebounding, as evidenced by improving employment, increased housing sales, increased state shared revenues and improved taxable sales.

The City's employment continues to improve. The civilian work force increased by 2.3% from January to May 2012 and the unemployment is down from 9.1% to 8.0% during the same period. It is estimated that 3,190 new jobs have been created primarily in business services, trade/transportation and education/health services sectors.

The City's housing market is also showing improvement. Comparing September 2012 to September 2011, the median sales price for a home in Duval County was up 8.9% and the average sales price was up 7.2% for the same period. Inventory of homes for sale has dropped to 8,789, the lowest it has been since 2005. New building permits issued in September 2012 compared to September 2011 are about equal.

Taxable sales in both Duval County and the State of Florida have increased on a year over year basis. Key measures for the City include increases in total taxable sales of 6.2%, auto sales of 16.1%, consumer durables of 6.9% and tourism of 4.9%. The Index of Retail Activity for Duval County has increased by 6.3% on a year over year basis. The most recent State data (September 2012) shows September tax collections increasing by a substantial 11.3% from the same period last year.

### **Fiscal Year 2012 Results and Fiscal Year 2013 Budget**

As of quarter end June 30, 2012, the General Fund projects a favorable full year variance of \$13.8 million. Revenues are projected to be unfavorable to plan by \$12.7 million compared to a budget of \$945.8 million. Expenses are projected to be \$26.5 million favorable to plan due primarily to favorable personnel related expenses.

The Mayor submitted the proposed Fiscal Year 2013 Budget to City Council on July 13, 2012. The budget, with minor modifications, was adopted on September 25, 2012. Budget Fiscal Year 2013 Revenues have decreased by approximately 1.0% when compared to Fiscal Year 2012 and reflect reduced ad valorem tax revenues, which was partially offset by increased departmental revenues. The Fiscal Year 2013 General Fund expenditure budget has decreased by \$12.8 million when compared to Fiscal Year 2012. Expenses were greatly impacted by increased pension and health care costs and the City was forced to reduce its work force by 540 positions in order to balance the budget. The balanced budget was achieved even though the

millage rate was held constant at 10.0353 mills, which is one of the lowest combined millage rates in Florida.

## **PENSION AND OTHER POST EMPLOYMENT BENEFITS**

*The information provided in this section relies on information produced by the below-described pension plans and their independent accountants and actuaries. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans and are based upon a variety of assumptions, one or more of which may prove to be inaccurate or be changed in the future, and will change with the future experience of the pension plans.*

### **Introduction**

The City sponsors two employer public employee retirement systems, administered by two separate and distinct pension boards of trustees, that provide retirement, death, and disability benefits: the City of Jacksonville Retirement System (the "CJRS") and the Police and Fire Pension Plan (the "PFPP"). The CJRS consists of two defined benefit pension plans known as the General Employees Pension Plan and the Corrections Officers Pension Plan, a defined contribution plan, and a disability plan. The PFPP is a single employer defined benefit plan for City police officers and firefighters. Substantially all employees of the City participate in one of these plans. In addition, less than 1.0% of City employees participate in the State of Florida Retirement System.

Both the CJRS and the PFPP have adopted Governmental Accounting Standards Statement 25, Financial Reporting for Defined Benefit Pension Plans and Statement 27, Accounting for Pensions by State and Local Governmental Employers. These statements collectively require the City to report pension obligations on the statements of the City of Jacksonville Retirement System and the Police and Fire Pension Plan, and not within the City's Governmental column on the entity-wide financial statements. The State of Florida requires the City, as the employer, to make plan contributions based on actuarial valuations and any contribution shortfalls are the responsibility of the City. See "- Actuarial Valuations" below.

### **Summary of Plan Funding Policy and Status**

With respect to its defined benefit pension plans, the City's funding policy provides for contributions at actuarially determined rates that, expressed as percentage of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. As of the fiscal or plan year ending September 30, 2011, the City remains in compliance with its funding policy. (See "- City of Jacksonville Retirement System – Funding Policy" and "- Police and Fire Pension Plan – Funding Policy" below.) As shown in Table 1 below, as a result of annually rising pension costs and investment earnings results below assumed rates of returns, the funded ratio has declined as the unfunded actuarial accrued liability ("UAAL") as a percentage of covered payroll continues to climb year-to-year.

**TABLE 1**

Valuation Date	City of Jacksonville Retirement System				Police and Fire Pension Plan	
	General Employees Pension Plan		Corrections Officers Pension Plan		Funded Ratio	UAAL as % of Covered Payroll
	Funded Ratio	UAAL as % of Covered Payroll	Funded Ratio	UAAL as % of Covered Payroll		
9/30/2005	87.02%	99.30%	79.98%	57.3%	58.21%	421.18%
9/30/2006	87.88	92.60	66.07	127.6	60.10	407.83
9/30/2007	89.90	77.30	67.09	142.1	63.53	373.45
9/30/2008	83.49	126.10	60.26	208.0	52.86	538.23
9/30/2009	77.05	171.60	47.70	342.3	48.80	577.24
9/30/2010	75.86	161.90	47.69	330.7	52.38	609.98
9/30/2011	71.35	202.30	46.14	378.30	42.94	929.70

Notes: Beginning with 2010, the actuarial value of assets and AAL were restated to reflect accumulated capital DROP payments, along with other interest, which are reported assets of the trust. The Funded Ratio and UAAL as a percentage of Covered Payroll are restated accordingly.

In addition, for the plan year beginning October 1, 2012, the CJRS plans adopted a 8.25% return assumption and the PFPP adopted a 7.75% return assumption, both of which are below the rates assumed in prior plan years. (See "– Actuarial Valuations – Change in Plan Assumptions" below.) This combination of factors is likely to accelerate the rate of increase of the City's UAAL and annual required contributions for the plan year beginning October 1, 2012 and thereafter.

## Pension Reform

Upon coming into office, Mayor Brown identified as one of his immediate priorities the development and implementation of changes to the pension system to ensure its sustainability. The Mayor's Pension Transition Committee delivered its report to the Mayor in August 2011, offering both cost-saving and revenue-enhancing strategies to do just that. The City is reviewing and expects to pursue reforms that address, among other matters, the structural challenges that a defined benefit regime presents, as well as methods for funding the plans. The City intends to pursue discussions and negotiations with representatives of the pension funds and the City's employees' unions. Any such reforms will need to be collectively bargained in accordance with Florida law where unionized employees are concerned.

In the fall of 2010, four of the six union bargaining contracts (representing 4,150 employees of 7,959 employees City-wide) were ratified, providing for a 2% reduction in salary and benefits costs to the City for Fiscal Year 2011. These reductions were sustained in Fiscal Year 2012. Under their terms, the agreements require employees to cover 5% of their health care costs and proposed reduced pension benefits for new employees. 760 non-union employees also experienced a 2.0% pay cut as of October 1, 2010. One of the four unions, the International Association of Fire Fighters Local 122 (representing approximately 1,174 employees), also absorbed an annual reduction in wages and benefits in excess of \$2 million as of October 1, 2010. These unions currently are negotiating their successor agreements with the City.

As Fiscal Year 2012 commenced, two of the City's unions (representing over 3,000 City employees) continued with the special master process. In January 2012, negotiations with the Fraternal Order of Police Lodge 5-30 were completed. That agreement provides the City with annual savings in excess of \$7 million resulting from reductions in salaries and benefits, by among other things, requiring employee contributions of 5% for health care costs and additional negotiations concerning pension benefits for employees.

On July 17, 2012, the American Federation of State, County and Municipal Employees, Florida Council 79, ratified a three year collective bargaining agreement with the City under Section 447.309(1), Florida Statutes. In addition to sustaining employee health care contributions at 5% of health care costs, which were obtained in the prior bargaining agreement, the new agreement includes a 2% wage reduction for approximately 1900 employees. The union has agreed to commence additional negotiations specifically relating to retirement benefits. Shortly thereafter, the Jacksonville Supervisor Association also ratified its three year agreement with essentially the same terms.

Similarly, the International Association of Fire Fighters (IAFF) also ratified a three year collective bargaining agreement. While sustaining employee health care contributions at 5% of costs, the new agreement also re-established a 2% wage reduction impacting more than 1100 employees. The IAFF also agreed to commence additional negotiations relating to retirement benefits.

### **Overview of Pension Plans**

Table 2 below summarizes the plan membership, benefit structure, plan assumptions, and recent financial information for each of the City's defined benefit plans as of October 1, 2011.

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TABLE 2

City of Jacksonville Retirement System			
	General Employee Pension Plan	Corrections Officers Pension Plan	Police and Fire Pension Plan
	October 1, 2011 Entry age	October 1, 2011 Entry age	October 1, 2011 Entry age
<b>Actuarial reports:</b>			
Date of last actuarial valuation			
Actuarial method			
<b>Membership:</b>			
Retirees and beneficiaries currently receiving benefits	4,603	76	2,004
Deferred Retirement Option (DROP) participants	N/A	123	439
Terminated employees vested, not yet receiving benefits	90	1	38
Active employment plan members:			
Vested	3,697	363	2,021
Non-vested	2,412	312	430
Total plan membership	10,802	875	4,932
<b>Benefit structure:</b>			
Accrual rate:			
Years one through twenty	2.5%	3.0%	3.0%
Years twenty-one and after	2.5%	2.0%	2.0%
Years of service required to vest	5	5	5
Years of service required – normal retirement	30	20	20
Final average pay parameters	3 years	3 years	2 years
Maximum benefit as % applied to final average pay	80%	80%	80%
Cost of living (COLA) adjustments:			
Years delay after retirement	5	1	1
Annual percentage increase	3%	3%	3%
DROP structure:			
Options	Back	Forward	Forward
Maximum duration – years	5	5	5
Earnings rate on benefit payments held in trust	actual with +4% ceiling, -4% floor	actual with 0% floor	8.4% guaranteed
<b>Plan assumptions:</b>			
Earnings rate	8.25%	8.25%	7.75%
Mortality Table in use	RP-2000	RP-2000	RP-2000
Salary growth	3.50%	3.50%	5.00%
Unfunded liability amortization period	30 years, closed	30 years, closed	5-30 years, open
Amortization method	Level % of Payroll	Level % of Payroll	Level % of Payroll
Asset valuation method	5-year smoothing	5-year smoothing	5-year smoothing
<b>Financial information (dollars in millions):</b>			
Annual contributions – 2010-2011			
City	\$24	\$10	\$78
Other participating employers	\$17	N/A	N/A
Other sources	-	-	\$10
Employer contribution stated as percentage of pay:			
Fiscal Year end 9-30-09	10.43%	17.16%	32.11%
Fiscal Year end 9-30-10	13.50%	31.78%	49.60%
Fiscal Year end 9-30-11	13.50%	31.78%	49.60%
Fiscal Year end 9-30-12	17.22%	35.45%	49.60%
Employee contribution stated as percentage of pay	8.00%	8.00%	7.00%
Covered Payroll	\$ 314	\$ 32	\$149
Benefit payments (including DROP Payments)	\$ 126	\$ 8	\$129
Assets (net of securities lending) as of September 30, 2011			
Market value	\$1,384	\$ 93	\$ 956
Actuarial value	\$1,582	\$103	\$1,042
Unfunded Actuarial Accrued Liability - September 30, 2011	\$ 635	\$120	\$1,385
Funded Ratio	71.35%	46.14%	42.94%

## **City of Jacksonville Retirement System**

**Plan Establishment and Administration.** The CJRS was established pursuant to Chapter 16 of the City Charter, Chapter 120 of the Ordinance Code of the City of Jacksonville, and Chapter 112, Part VII, Florida Statutes, as amended. The CJRS includes the General Employees Pension ("GEPP") and the Corrections Officers Pension Plan ("COPP"), both defined benefit pension plans, as well as a defined contribution plan and a disability plan. All full-time City employees, the employees of the Jacksonville Electric Authority and the employees of the Jacksonville Housing Authority are eligible to participate in the General Employees Pension Plan upon employment. All certified corrections officers employed by the City are eligible to participate in the Corrections Officers Pension Plan upon employment. The City Council is responsible for establishing or amending the pension plan provisions. By ordinance, the City has a policy that no additional benefits may be added to a plan if the funded ratio for the plan is less than 90%. However, City Council may waive this requirement by ordinance.

The CJRS is sponsored by the City and administered by a nine-member board of trustees (the "CJRS Board") that has the fiduciary responsibility for the system's administration, the investment of its assets, and the management of its operations. The CJRS Board is comprised of the following officers: the City's Chief Administrative Officer, Chief Financial Officer and Chief Human Resources Officer; the chair of the General Employees Advisory Committee; the chair of the Corrections Officers Advisory Committee; a retiree designated by the Retired Employees Association; two citizen appointees, each with experience in banking and insurance; and the vice chair of the Corrections Officers Advisory Committee through the year 2014, after which the office will be filled by a retired corrections officer selected from among retired members of the COPP.

**Funding Policy.** All members of the CJRS are required to contribute 8% of their earnings, which is actuarially determined. The City's funding policy provides for employer contributions at actuarially determined rates that, expressed as percentage of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates are determined using the "entry age" actuarial cost method. Under this method, the cost of each member's projected retirement benefit is funded through a series of payments, determined as a level percentage of each year's earnings, from age at hire to assumed exit age.

The level-percentage-of-payroll method is also used to amortize the unfunded liability and changes in plan provisions, actuarial assumptions and gains and losses over a period of 30 years. If the pension plan is in a surplus position, the surplus is recognized as an amortization credit in a level dollar amount over ten years. The amortization period is closed.

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The following tables provide a historical schedule of employer contributions for the City of Jacksonville Retirement System.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**General Employees Pension Plan**  
(in thousands)

Plan Year Ending September 30	Annual Required Contributions	City Cash Contributions	Allotted from Past Excess Contributions	Total Employer Contributions	Percentage Contributed
2005	\$27,724	\$14,607	\$13,117	\$27,724	100%
2006	28,670	7,934	20,736	28,670	100
2007	29,297	29,581	-	29,581	101
2008	29,371	29,488	-	29,488	100
2009	29,491	29,530	-	29,530	100
2010	38,612	40,551	-	40,551	105
2011	39,124	39,378	-	39,378	101
2012	57,498	-	-	-	-

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**Corrections Officers Pension Plan**  
(in thousands)

Plan Year Ending September 30	Annual Required Contributions	City Cash Contributions	Allotted from Past Excess Contributions	Total Employer Contributions	Percentage Contributed
2005	\$ 3,233	\$1,787	\$1,446	\$3,233	100%
2006	1,917	1,917	-	1,917	100
2007	1,830	2,482	-	2,482	136
2008	4,329	4,350	-	4,350	100
2009	5,268	5,101	146	5,247	100
2010	9,097	9,491	-	9,491	104
2011	8,885	9,711	-	9,711	109
2012	11,861	-	-	-	-

**Police and Fire Pension Plan**

**Plan Establishment and Administration.** The PFPP is a single-employer contributing defined benefit pension plan covering all full-time police officers and firefighters of the Consolidated City of Jacksonville. The PFPP covers all full-time civil service members of the City of Jacksonville's Sheriff's Office and Fire and Rescue Departments. The PFPP was created by the Florida legislature pursuant to Chapter 18615, Laws of Florida, Acts of 1937, as amended, and is structured as an independent agency of the City of Jacksonville pursuant to Article 22 of the City Charter and Chapter 121 of the City's Ordinance Code. The City Council and State legislature have the responsibility for establishing benefit levels and in providing statutory guidance for the administration of the Plan. The PFPP is administered by a five-member board of trustees (the "PFPP Board"). Two trustees are appointed by the City Council; one trustee is an active police officer elected by active police members; one trustee is an active firefighter elected by active firefighters; and fifth trustee is an individual selected by the other four trustees and confirmed by City Council.

**Funding Policy.** All members of the PFPP are required to contribute 7% of their earnings, which is actuarially determined. The City's contributions are a function of actuarially determined rates that, expressed as percentage of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due, after accounting for revenues available from other sources. In addition to member and City contributions, the PFPP receives an annual distribution of State premium tax proceeds pursuant to Chapters 175 and 185 of the Florida Statutes. Net assets available for benefits are designated pursuant to an agreement between the PFPP Board and the City consisting of (1) a stabilization reserve account that was established for the purpose of cushioning actuarial losses in the base benefits fund and giving the City greater flexibility in its funding of the plan, (2) an enhanced benefits account that was established to hold any remaining State premium tax refunds not assigned to offset City contribution requirements, and (3) a base benefits fund that consists of the assets pledged to provide benefits for the plan.

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The following table provides a historical schedule of employer contributions for the City of Jacksonville Police and Fire Pension Plan.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**Police and Fire Pension Plan**  
(in thousands)

Plan Year Ending September 30	Annual Required Contributions	City Cash Contributions	Allocated from Contribution Reserves	Court Fines and Premium-Tax Refunds	Total Employer Contributions	Total Member Contributions	Percentage Contributed
2004	\$39,295	\$22,098	\$ 769	\$7,654	\$30,521	\$ 8,774	100%
2005	50,727	25,851	8,753	6,541	41,145	9,582	100
2006	53,263	34,712	2,106	6,800	43,618	9,646	100
2007	55,927	42,866	(4,358)	7,062	45,570	10,357	100
2008	65,389	47,145	443	7,150	54,738	10,651	100
2009	67,993	49,246	329	7,211	56,785	11,207	100
2010	95,020	81,171	(5,015)	7,348	83,504	11,516	100
2011	94,631	75,039	1,162	6,823	83,024	11,607	100

Notes: In all years shown, 100% of the Annual Required Contributions has been contributed thus producing a Net Pension Obligation of \$0 for all years. City Cash Contributions shown above do not include employer buyback contributions. Total Member Contributions shown above include DROP contributions, but do not include employee buyback contributions.

Beginning with 2010, the actuarial value of assets and AAL were restated to reflect accumulated capital DROP payments, along with other interest, which are reported assets of the trust. The Funded Ratio and UAAL as a percentage of Covered Payroll are restated accordingly.

### Actuarial Valuations

**Purpose.** The purpose of an actuarial valuation is to calculate the actuarial accrued liability in each of the pension plans, which estimates on the basis of demographic and economic assumptions the present value of benefits each of the pension plans will pay to its retired members and active members upon retirement. The actuarial valuation compares the actuarial accrued liability with the actuarial value of the assets and any excess of that liability over the assets forms an unfunded actuarial accrued liability or UAAL of the applicable pension plan. An actuarial valuation will express the percentage that a pension plan is funded through a "Funded Ratio" which represents the quotient obtained by dividing the actuarial value of assets of the pension plan by the actuarial accrued liability of the pension plan. An actuarial valuation will also state an actuarially recommended contribution rate, which is a recommended rate of covered payroll that the City should contribute to the applicable pension plan. The actuarially recommended contribution consists of two components: (1) normal cost, which represents the portion of the present value of retirement benefits that are allocable to active members' current year service, and (2) an amortized portion of the UAAL.

To calculate the actuarial value of assets and actuarial accrued liability of each of the pension plans, the actuarial valuations use several actuarial assumptions. These assumptions include an expected rate of return of assets, age of retirement of active members, future pay increases for current employees, assumed rates of disability and post-employment life expectancies of retirees and beneficiaries. See "Plan Assumptions" in Table 2 above. If the experience of the pension plans is different from these assumptions, the UAAL of the pension plans may increase or decrease to the extent of any variances. Consequently, the actuarially recommended rates of contribution may be impacted, which may increase the amount of the City's contributions to the pension plans.

In addition, the actuarial valuations of the pension plans use several actuarial methods to calculate the actuarial value of assets and actuarial accrued liability of the pension plans. For example, the pension plans use an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets over a five-year period to prevent extreme fluctuations that may result from temporary or cyclical economic and market conditions.

**City of Jacksonville.** Actuarial valuations are used to calculate funding requirements for the fiscal year or years following the date of the valuation (i.e., a valuation as of October 1, 2010 will be used to determine the required contribution for the 2011-2012 Fiscal Year). Florida law requires that all pension plans must conduct an actuarial valuation at least every three years. By ordinance, the City has a policy of obtaining actuarial valuations of the CJRS annually. The requirement for annual actuarial valuations may, however, be waived by ordinance of the City. The City Council waived the requirement for an annual valuation as of October 1, 2009 due to the extraordinary market disruptions in 2008 and 2009. The CJRS prepared a valuation as of October 1, 2010 in accordance with the local policy of obtaining annual valuations. The PFPP prepares an actuarial valuation every three years in accordance with state law; the PFPP's last valuation was prepared as of October 1, 2011. The consulting actuaries prepare the actuarial valuations and reports for the pension plans. Informational copies of these reports as well as other financial information is available on the City's website at: <http://www.coj.net/Departments/Finance>. In addition, information regarding the City's pension plans is available in the City's Comprehensive Annual Financial Report. See, "ANNUAL FINANCIAL REPORTS" herein.

**Change in Plan Assumptions.** As shown in Table 2 above under "Plan Assumptions," actuarial valuations as of October 1, 2011 recently completed for the CJRS plans and the PFPP, and used to determine funding requirements for Fiscal Year 2013, assumed earnings rates less than the rates assumed in prior plan years, which were 8.4% for the General Employees Pension Plan and the Corrections Officers Pension Plan and 8.5% for the PFPP. As a result, the City experienced a significant change increase to its contributions rates, as well as UAAL and funded ratios, from Fiscal Year 2012 to Fiscal Year 2013 and thereafter.

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**Funding Progress.** The following tables provide a historical schedule of funding progress for the CJRS and the PFPP.

**SCHEDULE OF FUNDING PROGRESS**  
**General Employees Pension Plan**  
(in thousands)

Valuation Date September 30	Actuarial Value of Assets <sup>(1)</sup> (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2005	\$1,509,710	\$1,734,997	\$225,287	87.02%	\$226,819	99.30%
2006	1,593,296	1,812,972	219,676	87.88	237,108	92.60
2007	1,712,461	1,904,929	192,468	89.90	248,887	77.30
2008	1,673,435	2,004,279	330,844	83.49	262,345	126.10
2009	1,591,345	2,065,464	474,119	77.05	276,257	171.60
2010	1,640,892	2,163,080	522,188	75.86	322,531	161.90
2011	1,582,042	2,217,381	635,339	71.35	314,054	202.30

<sup>(1)</sup> Net of the unassigned past-excess contributions separate account.

**SCHEDULE OF FUNDING PROGRESS**  
**Corrections Officers Pension Plan**  
(in thousands)

Valuation Date September 30	Actuarial Value of Assets <sup>(1)</sup> (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2005	\$ 60,106	\$ 75,151	\$ 15,044	79.98%	\$26,256	57.30%
2006	68,791	104,126	35,335	66.07	27,702	127.60
2007	78,458	116,945	38,487	67.09	27,083	142.10
2008	83,056	137,830	54,774	60.26	26,334	208.00
2009	86,358	181,031	96,673	47.70	27,661	342.30
2010	97,464	204,384	106,920	47.69	32,329	330.70
2011	103,154	223,575	120,421	46.14	31,832	378.30

<sup>(1)</sup> Net of the unassigned past-excess contributions separate account.

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**SCHEDULE OF FUNDING PROGRESS**  
**Police and Fire Pension Plan**  
(in thousands)

Valuation Date September 30	Actuarial Value of Assets <sup>(1)</sup> (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2004	\$ 727,955	\$1,222,355	\$ 494,400	59.55%	\$118,510	417.18%
2005	765,180	1,314,424	549,244	58.21	130,392	421.23
2006	827,338	1,376,659	549,321	60.10	134,694	407.83
2007	930,454	1,464,508	534,054	63.53	143,006	373.45
2008	894,903	1,692,975	798,071	52.86	148,277	538.23
2009	855,997	1,753,946	897,949	48.80	155,558	577.24
2010	1,060,406	2,024,453	964,047	52.38	158,047	609.97
2011	1,042,241	2,427,198	1,384,957	42.94	148,968	929.70

<sup>(1)</sup> This account was redefined by the Restated Agreement effective April 1, 2000. As of September 30, 2011, the balance of the City Budget Stabilization Account was \$8.1 million and the Enhanced Benefit Account was \$16.2 million. These amounts are not included in the Actuarial Value of Assets.

Notes: Beginning with Fiscal Year 2010, the actuarial value of assets and AAL were restated to reflect accumulated capital DROP payments, along with other interest, which are reported assets of the trust. The Funded Ratio and UAAL as a percentage of Covered Payroll are restated accordingly.

### Investment Policy

In the case of the expected rate of return of assets, the actual rate of return on the pension plan depends on the performance of their respective investment portfolios. The investment portfolios of the respective pension plans can be highly volatile. The value of the securities in the investment portfolios can dramatically change from one fiscal year to the next, which could in turn, cause substantial increases or decreases in the applicable UAAL. For information concerning pension plan investments and portfolio performance, investors should refer to the Notes 3.B.2 and 3.B.3 to the City's Consolidated Annual Financial Statements for the Fiscal Year Ended September 30, 2011.

The City's Investment Policy Statement for the CJRS can be found on the City's website at: <http://www.coj.net/departments/finance/retirement-system.aspx>. The specific investment goals for the CJRS include: earning an annualized rate of return over the long term which exceeds the annual rate of change in the Consumer Price Index by 5.0%; earning an annualized rate in the long term that equals or exceeds the CJRS's actuarial assumed rate of return; earning a total rate of return which exceeds the City's target allocation for each of the broad asset classes invested in a broad market index representing that asset class; and earning an annualized total rate of return that exceeds a broad market benchmark in a style peer performance universe.

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The CJRS has established the following target asset allocation for all assets of the CJRS.

<b>Asset Class</b>	<b>Minimum</b>	<b>Target</b>	<b>Maximum</b>
Domestic Equities	30%	35	40%
International Equities	15	20	25%
Fixed Income	20	25	30
Real Estate	10	15	20
Real Assets	5	10	15
Cash	0	1	minimal

The City's Investment Policy Statement for the Police and Fire Pension Plan Statement of Investment Policy can be found on the City's website at <http://www.coj.net/departments/police---fire-pension-fund/statement-of-investment-policy.aspx>. The specific investment goals for the Police and Fire Pension Plan include: earning an annualized rate of return over the long term which exceeds the annual rate of change in the Consumer Price Index by 4.5%; earning an annualized rate in the long term that equals or exceeds the PFPP's actuarial assumed rate of return; earning a total rate of return which exceeds the City's target allocation for each of the broad asset classes invested in a broad market index representing that asset class; and earning an annualized total rate of return that exceeds a broad market benchmark in a style peer performance universe.

The PFPP has established the following target asset allocation for all assets of the PFPP.

<b>Asset Class</b>	<b>Minimum</b>	<b>Target</b>	<b>Maximum</b>
Domestic Equities	35%	40	45%
International Equities	15	20	25
Fixed Income	20	25	30
Real Estate	10	15	20
Cash Equivalents	0	minimal	20

## **Defined Contribution Plan**

As of October 1, 2009, the City created by ordinance a defined contribution plan within the CJRS for General Employees Pension Plan participants as an employee choice alternative to the defined benefit plan. Employees vest in the employer contributions to the plan at 25% after two years, and 25% per year thereafter until fully vested after five years of service. Employees can electively change from the defined contribution plan to the defined benefit plan, or vice versa, up to three times within their first five years of participation. Both employer and employee contributions to the defined contribution plan stated as a percentage of pay are 7.7%.

Plan participation and contributions by employer and employees for Fiscal Years 2010 through 2012 are shown in the following table.

<b>Fiscal Year Ending September 30</b>	<b>Number of Enrollees</b>	<b>Employer Contribution</b>	<b>Employee Contributions</b>
2010	78	\$ 99,000	\$ 91,000
2011	190	399,000	400,000
2012*	238	631,781	631,242

\* Unaudited.

## **Other Post Employment Benefits**

Governmental Accounting Standards Board Statements 43 and 45 establish standards for the measurement, recognition, and display of Other Post Employment Benefits ("OPEB") expenses/expenditures and related assets/liabilities. Statements 43 and 45 required the City to implement these standards in Fiscal Year 2008. Basic post-employment benefits such as health care, including dental, vision, hearing, and long term disability, are provided through the two pension plans. The contribution requirements of plan members are established by the City. The City pays any remaining required amounts after contributions of plan members are taken into account. Currently, retired members pay the full premium associated with the coverage elected. However, since the City is required by State law to offer health insurance to retirees at a non-discriminatory rate, not greater than the cost of coverage available to active employees, the City, not the pension plans, has an OPEB obligation that has come to be called the "implicit rate subsidy." The City historically has provided this benefit to its retirees on a pay-as-you-go basis, contributing only those amounts necessary to provide for its portion of current year benefit costs and expenses plus any addition to the reserve for accrued costs incurred but not yet reported, as determined as part of the insurance contract.

The City's annual required contribution ("ARC") is calculated on the entry age normal salary based cost method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liability (or funding excess) over a period not to exceed 30 years. It is calculated assuming a level percentage of payroll. Annual requirements include a 4.5% discount rate, compounded annually, based on assumptions that the plan will be unfunded. The annual health care cost trend rate was assumed at 8.50% at September 30, 2011, grading down by 0.5% each year until an ultimate health care cost trend rate is reached in Fiscal Year 2018 of 5.0%. The salary increase assumption is 4% per year.

The City engaged an actuary to calculate the impact of this benefit for financial reporting purposes. As of September 30, 2011, the City's ARC was calculated to be \$142.6 million and the annual covered payroll is \$494.8 million, resulting in a contribution as a percentage of payroll of 28.8%. The actuarial calculations reflect a long-term perspective using methods and assumptions that are designed to reduce short-term volatility in AAL and actuarial value of assets.

Additional information regarding the City's OPEB is available in the City's Comprehensive Annual Financial Report. See "ANNUAL FINANCIAL REPORTS" herein.

## **INVESTMENT POLICY**

Pursuant to Section 218.415, Florida Statutes, the City has adopted an Investment Policy (the "Investment Policy"). The original Investment Policy was adopted on March 1, 2004 and later amended to reflect its current form on August 9, 2011. The Investment Policy applies to all funds under the control of the City in excess of those required to meet short-term expenses, including funds related to the issuance of debt by the City. The Investment Policy does not apply to any financial assets of the Jacksonville Retirement System, the Police and Fire Pension Fund, certain Constitutional Officers of Duval County, or various independent authorities. The Investment Policy may be amended from time to time by the City Council. Amounts held in the funds and accounts established under the Bond Ordinance may be invested in Investment Securities, the definition of which refers to the Investment Policy.

The City's Investment Policy provides that its investment portfolio shall be managed with the primary objective of safety of capital, the secondary objective of liquidity, and the third objective of income realization in excess of stated benchmarks. Pursuant to the Investment Policy, the City will strive to meet earnings expectations while protecting the safety of capital, maintaining the liquidity of the portfolio, and following prudent investment principles. The Investment Policy states that the structure of the portfolio should be based on an understanding of the variety of risks and the basic principle of diversification, imposed by the policy, on the structure of the portfolio. It is the position of the City that the interest of the citizens of the City of Jacksonville can best be served by actively managing the City funds, through the assumption of a prudent level of risk, in order to achieve a total return commensurate with the level of risk assumed. The City, in adopting the Investment Policy, recognizes that the goal of total return portfolio management is to add economic value to a portfolio under circumstances prevailing from time to time. This may necessitate the sale of securities at a loss in order to reduce portfolio risk (without a material reduction in return) or to achieve a greater overall return (without assuming any material amount of additional risk) that could have been obtained if the original position had been held.

The City, upon approval of the Investment Policy, began the process of hiring external money managers to manage its aggregate and liquidity portfolios. Under the Investment Policy the following classes of securities are deemed suitable for investment by the City and may be purchased up to the limits and subject to standards defined within the Investment Policy for each asset type: U.S. Government and Agency Debt Obligations, U.S. Government Instrumentality Debt Obligations, High Grade Corporate Debt, Mortgage-Backed Securities, Bank Certificates of Deposit, Repurchase Agreements, Money Market Mutual/Trust Funds, State and Local Taxable and/or Tax Exempt Debt, Fixed Income Mutual Funds, Other Externally Managed Funds, Derivative Securities, Specialty Risk Investments, and Reverse Repurchase Agreements.

## **DEBT MANAGEMENT POLICY**

In June 2009, the City Council approved the first substantial rewrite of the City's Dept and Swap Policy (the "Debt Management Policy") since 2003. Amendments to the Debt Management Policy were approved by City Council in February, 2011. Prepared by the City's Finance Department, the Debt Management Policy is a broad policy document providing

guidance designed to promote effective and efficient management of the City's debt program, providing a framework for the structuring and monitoring of debt issuances, and demonstrating a commitment to long-term financial planning. The policies are intended to ensure that future elected officials have reasonable flexibility to address emerging issues within a consistently applied framework.

The Debt Management Policy establishes a Debt Oversight Committee consisting of the Chief Financial Officer (as Chairman), the Chief Administrative Officer or his/her designee, the Treasurer, the Comptroller, and the Budget Officer, with the Council Auditor, or his/her designee, acting as an ex-officio member.

The City's annual Debt Affordability Model (the "Model") is a critical element in maintaining and improving its current Aa or equivalent rating by the national rating agencies by establishing and routinely evaluating appropriate objective guidelines and parameters for debt issuance.

The debt issuance guidelines and measures included in the Model are widely used and accepted within the credit community in assessing a jurisdiction's ability to repay debt. The existence of updated debt analysis is viewed as a strong positive factor in the debt element of the overall rating process. Objective guidelines typically take the form of debt ratios. Below are the five debt ratios adopted by the City in Ordinance 2006-829 and later amended by Ordinance 2007-971 for the Fiscal Year ended September 30, 2011.

**Overall Net Debt to Estimated Market Value.** The City's overall net debt to estimated market value ratio was 3.55% in Fiscal Year 2011, which exceeds the City's adopted target of 2.50% and slightly higher than the 3.50% adopted maximum. This ratio remains in line with Moody's latest published medians for the largest Aa counties of 2.38% and largest Aa cities median of 3.72%.

**Debt Service to Expenditures Ratio.** The Fiscal Year 2011 debt service to expenditures ratio was 10.71%, remaining under the adopted maximum of 13% and in line with the target of 11.50% and Moody's largest Aa Cities median of 11.04%.

**Unassigned General Fund Balance.** The City's Unassigned General Fund Balance (including the City Council Emergency Reserve) as a percentage of general fund revenues was 10.90% for Fiscal Year 2011, increasing over Fiscal Year 2010 and continuing a modest ten-year upward trend. This measure is within the City's target range of between 10% and 14%, but comparable to Moody's Aa median for the largest cities and counties of 8.51%, and 11.63%, respectively.

**Ten-Year Paydown Ratio.** The City's overall ratio of principal scheduled for repayment in the next ten years divided by total debt outstanding for Fiscal Year 2011 improved modestly to 42.17%, representing a seventh consecutive year of improvement, but still lower than the City's adopted target of 50% and the Moody's median for largest Aa cities of 61.6%. The adopted minimum is 30%.

**Debt Per Capita.** The City's overall debt per capita ratio for Fiscal Year 2011 was \$3,355. The current position is higher than the target of \$2,600 and above the \$3,150 adopted

maximum. The recent rise in this measure is primarily due to increases in overlapping school board debt and flat population growth.

## **VARIABLE RATE DEBT EXPOSURE**

### **Variable Rate Debt**

Pursuant to the Debt Management Policy, variable rate debt may not exceed 25% of the total debt of the City. The City currently has the following variable rate demand debt: (i) Capital Projects Revenue Bonds, Series 2008A (the "Series 2008A Capital Projects Bonds"), currently outstanding in the principal amount of \$61,190,000 and bearing interest at a weekly rate, (ii) Transportation Revenue Bonds, Series 2008A (the "Series 2008A Transportation Revenue Bonds"), currently outstanding in the principal amount of \$151,835,000 and bearing interest at a weekly rate, and (iii) Transportation Revenue Bonds, Series 2008B (Index Rate Bond) (the "Series 2008B Transportation Revenue Bonds"), currently outstanding in the principal amount of \$98,720,000 and bearing interest at a variable rate at a defined spread over a percentage of the one-month LIBOR index. Additionally, the City has Commercial Paper Notes (the "Commercial Paper Notes") currently outstanding in the principal amount of \$27,990,000, which are issued with maturities of one to 270 days.

The Series 2008A Capital Projects Bonds are supported by a direct pay letter of credit provided by Bank of America N.A., which has a stated expiration date of July 15, 2014 (the "2008A Capital Projects LOC"). In the event the Series 2008A Capital Projects Bonds are tendered for purchase or deemed tendered for purchase, and the City is required to make a liquidity advance under the 2008A Capital Projects LOC, any such advance would bear interest at the "Bank Rate," which with respect to the 2008A Capital Project Bonds is equal to (i) the prime rate for the first 30 days, (ii) the prime rate plus 1.00% during the 31st day through 90 days and (iii) the prime rate plus 2.0% on the 91st day and thereafter.

Liquidity support for the Series 2008A Transportation Revenue Bonds is provided by a standby bond purchase agreement provided by J.P. Morgan Chase Bank, National Association which has a stated expiration date of April 20, 2014 (the "2008A Transportation Liquidity Facility"). In the event the Series 2008A Transportation Revenue Bonds are tendered for purchase or deemed tendered for purchase, and the City is required to obtain a liquidity advance under the 2008A Transportation Liquidity Facility, and so long as no event of default exists any such advance would bear interest at the "Bank Rate" which with respect to the 2008A Transportation Revenue Bonds is equal to (i) the Base Rate for the first 90 days, and (ii) the Base Rate plus 1.00% on the 91st day and thereafter. "Base Rate" with respect to the 2008A Transportation Revenue Bonds is equal to the greater of (i) the prime rate plus 1.50%, (ii) the federal funds rate plus 2.00% or (iii) 8.50%.

The Series 2008B Transportation Revenue Bonds are not supported by a credit or liquidity facility, but will remain in the Index Rate Mode until October 23, 2015 (the "Initial Period"). Prior to the expiration of the Initial Period, the City may convert the Series 2008B Transportation Revenue Bonds to another Index Rate Mode or other rate mode. In the event the Series 2008B Transportation Revenue Bonds are not purchased or remarketed at the end of the

Initial Period, they would bear interest for the next 180 days and thereafter at the Base Rate plus 1.00%. "Base Rate," with respect to the Series 2008B Transportation Bonds, is a rate of interest per annum equal to the highest of (i) the prime rate plus 1.00%, (ii) the sum of the federal funds rate plus 2.00%, or (ii) 7.00%.

An irrevocable direct pay letter of credit issued by Landesbank Baden-Württemberg, provides liquidity support for the City's Commercial Paper Notes (the "Commercial Paper LOC"). The Commercial Paper LOC has a stated expiration date of December 29, 2015.

The City cannot at this time predict with certainty whether (i) the 2008A Capital Projects LOC, the 2008A Transportation Liquidity Facility, or the Commercial Paper LOC will be extended beyond their respective stated dates of expiration, (ii) the Series 2008B Transportation Revenue Bonds will remain in an Index Rate Mode beyond the Initial Period, or (iii) the City will be able to obtain substitute liquidity or credit facilities at costs that will not have a significant adverse impact on the City's interest costs related to its variable rate debt.

### **Interest Rate Exchange Agreements**

Pursuant to the Debt Management Policy and City ordinances, the maximum net notional amount of interest rate swaps permitted to be outstanding is \$400,000,000. The term of fixed to floating rate swaps may not exceed five years and the term of floating to fixed rate swaps may not exceed 20 years, but will be determined based on the life of the related instrument being hedged. All providers of interest rate swaps, caps, options and other hedging agreements are required pursuant to the Debt Management Policy to either (a) be rated AA-/Aa3 or better by at least two rating agencies at the time of execution and enter into a collateral agreement to provide collateral in the event the rating falls below the AA-/Aa3 level or (b) be rated A/A2 or better by at least two rating agencies at the time of execution and enter into a collateral agreement.

The following table depicts the City's currently outstanding interest rate exchange agreements. The City may enter into additional interest rate exchange agreements, or amend or terminate one or more of its currently outstanding interest rate exchange agreements, in the future to assist in managing exposure to fluctuations in interest rates. Upon the occurrence of certain events provided in the interest rate exchange agreements, such agreements may be terminated prior to their stated termination dates, requiring the City to make, or entitling the City to receive, a termination payment, based upon the market value of the terminated agreement at the time of termination.

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Related Bond Issue <sup>(1)</sup>	Original Notional Amount <sup>(2)</sup>	Counterparty	Rating	Rate Paid	Rate Received	Stated Termination Date	Fair Value as of 09/30/2012 <sup>(3)</sup>
Series 2008B Transportation Revenue Bonds	\$47,775,000	Wachovia Bank	Aa2/AA/AA-	4.010%	BMA Index	October 1, 2020	(\$6,133,475)
Series 2008B Transportation Revenue Bonds	\$80,275,000	Wachovia Bank	Aa2/AA/AA-	3.4555%	67% of 1-Month LIBOR	October 1, 2027	(\$13,443,029)

<sup>(1)</sup> The Series 2008B Transportation Revenue Bonds refunded the City's Transportation Revenue Bonds, Series 2003 (Auction Rate Securities) and Transportation Revenue Bonds, Series 2004 (Auction Rate Securities), which were the initial related bond issues for the interest rates exchange agreements. The Series 2008B Transportation Revenue Bonds are now the related bonds for both interest rate exchange agreements.

<sup>(2)</sup> The notional amounts for each interest rate exchange agreement are reduced simultaneously upon the amortization of the related bonds.

<sup>(3)</sup> Provided by the Counterparty. Includes accrued interest.

For additional information about the City's interest rate exchange agreements, including the City's collateral deposit requirements and basis risk exposure, as of September 30, 2011, see Note 8J in the City's Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 2011. See "ANNUAL FINANCIAL REPORTS" herein for information on how to obtain a copy of the City's Comprehensive Annual Financial Report.

## FINANCIAL ADVISOR

Public Financial Management, Inc., Orlando, Florida, (the "Financial Advisor") is acting as financial advisor to the City in connection with the issuance of the Series 2012 Refunding Bonds. The Financial Advisor will not engage in any underwriting activities with regard to the issuance and sale of the Series 2012 Refunding Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement and is not obligated to review or ensure compliance with the undertaking by the City to provide continuing secondary market disclosure.

## UNDERWRITING

The Series 2012 Refunding Bonds are being purchased by Goldman, Sachs & Co., J.P. Morgan Securities LLC, Jefferies & Company, Inc., Drexel Hamilton, LLC, Loop Capital Markets LLC and Siebert Brandford Shank & Co., L.L.C. (collectively, the "Underwriters"), subject to certain terms and conditions. The aggregate purchase price for the Series 2012C Bonds payable to the City is \$220,928,486.04 (\$183,980,000.00 principal amount plus bond premium of \$37,781,048.25 and less Underwriters' discount of \$832,562.21). The aggregate purchase price for the Series 2012D Bonds payable to the City is \$13,932,191.15 (\$11,840,000.00 principal amount plus bond premium of \$2,136,048.90 and less Underwriters' discount of \$43,857.75). The aggregate purchase price for the Series 2012E Bonds payable to the City is \$34,203,479.52 (\$34,340,000.00 principal amount less Underwriters' discount of \$136,520.48). The Underwriters are committed to purchase all the Series 2012 Refunding Bonds if any are purchased. The Series 2012 Refunding Bonds are offered for sale to the public at the prices derived from the yields set forth on the inside cover pages of this Official Statement. The Series 2012 Refunding Bonds may be offered and sold to certain dealers (including dealers depositing Series 2012 Refunding Bonds into investment trusts) at prices lower than such

offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following statements for inclusion in this Official Statement:

Goldman, Sachs & Co. ("Goldman Sachs"), one of the Underwriters of the Series 2012 Refunding Bonds, has entered into a master dealer agreement (the "Master Dealer Agreement") with Incapital LLC ("Incapital") for the distribution of certain municipal securities offerings, including the Series 2012 Refunding Bonds, to Incapital's retail distribution network at the initial public offering prices. Pursuant to the Master Dealer Agreement, Incapital will purchase the Series 2012 Refunding Bonds from Goldman Sachs at the initial public offering price less a negotiated portion of the selling concession applicable to any Series 2012 Refunding Bonds that Incapital sells.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series 2012 Refunding Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Series 2012 Refunding Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase Series 2012 Refunding Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2012 Refunding Bonds that such firm sells.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the City and to persons and entities with relationships with the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## RATINGS

Fitch Ratings ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a Standard and Poor's Financial Services LLC business ("S&P"), have assigned ratings of "AA," "Aa2" and "AA-," respectively, to the Series 2012 Refunding Bonds. Such ratings reflect the view of such organizations and an explanation of the significance of such respective ratings may only be obtained from the rating agencies furnishing the same. Generally, rating agencies base their ratings on the information and materials furnished to them and, in addition, on investigations, studies and assumptions made by the rating agencies themselves. There is no assurance that the ratings mentioned above will continue for any given period of time or that they may not be lowered or withdrawn entirely by the rating agencies or either of them, if in their or its judgment, circumstances so warrant. Any such downward revision in or withdrawal of any of such ratings may have an adverse effect on the market price of the Series 2012 Refunding Bonds. The City and the Underwriters are not obligated to appeal or contest any lowered or withdrawn ratings. For any additional description of the ratings and their meanings Fitch, Moody's and S&P should be contacted.

## LEGAL MATTERS

Legal matters incident to the validity of the Series 2012 Refunding Bonds including their authorization, issuance and sale by the City, are subject to the unqualified approving legal opinion of Greenberg Traurig, P.A., Orlando, Florida and Ezell Law Firm, P.A., Jacksonville, Florida, Co-Bond Counsel. Certain legal matters will be passed on for the City by Greenberg Traurig, P.A., Orlando, Florida and D. Seaton and Associates, Orlando, Florida, Co-Disclosure Counsel, and its Office of General Counsel. Certain legal matters will be passed on for the Underwriters by their counsel, Ballard Spahr LLP, Philadelphia, Pennsylvania. The form of Co-Bond Counsel opinion appears as APPENDIX D to this Official Statement.

## TAX MATTERS - SERIES 2012 TAX-EXEMPT BONDS

### General

The Code includes requirements which the City must continue to meet after the issuance of the Series 2012C Bonds and the Series 2012D Bonds (collectively, the "Series 2012 Tax-Exempt Bonds") in order that interest on the Series 2012 Tax-Exempt Bonds not be included in gross income for federal income tax purposes. The failure by the City to meet these requirements may cause interest on the Series 2012 Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance. The City has covenanted to comply with the requirements of the Code in order to maintain the excludability of interest on the Series 2012 Tax-Exempt Bonds from gross income for federal income tax purposes.

In the opinion of Co-Bond Counsel, to be rendered on the date of issuance of the Series 2012 Tax-Exempt Bonds, under existing statutes, regulations, rulings and court decisions, assuming continuing compliance by the City with the tax covenants referred to above and the accuracy of the certifications and representations of the City, interest on the Series 2012 Tax-

Exempt Bonds is excludable from gross income for federal income tax purposes. Interest on the Series 2012 Tax-Exempt Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Series 2012 Tax-Exempt Bonds will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. Co-Bond Counsel is further of the opinion that the Series 2012 Tax-Exempt Bonds and the income thereon are not subject to taxation under the laws of the State of Florida, except as to estate taxes and taxes under Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, as defined in said Chapter 220. Co-Bond Counsel will express no opinion as to any other tax consequences regarding the Series 2012 Tax-Exempt Bonds.

Except as described above, Co-Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt of interest on, or disposition of the Series 2012 Tax-Exempt Bonds. Prospective purchasers of the Series 2012 Tax-Exempt Bonds should be aware that the ownership of the Series 2012 Tax-Exempt Bonds may result in other collateral federal tax consequences, including, without limitation, (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2012 Tax-Exempt Bonds or, in the case of a financial institution, that portion of an owner's interest expense allocable to interest on the Series 2012 Tax-Exempt Bonds; (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by 15% of certain items, including interest on the Series 2012 Tax-Exempt Bonds; (iii) the inclusion of interest on the Series 2012 Tax-Exempt Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax; (iv) the inclusion of interest on the Series 2012 Tax-Exempt Bonds in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year; and (v) the inclusion of interest on the Series 2012 Tax-Exempt Bonds in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the Series 2012 Tax-Exempt Bonds. Prospective purchasers of the Series 2012 Tax-Exempt Bonds should consult their own tax advisors as to the impact of these other tax consequences.

Co-Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Co-Bond Counsel as of the date thereof. Co-Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Co-Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Co-Bond Counsel's opinion is not a guarantee of a particular result, and is not binding on the Internal Revenue Service or the courts; rather, such opinion represents Co-Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

From time to time, there are legislative proposals suggested, debated, introduced or pending in Congress that, if enacted into law, could alter or amend one or more of the federal tax matters described above including, without limitation, the excludability from gross income of interest on the Series 2012 Tax-Exempt Bonds, adversely affect the market price or marketability

of the Series 2012 Tax-Exempt Bonds, or otherwise prevent the holders from realizing the full current benefit of the status of the interest thereon. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would apply to the Series 2012 Tax-Exempt Bonds. If enacted into law, such legislative proposals could affect the market price or marketability of the Series 2012 Tax-Exempt Bonds. Prospective purchasers of the Series 2012 Tax-Exempt Bonds should consult their tax advisors as to the impact of any proposed or pending legislation.

### **Original Issue Premium**

All of the Series 2012 Tax-Exempt Bonds (collectively, the "Premium Bonds"), were sold at an "issue price" in excess of their stated redemption price at maturity. That excess constitutes bond premium. The issue price of a Premium Bond is the initial offering price to the public (other than bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Premium Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the cover of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Owners of Premium Bonds should consult their own tax advisors as to the determination for federal income tax purposes of the amount of bond premium properly accruable in any period with respect to the Premium Bonds and as to other federal tax consequences and the treatment of bond premium for purposes of state and local taxes on, or based on, income.

### **Information Reporting and Backup Withholding**

Interest paid on bonds such as the Series 2012 Tax-Exempt Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Series 2012 Tax-Exempt Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Series 2012 Tax-Exempt Bonds, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the Series 2012 Tax-Exempt Bonds and proceeds from the sale of Series 2012 Tax-Exempt Bonds. This

withholding generally applies if the owner of Series 2012 Tax-Exempt Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Series 2012 Tax-Exempt Bonds may wish to consult with their tax advisors as to their qualification for an exemption from backup withholding and the procedure for obtaining the exemption.

## **TAX MATTERS - SERIES 2012E BONDS**

### **Federal Income Taxation**

In General. The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Series 2012E Bonds. The summary is based upon provisions of the Code, the regulations promulgated thereunder and rulings and court decisions now in effect, all of which are subject to change. This summary is intended as a general explanatory discussion of the consequences of holding the Series 2012E Bonds. This summary generally addresses Series 2012E Bonds held as capital assets and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Series 2012E Bonds as a hedge against currency risks or as a position in a straddle for tax purposes, foreign investors or persons whose functional currency is not the U.S. dollar. Potential purchasers of the Series 2012E Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2012E Bonds.

In the opinion of Co-Bond Counsel, interest on the Series 2012E Bonds is not excluded from gross income for federal income tax purposes. Purchasers other than those who purchase the Series 2012E Bonds in the initial offering at their principal amounts will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such Series 2012E Bonds. Generally, interest paid on the Series 2012E Bonds and recovery of accrued original issue and market discount, if any, will be treated as ordinary income to the bondholder, and, after adjustment for the foregoing, principal payments will be treated as a return of capital.

Market Discount. If a bondholder purchases a Series 2012E Bond for an amount that is less than the adjusted issue price of the Series 2012E Bond, and such difference is not considered to be de minimis, then such discount will represent market discount. Absent an election to accrue market discount currently, upon a sale, exchange or other disposition of a Series 2012E Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred to carry a market discount bond is limited. Such bondholders should consult their own tax advisors with respect to

whether or not they should elect to accrue market discount currently, the determination and treatment of market discount for federal income tax purposes and the state and local tax consequences of owning such Series 2012E Bonds.

**Bond Premium.** If a bondholder purchases a Series 2012E Bond at a cost greater than its then principal amount, generally the excess is amortizable bond premium. The tax accounting treatment of bond premium is complex. Such bondholders should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code, the determination and treatment of such premium for federal income tax purposes and the state and local tax consequences of owning such Series 2012E Bonds.

**Sale or Redemption of Series 2012E Bonds.** A bondholder's tax basis for a Series 2012E Bond is the price such owner pays for the Series 2012E Bond plus the amount of any original issue discount and market discount previously included in income, reduced on account of any payments received (other than "qualified stated interest" payments) and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Series 2012E Bond, measured by the difference between the amount realized and the Series 2012E Bond basis as so adjusted, will generally give rise to capital gain or loss if the Series 2012E Bond is held as a capital asset (except as discussed above under "Market Discount"). The legal defeasance of Series 2012E Bonds may result in a deemed sale or exchange of such Series 2012E Bonds under certain circumstances; owners of such Series 2012E Bonds should consult their tax advisors as to the federal income tax consequences of such an event.

**Information Reporting and Backup Withholding.** Interest paid on bonds such as the Series 2012E Bonds is subject to information reporting to the Internal Revenue Service. In conjunction with the information reporting requirement, the Code subjects certain noncorporate owners of Series 2012E Bonds, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the Series 2012E Bonds and proceeds from the sale of Series 2012E Bonds. This withholding generally applies if the owner of Series 2012E Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Backup withholding will not apply, however, with respect to certain payments made to bondholders, including payments to certain exempt recipients and to certain Nonresidents (defined below). Prospective purchasers of the Series 2012E Bonds may also wish to consult with their tax advisors as to their qualification for an exemption from backup withholding and the procedure for obtaining the exemption.

**Nonresidents.** Under the Code, interest and original issue discount income with respect to Series 2012E Bonds held by nonresident alien individuals, foreign corporations and other non-United States persons ("Nonresidents") may not be subject to withholding. Generally, payments on the Series 2012E Bonds to a Nonresident that has no connection with the United States other than holding the Series 2012E Bond will be made free of withholding tax, as long as such holder has complied with certain tax identification and certification requirements. Nonresidents should

consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2012E Bonds.

**Circular 230 Disclosure. The above discussion was written to support the promotion and marketing of the Series 2012E Bonds and was not intended or written to be used, and cannot be used, by a taxpayer for purposes of avoiding United States federal income tax penalties that may be imposed. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.**

## **Taxation Under Florida Law**

In the opinion of Co-Bond Counsel, the Series 2012E Bonds and the income thereon are not subject to taxation under the laws of the State of Florida, except as to estate taxes and taxes under Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, as defined in said Chapter 220.

## **VERIFICATION OF CERTAIN CALCULATIONS**

The Arbitrage Group, Inc., the Verification Agent, a firm of independent public accountants, will deliver to the City, on or before the issuance of the Series 2012 Refunding Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the arithmetical accuracy of (i) the computation of the adequacy of the amounts to be deposited in each Escrow Deposit Trust Fund to be held by the Escrow Agent to pay when due all principal of, and accrued interest on the related series of the Refunded Bonds, through the dates of maturity or redemption for each series of the Refunded Bonds, as applicable, as provided in the related Escrow Deposit Agreement, and (ii) the computation of the yields on the Series 2012 Refunding Bonds and the amounts to be deposited in each Escrow Deposit Trust Fund.

The verification performed by the Verification Agent will be solely based upon assumptions and information provided to the Verification Agent by the Underwriters and the Financial Advisor on behalf of the City. The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based, and accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

## **LITIGATION**

In the opinion of the Office of General Counsel of the City of Jacksonville, there is no pending litigation against the City which would have any material adverse effect upon the source of the Covenant Revenues or contesting the validity of the Series 2012 Refunding Bonds. The Office of General Counsel is not aware of any threatened litigation contesting the validity of the Series 2012 Refunding Bonds or the right of the City to issue the Series 2012 Refunding Bonds or which would have any material adverse effect upon the source of the Covenant Revenues.

See the description of potential material litigation matters described in Note 15 — "Litigation, Contingencies and Commitments" in the Notes to the Basic Financial Statements contained in the City's Comprehensive Annual Financial Report for Fiscal Year ended September 30, 2011, which are incorporated herein by reference as provided in "ANNUAL FINANCIAL REPORTS" below for a description of potentially material litigation.

## **ENFORCEABILITY OF REMEDIES**

The remedies available to the Holders of the Series 2012 Refunding Bonds upon an event of default under the Special Revenue Bond Ordinance are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the federal bankruptcy code), the remedies provided with respect to the Series 2012 Refunding Bonds under the Special Revenue Bond Ordinance may not be readily available or may be limited. The various legal opinions delivered or to be delivered concurrently with the delivery of the Series 2012 Refunding Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Pursuant to the Special Revenue Bond Ordinance no Bondholder has any right to institute any suit, action or proceeding in equity or at law for the execution of any trust thereunder or for any other remedy thereunder unless such Bondholder previously shall have given to the Trustee appointed to represent the Bondholders, in accordance with the Special Revenue Bond Ordinance, written notice of the event of default on account of which such suit, action or proceeding is to be taken, and unless the holders of not less than 25% of the Bond Obligation then outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Special Revenue Bond Ordinance or to institute such action, suit or proceeding in its or their name and the Trustee refuses or neglects to comply with such request. The Trustee is entitled to reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, including the reasonable fees of its attorneys (including fees on appeal). See "APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE SPECIAL REVENUE BOND ORDINANCE — Restrictions on Actions by Individual Bondholders" attached hereto.

## **CONTINGENCY OF FEES**

The City has retained Co-Bond Counsel, the Financial Advisor, and Co-Disclosure Counsel with respect to the authorization, sale, execution and delivery of the Series 2012 Refunding Bonds. Payment of the fees of such professionals and an underwriting discount to the Underwriters are each contingent upon the issuance of the Series 2012 Refunding Bonds.

## **ANNUAL FINANCIAL REPORTS**

The information in the Basic Financial Statements for the Fiscal Year ended September 30, 2011 (the "Basic Financial Statements") included in the City's Comprehensive Annual Financial Report for such Fiscal Year (the "Comprehensive Annual Financial Report") is an integral part of this Official Statement and is hereby incorporated by reference thereto. Copies of the Comprehensive Annual Financial Report may be obtained from the City upon request to the Chief Financial Officer, Suite 300, 117 West Duval Street, Jacksonville, Florida 32202, telephone number (904) 630-1298, or from the City's website described below.

The Comprehensive Annual Financial Report is available for viewing and downloading from the City's website ([www.coj.net](http://www.coj.net)) by selecting "Finance," from the "Office" pull-down menu and clicking "Go," then selecting "Accounting," then selecting "Comprehensive Annual Financial Reports" and then selecting "Comprehensive Annual Financial Report FY 2010-2011." EXCEPT FOR THE BASIC FINANCIAL STATEMENTS, NONE OF THE REMAINDER OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OR OTHER INFORMATION CONTAINED IN THE CITY'S WEBSITE IS INCLUDED BY REFERENCE INTO THIS OFFICIAL STATEMENT. The physical appearance of the printed version of the Comprehensive Annual Financial Report may differ from the electronic version available on the City's website for various reasons including electronic transmission difficulties or particular user equipment. Users relying on the electronic version assume the risk of resulting discrepancies between it and the printed version.

## **CONTINUING DISCLOSURE**

The City has covenanted for the benefit of the holders of the Series 2012 Refunding Bonds to provide certain financial information and operating data relating to the City and the Series 2012 Refunding Bonds in each year, and to provide notices of the occurrence of certain enumerated material events.

As required by the Securities and Exchange Commission Rule 15c2-12, annual financial information and operating data and the City's audited financial statements will be filed by the City with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system. Notices of material events, when and if they occur, shall be timely filed by the City with EMMA.

The specific nature of the required financial information and operating data, the type of events which trigger a disclosure obligation, and other details of the undertaking are more fully described in "APPENDIX E — FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. The City fully anticipates satisfying all future continuing disclosure obligations.

The City has previously entered into continuing disclosure undertakings with respect to the Outstanding Special Revenue Bonds, as well as various continuing disclosure undertakings with respect to its outstanding bonds secured by different revenue sources. While the City has annually filed a copy of its Comprehensive Annual Financial Report as required by the applicable continuing disclosure undertakings, it may not have, in all cases, made such filings on a timely basis and it also may not have provided all of the required operating and financial

information, or provided such information in the format, required by such continuing disclosure undertakings. Specifically: (a) due to a delay in the receipt of a component unit's financial statements for inclusion in its Comprehensive Annual Financial Report, the City filed its annual continuing disclosure reports for the Fiscal Years ended September 30, 2007 and September 30, 2008 after the April 30<sup>th</sup> filing deadline and did not file unaudited financial statements on or before such deadline, as required by the applicable continuing disclosure undertakings; (b) the City timely filed its Comprehensive Annual Financial Report and its annual continuing disclosure supplement ("CDS") for the Fiscal Year ended September 30, 2009 and for the Fiscal Year ended September 30, 2010, however, for the Fiscal Years 2007 through 2010, the City failed to provide certain information and did not provide certain other financial information and operating data in the format required under the applicable continuing disclosure undertakings; and (c) the City filed its Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 2011 before the filing deadline, however, the City delayed filing the CDS for the Fiscal Year ended September 30, 2011 (the "FY 2011 CDS") until July 19, 2012, in order to perform a comprehensive review of its continuing disclosure undertakings for all of its outstanding series of bonds. As a result of such review, the City has amended and supplemented the prior disclosures, as and where necessary, in the FY 2011 CDS to provide all financial information and operating data required in its various continuing disclosure undertakings and to correct the presentation of such financial information and operating data so that it is in the format required under the applicable continuing disclosure undertakings.

## **SOURCES OF INFORMATION**

The Basic Financial Statements of the City as of September 30, 2011 and for the year ended, included in the Comprehensive Annual Financial Report of the City that has been incorporated herein by reference (See "ANNUAL FINANCIAL REPORTS" herein), have been audited by McGladrey & Pullen LLP, independent certified public accountants, as stated in their report dated March 30, 2012 appearing therein. McGladrey & Pullen LLP has not participated in the preparation or review of this Official Statement.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

## **DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS**

Pursuant to Section 517.051, Florida Statutes, as amended, the City is required to provide full and fair disclosure by the City as to bonds or other debt obligations that it has issued or guaranteed and that are or have been in default as to principal or interest at any time since December 31, 1975, as provided by rule of the Florida Department of Financial Services (the "Department"). Pursuant to Rule 69W-400.003, Florida Administrative Code, the Department has required that such disclosure include information concerning the dates, amounts and types of defaults, any legal proceedings resulting from such, whether a trustee or receiver has been appointed over the assets of the City, and certain additional defaults and financial information, unless the City believes in good faith that such information would not be considered material by a reasonable investor. The City is not and has not since December 31, 1975 been in default as to

principal or interest on its bonds or other debt obligations. The City has, however, received notices of default with respect to certain bonds for which the City has acted as a conduit issuer which bonds are payable from the revenues of private commercial enterprises. The City in good faith believes that any additional disclosure of information concerning any such default or defaults with respect to bonds which are payable from the revenues of a private commercial enterprise would not be considered material by a reasonable investor in the Series 2012 Refunding Bonds, because the City is not obligated to pay debt service with any public funds of the City.

There are several dependent or independent authorities, some or all of the governing bodies of which are appointed by the City, which are separate legal entities in Duval County and which have issued their own conduit debt. None of them is authorized to pledge any revenues or assets of the City for its debt. These authorities have issued debt as conduits for private entities, which debt is payable solely from specific revenues or assets derived from the private entities. From time to time, certain of such conduit debt may be in technical or payment default or under investigation as to tax-exempt status of interest on such debt. The City in good faith believes that disclosures of such defaults or investigations would not be considered material by a reasonable investor in the Series 2012 Refunding Bonds.

## **MISCELLANEOUS**

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Series 2012 Refunding Bonds, the security for and the source for repayment for the Series 2012 Refunding Bonds and the rights and obligations of the Holders thereof. Copies of such documents may be obtained as specified under the caption "INTRODUCTION" herein.

The information contained in this Official Statement has been compiled from official and other sources deemed to be reliable, and is believed to be correct as of this date.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Holders of the Series 2012 Refunding Bonds.

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**AUTHORIZATION OF AND CERTIFICATION  
CONCERNING OFFICIAL STATEMENT**

This Official Statement has been authorized by the City of Jacksonville, Florida. Concurrently with the delivery of the Series 2012 Refunding Bonds, the Mayor and other officers of the City will furnish their certificates to the effect that, to the best of their knowledge, this Official Statement, as of its date and as of the date of delivery of the Series 2012 Refunding Bonds, does not contain any untrue statement of a material fact or omit to state a material fact which should be included herein for the purposes for which this Official Statement is to be used, or which is necessary to make the statements contained herein, in the light of the circumstances in which they were made, not misleading.

**EXECUTION**

The execution and delivery of this Official Statement has been duly authorized by the City Council.

**CITY OF JACKSONVILLE, FLORIDA**

By: *s/ Alvin Brown*  
Alvin Brown, Mayor

By: *s/ C. Ronald Belton*  
C. Ronald Belton, Chief Financial Officer

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## **APPENDIX A**

### **GENERAL INFORMATION ON THE CITY OF JACKSONVILLE, FLORIDA**

The City of Jacksonville, Florida (the "City of Jacksonville") has provided all of the information set forth below.

#### **Government**

The City of Jacksonville established a consolidated government on October 1, 1968, which extends throughout the county land area, except that the cities of Atlantic Beach, Neptune Beach, Jacksonville Beach (the "Beaches Communities") and the Town of Baldwin retain their local governments for the performance of certain municipal functions. The City of Jacksonville has grown from 39 square miles to 841 square miles and is the largest city in land area located in the contiguous United States.

The territory of the consolidated government is divided into a General Services District, consisting of the total area of Duval County, and five urban services districts consisting of the areas within each of the Beaches Communities, the Town of Baldwin and the territory of the former, pre-consolidation City of Jacksonville. The consolidated government furnishes certain services in the General Services District, including airports, courts, electricity, fire protection, hospital, libraries, police protection, recreation and parks, schools, streets and highways and welfare; and all of the usual municipal services in the First Urban Services District (the pre-consolidation former City of Jacksonville) and the former unincorporated area of Duval County, but specifically excluding the Beaches Communities and the Town of Baldwin.

The charter for the consolidated government provides for the following elected officials: a mayor, 19 council members (14 elected by districts and five at-large but residing in specified districts) who form the City of Jacksonville's legislative body (the "Council"), seven school board members (elected by district), a sheriff as chief law enforcement officer, a property appraiser, a tax collector, a clerk of the circuit and county courts, and a supervisor of elections. The Mayor is the chief executive and administrative officer of the consolidated government and is responsible for the appointment of city department heads who must be confirmed by the Council. The Council has legislative powers, which are subject to veto by the Mayor.

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## **Population Growth**

Based on the 2010 United States Census, the consolidated City of Jacksonville is the most populated city in Florida. The following record of population is for the entire area of Duval County, which is now the area of the City of Jacksonville, the Beaches Communities and the Town of Baldwin.

<b>Year</b>	<b>Population</b>
2002	799,656
2003	808,711
2004	818,357
2005	828,145
2006	839,090
2007	847,384
2008	853,077
2009	858,291
2010	864,263
2011	864,601

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Sources: Office of Economic and Demographic Research.  
U.S. Census Bureau, 2010 Census.

## **Downtown Jacksonville**

Downtown Jacksonville is the business, cultural and entertainment center of Duval County. There has been significant new investment in downtown Jacksonville with over \$1.4 billion in development since 2000 and currently seven projects totaling over \$580 million under construction. Significant new developments include a new arena, baseball stadium, main library, and the Duval County Unified Courthouse, as well as over 2,365 housing units. An additional 500 housing units are under construction and over 4,800 units are proposed for development.

Downtown Jacksonville is the largest sub-market in the region, and has over 5.6 miles of riverfront. Downtown Jacksonville is also home to over 3,200 residents, 1,200 businesses with over 51,000 employees, including 80 corporate or regional headquarters and three Fortune 500 companies.

In 2005, the City of Jacksonville hosted the Super Bowl XXIX football game and festivities. The event was considered an economic and cultural success and provided global exposure to the City of Jacksonville.

## **Intermodal Transportation**

The City of Jacksonville's central location, with access to road, rail, sea and air transportation, has made it a significant intermodal hub of the Southeast. As the city farthest west on the eastern seaboard, the City of Jacksonville has easy access to the Southeastern United States, as well as Latin America, the Caribbean and the rest of North America.

Located within 600 miles of two-thirds of the 50 million consumers in the southeastern United States, the City of Jacksonville is rapidly becoming a significant international trade center. As broadband communications and transportation innovations continue to bring all areas of the globe closer together, the City of Jacksonville is ideally suited to be a springboard to the world.

### **Expressway System**

The Jacksonville Expressway System, an urban limited-access highway system, provides direct access to all federal and state highways entering the City of Jacksonville and direct connections to local industrial areas. The expressway system consists of seven bridges and 59 miles of highway, of which, 16 miles are Interstate Systems and 65 miles feeder roads.

### **Rail Service**

The City of Jacksonville is a railroad center serviced by three Class I lines, reaching 27 of the nation's top 50 metropolitan areas. Florida East Coast Railway Company (headquarters in St. Augustine, Florida) and Norfolk Southern terminate in the City of Jacksonville. The headquarters for CSX Corporation and its principal operating company, CSX Transportation, are located in the City of Jacksonville, and locally employs more than 4,000 people.

### **Air Service**

The Jacksonville Aviation Authority (JAA) owns and manages the Jacksonville Airport System. The Jacksonville Airport System is a diversified airport system that serves the commercial, business and recreational aviation needs of the City of Jacksonville, Northeast Florida and Southeast Georgia (the Community) and is comprised of Jacksonville International Airport (JIA), Craig Airport, Herlong Airport and Cecil Field.

JIA is a growing medium hub airport serving Northeast Florida and Southeast Georgia. It is approximately 8,478 acres, located in the northern portion of the City of Jacksonville, approximately eighteen miles north of downtown Jacksonville, just off of Interstate 95. The airfield facilities consist of two precision instrument runways, one 7,700 feet long and the other 10,000 feet long, together with associated taxiways, aircraft parking aprons (approximately 200,000 square yards in total), and an air traffic control tower. JIA opened a major \$300 million, 250,000 square foot Terminal Expansion Program in the spring of 2009, which provided for improvements to the automated baggage screening process and the replacement of its existing terminal concourses with two new spacious concourses that will include 20 full-service gates. Passengers rewarded JIA with the top ranking for overall customer satisfaction for North America in a 2009 survey completed by Airports Council International.

Currently, two dozen carriers provide scheduled passenger service for the airport and four major cargo carriers provide scheduled cargo service. Scheduled service is provided by seven of the nation's major carriers, which represent the largest group of passenger airlines in terms of their total annual revenues. These airlines include American, Continental, Delta, JetBlue, Southwest/AirTran, United and US Airways.

In calendar year 2011, there were approximately 2,783,809 enplaned passengers and approximately 5,566,207 total passengers, which represented no significant change from calendar year 2010. Annual cargo and airmail loads increased 1.0% from 146,948 thousand pounds in 2010 to 148,443 thousand pounds in 2011.

On September 30, 1999, JAA took title to 6,081 acres of land at Cecil Field, now named Cecil Commerce Center, which includes twelve hangers and three runways with lengths of 8,000 feet and one runway at 12,500 feet. This property has been converted into a commercial aviation facility for general aviation, air cargo, aircraft maintenance, manufacturing, repair and related development. The Boeing Company, Northrop Grumman Corp., Logistics Services International, Jet Turbine and Bridgestone Tire Services are among a few organizations that have signed long-term leases to operate aviation maintenance and support services at Cecil Commerce Center. JAA recently signed a 40-year lease agreement with Florida Community College at Jacksonville (FCCJ) to establish an Aviation Center of Excellence.

### **Port Cargo Service**

On October 1, 2001, the Jacksonville Port Authority was split into two entities: the Jacksonville Aviation Authority, which manages the City of Jacksonville's airports (as discussed above), and the Jacksonville Port Authority, which continues to manage the City of Jacksonville's public seaport facilities. The Jacksonville Port Authority, or JAXPORT, is governed by a seven-member board; four appointed by Florida's Governor and three appointed by the City of Jacksonville's Mayor. JAXPORT, a dependent special district of the City of Jacksonville, has about 150 employees.

In terms of total cargo handled, JAXPORT is one of the largest ports on the South Atlantic seaboard and is a natural river harbor with a maintained depth of 38 to 41 feet from the downtown Jacksonville area to the Atlantic Ocean. For the fiscal year ended September 30, 2011, approximately 2,030 vessels used JAXPORT's facilities. Several hundred additional vessels and barges used private cargo handling areas of the river not affiliated with JAXPORT's public facilities.

Jacksonville also ranks third among the largest container ports in Florida. For the fiscal year ended September 30, 2011, JAXPORT's facilities handled approximately 8.1 million metric tons of cargo and 520,000 vehicles, making JAXPORT one of the largest vehicle handling ports in the country.

The marine facilities provide significant economic benefits to Northeast Florida through direct employment, sales tax revenues and local firms that engage in international trade and travel. A 2009 maritime study concluded that the seaport supports 65,000 jobs across the region and generates \$19 billion in annual economic impact. JAXPORT owns three marine terminals between the downtown Jacksonville area and the mouth of the St. John's River, and one cruise terminal. The largest container facility of JAXPORT is the 754-acre Blount Island Marine Terminal. The main and west channels of Blount Island are now 41 feet deep. The terminal consists of 754 paved acres, 6,600 feet of berthing space, nine container cranes and over 240,000 square feet of dockside warehousing. The Blount Island terminal loads and unloads cargo from all over the world. JAXPORT successfully negotiated the sale of 137 acres of property at the

Blount Island Marine Terminal to the U.S. Navy. This will allow the U.S. Marine Corps' military operations and JAXPORT's commercial business to continue to work in close proximity as they have for many years.

JAXPORT also owns and operates a 173-acre facility known as the Talleyrand Marine Terminal, located on Talleyrand Avenue about four miles north of downtown Jacksonville. This complex consists of 713,000 square feet of warehouse space, including 160,000 square feet of refrigerated space, and six container cranes. The terminal's on-dock rail capacity has been expanded by adding four new rail spurs totaling 4,780 linear feet. More than 600 ships each year use the Talleyrand terminal, primarily to move goods to and from Latin America and the Caribbean.

Dames Point Marine Terminal is located ten nautical miles from the Atlantic Ocean, about one mile west of Blount Island, on mostly unimproved waterfront property. JAXPORT owns about 585 acres of property in this area. The Southeastern corner of this terminal is being used to handle imported bulk aggregate cargo of limestone, granite and aragonite. In 2008, construction was completed on a 158-acre container-handling facility servicing routes throughout Asia. The expanded facility includes four 1,200-foot berths and 12 container cranes.

JAXPORT also signed an agreement with Hanjin Shipping Co., Ltd. to develop a \$360 million container terminal at the Dames Point Marine Terminal. Hanjin is Korea's largest, and one of the world's biggest, container carriers moving more than 100 million tons of cargo annually while operating in more than 50 countries. The new Hanjin terminal is expected to be opened in 2016 and generate at least \$1 billion in economic activity in Northeast Florida, which will create thousands of new direct and indirect jobs for the region.

In 2003, JAXPORT constructed a 63,000-square foot temporary cruise facility near the northwest corner of the Dames Point Marine Terminal. Currently, Carnival Cruise Lines provides year-round service from Jacksonville to Key West and the Bahamas. The cruise lines now serving the City of Jacksonville created approximately 460 new area jobs and more than \$67 million in new economic impact to Northeast Florida, with the potential of creating 2,700 jobs and infusing more than \$1.5 billion into the local economy over the next 20 years. For the fiscal year ending September 2011, Carnival Cruise Lines' 2,052 passenger Fascination took a total of 77 voyages out of JAXPORT's temporary cruise terminal with a total of approximately 188,726 embarking passengers. It is anticipated that a permanent cruise ship terminal will be located closer to the ocean near the historic village of Mayport.

On August 6, 2005, officials with Mitsui OSK Lines, Ltd, (MOL) a Tokyo-based logistics and ocean Transportation Company, signed a 30-year lease agreement with JAXPORT. The agreement provides the City of Jacksonville with direct container ship service between the City of Jacksonville and Asia.

## **Motor Freight**

Major transportation and logistics services companies, including Landstar System, Inc., are headquartered in the City of Jacksonville. Nearly 125 truck lines maintain terminals in the area, which is a major hub of the Interstate highway network in Florida. The City of

Jacksonville's location and port facilities have caused it to become a "break-bulk" center. The development of "piggyback" (or double-stacked) transportation has also benefited the City of Jacksonville. Many piggyback shipments move into the area via rail cars or ships, after which the trailers are unloaded and forwarded by highway.

### **Industry and Employment**

The principal industries in the City of Jacksonville are food, printing, lumber and machinery. Manufacturing industries are shipbuilding, paper and cigars. Major industrial plants are operated by Smurfit-Stone Container Corporation, American Body Armor & Equipment, Swisher International Inc., Anheuser-Busch, Inc., Allied-Signal, Inc., Florida Machine and Foundry Company, Florida Steel Corporation, General Foods Corporation, Maxwell House Division, B.F. Goodrich, North Florida Shipyards, Inc., Duplex Products, Inc., SCM Corporation, Irvington-Moore, TTX Company, General Electric, Johnson & Johnson, Vistakon and Florida Publishing Company.

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The following table illustrates the broad base of non-agricultural employment in the City of Jacksonville MSA.

<b>Industry Title</b>	<b>Employment</b>
Total Nonagricultural Employment	589,300
Total Private	514,300
Goods Producing	51,900
Natural Resources and Mining	300
Construction	25,400
Specialty Trade Contractors	17,300
Manufacturing	26,200
Service Providing	537,400
Private Service Providing	462,400
Trade, Transportation, and Utilities	125,600
Wholesale Trade	25,100
Retail Trade	71,400
Food and Beverage Stores	14,100
General Merchandise Stores	13,300
Transportation and Utilities	29,100
Information	9,500
Telecommunications	3,900
Financial Activities	59,100
Finance and Insurance	49,200
Credit Intermediation and Related Activities	25,100
Depository Credit Intermediation	13,700
Insurance Carriers and Related Activities	19,800
Professional and Business Services	91,700
Professional and Technical Services	37,600
Management of Companies and Enterprises	6,500
Administrative and Waste Services	47,600
Education and Health Services	88,500
Hospitals	23,900
Leisure and Hospitality	65,300
Accommodation and Food Services	56,600
Other Services	22,700
Total Government	75,000
Federal	17,300
State	11,900
Local	45,800

Source: Bureau of Labor Statistics, All Employees, Not Seasonally Adjusted, Annual Average as of August 31, 2012.

The following table lists the 15 largest employers in the City of Jacksonville MSA and the approximate size of their respective work forces.

<b>Name of Employer</b>	<b>Product or Service</b>	<b>Employees</b>
Naval Air Station Jacksonville	U.S. Navy	25,240
Duval County Public Schools	Public Education	14,480
Naval Station Mayport	U.S. Navy	12,670
City of Jacksonville	Municipal Government	8,820
Baptist Health	Hospital	8,270
Bank of America Merrill Lynch	Banking and Investments	6,400
Blue Cross and Blue Shield of Florida	Health Insurance	6,000
Citi	Consumer Finance	5,000
Mayo Clinic	Multi-Specialty Health Care	4,970
United Parcel Service	Worldwide Parcel Delivery	4,100
Clay County School Board	Public Education	4,000
St. Vincent's Medical Center	Healthcare	4,000
U.S. Postal Service	Processing and Delivery of Mail	3,790
Shands Jacksonville	Hospital-Healthcare	3,500
St. John's County School District	Public Education	3,440

Source: Jacksonville Regional Chamber of Commerce, Research Department, May 2011.

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The following table sets forth the civilian labor force, employment and unemployment figures for the City of Jacksonville MSA and comparative unemployment for the State of Florida and the United States.

Calendar Year	Labor Force		Unemployment		Unemployment Rate	
	(Civilian)	Employment	Total	Rate	Florida	US
1991	489,683	458,390	31,293	6.4%	7.6%	6.8%
1992	497,844	463,131	34,713	7.0	8.4	7.5
1993	503,720	474,968	28,752	5.7	7.2	6.9
1994	518,064	492,486	25,578	4.9	6.7	6.1
1995	530,211	510,591	19,620	3.7	5.5	5.6
1996	538,913	518,981	19,932	3.7	5.3	5.4
1997	552,107	531,373	20,734	3.8	5.0	4.9
1998	564,799	546,647	18,152	3.2	4.5	4.5
1999	577,029	559,102	17,927	3.1	4.0	4.2
2000	589,348	570,307	19,041	3.2	3.8	4.0
2001	595,472	571,030	24,442	4.1	4.7	4.7
2002	597,488	565,986	31,502	5.3	5.7	5.8
2003	599,466	569,186	30,280	5.1	5.3	6.0
2004	607,558	579,685	27,873	4.6	4.7	5.5
2005	630,361	607,134	23,227	3.7	3.8	5.1
2006	650,333	629,342	20,991	3.2	3.3	4.6
2007	677,145	651,726	25,419	3.8	4.0	4.6
2008	688,182	648,264	39,918	5.8	6.3	5.8
2009	679,818	613,155	66,663	9.8	10.4	9.3
2010	685,119	610,598	74,521	10.9	11.3	9.6
2011	692,528	622,834	69,694	10.1	10.5	8.9
2012*	696,423	635,986	60,437	8.7	8.6	8.2

Source: Bureau of Labor Statistics, unadjusted, through December 31, 2011.

\* Preliminary, through August 31, 2012.

## Insurance

The City of Jacksonville is headquarters for several insurance companies; Blue Cross/Blue Shield of Florida and FPIC Insurance Group, Inc. The City of Jacksonville is also regional headquarters for Aetna U.S. Healthcare. The following companies have regional offices in the City of Jacksonville: Allstate Financial Workplace Division, State Farm Mutual, United Insurance Company of America, Title Insurance Company of Minnesota, Continental Insurance Companies, Prudential and Humana.

## Banking and Finance

The City of Jacksonville region has enjoyed a healthy growth to its base of financial and insurance companies, including the recent expansions and business relocations by major firms such as Deutsche Bank, Fidelity Investments, Bank of America Merrill Lynch, and JP Morgan Chase & Co. and GMAC. There are nearly 50 commercial banks and savings institutions within the City of Jacksonville, as well as the City of Jacksonville branch of the Federal Reserve Bank

of Atlanta. Bank deposits in the City of Jacksonville were approximately \$35.2 billion as of June 30, 2012.

Credit Unions are a growing financial presence in the City of Jacksonville. There are more than three dozen active credit unions serving more than 500,000 members. These credit unions have nearly 30 branch offices and service more than \$10.7 billion of deposits in the City of Jacksonville area. VyStar Credit Union, formerly Jax Navy Federal Credit Union, is the most active with 1,000 employees, 390,000 members and assets over \$4.25 billion in 2011, making VyStar the 16th largest credit union in the nation.

The City of Jacksonville is also a leader in the mortgage banking industry and is home to one of the state's largest firms, JP Morgan Chase & Co. HomeSide Lending, a subsidiary, is based in the City of Jacksonville and employs 2,100 people with a service portfolio of \$181 billion. In addition, the mortgage industry's largest provider of data processing services, Fidelity National Financial, Inc., has moved its headquarters to the City of Jacksonville.

## **Tourism**

Due to the economic recession, in 2009 the number of visitors to the City of Jacksonville area decreased to an estimated 2.6 million people. However, visitors to Northeastern Florida still provided more than \$1.5 billion in direct economic impact to the area, jobs for more than 42,900 of the residents, and generated more than \$6.7 million in sales tax revenue for the City of Jacksonville. Direct spending includes lodging, dining, shopping, transportation and entertainment. During 2009, the average visitor spent \$365 per trip and stayed for an average of 4.0 days.

The City of Jacksonville has 68 miles of beaches, over 70 golf courses and hundreds of tennis courts. Annual events include the PGA Tour's Players Championship (with an economic impact of \$12.6 million), the Georgia vs. Florida Football Classic (with an economic impact of \$20.8 million), the Konica Minolta Gator Bowl (with an economic impact of \$23.4 million) and the Greater Jacksonville Kingfish Tournament. Locally headquartered is the Association of Tennis Professionals, which hosts the ATP Tour Classic and the Bausch & Lomb Tennis Championships. The City of Jacksonville has hosted Superbowl XXXIX, the NCAA Men's Basketball Tournament and the ACC Football Championships, and is the home of the NFL Jacksonville Jaguars, the Jacksonville Symphony Orchestra and the Jacksonville Zoo. A baseball stadium, home of the Jacksonville Suns, opened in April 2003.

Many festivals are held throughout the year, including the Jacksonville Jazz Festival in Metropolitan Park (with an economic impact of \$2.2 million), and the International Sea & Air Spectacular featuring the Blue Angels. Other festivals are World of Nations Celebration, Springing the Blues Festival, Fiesta Playera, The Kuumba Festival, Caribbean Carnival, and the Scottish Highland Games which celebrate the area's cultural diversity through art and music. A state-of-the-art entertainment arena opened in November 2003.

## **Military**

Three military installations in the City of Jacksonville combine to make the City of Jacksonville the second largest Naval Complex on the East Coast. The area's Navy bases

employ more than 56,000 and have a combined payroll of \$1.59 billion. The largest of these installations, Jacksonville Naval Air Station, covers 3,800 acres on the west bank of the St. Johns River and employs more than 23,000 active duty and civilian personnel. Its Naval Aviation Depot, renamed Naval Air Depot (NADEP) Jacksonville in 2001, covers over 100 acres of land on the St. Johns River and is the largest industrial employer in northeast Florida with over 3,700 employees, and one of only three such facilities remaining in the Navy. Recently, NADEP Jacksonville became the first command in the Department of Defense to receive comprehensive ISO 9001:2000 certification (a quality management standard).

Naval Station Mayport is homeport for guided missile cruisers, destroyers, guided missile destroyers and guided missile frigates, a total of 22 ships, plus six helicopter squadrons. NS Mayport covers 3,409 acres and employs over 15,000 military and civilians, making the station the third largest naval facility in the continental United States.

The Marine Corps Blount Island Command is located on the east end of Blount Island and employs 799 people, mostly civilians, including contractors. Its location on Blount Island in the St. Johns River makes it a premium facility for the worldwide support of the Marine Corps through its Maritime Prepositioning Program.

Although not listed as one of the three military installations in the City of Jacksonville, the Navy's \$1.7 billion Trident Nuclear Submarine Base, located 35 miles north of the City of Jacksonville in Kings Bay, Georgia and covering approximately 16,000 acres, is considered a part of the City of Jacksonville military community. It is the only base in the Navy capable of supporting the Trident II (D-5) Missile. Currently, the base berths eight submarines and employs more than 9,000 military and civilian personnel.

## **Education**

The public educational system is administered on a County-wide basis and consequently ranks among the largest public school districts in the nation. Approximately 125,000 pupils attend classes taught by more than 8,400 instructors in over 183 schools, including 104 elementary schools, 43 secondary schools, 21 charter schools and 1 virtual school. In addition, 29,942 pupils are enrolled in 166 local private schools. Higher education facilities are provided by Jacksonville University, a private four-year liberal arts college; Edward Waters College, a four-year private college; Florida Community College at Jacksonville, with four campuses, a public institution; Jones College, a nonprofit junior college of business; the University of North Florida, a state university; Florida Coastal Law School, a private law school; and the Art Institute of Jacksonville, a private college.

## **Medical Facilities**

Medical facilities in the City of Jacksonville include several general hospitals, totaling approximately 4,605 beds, and many special clinics and laboratories. More than 2,500 doctors and 500 dentists serve the City of Jacksonville community. Because of the large and growing number of medical specialists located in the City of Jacksonville, the City of Jacksonville is recognized throughout the southeast as a major medical center.

Shands Jacksonville is an urban campus extension of the University of Florida and provides extensive medical education and comprehensive care. Shands Jacksonville was created in 1999 after Shands Healthcare, the University of Florida, University Medical Center and Methodist Medical Center merged and employs approximately 3,500 employees. It is a 760-bed facility, and is one of six level-one-trauma centers in Florida. Shands' commitment to the latest in clinical care, research advances and state of the art technology elevates its prominence in the national medical community. Shands Jacksonville has developed Florida's first and the nation's third proton beam cancer treatment facility. The \$125-million project, which officially opened in October 2006. Shands Jacksonville recently announced plans for a new \$125 million state-of-the-art, 110-bed medical center near the Jacksonville International Airport, which is expected to create approximately 350 new jobs.

The Mayo Clinic of Rochester, Minnesota chose the City of Jacksonville for its first satellite clinic and opened in October 1986 and now supports a staff of 5,515 physicians and support personnel. Each year more than 85,000 patients are diagnosed and treated at Mayo Clinic Jacksonville, and surgeons performed more than 12,000 procedures. A \$373 million expansion that will employ 8,500 personnel in a comprehensive medical campus setting by the year 2020 is well underway. A new 214-bed, 650,000 square foot hospital opened on its campus in April 2008.

Baptist Health has served the City of Jacksonville community for nearly 50 years. It currently employs approximately 7,700 caregivers and operates through five different facilities: Downtown, Beaches, Nassau, Wolfson Children's Hospital and South. Baptist Health Downtown is a full tertiary medical facility in downtown Jacksonville on the St. Johns River. Baptist Medical Center Beaches is a 122-bed community hospital. In 2004, Baptist Medical Center Beaches completed a new three story East Pavilion. Baptist Medical Center Nassau is a 54-bed acute care hospital located in Amelia Island. In 2002, it was included in the listing of 100 top hospitals in the nation. Wolfson Children's Hospital is a 180-bed facility and it recently received a \$5 million donation being used to establish the region's first pediatric neurosurgery center. In February 2005, Baptist Medical Center South, a 248,000 square foot hospital with 92 suites, opened its doors to primarily serve Southern Duval and Northern St. Johns County.

Originally founded in 1916 by the Daughters of Charity, St. Vincent's Medical Center is a 528-bed hospital and is part of St. Vincent's HealthCare, the largest non-profit and faith based hospital system in the United States. The hospital system operates several facilities, including the St. Catherine Laboure Manor, a 240-bed long-term nursing center, the Orange Park Health Center, 16 First Coast Primary Care locations, two pharmacies, and a new, state-of-the-art Family Care Center which services 30,000 patients per year. St. Vincent's Medical Center was named among the 100 Top Hospitals for Cardiovascular Care by Thomson Reuters in 2008. In April 2008, St. Vincent's expanded its services when St. Luke's Hospital, the City of Jacksonville's first hospital established over 135 years ago, transitioned into the St. Vincent's Healthcare system.

### Miscellaneous Jacksonville Statistics

<b>Year</b>	<b>Building Permits<sup>(1)</sup> (000s Omitted)</b>	<b>Bank Deposits (000s Omitted)</b>	<b>Gross Sales (000s Omitted)</b>
1992	613,728	5,982,421	17,988,544
1993	796,109	6,192,683	19,066,086
1994	823,715	6,365,459	20,741,715
1995	907,982	7,502,639	22,722,675
1996	1,043,770	8,118,088	23,848,244
1997	1,426,588	8,245,235	25,099,106
1998	1,534,290	11,852,642	25,414,504
1999	1,450,335	12,237,524	26,928,621
2000	1,715,594	11,401,942	28,906,339
2001	1,686,316	10,376,439	30,375,869
2002	1,821,618	12,433,442	31,348,713
2003	2,039,545	14,619,926	33,615,046
2004	2,147,248	17,021,575	33,307,667
2005	3,563,940	21,411,673	38,136,809
2006	2,380,430	23,560,469	42,332,115
2007	1,948,433	29,267,779	44,187,340
2008	2,141,145	34,715,000	43,756,862
2009	828,277	35,549,000	37,913,165
2010	1,037,279	43,641,000	38,317,084
2011	674,835	46,775,000	n/a
2012	n/a	45,900,000	n/a

<sup>(1)</sup> Does not include the three Beach Communities and Baldwin.

Sources: Building Permits from City of Jacksonville Building Inspection Division as of December 31, 2011. Bank Deposits for the City of Jacksonville MSA from Federal Deposit Insurance Corporation reported annually as of June 30. Gross Sales from University of Florida, Bureau of Economic and Business Research Statistical Abstract (2010).

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## **Ad Valorem Taxation**

The following information regarding millage rates and ad valorem tax revenues for the fiscal year ending September 30, 2012 is provided for informational purposes.

### **Millage Rates – Fiscal Year Ending September 30, 2012**

<b>Taxing Entity:</b>	<b>Mills</b>
General Government (GSD)	10.0353
Florida Inland Navigational District	0.0345
Schools	7.6000
Water Management District	0.3313
<b>TOTAL – GENERAL SERVICES DISTRICT</b>	<b>18.0011</b>

Source: Property Appraisers Office, City of Jacksonville, Florida.

### **Ad Valorem Taxes - September 30, 2011**

	<b>Levied</b>	<b>Collected</b>	<b>Percent Collected</b>
General Fund	\$505,368,958	\$501,518,613	99.24%
Duval County	\$963,487,972	\$956,469,062	99.27%

Source: Tax Collector's Office. Values include all of Duval County (including Beach Communities and Town of Baldwin).

### **Ten Largest Taxpayers**

	<b>Total 2011 Assessments</b>	<b>Percentage Total Assessments</b>
AT&T / Bell South / Communications	\$ 321,667,203	0.64%
Anheuser-Busch / Metal Container Corp	264,221,414	0.52%
FDG Properties / Flagler Development Company	250,085,049	0.50%
Wal-Mart Properties / Stores	233,420,929	0.46%
Stone Mountain Industrial, Inc	200,568,703	0.40%
Blue Cross & Blue Shield	191,416,712	0.38%
Vistakon / Johnson & Johnson Vision	176,635,207	0.35%
Mid America Apartment Communities	173,565,361	0.34%
Beemer & Associates	171,459,797	0.34%
Comcast Cable	165,183,763	0.33%
<b>TOTAL</b>	<b>\$2,148,224,138</b>	<b>4.26%</b>

Source: Tax Collector's Office.

## **APPENDIX B**

### **SUMMARY OF CERTAIN PROVISIONS OF THE SPECIAL REVENUE BOND ORDINANCE**

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## **SUMMARY OF CERTAIN PROVISIONS OF THE SPECIAL REVENUE BOND ORDINANCE**

The following are brief summaries of certain provisions of the Special Revenue Bond Ordinance. This summary does not purport to be complete and reference is made to the Special Revenue Bond Ordinance for a full and complete statement of such provisions. The Special Revenue Bond Ordinance is referred to in this Appendix B as the "Bond Ordinance." Certain provisions of the Special Revenue Bond Ordinance will be amended upon Ordinance 2012-620-E (the "Amendatory Ordinance") becoming effective (the "Amendments"). See "AMENDMENTS TO THE SPECIAL REVENUE BOND ORDINANCE" in the forepart of the Official Statement for more information regarding such Amendments.

### **Definitions of Certain Terms**

As used in this Summary:

"Act" means Section 159.11, Florida Statutes and Chapters 125 and 166, Florida Statutes, Article VIII, Section 2, Constitution of the State of Florida, the Charter and other applicable provisions of law.

"Additional Bonds" means additional obligations issued in compliance with the terms, conditions and limitations contained in the Bond Ordinance which are payable on a parity with, and rank equally in all other respects with the Bonds originally issued thereunder, including, without limitation, Commercial Paper Obligations.

"Aggregate Budgeted Expenditures" means for any Fiscal Year, the aggregate of the budgeted total expenditures, plus transfers out of the General Fund as provided in the Annual Budget for such Fiscal Year.

"Amortization Certificate" means the certificate of the City delivered concurrently with the issuance of Non-Self Sufficient Debt setting forth the principal amount of such Non-Self Sufficient Debt to be paid or redeemed prior to maturity in accordance with the requirements of the Bond Ordinance, as the same may be modified in accordance with the Bond Ordinance.

"Amortization Installment" means the funds required to be deposited in the Debt Service Account in a given Bond Year for the payment at maturity or redemption of a portion of a Series of Term Bonds on the next succeeding April 1 or October 1, as established by the City at or before the delivery of that Series of Term Bonds.

"Annual Budget" means the budget, as amended and supplemented from time to time, prepared by the City for each Fiscal Year in accordance with the laws of the State of Florida.

"Authorized Depository" means any bank, trust company, national banking association, savings and loan association, savings bank or other banking association selected by the City as a depository under the Bond Ordinance.

"Average Annual Debt Service Requirement" means the sum of the amounts determined by calculating separately with respect to each Series of Non-Self Sufficient Debt then

outstanding and then proposed to be issued, the amount equal to the aggregate of the Debt Service Requirement with respect to such Series of Non-Self Sufficient Debt for each Bond Year divided by the number of years (including fractional years) from the date of calculation to the date of final scheduled maturity of such Non-Self Sufficient Debt.

"Bond Counsel" means counsel designated by the City and experienced in matters relating to the validity of, and the exclusion from gross income for federal income tax purposes of interest on, obligations of states and their political subdivisions.

"Bonds" means all bonds issued and outstanding and any Additional Bonds issued under the Bond Ordinance.

"Bondholder," "Registered Owner," "Holder" and "Owner" means the registered owner (or its authorized representative) of a Bond.

"Bond Year" means the annual period beginning on the first day of October of each year and ending on the last day of September of the following year; provided that when such term is used to describe the period during which deposits are to be made pursuant to the Bond Ordinance to amortize principal and interest on the Bonds maturing or becoming subject to redemption, or pursuant to similar provisions with respect to other Non-Self Sufficient Debt, interest and principal maturing or becoming subject to redemption on October 1 of any year shall be deemed to mature or become subject to redemption on the last day of the preceding Bond Year.

"Capital Transfer" means any interfund transfer from the General Fund to another fund of the City, designated for a specific capital project (and not for debt service with respect to debt incurred for such capital project).

"Certified Interest Rate" shall mean the rate of interest determined by an investment banking or financial advisory firm selected by the City (i) in the case of Variable Rate Debt, as the rate of interest such Variable Rate Debt would bear if, assuming the same maturity date, terms and provisions (other than interest rate, optional redemption and tender rights) as the Variable Rate Debt of such maturity, such Variable Rate Debt were issued at a fixed interest rate and sold at par, and (ii) in the case of Designated Maturity Debt and Commercial Paper Obligations, as the rate such Designated Maturity Debt or Commercial Paper Obligations would bear if, assuming the amortization thereof as provided in the Amortization Certificate, such Designated Maturity Debt or Commercial Paper Obligations were issued at a fixed rate and sold at par. See "AMENDMENTS TO THE SPECIAL REVENUE BOND ORDINANCE" in the forepart of the Official Statement for a description of the amendment to "Certified Interest Rate" contained in the Amendatory Ordinance.

"Charter" means Chapter 92-341, Laws of Florida, Special Acts of 1992, as amended and supplemented.

"Chief Financial Officer" means the Director of Administration and Finance of the City or such other officer of the City serving as its chief financial officer as defined in Section 218.403, Florida Statutes.

"City" means the City of Jacksonville, Florida.

"Code" means the Internal Revenue Code of 1986, as amended, or any applicable corresponding provisions of any future laws of the United States of America relating to federal income taxation, and except as otherwise provided herein or required by the context hereof, includes interpretations thereof contained or set forth in the applicable regulations of the Department of Treasury (including applicable final regulations and temporary regulations), the applicable rulings of the Internal Revenue Service (including published Revenue Rulings and private letter rulings) and applicable court decisions.

"Commercial Paper Obligations" means all of the Bonds (which may be designated as notes or other obligations) of a Series or a proportionate maturity thereof with a maturity of less than 271 days so designated by the City prior to the issuance thereof.

"Cost" or "Cost of the Project," with respect to each Project authorized pursuant to the terms of the Bond Ordinance, shall include, without limiting the items of cost permitted under the Act the following items to the extent they relate to a Project: (a) all direct costs of the Project items described in the plans and specifications for the Project; (b) all costs of planning, designing, acquiring, constructing, financing and start-up costs of the Project; (c) all costs of issuance of Bonds issued to finance such Project or to refund indebtedness issued for such purposes, including the cost of any municipal bond insurance, fees and expenses of Bond Counsel, disclosure counsel, underwriters and underwriters' (or dealers') counsel, special tax counsel and financial advisors, printing costs, rating agency fees, initial acceptance fees of paying agents, broker-dealers, auction agents, remarketing agents, trustees, depositaries and all fees and costs of the Credit Facility Provider providing the Credit Facility and of other financial institutions providing special credit or liquidity facilities with respect to the Bonds; (d) the cost of acquisition, by purchase or condemnation, of any lands, structures, improvements, rights-of-way, franchises, easements or interests therein and all of the properties tangible or intangible, deemed necessary or convenient for the maintenance and operation of the Project; (e) all engineering, legal and financial costs and expenses; (f) all expenses for estimates of costs and of revenues; (g) costs of obtaining governmental and regulatory permits, licenses and approvals; (h) all fees of special advisors and consultants associated with one or more aspects of the Project; (i) interest on Bonds prior to and during acquisition or construction of such Project for which such Bonds were issued, and for such additional periods as the City may reasonably determine to be necessary for the placing of such Project in operation; (j) the reimbursement to the City of all such Costs of such Project that have been advanced by the City from its available funds before the delivery of a Series of Bonds issued to finance such costs to the extent such reimbursements do not, in the opinion of Bond Counsel, adversely affect the exclusion of interest on the Bonds other than Taxable Bonds from gross income for federal income tax purposes; (k) those amounts required to be rebated to the United States of America in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds issued with the intent that such interest be so excluded to the extent the City elects to pay such amounts from the Project Account; and (l) such other costs and expenses which shall be necessary or incidental to the financing herein authorized and the construction and acquisition or undertaking of the Project and the placing of same in operation or other implementation of the undertaking to be financed with proceeds of Bonds issued under the Bond Ordinance.

"Covenant Revenues" means those revenues of the City that are deposited to the credit of the City's General Fund derived from any source whatsoever that are legally available for the

payment of the obligations of the City under the Bond Ordinance, inclusive of operating transfers from other funds into the General Fund but exclusive of revenues derived from ad valorem taxation. It shall be assumed for purposes of calculating Covenant Revenues and Self Sufficient Debt that amounts required to be transferred from the City's General Fund to community redevelopment trust funds pursuant to Section 163.387, Florida Statutes or for other purposes for which tax increment revenues are pledged or committed, will come from revenues derived from ad valorem taxation and not from Covenant Revenues.

"Debt Service Account" means the accounts established by that name pursuant to the Bond Ordinance.

"Debt Service Requirement" means for a given Bond Year the remainder, after subtracting any accrued and capitalized interest for that Bond Year that has been deposited into the Debt Service Account or a separate subaccount in the Project Account for that purpose with respect to Bonds outstanding under the Bond Ordinance or that has been deposited in a similar account established with respect to Non-Self Sufficient Debt not issued as Bonds under the Bond Ordinance, from the sum of:

- (a) The amount required to pay the interest coming due on Non-Self Sufficient Debt during that Bond Year,
- (b) The amount required to pay the principal of Non-Self Sufficient Debt, including the principal of Serial Bonds and the principal of Term Bonds, maturing in that Bond Year that are not included in the Amortization Installments for such Term Bonds or in mandatory sinking fund redemption requirements with respect to other Non-Self Sufficient Debt,
- (c) The Amortization Installments for all Series of Term Bonds for that Bond Year and the mandatory sinking fund redemption requirements with respect to other Non-Self Sufficient Debt, including such payments as may be required pursuant to the City's Amortization Certificate(s) and the Bond Ordinance, and
- (d) The premium, if any, payable on all Bonds and other Non-Self Sufficient Debt required to be redeemed in that Bond Year in satisfaction of the Amortization Installment or mandatory sinking fund redemption requirements with respect to other Non-Self Sufficient Debt or in accordance with the City's Amortization Certificate(s) and the Bond Ordinance.

For purpose of determining the Debt Service Requirement, unless the interest rate is fixed for the duration of the applicable Bond Year(s), in which case the actual interest rate shall be used, the interest rate on Variable Rate Debt outstanding or proposed to be issued shall be calculated at the greater of (i) the actual rate of interest borne by such Variable Rate Debt or (ii) the Certified Interest Rate with respect thereto as of the date of calculation.

If a Series of Variable Rate Debt is subject to purchase by the City pursuant to a mandatory or optional tender by the holder, the "tender" date or dates shall be ignored and the stated maturity dates thereof shall be used for purposes of this calculation. The interest rate for Bonds and Additional Bonds issued as Variable Rate Debt for purposes of determining the

amount, if any, to be deposited into a subaccount in the Reserve Account for such Variable Rate Debt (other than the Composite Reserve Subaccount) shall be as required by the supplemental ordinance or resolution authorizing the issuance of such Variable Rate Debt.

For purposes of issuing Non-Self Sufficient Debt, the Debt Service Requirement shall be calculated assuming that the principal amount of each Series of Designated Maturity Debt shall have a final maturity of not later than thirty (30) years from the date of original issuance thereof and shall be amortized in accordance with the Amortization Certificate provided by the City, assuming such Designated Maturity Debt bears interest at the Certified Interest Rate determined based upon such amortization.

To the extent that the City has entered into a Qualified Hedge Agreement with respect to any Outstanding Non-Self Sufficient Debt, or intends to enter into a Qualified Hedge Agreement in connection with the issuance of Additional Bonds or other Non-Self Sufficient Debt, and notwithstanding the provisions of clauses (a) and (b) above, while the Qualified Hedge Agreement is in effect and so long as the counterparty has not defaulted thereunder (including without limitation, under a credit support annex or comparable agreement related thereto), for the purpose of determining the Debt Service Requirement, the interest rate with respect to the principal amount of such Bonds or other Non-Self Sufficient Debt equal to the "notional" amount specified in the Qualified Hedge Agreement shall be assumed to be (a) if the City's payment obligations under the Qualified Hedge Agreement are computed based on a fixed rate of interest, the actual rate of interest upon which the City's payment obligations are computed under such Qualified Hedge Agreement, (b) if the City's payment obligations under the Qualified Hedge Agreement are computed based upon a variable rate of interest, the interest rate on such Bonds or other Non-Self Sufficient Debt shall be determined in accordance with the provisions of this definition with respect to calculation of interest on Variable Rate Debt as if such Bonds or other Non-Self-Sufficient Debt were Variable Rate Debt, plus in either case (c) any interest rate differential or basis differential between the rate payable by the counterparty under the Qualified Hedge Agreement and the interest rate payable by the City on the Bonds or other Non-Self Sufficient Debt to which the Qualified Hedge Agreement pertains, as determined by the Authorized Issuer Representative. The interest coming due on Bonds or other Non-Self-Sufficient Debt for which as Qualified Hedge Agreement is in place for purposes of this definition shall be the net aggregate amount each applicable period, taking into account (i) the actual interest borne by such Bonds or other Non-Self Sufficient Debt for such period (using the assumptions described above for Variable Rate Debt, if applicable), (ii) the Qualified Hedge Receipts for such period and (iii) the Qualified Hedge Payments for such period, with the payments described in clauses (ii) and (iii) of this sentence being calculated on the applicable notional amount.

For purposes of calculating the Annual Debt Service with respect to Commercial Paper Obligations or other Non-Self Sufficient Debt issued in the form of commercial paper notes, only the interest component of such Commercial Paper Obligations or other Non-Self Sufficient Debt and the principal component of the Commercial Paper Obligations or other Non-Self Sufficient Debt that the City reasonably expects to retire and not to pay with the proceeds of roll-over Commercial Paper Obligations or other Non-Self Sufficient Debt in such Bond Year (as reflected in the Amortization Certificate) shall be included in the calculation of the Debt Service Requirement. The interest rate on the Commercial Paper Obligations or other Non-Self

Sufficient Debt issued in the form of commercial paper notes shall be computed in the same manner as the computation of interest on Variable Rate Debt as described above, assuming a principal amortization as provided in the Amortization Certificate.

If two Series of Variable Rate Debt, or one or more maturities within a Series, are issued simultaneously with inverse floating interest rates providing a composite fixed interest rate for such Bonds or other Non-Self Sufficient Debt taken as a whole, such composite fixed rate shall be used in determining the Debt Service Requirement with respect to such Bonds or other Non-Self Sufficient Debt.

"Deputy Registrar and Paying Agent" means any Authorized Depositary designated by the City to serve as Deputy Registrar and Paying Agent or place of payment for any one or more Series of Bonds issued under the Bond Ordinance that shall have agreed to arrange for the timely payment of the principal of, interest on and redemption premium, if any, with respect to the Bonds to the registered owners thereof, from funds made available by the City, and any successors designated pursuant to the Bond Ordinance.

"Designated Maturity Debt" means all Non-Self Sufficient Debt of a Series, or a particular maturity thereof, with a stated maturity of fifteen (15) years or less, designated as such by the City prior to the issuance thereof, for which either (a) no Serial maturities or Amortization Installments (with respect to Bonds issued under the Bond Ordinance) or mandatory sinking fund redemption installments (with respect to other Non-Self Sufficient Debt) have been established or (b) the aggregate of such Serial maturities and Amortization Installments or mandatory sinking fund redemption installments that have been established is less than the principal amount of such Non-Self Sufficient Debt.

"Direct Obligations" means non-callable direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided, that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee.

"Federal Securities" means direct obligations of the United States of America or obligations the payment of the principal of and interest on which when due is unconditionally guaranteed by the United States of America.

"Fiscal Year" means the period commencing on October 1 of each year and ending on the succeeding September 30, or such other consecutive 12-month period as may be designated as the Fiscal Year of the City pursuant to general law.

"Fitch" means Fitch Ratings, a corporation organized and existing under the laws of the State of New York, its successors and assigns and, if such corporation shall no longer perform the functions of a security rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

"General Fund" means the City's General Fund as reported in the City's Comprehensive Annual Financial Report.

"Governing Body" means the Council of the City.

"Investment Obligations" means, to the extent permitted by law (a) Federal Securities, or (b) direct obligations of the Federal Intermediate Credit Banks, Federal Land Banks, Federal Farm Credit System, Federal Home Loan Banks or Banks for Cooperatives, or (c) certificates of deposit or other interest bearing obligations of any bank, savings and loan association or trust company (including any Authorized Depository) authorized to engage in the banking business, either fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or fully collateralized by obligations described in (a) or (b) above having a fair market value (determined at least quarterly) equal to the principal amount of such certificates of deposit or other interest bearing obligations, or (d) repurchase agreements with any authorized depository or primary reporting government dealer, in each case having a capital and surplus or net capital of not less than \$100,000,000, and having senior debt obligations rated at least A by at least one nationally recognized rating service, secured by collateral of the type and in the amount described in (c) above, or (e) general obligation or full faith and credit bonds, notes or obligations of any state or any municipality or political subdivision of any state, or any revenue bonds, notes or obligations of any such entities, or any agency or authority thereof, if such obligations are rated by at least one nationally recognized rating service in either of the two highest classifications approved by the Comptroller of the Currency for the investment of funds of national banks, or (f) any other obligations in which surplus municipal funds may be invested under the laws of the State of Florida, or any ordinance of the City authorized thereunder and as shall comply with the City's investment policy, as the same may be amended from time to time, including without limitation, the Local Government Surplus Funds Trust Fund created and established pursuant to Part IV, Chapter 218, Florida Statutes, as amended.

"Mayor" means the Mayor of the City or, in his absence or inability to perform, the alternate officer authorized by ordinance of the City.

"Maximum Annual Debt Service" with respect to Non-Self Sufficient Debt means, as of any particular date of calculation, the largest Debt Service Requirement for any remaining Bond Year except that the amount of principal coming due on the final maturity date with respect to Non-Self Sufficient Debt shall be reduced by (a) the aggregate principal amount of such Non-Self Sufficient Debt to be redeemed from Amortization Installments to be made in prior Bond Years and (b) the aggregate principal amount of Non-Self Sufficient Debt to be paid or redeemed in prior Bond Years pursuant to the City's Amortization Certificate.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and, if such corporation shall no longer perform the function of a securities rating agency, "Moody's" shall be deemed to refer to such other nationally recognized rating agency as the City shall designate.

"Municipal Obligations" means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which at the time of purchase are rated "AAA" by S&P and/or Fitch and/or and "Aaa" by Moody's.

"Non-Ad Valorem Expenditures" means all expenditures from the General Fund (including debt service payments with respect to the Bonds), net of expenditures funded with ad valorem tax revenues deposited into the General Fund.

"Non-Self Sufficient Debt" means any indebtedness of the City for the payment of borrowed money other than Self Sufficient Debt.

"Outstanding Bonds" or "Bonds outstanding" or "Outstanding" in reference to Bonds means all Bonds which have been issued pursuant to the Bond Ordinance, except:

(a) Bonds cancelled after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Bonds for the payment or redemption of which cash funds or Refunding Securities or any combination thereof shall have been theretofore irrevocably set aside in a special account with the Deputy Registrar and Paying Agent (whether upon or prior to the maturity or redemption date of any such Bonds) in an amount which, together with earnings on such Refunding Securities, will be sufficient to pay the principal of and interest on such Bonds at maturity or upon their earlier redemption; provided that, if such Bonds are to be redeemed before the maturity thereof, notice of such redemption shall have been given according to the requirements of the Bond Ordinance or irrevocable instructions directing the timely publication of such notice and directing the payment of the principal of and interest on all Bonds at such redemption dates shall have been given to the Deputy Registrar and Paying Agent; and

(c) Bonds which are deemed paid upon being called for redemption in accordance with the Bond Ordinance or mutilated, destroyed, stolen or lost Bonds in lieu of which other Bonds have been issued under Section 6.04 of the Bond Ordinance.

With respect to Non-Self Sufficient Debt other than Bonds, "Outstanding" or "outstanding" means all such Non-Self Sufficient Debt issued by the City except:

(x) Non-Self Sufficient Debt cancelled after purchase in the open market or because of payment at or redemption prior to maturity;

(y) Non-Self Sufficient Debt that has been defeased in accordance with the terms thereof, and

(z) Non-Self Sufficient Debt that is deemed to no longer be outstanding under and for purposes of the ordinance, resolution or other authorizing instrument under which such Non-Self Sufficient Debt is issued.

"Projects" means the construction or acquisition of additions, extensions and improvements to various capital improvements or other governmental undertakings of the City for municipal purposes under the Act, described from time to time by supplemental ordinance or resolution of the City, and the refunding of indebtedness issued to finance any such Projects.

"Qualified Hedge Agreement" means an agreement such as an interest rate swap, collar, cap or other functionally similar agreement, between the City and a counterparty whose long-term unsecured debt at the time of entering into such agreement is rated, or whose obligations are guaranteed by an entity whose long-term unsecured debt at the time of entering into such agreement is rated, in one of the two highest rating categories (without regard to

gradations) by at least two nationally recognized securities rating agencies, which agreement requires that if such counterparty or guarantor, as the case may be, does not maintain a rating in one of the three highest rating categories (without regard to gradations) from at least two securities rating agencies, one of the following shall occur (a) such counterparty shall provide a new guarantor, or some form of credit enhancement from any entity, whose long-term unsecured debt is then rated in one of the three highest rating categories or above (without regard to gradations), or (b) such counterparty shall be obligated to post collateral for the benefit and protection of the City under the terms of a credit support annex or comparable agreement, and which agreement is entered into by the City as a debt management tool with respect to the Bonds or a portion thereof issued under the Bond Ordinance or other Non-Self Sufficient Debt, and is designated by the City as a Qualified Hedge Agreement for purposes of the Bond Ordinance.

"Qualified Hedge Payments" means the net payment obligation of the City arising under a Qualified Hedge Agreement, which are calculated on the basis of interest on a notional amount which may correspond with all, or any portion of, the principal amount of certain Bonds issued under the Bond Ordinance or other Non-Self Sufficient Debt or a particular Series or maturity thereof, based upon a fixed or a variable rate index or formula. Qualified Hedge Payments include only regularly scheduled payments under a Qualified Hedge Agreement determined by reference to interest on a notional amount and shall not include any other payments under such agreement (for example, any termination fee, fee for extension, indemnification obligations or other fees payable under the Qualified Hedge Agreement).

"Qualified Hedge Receipts" means the net payment obligation of the counterparty to the City arising under a Qualified Hedge Agreement, which are calculated on the basis of interest on a notional amount which may correspond with all, or any portion of, the principal amount of certain Bonds issued under the Bond Ordinance or other Non-Self Sufficient Debt or a particular Series or maturity thereof, based upon a fixed or a variable rate index or formula. Qualified Hedge Receipts include only regularly scheduled payments under a Qualified Hedge Agreement determined by reference to interest on a notional amount and shall not include any other payments under such agreement (for example, any termination fee, fee for extension, indemnification obligations or other fees payable under the Qualified Hedge Agreement).

"Rating Agency" means Moody's, Fitch and S&P and any other nationally recognized rating agency, to the extent they have in effect a rating on any of the Bonds outstanding under the Bond Ordinance at the request of the City.

"Rebate Account" means the Rebate Account created and established pursuant to the Bond Ordinance.

"Rebate Amount" means, with respect to each Series of Bonds issued under the Bond Ordinance that are not Taxable Bonds, the excess of the amount earned on all non-purpose investments (as defined in Section 148(f)(6) of the Code, as amended) over the amount which would have been earned if such non-purpose investments were invested at a rate equal to the yield on such Series of Bonds, plus any income attributable to such excess but shall not include any amount exempted by Section 148(f) of the Code from payment to the United States.

"Refunding Securities" means Federal Securities and Municipal Obligations.

"Reserve Account" means the respective accounts by that name established pursuant to the Bond Ordinance.

"Reserve Product" means bond insurance, a surety bond or a letter of credit or other credit facility used in lieu of a cash deposit in the Reserve Account and meeting the terms and conditions of the Bond Ordinance.

"Reserve Product Provider" means a nationally recognized bond insurance provider or a bank or other financial institution providing a Reserve Product, and meeting any other requirements imposed pursuant to the supplemental ordinance or resolution pursuant to which the Series of Bonds to be insured by such Reserve Product is authorized.

"Reserve Requirement" means, with respect to the Composite Reserve Subaccount, the Composite Reserve Requirement; and with respect to each Series of Bonds issued under the Bond Ordinance that is not secured by the Composite Reserve Subaccount, the amount of money, if any, or available amount of a Reserve Product, if any, or a combination thereof, required by supplemental ordinance or resolution enacted or adopted or otherwise designated by the City prior to the issuance of such Series of Bonds to be maintained in the subaccount in the Reserve Account with respect to such Series of Bonds pursuant to the Bond Ordinance; provided that the amount so designated by the City shall not cause any existing rating on any Bonds or Series of Bonds Outstanding under the Bond Ordinance to be lowered, suspended or withdrawn with respect to each Series of Bonds issued under the Bond Ordinance.

"S&P" means Standard & Poor's, a division of the McGraw Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns and, if such corporation shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

"Self Sufficient Debt" means any indebtedness of the City for borrowed money that is either (a) secured by or payable exclusively from a source of revenues other than Covenant Revenues, or (b) primarily payable from revenues of the type described in clause (a) above and secondarily from Covenant Revenues if the Covenant Revenues have not been used (or, as provided below, deemed to have been used) to pay any portion of such indebtedness for the three Fiscal Years preceding the date of determination and if the City projects that the Covenant Revenues will not be so used during the next two Fiscal Years; and either (c) that is secured by a revenue source that has been in effect for at least three Fiscal Years and that would have provided coverage of at least 125% of the average annual debt service on such obligations secured by such revenue source in each of the three preceding Fiscal Years or, (d) if the revenue source has not been in existence for at least three Fiscal Years, that is secured by a revenue source that would have provided coverage of at least 150% of the average annual debt service on such obligations secured by such revenue source in at least the last full Fiscal Year preceding the issuance of such obligations and that is projected to provide at least 150% debt service coverage (based on revenue and debt service projections by the City) in each of the three ensuing Fiscal Years; and (e) in any such case, in the three preceding Fiscal Years, no debt service on which has been paid (or, as provided below, deemed to have been paid) from Covenant Revenues. For purposes of calculating the coverage requirements described in this definition, the historical and

projected receipts of a particular revenue source shall be adjusted retroactively to the initial date of the calculation period to reflect changes in rates, levies or impositions enacted prior to the date of calculation. For purposes of this definition, Covenant Revenues will be deemed to have been used to pay debt service on any debt if Covenant Revenues have been transferred in the relevant period, other than pursuant to a Capital Transfer, to a fund or account used to pay debt service on such debt.

"Serial Bonds" means all Bonds of a Series other than Term Bonds.

"Series" means any portion of the Bonds or of other Non-Self Sufficient Debt of an issue authenticated and delivered in a single transaction, payable from an identical source of revenue and identified pursuant to the supplemental ordinance or resolution authorizing such Bonds or the authorizing instrument with respect to such other Non-Self Sufficient Debt as a separate Series of Bonds or indebtedness, regardless of variations in maturity, interest rate, Amortization Installments or other provisions, and any Bonds or other Non-Self Sufficient Debt thereafter authenticated and delivered in lieu of or in substitution of a Series of Bonds or other Non-Self Sufficient Debt.

"Taxable Debt" means Bonds or other Non-Self Sufficient Debt, the interest on which is not intended at the time of issuance thereof to be excluded from the gross income of the owners thereof for federal income tax purposes.

"Term Bonds" means Bonds of a Series for which Amortization Installments are established, and such other Bonds of a Series so designated by supplemental ordinance or resolution of the City adopted or otherwise designated by the City on or before the date of delivery of such Bonds.

"Variable Rate Debt" means Bonds or other Non-Self Sufficient Debt issued with a variable, auction reset, adjustable, convertible or other similar interest rate which is not fixed in percentage for the remaining term thereof.

### **Bond Ordinance Constitutes a Contract**

The Bond Ordinance shall be deemed to be and shall constitute a contract between the City and the respective Bondholders. The covenants and agreements set forth in the Bond Ordinance to be performed by the City shall be for the equal benefit, protection and security of the Bondholders and all Bonds shall be of equal rank and without preference, priority, or distinction over any other thereof, except as expressly provided in the Bond Ordinance.

### **Bonds Mutilated, Destroyed, Stolen or Lost**

If any Bond is mutilated, destroyed, stolen or lost, the City or its agent may, in its discretion (a) deliver a duplicate replacement Bond, or (b) pay a Bond that has matured or is about to mature. A mutilated Bond shall be surrendered to and cancelled by the Deputy Registrar and Paying Agent with respect to the applicable Series of Bonds. The Bondholder must furnish the City or its agent proof of ownership of any destroyed, stolen or lost Bond; post satisfactory indemnity; comply with any reasonable conditions the City or its agent may prescribe; and pay the City's or the agent's reasonable expenses.

## **Project Account**

The Bond Ordinance creates the "Special Revenue Bond Project Account" (the "Project Account") as part of the Special Revenue Bond Fund created under the Bond Ordinance. Proceeds of the Bonds shall be deposited into the Project Account for the payment of the Cost of each Project to be financed under the Bond Ordinance as designated by supplemental ordinance or resolution of the City.

The City shall establish separate subaccounts in the Project Account for each Project to be financed by one or more Series of Bonds issued under the Bond Ordinance. Each such subaccount in the Project Account shall be kept separate and apart from all other accounts and subaccounts of the City, and the funds on deposit therein shall be withdrawn, used and applied by the City solely for the payment of the acquisition and construction costs of such Project and purposes incidental thereto as set forth in the Bond Ordinance.

Any funds on deposit in the Project Account that, in the opinion of the City, are not immediately necessary for expenditure, as hereinabove provided, shall be held and may be invested, in the manner provided by law, in Investment Obligations pursuant to the Bond Ordinance. All income derived from investments of funds in the Project Account shall be deposited in the appropriate subaccount therein to which such investment income is attributable.

## **Budgetary Debt Service on Variable Rate Bonds and Commercial Paper Obligations**

If Bonds constituting Variable Rate Debt or Commercial Paper Obligations are outstanding under the Bond Ordinance in any Fiscal Year, the amounts to be included in the Debt Service Requirement with respect to such Variable Rate Debt or Commercial Paper Obligations shall be initially determined in accordance with the assumptions provided in the definition of "Debt Service Requirement;" provided, however, that for the initial budget for a Fiscal Year, such assumptions shall be applied and the assumed interest rates shall be calculated using the interest rates and Certified Interest Rate determined as of May 31 preceding the commencement of such Fiscal Year. During each Fiscal Year in which Bonds constituting Variable Rate Debt or Commercial Paper Obligations are outstanding, the City shall monitor the actual interest rates applicable thereto in order to determine the sufficiency of the amounts budgeted and appropriated in accordance with such assumed rates. If for any two consecutive calendar months the actual average rate of interest on such Bonds constituting Variable Rate Debt or Commercial Paper Obligations, if continued to the end of such Fiscal Year, would cause the average rate of interest on such Bonds or Commercial Paper Obligations for such Fiscal Year to exceed the assumed interest rate, the City shall, in accordance with and subject to budgetary procedures and limitations imposed by applicable law, initiate proceedings to amend the Annual Budget to increase the amount of the Covenant Revenues budgeted and appropriated pursuant to the Bond Ordinance for such Fiscal Year based upon a revised assumed interest rate for such Bonds constituting Variable Rate Debt or Commercial Paper Obligations equal to 110% of the average rate of interest on such Bonds or Commercial Paper Obligations, as the case may be, during such preceding calendar month; provided, however, that if the actual Variable Rate is fixed for the remainder of the Fiscal Year, such amendment shall be based upon 110% of the actual Variable Rate.

## **Deposits Constitute Trust Funds**

All funds or other property which at any time may be owned or held in the possession of or deposited with the City in the Special Revenue Bond Fund under the provisions of the Bond Ordinance shall be held in trust, applied only in accordance with the provisions of the Bond Ordinance, and shall not be subject to lien or attachment by any creditor of the City.

## **Investment of Moneys**

Moneys held for the credit of the funds and accounts created under the Bond Ordinance shall be invested and reinvested by the City in Investment Obligations. Such investments or reinvestments shall mature not later than the respective dates, as estimated by the City, that the moneys held for the credit of said funds or accounts will be needed for the purposes of such funds or accounts. Investment earnings shall be applied as provided in the Bond Ordinance.

## **Tax Covenants**

The City intends that the interest on each Series of Bonds issued under the Bond Ordinance that are not Taxable Debt be and remain excluded from gross income for federal income tax purposes. The City represents to and covenants with the Holders of the Bonds issued under the Bond Ordinance that are not Taxable Debt that it will comply with the requirements applicable to it contained in Section 103 and Part IV of Subchapter B of Subpart A of Chapter 1 of the Code to the extent necessary to preserve the exclusion of interest on each Series of Bonds from gross income for federal income tax purposes.

## **Funding Sources for General Fund**

The City covenants and agrees that as long as any Bonds are Outstanding under the Bond Ordinance, it shall continue to deposit to the credit of the City's General Fund those revenue sources that are deposited to the credit of the General Fund as provided in the City's Annual Budget for Fiscal Year 2005-06, excluding, however, any increases in revenues resulting from increases in rates or levies or expansions in rates or levies or new revenue sources that are designated by the City to be deposited other than in the General Fund.

## **Annual Audits and Reports**

The City shall within one hundred eighty (180) days after the close of each Fiscal Year, cause the financial statements of the City to be properly audited by a recognized independent certified public accountant or recognized independent firm of certified public accounts, and shall require such accountants to complete their report on the annual financial statements in accordance with applicable law. Such annual financial statements shall contain, but not be limited to, a balance sheet, a statement of revenues, expenditures and changes in fund balance, and any other statements as required by law or accounting convention, and a report by such accountants disclosing any material default on the part of the City of any covenant or agreement in the Bond Ordinance which is disclosed by the audit of the financial statements. The annual financial statement shall be prepared in conformity with generally accepted accounting principles.

The City shall also require its Chief Financial Officer to file with the City within one hundred eighty (180) days after the end of each Fiscal Year a written report certifying that all payments, deposits and credits to and payments, transfers and withdrawals from each fund and account created under the Bond Ordinance have been made in strict compliance with the terms of the Bond Ordinance.

The Governing Body shall require its duly authorized officer to file with the City any special financial reports as requested at any time by a written document signed by Bondholders owning more than fifty percent (50%) of the aggregate principal amount of the Bonds then outstanding.

The Chief Financial Officer shall, with respect to each Series of Non-Self Sufficient Debt issued on or after the date of issuance of the first Series of Bonds under the Bond Ordinance for which Amortization Installments or serial maturities have not been established, file with the Governing Body prior to the beginning of each Fiscal Year, commencing with the Fiscal Year beginning five (5) years prior to commencement of the required amortization of such Series of Non-Self Sufficient Debt pursuant to the Bond Ordinance, a report setting forth a plan for the amortization of such Series of Non-Self Sufficient Debt in accordance with the requirements of the Bond Ordinance.

A copy of each report of the Chief Financial Officer, together with the comprehensive annual financial report as certified according to the requirements stated above, shall be available for inspection at the offices of the City and shall be promptly furnished to the managing underwriter of each Series of Bonds and mailed to any Bondholder requesting the same upon payment by such Bondholder of the cost of reproduction and mailing.

### **Annual Budget**

The City covenants and agrees to prepare and adopt for each Fiscal Year an Annual Budget for the City in the manner provided and in accordance with applicable law.

### **Qualified Hedge Agreements**

The City may, to the extent permitted by law, enter into one or more Qualified Hedge Agreements concurrently with the issuance of Non-Self Supporting Debt under the Bond Ordinance, provided that the financial tests described in the Bond Ordinance are complied with applying the assumptions and provisions relating to Qualified Hedge Agreements set forth in the definition of "Debt Service Reserve Requirement." In addition, the City may, to the extent permitted by law, enter into one or more Qualified Hedge Agreements with respect to Non-Self Sufficient Debt previously issued and outstanding; provided that, as estimated by the Chief Financial Officer, (i) entering into the Qualified Hedge Agreement would provide a present value net interest cost savings to the City versus the present value net interest cost to the City on such Non-Self Sufficient Debt if such Qualified Hedge Agreement were not entered into, or (ii) entering into such Qualified Hedge Agreement would be permitted under the financial tests described in the Bond Ordinance applying the assumptions and provisions relating to Qualified Hedge Agreements set forth in the definition of "Debt Service Reserve Requirement" and, if such Qualified Hedge Agreement relates to Bonds issued under the Bond Ordinance that are not

Taxable Debt, there is provided to the City an opinion of Bond Counsel that the City's execution, delivery and performance of the Qualified Hedge Agreement will not, in and of themselves cause the interest on such Bonds not be excludable from gross income for federal income tax purposes.

Unless the counterparty to any Qualified Hedge Agreement associated with Bonds issued under the Bond Ordinance shall agree that Qualified Hedge Payments with respect thereto shall be subordinate to payments on the Bonds or shall be unsecured, Qualified Hedge Payments under such Qualified Hedge Agreement shall be on parity with payments on Bonds, all in the manner and to the extent specified in the Bond Ordinance. Qualified Hedge Payments under any Qualified Hedge Agreement associated with Bonds issued under the Bond Ordinance shall only be paid in the manner and to the extent specified in the Bond Ordinance. Neither Qualified Hedge Payments nor other payments due under any Qualified Hedge Agreement shall be secured by funds on deposit in the Reserve Account or funds on deposit in the Project Account.

## **Events of Default**

The Bond Ordinance provides that each of the following events is an "event of default:"

(a) payment of principal of any Bond shall not be made when the same shall become due and payable, either at maturity or on required payment dates by proceedings for redemption or otherwise; or

(b) payment of any installment of interest shall not be made when the same shall become due and payable; or

(c) payment of any Qualified Hedge Payment associated with Bonds outstanding under the Bond Ordinance shall not be made when the same shall become due and payable and any applicable grace or notice period provided in the applicable Qualified Hedge Agreements shall have lapsed; or

(d) the City shall fail to make any cash deposits required to be made under the Bond Ordinance and such failure shall continue unremedied for a period of five (5) days after the occurrence thereof; or

(e) the City shall fail to comply with any of the covenants and obligations of the City under the Bond Ordinance (other than with respect to making required cash deposits) and such failure shall continue unremedied for a period of thirty (30) days after the occurrence thereof; or

(f) an order or decree shall be entered, with the consent or acquiescence of the City, appointing a receiver or receivers of the City, or the filing of a petition by the City for relief under federal bankruptcy laws or any other applicable law or statute of the United States of America or the State of Florida, which shall not be dismissed, vacated or discharged within thirty (30) days after the filing thereof; or

(g) any proceedings shall be instituted, with the consent or acquiescence of the City, for the purpose of effecting a composition between the City and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statutes now or hereafter

enacted, if the claims of such creditors are under any circumstances payable from amounts deposited in the General Fund.

In determining whether a default has occurred pursuant to (a), (b) or (c) above, no effect shall be given to payments made under any Bond Insurance Policy. Notwithstanding the foregoing, with respect to the events described in clause (e) above, the City shall not be deemed in default under the Bond Ordinance if such default can be cured within a reasonable period of time and if the City in good faith institutes appropriate curative action and diligently pursues such action until the default has been corrected.

### **Enforcement of Remedies**

Upon the happening and continuance of any event of default, then and in every such case the Owners of not less than 25% of the principal amount of Bonds then Outstanding, may appoint any state bank, national bank, trust company or national banking association qualified to transact business in Florida to serve as trustee for the benefit of the Holders of all Bonds then outstanding (the "Trustee"). Notice of such appointment, together with evidence of the requisite signatures of the Holders of 25% of the principal amount of Bonds Outstanding and the trust instrument under which a trustee shall have agreed to serve shall be filed with the City and such Trustee and notice of such appointment shall be published in a financial journal of general circulation in the City of New York, New York. After the appointment of the first Trustee under the Bond Ordinance no further Trustees may be appointed; however, the Holders of a majority of the principal amount of Bonds then Outstanding may remove the Trustee initially appointed and appoint a successor and subsequent successors at any time. If the default for which the Trustee was appointed is cured or waived pursuant to the Bond Ordinance the appointment of the Trustee shall terminate with respect to such default.

After a Trustee has been appointed pursuant to the foregoing, the Trustee may proceed, and upon the written request of owners of 25% of the principal amount of Bonds Outstanding shall proceed, to protect and enforce the rights of the Bondholders under the laws of the State of Florida, including the Act, and under the Bond Ordinance by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board, body or officer having jurisdiction, either for the specific performance of any covenant or agreement contained therein or in aid of execution of any power therein granted or for the enforcement of any proper legal or equitable remedy, all as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.

### **Effect of Discontinuing Proceedings**

In case any proceeding taken by the Trustee or any Bondholder on account of any default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or such Bondholder, then and in every such case the City, the Trustee and Bondholders shall be restored to their former positions and rights under the Bond Ordinance and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

## **Directions to Trustee as to Remedial Proceedings**

Notwithstanding anything in the Bond Ordinance to the contrary, the Holders of a majority of the principal amount of Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Bond Ordinance, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Bond Ordinance and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

## **Restrictions on Actions by Individual Bondholders**

No Bondholder shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Bond Ordinance or for any other remedy thereunder unless such Bondholder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be taken, and unless the Holders of not less than 25% of the principal amount of Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted under the Bond Ordinance or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, including the reasonable fees of its attorneys (including fees on appeal), and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Bond Ordinance or for any other remedy thereunder. It is understood and intended that no one or more Owners of the Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Bond Ordinance, or to enforce any right thereunder, except in the manner therein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner therein provided and for the benefit of all Bondholders, and that any individual rights of action or any other right given to one or more of such Owners by law are restricted by the Bond Ordinance to the rights and remedies therein provided.

Nothing contained in the Bond Ordinance, however, shall affect or impair the right of any Bondholder, individually, to enforce the payment of the principal of and interest on his Bond or Bonds at and after the maturity thereof, at the time, place, from the source and in the manner provided in the Bond Ordinance.

## **Remedies Cumulative**

No remedy in the Bond Ordinance conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy or remedies, and each and every such remedy will be cumulative and in addition to every other remedy given under the Bond Ordinance or now or hereafter existing at law or in equity or by statute.

## **Waiver of Default**

No delay or omission of any Bondholder to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy provided under the Bond Ordinance to the Bondholders may be exercised from time to time, and as often as may be deemed expedient.

## **Application of Moneys after Default**

If an Event of Default shall happen and shall not have been remedied, the City or a trustee or receiver appointed for the purpose shall apply all amounts, available under the Bond Ordinance (except for amounts in the subaccounts of the Reserve Account which shall be applied solely to the payment of the Series of Bonds for which they were established) as follows and in the following order:

(a) To the payment of the reasonable and proper charges, expenses and liabilities of the trustee or receiver, Deputy Registrar and Paying Agent hereunder and all fees due any provider of a Reserve Product; and

(b) To the payment of the interest and principal or Redemption Price, if applicable, then due on the Bonds and Qualified Hedge Payments then due, as follows:

(1) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied:

FIRST: to the payment to the Persons entitled thereto of all installments of interest then due, in the order of the maturity of such installments, and Qualified Hedge Payments then due, and, if the amount available shall not be sufficient to pay in full any particular installment and Qualified Hedge Payment, then to the payment ratably, according to the amounts due on such installment and Qualified Hedge Payment, to the Persons entitled thereto, without any discrimination or preference;

SECOND: to the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due at maturity or upon mandatory redemption prior to maturity (other than Bonds called for redemption for the payment of which moneys are held in escrow for the defeasance under the Bond Ordinance), in the order of their due dates, with interest upon such Bonds from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the Persons entitled thereto without any discrimination or preference; and

THIRD: to the payment of the Redemption Price of any Bonds called for optional redemption pursuant to the provisions of the Bond Ordinance.

(2) If the principal of all the Bonds shall have become due and payable, all such moneys shall be applied to the payment of the principal of and interest on the Bonds, and Qualified Hedge Payments then due and unpaid, with interest thereon as aforesaid, without preference or priority of principal over interest or Qualified Hedge Payments or of interest or Qualified Hedge Payments over principal, or of any installment of interest over any other installment of interest, or any Qualified Hedge Payment over any other Qualified Hedge Payment, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

### **Modification or Amendment**

*Without Bondholders' Consent.* The City, from time to time and at any time, may enact such supplemental or amendatory ordinances or resolutions without the consent of the Bondholders, for any of the following purposes:

- (a) To cure any ambiguity or formal defect or omission or to correct any inconsistent provisions in the Bond Ordinance or to clarify any matters or questions arising under the Bond Ordinance.
- (b) To grant to or confer upon the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders.
- (c) To add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of the Bond Ordinance other conditions, limitations and restrictions thereafter to be observed.
- (d) To permit coupon Bonds as provided by the Bond Ordinance.
- (e) To add to the covenants and agreements of the City in the Bond Ordinance other covenants and agreements thereafter to be observed by the City or to surrender any right or power in the Bond Ordinance reserved to or conferred upon the City.
- (f) To authorize the issuance of Additional Bonds in accordance with the requirements of the Bond Ordinance.
- (g) To make any other change that, in the opinion of the City, would not materially adversely affect the security for the Bonds. In making such determination, the City shall not take into consideration any Bond Insurance Policy.

Copies of any proposed supplemental or amendatory ordinance shall be provided by the City to any nationally recognized securities rating agency then maintaining a rating of any Bonds Outstanding under the Bond Ordinance prior to the effective date thereof.

*With Bondholders' Consent.* Subject to the terms and provisions contained in the Bond Ordinance, the Holder or Holders of not less than a majority of the principal amount of Bonds then Outstanding shall have the right, from time to time, anything contained in the Bond Ordinance to the contrary notwithstanding, to consent to and approve the enactment or adoption

of such supplemental or amendatory ordinance or resolution as shall be deemed necessary or desirable by the City for the purpose of supplementing, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Bond Ordinance; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series or maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Bond Ordinance. Any supplemental or amendatory ordinance or resolution which is adopted in accordance with the provisions of the Bond Ordinance shall also require the written consent of the Insurer of any Bonds which are Outstanding at the time such supplemental or amendatory ordinance or resolution affecting such Bonds shall take effect. No supplemental or amendatory ordinance or resolution may be approved or adopted which shall permit or require (a) an extension of the maturity of the principal of or the payment of the interest on any Bond issued under the Bond Ordinance, (b) reduction in the principal amount of any Bond or the redemption price or the rate of interest thereon, (c) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental or amendatory ordinance or resolution. Nothing in the Bond Ordinance contained, however, shall be construed as making necessary the approval by Bondholders or the Insurer of the enactment or adoption of any supplemental or amendatory ordinance or resolution as authorized in the Bond Ordinance.

If at any time the City shall determine that it is necessary or desirable to adopt any supplemental or amendatory ordinance or resolution pursuant to the Bond Ordinance, the City shall cause the Deputy Registrar and Paying Agent to give notice of the proposed adoption of such supplemental or amendatory ordinance or resolution and the form of consent to such adoption to be mailed, postage prepaid, to all Bondholders at their addresses as they appear on the registration books. Such notice shall briefly set forth the nature of the proposed supplemental or amendatory ordinance or resolution and shall state that copies thereof are on file at the offices of the City and the Deputy Registrar and Paying Agent for inspection by all Bondholders. The City shall not, however, be subject to any liability to any Bondholder by reason of its failure to cause the notice required by the Bond Ordinance to be mailed and any such failure shall not affect the validity of such supplemental or amendatory ordinance or resolution when consented to and approved as provided in the Bond Ordinance.

Whenever there shall be delivered to and filed with the City an instrument or instruments in writing purporting to be executed by the Holders of not less than a majority of the principal amount of Bonds then Outstanding, which instrument or instruments shall refer to the proposed supplemental or amendatory ordinance or resolution described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the City may adopt such supplemental or amendatory ordinance or resolution in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

If the Holders of not less than a majority of the principal amount of Bonds Outstanding at the time of the enactment or adoption of such supplemental or amendatory ordinance or resolution shall have consented to and approved the adoption thereof as provided in the Bond

Ordinance, no Holder of any Bond shall have any right to object to the enactment or adoption of such supplemental or amendatory ordinance or resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the enactment or adoption thereof, or to enjoin or restrain the City from adopting the same or from taking any action pursuant to the provisions thereof.

Upon the enactment or adoption of any supplemental or amendatory ordinance or resolution pursuant to the provisions of the Bond Ordinance, the Bond Ordinance shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Bond Ordinance of the City and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced in all respects under the provisions of the Bond Ordinance as so modified and amended.

Copies of any proposed supplemental or amendatory ordinance or resolution shall be provided by the City to any nationally recognized securities rating agency then maintaining a rating of any Bonds Outstanding under the Bond Ordinance prior to the effective date thereof.

### **Defeasance and Release of Bond Ordinance**

If, at any time after the date of issuance of the Bonds, (a) any Bonds secured by the Bond Ordinance, shall have become due and payable in accordance with their terms or otherwise as provided in the Bond Ordinance or shall have been duly called for redemption, or the City gives the Deputy Registrar and Paying Agent irrevocable instructions directing the payment of the principal of, premium, if any, and interest on such Bonds at maturity or at any earlier redemption date by the City, or any combination thereof, and (b) the whole amount of the principal, premium, if any, and the interest so due and payable upon all of such Bonds then outstanding, at maturity or upon redemption, shall be paid, or sufficient moneys shall be held by the Deputy Registrar and Paying Agent or an escrow agent, in irrevocable trust for the benefit of such Bondholders (whether or not held in any accounts created under the Bond Ordinance and if not in accounts created by the Bond Ordinance, under an escrow deposit agreement in a form reasonably acceptable to the Insurer of any Bonds being defeased) which, as verified by a report of a nationally recognized independent certified public accountant or nationally recognized firm of independent certified public accountants, when invested in Refunding Securities maturing not later than the maturity or redemption dates of such principal, premium, if any, and interest will, together with the income realized on such investments, be sufficient to pay all such principal, premium, if any, and interest on said Bonds at the maturity thereof or the date upon which such Bonds are to be called for redemption prior to maturity, then and in that case the right, title and interest of such Bondholders under the Bond Ordinance and the pledge of and lien on the amounts in the funds and accounts established under the Bond Ordinance, and all other pledges and liens created thereby or pursuant to the Bond Ordinance, with respect to such Bondholders shall thereupon cease, determine and become void, and if such conditions have been satisfied with respect to all Bonds issued thereunder and then outstanding, all balances remaining in any other funds or accounts created by the Bond Ordinance other than moneys held for redemption or payment of Bonds and to pay all other sums payable by the City thereunder shall be distributed to the City for any lawful purpose; otherwise the Bond Ordinance shall be, continue and remain in full force and effect.

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**APPENDIX C**

**FORM OF BOND TERMS AGREEMENT**

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**BOND TERMS AGREEMENT**

**Relating to**

**\$183,980,000**

**CITY OF JACKSONVILLE, FLORIDA  
SPECIAL REVENUE REFUNDING BONDS,  
SERIES 2012C**

**\$11,840,000**

**CITY OF JACKSONVILLE, FLORIDA  
SPECIAL REVENUE REFUNDING BONDS,  
SERIES 2012D**

**\$34,340,000**

**CITY OF JACKSONVILLE, FLORIDA  
TAXABLE SPECIAL REVENUE REFUNDING BONDS,  
SERIES 2012E**

**Dated as of December 1, 2012**

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## **BOND TERMS AGREEMENT**

This **BOND TERMS AGREEMENT** is executed and delivered by the undersigned Mayor and Corporation Secretary of the City of Jacksonville, Florida (the "Issuer") pursuant to Sections 6 and 14 of Ordinance 2012-621-E of the Issuer for the purpose of providing the terms of the \$183,980,000 City of Jacksonville, Florida Special Revenue Refunding Bonds, Series 2012C (the "Series 2012C Bonds"), the \$11,840,000 City of Jacksonville, Florida Special Revenue Refunding Bonds, Series 2012D (the "Series 2012D Bonds"), and the \$34,340,000 City of Jacksonville, Florida Taxable Special Revenue Refunding Bonds, Series 2012E (the "Series 2012E Bonds"). The Series 2012C Bonds, the Series 2012D Bonds and the Series 2012E Bonds are collectively referred to herein as the "Series 2012 Refunding Bonds."

### **BACKGROUND:**

The Council of the Issuer enacted Ordinance 2006-888-E (the "Bond Ordinance"), which repealed and superseded Ordinance 2005-1086-E, providing for the issuance by the Issuer of its Special Revenue Bonds for the purpose of financing the construction and acquisition of additions, extensions and improvements to, and the repair of, municipal capital improvements and for other governmental undertakings authorized from time to time and the refunding of indebtedness of the Issuer issued for such purposes, as authorized from time to time. The Council of the Issuer has also enacted Ordinance 2012-621-E (the "Supplemental Ordinance" and together with the Bond Ordinance, the "Ordinance"), which supplemented the Bond Ordinance and authorized the issuance of Special Revenue Bonds of the Issuer in one or more series for the purpose of refunding from time to time, all or a portion of the Issuer's Capital Projects Bonds, Excise Taxes Bonds, Guaranteed Entitlement Bonds and Local Government Sales Tax Bonds (collectively, the "Refunded Bonds"). Section 14 of the Supplemental Ordinance authorizes the Mayor and the Corporation Secretary of the Issuer to execute and deliver one or more Bond Terms Agreements to implement the Supplemental Ordinance and the Bond Ordinance and to specify the terms of Special Revenue Bonds authorized thereby.

The Issuer's financial advisor has determined that there are savings in the Aggregate Debt Service (as defined in the Supplemental Ordinance) for the Series 2012 Refunding Bonds as compared to the series of Refunded Bonds being refunded by such Series 2012 Refunding Bonds. Accordingly, the Mayor has determined that it is in the best interest of the Issuer to refund the Refunded Bonds through the issuance of three Series of Series 2012 Refunding Bonds in the aggregate principal amount of \$230,160,000. Each Series of Series 2012 Refunding Bonds shall constitute Additional Bonds under the Bond Ordinance. The Series 2012C Bonds shall be issued for the purpose of (i) refunding the 2001B Excise Taxes Bonds, the 2002B Excise Taxes Bonds, the Guaranteed Entitlement Bonds and the Local Government Sales Tax Bonds and (ii) paying the costs of issuing the Series 2012 Refunding Bonds. The Series 2012D Bonds shall be issued for the purpose of (i) refunding the 2003A Excise Taxes Bonds and (ii) paying the costs of issuing the Series 2012 Refunding Bonds. The Series 2012E Bonds shall be issued for the purpose of (i) refunding the 2003C Excise Taxes Bonds and (ii) paying the costs of issuing the Series 2012 Refunding Bonds. Due to volatile market conditions which affect the sizing of the proposed refunding bonds as well as the savings to be realized from a refunding of the

Refunded Bonds, an expeditious sale of the Series 2012 Refunding Bonds through a negotiated sale has also been determined to be in the best interest of the Issuer.

Ordinance 2012-620-E of the Issuer (the "Amendatory Ordinance") provides certain amendments to the Bond Ordinance which will become effective upon the consent and approval of the Holders of not less than a majority of the principal amount of Bonds then Outstanding under the Bond Ordinance and the written consent of any Insurer of Bonds then Outstanding. The purchasers of the Series 2012 Refunding Bonds, by their purchase and acceptance thereof, are deemed to have expressly and irrevocably consented to and approved, as required by Section 14.02 of the Bond Ordinance, the amendment of the terms and provisions of the Bond Ordinance by incorporating the amendments set forth in the Amendatory Ordinance.

**NOW, THEREFORE**, the Mayor and Corporation Secretary execute and deliver this Bond Terms Agreement for the purpose of supplementing the Ordinance and providing the terms of the Series 2012 Refunding Bonds.

## **ARTICLE I**

### **DEFINITIONS**

**Section 1.01. Definitions.** All terms used herein in capitalized form and not otherwise defined herein or in the appendices hereto shall have the meanings ascribed to such terms in the Ordinance. In addition, the following capitalized terms as used in this Bond Terms Agreement, the Series 2012 Refunding Bonds and any certificate or document executed in connection therewith shall have the following meanings (or are defined elsewhere in this Bond Terms Agreement as indicated below) unless the context otherwise indicates:

"Beneficial Owner" means any Person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2012 Refunding Bond (including any Person holding a Series 2012 Refunding Bond through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2012 Refunding Bond for federal income tax purposes.

"Bondholder" or "Holder" means, as of any time, the registered owner of any Series 2012 Refunding Bond as shown in the register kept by the Deputy Registrar and Paying Agent.

"Business Day" means any day other than a Saturday, Sunday or other day on which the New York Stock Exchange is closed or on which banks are authorized or required to be closed in the City of Jacksonville, Florida or the City of New York, New York.

"Capital Projects Bonds" means certain bonds authorized, issued and outstanding under Ordinances 97-1054-E, 98-52-E, 2001-1333-E, 2004-898-E and 2008-307-E as amended and supplemented.

"Closing Date" means the date of delivery of the Series 2012 Refunding Bonds to the Underwriter against payment therefor.

"Escrow Deposit Agreement" means each Escrow Deposit Agreement relating to the applicable Series of Series 2012 Refunding Bonds, dated as of December 1, 2012, by and between the Issuer and Wells Fargo Bank, National Association, as escrow agent.

"Excise Taxes Bonds" means certain bonds authorized, issued and outstanding under Ordinance No. 77-469-204, as amended and supplemented.

"Fitch" means Fitch Ratings, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

"Guaranteed Entitlement Bonds" means the Issuer's Guaranteed Entitlement Revenue Refunding and Improvement Bonds, Series 2002 originally issued in the aggregate principal amount of \$115,265,000.

"Issuer" means the City of Jacksonville, Florida and its successors and assigns.

"Local Government Sales Tax Bonds" means the Issuer's Sales Tax Revenue Bonds, Series 1996 (River City Renaissance Project) originally issued in the aggregate principal amount of \$65,640,000 and the Issuer's Local Government Sales Tax Refunding and Improvement Revenue Bonds, Series 2002 originally issued in the aggregate principal amount of \$63,060,000.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

"Notice Address" means:

(a)	As to the Issuer:	City of Jacksonville, Florida 117 W. Duval Street City Hall, Suite 300 Jacksonville, Florida 32202 Attention: Chief Financial Officer Telephone: (904) 630-1298
(b)	As to the Deputy Registrar and Paying Agent:	Wells Fargo Bank, National Association 225 Water Street, Suite 410 Jacksonville, Florida 32202 Attention: Corporate Trust Services Telephone: (904) 281-2746

or, in each case, such other address or addresses as any such Person shall designate by notice actually received by the addressor.

"Participant" means, with respect to DTC or another Securities Depository, a member of or participant in DTC or such other Securities Depository, respectively.

"Person" means a corporation, association, partnership, limited liability company, joint venture, trust, organization, business, individual or government or any governmental agency or political subdivision thereof.

"Principal Office" means, with respect to the Deputy Registrar and Paying Agent, the address of the Deputy Registrar and Paying Agent identified as its Notice Address in this Bond Terms Agreement or otherwise notified in writing by the Deputy Registrar and Paying Agent to the Issuer.

"Purchase Contract" means that certain Purchase Contract dated November 16, 2012 between the Issuer and the Underwriter.

"Rating Agency" means, as of any date, each of Moody's, if such Series 2012 Refunding Bonds are then rated by Moody's, Fitch, if such Series 2012 Refunding Bonds are then rated by Fitch, and S&P, if such Series 2012 Refunding Bonds are then rated by S&P.

"Refunded Bonds" means, collectively, the 2001B Excise Taxes Bonds, the 2002B Excise Taxes Bonds, the 2003A Excise Taxes Bonds, the 2003C Excise Taxes Bonds, the Guaranteed Entitlement Bonds and the Local Government Sales Tax Bonds.

"Securities Depository" means DTC or, if applicable, any successor securities depository appointed pursuant to the third to last paragraph of Section 2.03 of this Bond Terms Agreement.

"Series 2012C Bonds" means the Issuer's Special Revenue Refunding Bonds, Series 2012C issued hereunder in the original aggregate principal amount of \$183,980,000.

"Series 2012D Bonds" means the Issuer's Special Revenue Refunding Bonds, Series 2012D issued hereunder in the original aggregate principal amount of \$11,840,000.

"Series 2012E Bonds" means the Issuer's Taxable Special Revenue Refunding Bonds, Series 2012E issued hereunder in the original aggregate principal amount of \$34,340,000.

"Series 2012 Refunding Bonds" means, collectively, the Series 2012C Bonds, the Series 2012D Bonds and the Series 2012E Bonds.

"S&P" means Standard & Poor's Ratings Group, a business of Standard & Poor's Financial Services LLC, a limited liability company organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

"State" means the State of Florida.

"2001B Excise Taxes Bonds" means the Issuer's Excise Taxes Revenue Bonds, Series 2001B originally issued in the aggregate principal amount of \$46,735,000.

"2002B Excise Taxes Bonds" means the Issuer's Excise Taxes Revenue Bonds, Series 2002B originally issued in the aggregate principal amount of \$68,475,000.

"2003A Excise Taxes Bonds" means the Issuer's Excise Taxes Revenue Bonds, Series 2003A originally issued in the aggregate principal amount of \$18,745,000.

"2003C Excise Taxes Bonds" means the Issuer's Excise Taxes Revenue Refunding Bonds, Series 2003C (AMT) originally issued in the aggregate principal amount of \$34,540,000.

"Underwriter" means Goldman, Sachs & Co. as Senior Underwriter of the underwriting group which includes J.P. Morgan Securities LLC, Jefferies & Company, Drexel Hamilton, LLC, Loop Capital Markets LLC and Siebert Brandford Shank & Co., L.L.C.

**Section 1.02. Certain References.** Any reference in this Bond Terms Agreement to the Issuer or the Deputy Registrar and Paying Agent shall include those Persons who succeed to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions. Any reference in this Bond Terms Agreement to any statute or law or chapter or section thereof shall include all amendments, supplements or successor provisions thereto.

**Section 1.03. Timing of Actions.** If the date for making any payment or the last day for the performance of any act or the exercise of any right provided in this Bond Terms Agreement shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Bond Terms Agreement, except as otherwise specifically provided herein.

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## ARTICLE II

### THE SERIES 2012 REFUNDING BONDS

#### **Section 2.01. Issuance of Bonds, Dates, Maturities and Interest.**

(a) Issuance. Three Series of Bonds shall be issued under and pursuant to the Bond Ordinance in accordance with the terms hereof and shall be designated (i) "City of Jacksonville, Florida Special Revenue Refunding Bonds, Series 2012C," (ii) "City of Jacksonville, Florida Special Revenue Refunding Bonds, Series 2012D" and (iii) "City of Jacksonville, Florida Taxable Special Revenue Refunding Bonds, Series 2012E." The Series 2012 Refunding Bonds shall constitute Additional Bonds under the Bond Ordinance.

(1) The Series 2012C Bonds shall be issued in the original aggregate principal amount of \$183,980,000.

(2) The Series 2012D Bonds shall be issued in the original aggregate principal amount of \$11,840,000.

(3) The Series 2012E Bonds shall be issued in the original aggregate principal amount of \$34,340,000.

(4) The Series 2012 Refunding Bonds shall be substantially in the form attached hereto as Exhibit A, with such variations, omissions and insertions as are permitted or required hereby.

(5) The Series 2012C Bonds shall be numbered consecutively from one upward, preceded by the letters "RC-." The Series 2012D Bonds shall be numbered consecutively from one upward, preceded by the letters "RD-." The Series 2012E Bonds shall be numbered consecutively from one upward, preceded by the letters "RE-." The Series 2012 Refunding Bonds shall be issued as registered bonds in the denomination of \$5,000 each, or any integral multiple thereof.

(b) Dates. The Series 2012 Refunding Bonds shall be dated as of the date of their delivery.

(c) Maturities and Interest Rates.

(1) The Series 2012C Bonds shall mature on October 1 in the years and in the principal amount or amounts, and shall bear interest, calculated based on a 360-day year consisting of twelve 30-day months, payable semi-annually on April 1 and October 1 of each year (each an "Interest Payment Date"), commencing April 1, 2013, at the rates set forth below:

<b>Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
2013	\$ 1,525,000	3.00%	2023	\$ 9,855,000	5.00%
2014	3,865,000	5.00	2024	10,350,000	5.00
2015	11,050,000	5.00	2025	10,865,000	5.00
2016	14,280,000	5.00	2026	9,235,000	5.00
2017	15,055,000	5.00	2027	6,880,000	5.00
2018	16,300,000	5.00	2028	7,220,000	5.00
2019	8,115,000	5.00	2029	7,585,000	5.00
2020	8,515,000	5.00	2030	7,965,000	4.00
2021	8,945,000	5.00	2031	8,285,000	5.00
2022	9,390,000	5.00	2032	8,700,000	5.00

(2) The Series 2012D Bonds shall mature on October 1 in the years and in the principal amount or amounts, and shall bear interest, calculated based on a 360-day year consisting of twelve 30-day months, payable semi-annually on April 1 and October 1 of each year (each an "Interest Payment Date"), commencing April 1, 2013, at the rates set forth below:

<b>Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
2013	\$1,150,000	3.00%	2019	\$1,020,000	5.00%
2014	1,075,000	5.00	2020	1,075,000	5.00
2015	1,130,000	5.00	2021	1,130,000	5.00
2016	900,000	5.00	2022	1,185,000	5.00
2017	945,000	4.00	2023	1,245,000	5.00
2018	985,000	4.00			

(3) The Series 2012E Bonds shall mature on October 1 in the years and in the principal amount or amounts, and shall bear interest, calculated based on a 360-day year consisting of twelve 30-day months, payable semi-annually on April 1 and October 1 of each year (each an "Interest Payment Date"), commencing April 1, 2013, at the rates set forth below:

<b>Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
2016	\$5,205,000	1.164%
2017	6,740,000	1.414
2018	7,080,000	1.703
2019	7,450,000	2.003
2020	7,865,000	2.372

**Section 2.02. Method and Place of Payment.** The principal and premium, if any, and interest on the Series 2012 Refunding Bonds shall be payable in lawful money of the United States of America. Interest on the Series 2012 Refunding Bonds shall be paid by check or draft

drawn upon the Deputy Registrar and Paying Agent and mailed to the Bondholders at the addresses as they appear on the registration books maintained by the Deputy Registrar and Paying Agent at the close of business on the fifteenth (15th) day (whether or not a Business Day) of the month next preceding the Interest Payment Date (the "Record Date"), irrespective of any transfer or exchange of such Series 2012 Refunding Bonds subsequent to such Record Date and prior to such Interest Payment Date, unless the Issuer shall be in default in the payment of interest due on such Interest Payment Date. In the event of any such default, such defaulted interest shall be payable to the persons in whose names such Series 2012 Refunding Bonds are registered at the close of business on a special record date for the payment of such defaulted interest as established by notice deposited in the U.S. Mail, postage prepaid, by the Issuer to the Registered Owners of Series 2012 Refunding Bonds not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the persons in whose names the Series 2012 Refunding Bonds are registered at the close of business on the fifth (5th) day (whether or not a Business Day) preceding the date of mailing. Notwithstanding the foregoing, except that in the case of such Bondholders of \$1,000,000 or more in aggregate principal amount of such Series 2012 Refunding Bonds, upon the written request of such Bondholders to the Deputy Registrar and Paying Agent, specifying the account or accounts to which such payment shall be made, such payments shall be made by wire transfer of immediately available funds on the applicable Interest Payment Date following such Record Date. Any request referred to in the preceding sentence shall remain in effect until revoked or revised by such Bondholders by an instrument in writing delivered to the Deputy Registrar and Paying Agent.

**Section 2.03. Exchange and Transfer of Series 2012 Refunding Bonds; Book-Entry System.** Upon surrender of Series 2012 Refunding Bonds at the Principal Office of the Deputy Registrar and Paying Agent, together with an assignment duly executed by the Bondholder or his attorney or legal representative in such form and with such guaranty of signature as shall be satisfactory to the Deputy Registrar and Paying Agent, a Series 2012 Refunding Bond may be exchanged for a fully registered Series 2012 Refunding Bond of the same maturity, aggregating in an amount equal to the then unpaid principal amount of the such Series 2012 Refunding Bonds surrendered, of authorized denominations.

As to any Series 2012 Refunding Bond, the Bondholder shall be deemed and regarded as the absolute owner thereof for all purposes and neither of the Issuer or the Deputy Registrar and Paying Agent shall be affected by any notice, actual or constructive, to the contrary.

Any Series 2012 Refunding Bonds may be registered as transferred upon the books kept for the registration and transfer of the Series 2012 Refunding Bonds only upon surrender thereof to the Deputy Registrar and Paying Agent, together with an assignment duly executed by the Bondholder or his attorney or legal representative in such form and with such guaranty of signature as shall be satisfactory to the Deputy Registrar and Paying Agent; provided, that the Deputy Registrar and Paying Agent shall not be obligated to make any exchange or registration of transfer during the period between a Record Date and the corresponding Interest Payment Date. Upon the registration of transfer of any such Series 2012 Refunding Bonds and on request of the Deputy Registrar and Paying Agent, the Issuer shall execute, and the Deputy Registrar and Paying Agent shall authenticate and deliver, a new Series 2012 Refunding Bond, registered in the name of the transferee or transferees, of the same maturity, aggregating in an amount equal to

the then unpaid principal amount of the Series 2012 Refunding Bond surrendered, of authorized denominations.

In all cases in which Series 2012 Refunding Bonds shall be exchanged for or in replacement of other Series 2012 Refunding Bonds, the Series 2012 Refunding Bonds to be issued shall be signed and sealed on behalf of the Issuer and authenticated by the Deputy Registrar and Paying Agent, all as provided in Section 6.03 of the Bond Ordinance. The obligation of Issuer and the rights of the Bondholders with respect to such Series 2012 Refunding Bonds shall be the same as with respect to the Series 2012 Refunding Bonds being exchanged or replaced. Such registrations of transfer or exchanges of Series 2012 Refunding Bonds shall be without charge to the Bondholders, except that any taxes or governmental charges required to be paid until respect to the same shall be paid by the Bondholder requesting such registration of transfer or exchange as a condition precedent to the exercise of such privilege.

Whenever any Outstanding Series 2012 Refunding Bond shall be delivered to the Deputy Registrar and Paying Agent for cancellation pursuant to this Bond Terms Agreement, or for exchange or registration of transfer pursuant to this Section 2.03, such Series 2012 Refunding Bonds shall be promptly canceled and destroyed by the Deputy Registrar and Paying Agent (subject to applicable record retention requirements) and counterparts of a certificate of destruction evidencing such destruction shall be retained by the Deputy Registrar and Paying Agent and, if requested by the Issuer shall be furnished by the Deputy Registrar and Paying Agent to the Issuer.

The foregoing provisions of this Section 2.03 to the contrary notwithstanding, the Series 2012 Refunding Bonds will be issued initially as one fully registered bond for each maturity of the Series 2012 Refunding Bonds in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and deposited in the custody of DTC. The Beneficial Owners will not receive physical delivery of the Series 2012 Refunding Bonds. Individual purchases of the Series 2012 Refunding Bonds may be made in book-entry form only in principal amounts equal to authorized denominations thereof. Payments of principal and interest on the Series 2012 Refunding Bonds will be made to DTC or its nominee as Bondholder.

DTC shall pay interest to the Beneficial Owners of record through its Participants as of the close of business on the Record Date.

Transfer of ownership interests in the Series 2012 Refunding Bonds shall be made by DTC and its Participants, acting as nominees of the Beneficial Owners, in accordance with rules specified by DTC and its Participants.

Bond certificates will be issued directly to owners of such Series 2012 Refunding Bonds other than DTC, or its nominee, upon the occurrence of the following events (subject, however, to operation of the two sentences following clause (c) below):

(a) DTC determines not to continue to act as securities depository for the Series 2012 Refunding Bonds; or

(b) the Issuer has advised DTC of its determination that DTC is incapable of discharging its duties; or

(c) the Issuer has determined that it is in the best interest of the Bondholders not to continue the book-entry system of transfer or that interests of the Beneficial Owners of the Series 2012 Refunding Bonds might be adversely affected if the book-entry system of transfer is continued.

Upon occurrence of the event described in (a) or (b) above, the Issuer shall attempt to locate another qualified Securities Depository. If the Issuer fails to locate another qualified Securities Depository to replace DTC, the Deputy Registrar and Paying Agent shall authenticate and deliver Series 2012 Refunding Bonds in certificated form. In the event the Issuer makes the determination noted in (b) or (c) above (as to which the Issuer undertakes no obligation to make any investigation to determine the occurrence of any events that would permit the Issuer to make any such determination), and has made provisions to notify the Beneficial Owners of the Series 2012 Refunding Bonds of the availability of Series 2012 Refunding Bond certificates by mailing an appropriate notice to DTC, the Issuer shall cause the Deputy Registrar and Paying Agent to authenticate and deliver the Series 2012 Refunding Bonds in certificated form pursuant to DTC's Participants (as requested by DTC) in appropriate amounts. Principal of and interest on the Series 2012 Refunding Bonds shall be payable as otherwise provided in this Article II.

Neither the Issuer nor the Deputy Registrar and Paying Agent will have any responsibility or obligations to the Participants or the Beneficial Owners with respect to (i) the accuracy of any records maintained by DTC or any Participant; (ii) the payment by DTC or any Participant of any amount due to any Beneficial Owner in respect of the principal amount or interest on the Series 2012 Refunding Bonds; (iii) the delivery by DTC or any Participant of any notice to any Beneficial Owner or to the Deputy Registrar and Paying Agent or other party which is required or permitted under the terms of this Bond Terms Agreement to be given to or by the Bondholders; or (iv) any consent given or other action taken by Cede & Co. as the nominee of DTC, as registered owner.

So long as Cede & Co. is the Registered Owner of the Series 2012 Refunding Bonds, as nominee of DTC, references herein and in the Ordinance to the Bondholders or the Holders of the Series 2012 Refunding Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2012 Refunding Bonds.

**Section 2.04. Application of Bond Proceeds.** The proceeds from the sale of the Series 2012 Refunding Bonds shall be applied simultaneously with the issuance of the Series 2012 Refunding Bonds as follows:

(a) The proceeds from the sale of the Series 2012C Bonds shall be applied as follows:

(1) \$221,745,688.71 shall be deposited in the Escrow Deposit Trust Fund established pursuant to the applicable Escrow Deposit Agreement and applied as provided therein;

(2) \$420,547.77 shall be applied by the Issuer to pay costs of issuance of the Series 2012 Refunding Bonds.

(b) The proceeds from the sale of the Series 2012D Bonds shall be applied as follows:

(1) \$13,894,536.23 shall be deposited in the Escrow Deposit Trust Fund established pursuant to the applicable Escrow Deposit Agreement and applied as provided therein;

(2) \$37,654.82 shall be applied by the Issuer to pay costs of issuance of the Series 2012 Refunding Bonds.

(c) The proceeds from the sale of the Series 2012E Bonds shall be applied as follows:

(1) \$34,113,108.55 shall be deposited in the Escrow Deposit Trust Fund established pursuant to the applicable Escrow Deposit Agreement and applied as provided therein;

(2) \$90,370.97 shall be applied by the Issuer to pay costs of issuance of the Series 2012 Refunding Bonds.

**Section 2.05. No Reserve Requirement.** The Series 2012 Refunding Bonds shall **not** be secured by the Reserve Account or the Composite Reserve Subaccount referred to in the Ordinance.

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## ARTICLE III

### REDEMPTION OF SERIES 2012 REFUNDING BONDS BEFORE MATURITY

**Section 3.01. Redemption of Series 2012C Bonds.** The Series 2012C Bonds maturing prior to October 1, 2024, are not subject to optional redemption prior to maturity. The Series 2012C Bonds maturing on and after October 1, 2024 shall be subject to redemption prior to their stated dates of maturity, at the option of the Issuer, in whole or in part, on any date on or after October 1, 2022, in such maturities as the Issuer shall in its discretion select or by lot within a maturity if less than a full maturity, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued interest to the redemption date, but without premium. The Series 2012C Bonds maturing on October 1, 2023 are not subject to optional redemption prior to maturity.

**Section 3.02. No Redemption of Series 2012D Bonds.** The Series 2012D Bonds are not subject to redemption prior to maturity.

**Section 3.03. Redemption of Series 2012E Bonds.**

(a) The Series 2012E Bonds are subject to optional redemption on any date prior to their maturity at the option of the Issuer, in whole or in part, at a redemption price equal to the greater of:

(1) 100% of the principal amount of the Series 2012E Bonds to be redeemed;  
or

(2) The sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2012E Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2012E Bonds are to be redeemed, discounted to the date on which the Series 2012E Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below), plus 15 basis points; plus, in each case, accrued interest on the Series 2012E Bonds to be redeemed to the redemption date.

For purposes of this Section 3.03(a):

"Treasury Rate" means, with respect to any redemption date for a particular Series 2012E Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity excluding inflation indexed securities (as compiled and published in the most recent Federal Reserve Statistical Release H. 15 (519) that has become publicly available at least two Business Days prior to the redemption date or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Series 2012E Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

(b) If less than all of the Series 2012E Bonds of any maturity are to be redeemed prior to maturity, (1) if the Series 2012E Bonds are in book-entry only form at the time of such redemption, the Deputy Registrar and Paying Agent shall instruct the DTC Participants to select specific Series 2012E Bonds for redemption pro rata, and neither the Issuer nor the Deputy Registrar and Paying Agent have any responsibility to ensure that DTC or its participants properly select such Series 2012E Bonds for redemption, and (2) if the Series 2012E Bonds are not then in book-entry only form at the time of redemption, for each redemption in part of Series 2012E Bonds, the Deputy Registrar and Paying Agent should select specific Series 2012E Bonds for redemption pro rata. The portion of any registered Series 2012E Bond of a denomination more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or any integral multiple thereof, and in selecting portions of such Series 2012E Bond for redemption, the Deputy Registrar and Paying Agent will treat each such Series 2012E Bond as representing the number of Series 2012E Bonds of \$5,000 denomination that is obtained by dividing the principal amount of such Series 2012E Bond by \$5,000.

**Section 3.04. Notice of Redemption.** Notice of redemption will be given by mail by the Deputy Registrar and Paying Agent not more than sixty (60) days nor less than thirty (30) days prior to the Redemption Date to all Registered Owners of the Series 2012 Refunding Bonds to be redeemed at their addresses as they appear on the registration books of the Deputy Registrar and Paying Agent as of the date forty-five (45) days prior to the date of redemption; provided, however, that failure to so file or mail any such notice of redemption shall not affect the validity of the proceedings for such redemption with respect to Registered Owners of the Series 2012 Refunding Bonds to whom notice was mailed. The Deputy Registrar and Paying Agent must send a second notice of redemption by certified mail return receipt requested to any registered Holder who has not submitted Bonds called for redemption 30 days after the redemption date, provided, however, that the failure to give any second notice by mailing, or any defect in such notice, will not affect the validity of any proceedings for the redemption of any of the Series 2012 Refunding Bonds and the Deputy Registrar and Paying Agent shall not be liable for their failure to send any second notice. Interest shall cease to accrue on the Redemption Date on any Series 2012 Refunding Bonds duly called for redemption, if payment for the redemption price has been duly provided.

The Series 2012 Refunding Bonds in denominations greater than a minimum Authorized Denomination shall be deemed to be an equivalent number of Series 2012 Refunding Bonds in the denomination of a minimum Authorized Denomination. If a Series 2012 Refunding Bond is of a denomination larger than a minimum Authorized Denomination, a portion of such Series 2012 Refunding Bond may be redeemed, in the amount of such minimum Authorized Denomination or integral multiples thereof.

Notice of any redemption of Series 2012 Refunding Bonds shall either (i) explicitly state that the proposed redemption is conditioned on there being on deposit in the applicable fund or account on the redemption date sufficient money to pay the full redemption price of the Series 2012 Refunding Bond to be redeemed, or (ii) be sent only if sufficient money to pay the full redemption price of the Series 2012 Refunding Bonds to be redeemed is on deposit in the applicable fund or accounts.

For so long as a book-entry only system of registration is in effect with respect to the Series 2012 Refunding Bonds, the Deputy Registrar and Paying Agent will mail notices of redemption to DTC or its successor. Any failure of DTC to convey such notice to any DTC Participants or any failure of DTC Participants to convey such notice to any Beneficial Owner will not affect the sufficiency or the validity of the redemption of the Series 2012 Refunding Bonds.

Notwithstanding the foregoing, notice of optional redemption may be conditioned upon the occurrence or non-occurrence of such event or events as shall be specified in such notice of optional redemption and may also be subject to rescission by the Issuer if expressly set forth in such notice.

**Section 3.05. Effect of Notice of Redemption.** Notice having been given in the manner and under the conditions provided in herein and upon the satisfaction of any conditions to such redemption specified in such notice, the Series 2012 Refunding Bonds or portions of Series 2012 Refunding Bonds so called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such Series 2012 Refunding Bonds or portions of such Series 2012 Refunding Bonds on such date. On the date so designated for redemption, moneys for payment of the redemption price being held in separate accounts by the Deputy Registrar and Paying Agent in trust for the Registered Owners of the Series 2012 Refunding Bonds or portions thereof to be redeemed, all as provided in the Special Revenue Bond Ordinance, interest and, if applicable, principal, on the Series 2012 Refunding Bonds or portions of Series 2012 Refunding Bonds so called for redemption shall cease to accrue, such Series 2012 Refunding Bonds and portions of Series 2012 Refunding Bonds shall cease to be entitled to any lien, benefit or security under the Special Revenue Bond Ordinance, and the Registered Owners of such Series 2012 Refunding Bonds or portions of Series 2012 Refunding Bonds shall have no right in respect thereof except to receive payment of the redemption price thereof and, to the extent provided in the Special Revenue Bond Ordinance, to receive Bonds for any unredeemed portions of the Series 2012 Refunding Bonds.

## **ARTICLE IV**

### **DEPUTY REGISTRAR AND PAYING AGENT**

**Section 4.01. Deputy Registrar and Paying Agent.** Wells Fargo Bank, National Association, Jacksonville, Florida, is hereby designated as the Deputy Registrar and Paying Agent with respect to the Series 2012 Refunding Bonds for purposes of the Ordinance and hereof.

## ARTICLE V

### ESCROW DEPOSIT AGREEMENTS

**Section 5.01. Approval of Escrow Deposit Agreements.** Escrow Deposit Agreements for each Series of Series 2012 Refunding Bonds substantially in the form attached hereto as Exhibit B are hereby approved, with such changes, amendments, modifications, omissions and additions as may be approved by the Mayor upon the advice of the Issuer's Co-Bond Counsel and the Issuer's financial advisor. Execution by the Mayor of such Escrow Deposit Agreements shall be conclusive evidence of approval of such changes.

**Section 5.02. Appointment of Escrow Agent.** Wells Fargo Bank, National Association, Jacksonville, Florida, is hereby appointed as the Escrow Agent under the Escrow Deposit Agreements.

## ARTICLE VI

### SALE OF SERIES 2012 REFUNDING BONDS

**Section 6.01. Purchase Contract.** The Issuer hereby determines that due to volatile market conditions which affect the sizing of the proposed refunding bonds as well as the savings to be realized from a refunding of the Refunded Bonds, an expeditious sale of the Series 2012 Refunding Bonds through a negotiated sale is in the best interest of the Issuer. The Series 2012 Refunding Bonds shall be sold to the Underwriters upon the terms and conditions hereof and of the Purchase Contract through a negotiated sale. The Purchase Contract shall expressly incorporate the terms of this Bond Terms Agreement.

**Section 6.02. Official Statement.** The form and content of the Preliminary Official Statement dated November 16, 2012 for the Series 2012 Refunding Bonds (the "POS") are hereby approved, and the POS is "deemed final," subject to permitted omissions, on behalf of the Issuer for purposes of Rule 15c2-12 of the Securities and Exchange Commission. The circulation of the POS is hereby ratified. The form and content of a final Official Statement, in substantially the form of the POS, with the addition of the marketing terms contained in this Bond Terms Agreement are approved, and the distribution of the final Official Statement is authorized in connection with the issuance and sale of the Series 2012 Refunding Bonds.

## ARTICLE VII

### AMENDMENTS TO BOND ORDINANCE

**Section 7.01. Consent to Amendments upon Purchase of Series 2012 Refunding Bonds.** The Amendatory Ordinance provides certain amendments to the Bond Ordinance which will become effective upon the consent and approval of the Holders of not less than a majority of the principal amount of Bonds then Outstanding under the Bond Ordinance and the written

consent of any Insurer of Bonds then Outstanding. Such amendments are described in the POS and final Official Statement.

**Purchasers of the Series 2012 Refunding Bonds, by their purchase and acceptance thereof, are deemed to have expressly and irrevocably consented to and approved, as required by Section 14.02 of the Bond Ordinance, the amendment of the terms and provisions of the Bond Ordinance by incorporating the amendments set forth in the Amendatory Ordinance.**

The amendments to the Bond Ordinance set forth in the Amendatory Ordinance shall become effective upon delivery to the Issuer and the Deputy Registrar and Paying Agent of a certificate signed by the Corporation Secretary, upon the advice of Bond Counsel and the Issuer's financial advisor, indicating that the Holders of not less than a majority of the principal amount of Bonds then Outstanding and the Insurer of any Bonds which are then Outstanding have been deemed to have consented to and approved the amendments set forth therein.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

**IN WITNESS WHEREOF**, each of the Mayor and Corporation Secretary of the City of Jacksonville, Florida has caused this Bond Terms Agreement to be executed and delivered as a sealed instrument in all as of December 1, 2012.

---

Alvin Brown, Mayor

(SEAL)

Attest:

---

James R. McCain, Jr.,  
Corporation Secretary,

**EXHIBIT A**  
**TO**  
**BOND TERMS AGREEMENT**

**[FORM OF SERIES 2012 REFUNDING BOND]**

No. R\_\_\_\_\_- \$\_\_\_\_\_

**UNITED STATES OF AMERICA**  
**STATE OF FLORIDA**  
**CITY OF JACKSONVILLE, FLORIDA**  
**[TAXABLE] SPECIAL REVENUE REFUNDING BOND, SERIES 2012**

Interest Rate	Maturity Date	Date of Original Issue	CUSIP
---------------	---------------	---------------------------	-------

Registered Holder: CEDE & CO.

Principal Amount: \_\_\_\_\_ DOLLARS

The City of Jacksonville, Florida (hereinafter called the "Issuer"), for value received, hereby promises to pay to the Registered Holder identified above, or to registered assigns or legal representatives, but solely from the Covenant Revenues budgeted and appropriated and deposited pursuant to the Ordinance as hereinafter described, on the Maturity Date identified above (or earlier as hereinafter provided), the Principal Amount identified above, upon presentation and surrender hereof at the designated office of Wells Fargo Bank, National Association, Jacksonville, Florida or its successors, as Deputy Registrar and Paying Agent (the "Registrar"), and to pay, solely from such special revenues, interest on the principal sum from the date hereof, or from the most recent interest payment date to which interest has been paid, at the Interest Rate per annum identified above, until payment of the principal sum, or until provision for the payment thereof has been duly provided for, such interest being payable semiannually on the first day of April and the first day of October of each year, commencing on April 1, 2013. Interest will be paid by check or draft mailed to the Registered Holder hereof at his address as it appears on the registration books of the Issuer maintained by the Registrar at the close of business on the 15th day (whether or not a business day) of the month next preceding the interest payment date (the "Record Date"), irrespective of any transfer or exchange of such Bond subsequent to such Record Date and prior to such interest payment date, unless the Issuer shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date for the payment of such defaulted interest as established by notice by deposit in the U.S. mail, postage prepaid, by the Issuer to the Registered Holders of Bonds not less than fifteen days preceding such special record date. Such notice shall be mailed to the persons in whose names the Bonds are registered at the close of business on the fifth (5th) day (whether or not a business day) preceding the date of mailing.

This Bond and the interest hereon is payable solely from and secured by a lien upon and pledge of certain revenues of the Issuer held in the funds and accounts created pursuant to

Ordinance No. 2006-888-E enacted by the Issuer on September 12, 2006, as supplemented, and particularly as supplemented by Ordinance 2012-621-E enacted by the Issuer on November 13, 2012, and as supplemented by a Bond Terms Agreement dated as of December 1, 2012 (collectively, the "Ordinance") and certain other funds and investment earnings thereon, all in the manner and to the extent provided in the Ordinance. All terms used herein in capitalized form and not otherwise defined shall have the meanings ascribed thereto in the Ordinance. Pursuant to the Ordinance, the Issuer has covenanted and agreed, to the extent permitted by and in accordance with applicable law and budgetary processes, to prepare, approve and appropriate in its Annual Budget for each Fiscal Year, by amendment, if necessary and to deposit to the credit of the Revenue Account established pursuant to the Ordinance, Covenant Revenues of the Issuer in an amount which together with other legally available funds budgeted and appropriated for such purpose equal to the Debt Service Requirement with respect to all Bonds outstanding under the Ordinance (excluding any other Non-Self Sufficient Debt) for the applicable Fiscal Year, plus an amount sufficient to satisfy all other payment obligations of the Issuer under the Ordinance for the applicable Fiscal Year. "Covenant Revenues" is defined in the Ordinance to mean those revenues of the Issuer that are deposited to the credit of the Issuer's General Fund derived from any source whatsoever that are legally available for the payment of the obligations of the Issuer under the Ordinance, inclusive of operating transfers from other funds into the General Fund, but exclusive of revenues derived from ad valorem taxation. It shall be assumed for purposes of calculating Covenant Revenues and Self Sufficient Debt that amounts required to be transferred from the Issuer's General Fund to community redevelopment trust funds pursuant to Section 163.387, Florida Statutes or for other purposes for which tax increment revenues are pledged or committed, will come from revenues derived from ad valorem taxation and not from Covenant Revenues. Such covenant and agreement on the part of the Issuer to budget and appropriate sufficient amounts of Covenant Revenues shall be cumulative, and shall continue until such Covenant Revenues in amounts, together with any other legally available revenues budgeted and appropriated for such purposes, sufficient to make all required payments under the Ordinance as and when due, including any delinquent payments, shall have been budgeted, appropriated and actually paid into the appropriate funds and accounts under the Ordinance; provided, however, that such covenant shall not constitute a lien, either legal or equitable, on any of the Issuer's Covenant Revenues or other revenues, nor shall it preclude the Issuer from pledging in the future any of its Covenant Revenues or other revenues to other obligations, nor shall it give the Bondholders a prior claim on the Covenant Revenues. Anything herein or in the Ordinance to the contrary notwithstanding, all obligations of the Issuer under the Ordinance shall be secured only by the Covenant Revenues and other legally available funds actually budgeted and appropriated and deposited into the funds and accounts created under the Ordinance, as provided for therein. The Issuer may not expend moneys not appropriated or in excess of its current budgeted revenues. The obligation of the Issuer to budget, appropriate and make payments hereunder from its Covenant Revenues is subject to the availability of Covenant Revenues in the General Fund of the Issuer after satisfying funding requirements for obligations having an express lien on or pledge of such revenues and after satisfying funding requirements for essential governmental services of the Issuer.

Reference is hereby made to the Ordinance for the provisions, among others, relating to the terms, lien and security of the Bonds, the custody and application of the proceeds of the Bonds, the rights and remedies of the Registered Holders of the Bonds, the extent of and limitations, on the Issuer's rights, duties and obligations, and the provisions permitting the issuance of additional parity indebtedness, to all of which provisions the Registered Holder hereof for himself and his successors in interest assents by acceptance of this Bond.

This Bond shall not be deemed to constitute a debt or a pledge of the faith and credit or taxing power of the Issuer, the State of Florida or any political subdivision thereof within the meaning of any constitutional, legislative or charter provision or limitation. Nothing herein or in the Ordinance shall be deemed to create a pledge of or lien on Covenant Revenues, the ad valorem tax revenues or any other revenues of the Issuer, or permit or constitute a mortgage or lien upon any assets owned by the Issuer. It is expressly agreed by the Registered Holder of this Bond that such Registered Holder shall never have the right, directly or indirectly, to require or compel the exercise of the ad valorem taxing power of the Issuer or any other political subdivision of the State of Florida or taxation in any form on any real or personal property for any purpose, including, without limitation, for the payment of the principal of and interest or premium on this Bond or for the payment of any other amounts provided for in the Ordinance, nor shall the Bonds constitute a charge, lien or encumbrance, either legal or equitable, on any property, assets or funds of the Issuer.

This Bond is one of an authorized issue of Bonds in the aggregate principal amount of \$230,160,000, of like date, tenor and effect, except as to number, maturity and interest rate, issued to refund the Issuer's [2001B Excise Taxes Bonds, the 2002B Excise Taxes Bonds, the Guaranteed Entitlement Bonds and the Local Government Sales Tax Bonds] [2003A Excise Taxes Bonds] [2003C Excise Taxes Bonds] and pay the costs of issuance thereof, pursuant to the authority of and in full compliance with the Constitution and laws of the State of Florida, including particularly the Ordinance, Article VIII, Section 2, Constitution of the State of Florida, Sections 159.11 and Chapters 125 and 166, Florida Statutes, and the Issuer's Charter. This Bond is also subject to the terms and conditions of the Ordinance.

Amendments to Bond Ordinance.

**Purchasers of this Bond, by their purchase and acceptance hereof, are deemed to have expressly and irrevocably consented to and approved, as required by the Bond Ordinance, to amend the terms and provisions of the Ordinance by incorporating the amendments set forth in the Amendatory Ordinance.**

The amendments to the Bond Ordinance set forth in the Amendatory Ordinance shall become effective upon delivery to the Issuer and the Deputy Registrar and Paying Agent of a certificate signed by the Corporation Secretary, upon the advice of Bond Counsel and the Issuer's financial advisor, indicating that the Holders of not less than a majority of the principal amount of Bonds then Outstanding and the Insurer of any Bonds which are then Outstanding have been deemed to have consented to and approved the amendments set forth therein.

**No Reserve.** This Bond is **not** secured by the Reserve Account or the Composite Reserve Subaccount referred to in the Ordinance.

Optional Redemption. [The Bonds maturing prior to October 1, 2024, are not subject to optional redemption prior to maturity. The Bonds maturing on and after October 1, 2024 shall be subject to redemption prior to their stated dates of maturity, at the option of the Issuer, in whole or in part, on any date on or after October 1, 2022, in such maturities as the Issuer shall in its discretion select or by lot within a maturity if less than a full maturity, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued interest to the redemption date, but without premium.]

[This Bond is not subject to redemption prior to maturity.]

[This Bond is subject to optional redemption on any date prior to its maturity at the option of the Issuer, in whole or in part, at a redemption price equal to the greater of:

(1) 100% of the principal amount of the Bonds to be redeemed; or

(2) The sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below), plus 15 basis points; plus, in each case, accrued interest on the Series 2012E Bonds to be redeemed to the redemption date.

"Treasury Rate" means, with respect to any redemption date for a particular Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity excluding inflation indexed securities (as compiled and published in the most recent Federal Reserve Statistical Release H. 15 (519) that has become publicly available at least two Business Days prior to the redemption date or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

If less than all of the Bonds of any maturity are to be redeemed prior to maturity, (1) if the Bonds are in book-entry only form at the time of such redemption, the Deputy Registrar and Paying Agent shall instruct the DTC Participants to select specific Bonds for redemption pro rata, and neither the Issuer nor the Deputy Registrar and Paying Agent have any responsibility to ensure that DTC or its participants properly select such Bonds for redemption, and (2) if the Bonds are not then in book-entry only form at the time of redemption, for each redemption in part of Bonds, the Deputy Registrar and Paying Agent should select specific Bonds for redemption pro rata. The portion of any registered Bond of a denomination more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or any integral multiple thereof, and in selecting portions of such Bond for redemption, the Deputy Registrar and Paying Agent will treat each such Bond as representing the number of Bonds of \$5,000 denomination that is obtained by dividing the principal amount of such Series by \$5,000.]

Notice of Redemption. Notice of redemption will be given by mail by the Deputy Registrar and Paying Agent not more than sixty (60) days nor less than thirty (30) days prior to the Redemption Date to all Registered Owners of the Bonds to be redeemed at their addresses as they appear on the registration books of the Deputy Registrar and Paying Agent as of the date forty-five (45) days prior to the date of redemption; provided, however, that failure to so file or mail any such notice of redemption shall not affect the validity of the proceedings for such redemption with respect to Registered Owners of the Bonds to whom notice was mailed. The Deputy Registrar and Paying Agent must send a second notice of redemption by certified mail return receipt requested to any registered Holder who has not submitted Bonds called for redemption 30 days after the redemption date, provided, however, that the failure to give any second notice by mailing, or any defect in such notice, will not affect the validity of any proceedings for the redemption of any of the Bonds and the Deputy Registrar and Paying Agent shall not be liable for their failure to send any second notice. Interest shall cease to accrue on the Redemption Date on any Bonds duly called for redemption, if payment for the redemption price has been duly provided.

The Bonds in denominations greater than a minimum Authorized Denomination shall be deemed to be an equivalent number of Bonds in the denomination of a minimum Authorized Denomination. If a Bond is of a denomination larger than a minimum Authorized Denomination, a portion of such Bond may be redeemed, in the amount of such minimum Authorized Denomination or integral multiples thereof.

Notice of any redemption of this Bond shall either (i) explicitly state that the proposed redemption is conditioned on there being on deposit in the applicable fund or account on the redemption date sufficient money to pay the full redemption price of this Bond to be redeemed, or (ii) be sent only if sufficient money to pay the full redemption price of this Bond is on deposit in the applicable fund or accounts.

For so long as a book-entry only system of registration is in effect with respect to this Bond, the Deputy Registrar and Paying Agent will mail notices of redemption to DTC or its successor. Any failure of DTC to convey such notice to any DTC Participants or any failure of DTC Participants to convey such notice to any Beneficial Owner will not affect the sufficiency or the validity of the redemption of this Bond. Notwithstanding the foregoing, notice of optional redemption may be conditioned upon the occurrence or non-occurrence of such event or events as shall be specified in such notice of optional redemption and may also be subject to rescission by the City if expressly set forth in such notice.

The registration of this Bond may be transferred upon the registration books upon delivery to the designated office of the Registrar accompanied by a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Registrar, duly executed by the owner of this Bond or by his attorney-in-fact or legal representative, containing written instructions as to the details of transfer of this Bond, along with the social security number or federal employer identification number of such transferee. In all cases of a transfer of a Bond, the Registrar shall at the earliest practical time in accordance with the provisions of the Ordinance enter the transfer of ownership in the registration books and shall deliver in the name of the new transferee or transferees a new fully registered Bond or Bonds of the same maturity and of authorized denomination or denominations, for the same aggregate principal amount and

payable from the same source of funds. The Issuer and the Registrar may charge the owner of such Bond for the registration of every such transfer of a Bond an amount sufficient to reimburse them for any tax, fee or any other governmental charge required (other than by the Issuer) to be paid with respect to the registration of such transfer, and may require that such amounts be paid before any such new Bond shall be delivered.

If the date for payment of the principal of, premium, if any, or interest on this Bond shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the city where the designated corporate trust office of the Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such day shall have the same force and effect as if made on the nominal date of payment.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen, and to be performed precedent to and in the issuance of this Bond exist, have happened and have been performed in regular and due form and time as required by the laws and Constitution of the State of Florida applicable hereto, and that the issuance of the Bonds of this Series does not violate any constitutional or statutory limitation or provision.

Neither the members of the governing body of the Issuer nor any person executing the Bonds shall be liable personally on the Bonds by reason of their issuance.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Ordinance until the Certificate of Authentication endorsed hereon shall have been signed by the Registrar.

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**IN WITNESS WHEREOF**, the City of Jacksonville, Florida, has issued this Bond and has caused the same to be signed by its Mayor and attested to and countersigned by its Corporation Secretary, either manually or with their facsimile signatures, and its corporate seal or a facsimile thereof to be reproduced hereon, all as of the Original Dated Date set forth above.

**CITY OF JACKSONVILLE, FLORIDA**

By: \_\_\_\_\_  
Mayor

[SEAL]

Attested and Countersigned:

By: \_\_\_\_\_  
Corporation Secretary

## **CERTIFICATE OF AUTHENTICATION**

This Bond is one of the Bonds designated in and executed under the provisions of the within mentioned Ordinance.

**WELLS FARGO BANK, NATIONAL  
ASSOCIATION**

By: \_\_\_\_\_  
Authorized Officer

Date of Authentication:

\_\_\_\_\_, 2012

## ASSIGNMENT

FOR VALUE RECEIVED, the undersigned \_\_\_\_\_ (the "Transferor), hereby sells, assigns and transfers unto (the \_\_\_\_\_ (the "Transferee)

### **PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF TRANSFEE**

The within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ as attorney to register the transfer of the within Bond on the books kept for registration and registration of transfer thereof, with full power of substitution in the premises.

Date: \_\_\_\_\_

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Signature Guaranteed:

**NOTICE:** Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

**NOTICE:** No transfer will be registered and no new Bond will be issued in the name of the Transferee, unless the signature(s) to this assignment correspond(s) with the name as it appears upon the face of the within Bond in every particular without alteration or enlargement or any change whatever and the Social Security or Federal Employer Identification Number of the Transferee is supplied.

**EXHIBIT B  
TO  
BOND TERMS AGREEMENT**

**FORM OF ESCROW DEPOSIT AGREEMENTS**

**[Intentionally Omitted]**

**APPENDIX D**

**FORM OF CO-BOND COUNSEL OPINION**

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*Upon delivery of the Series 2012 Refunding Bonds in definitive form, Co-Bond Counsel, proposes to render their final approving opinion with respect to such Series 2012 Refunding Bonds in substantially the following form:*

December 13, 2012

Mayor and City Council Members of the  
City of Jacksonville, Florida  
Jacksonville, Florida

\$183,980,000  
City of Jacksonville, Florida  
Special Revenue Refunding Bonds,  
Series 2012C

\$11,840,000  
City of Jacksonville, Florida  
Special Revenue Refunding Bonds,  
Series 2012D

\$34,340,000  
City of Jacksonville, Florida  
Taxable Special Revenue Refunding Bonds,  
Series 2012E

Ladies and Gentlemen:

We have served as Co-Bond Counsel to the City of Jacksonville, Florida (the "City") in connection with the issuance and sale by the City of its \$183,980,000 City of Jacksonville, Florida Special Revenue Refunding Bonds, Series 2012C (the "Series 2012C Bonds"), its \$11,840,000 City of Jacksonville, Florida Special Revenue Refunding Bonds, Series 2012D (the "Series 2012D Bonds" and together with the Series 2012C Bonds, the "Series 2012 Tax-Exempt Refunding Bonds"), and its \$34,340,000 City of Jacksonville, Florida Taxable Special Revenue Refunding Bonds, Series 2012E (the "Series 2012E Bonds" and together with the Series 2012 Tax-Exempt Refunding Bonds, the "Series 2012 Refunding Bonds") pursuant to and under the authority of the Constitution and laws of the State of Florida, particularly Section 159.11, Florida Statutes, Chapters 125 and 166, Florida Statutes, Article VIII, Section 2 of the Constitution of the State of Florida, Chapter 92-341, Laws of Florida, Special Acts of 1992, as amended and supplemented, and other applicable provisions of law (collectively, the "Act"), Ordinance 2006-888-E, enacted on September 12, 2006, as supplemented and amended from

Mayor and City Council Members of the

City of Jacksonville, Florida

December 13, 2012

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time to time (the "Special Revenue Bond Ordinance"), as particularly supplemented by Ordinance 2012-621-E, enacted on November 13, 2012 (together with the Special Revenue Bond Ordinance, the "Bond Ordinance") and a Bond Terms Agreement dated as of December 1, 2012, relating to the Series 2012 Refunding Bonds (the "Bond Terms Agreement"). The Series 2012 Refunding Bonds are being issued to refund and defease the City's 2001B Excise Taxes Bonds, 2002B Excise Taxes Bonds, 2003A Excise Taxes Bonds, 2003C Excise Taxes Bonds, Guaranteed Entitlement Bonds and the Local Government Sales Tax Bonds (collectively, the "Refunded Bonds") and pay the costs of issuance related to the Series 2012 Refunding Bonds. In our capacity as Co-Bond Counsel, we have examined such law and certified proceedings, certifications and other documents as we have deemed necessary to render this opinion. All capitalized terms not otherwise defined herein shall have the meanings set forth in the Bond Ordinance or the Bond Terms Agreement, as applicable.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Bond Ordinance and in the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation. We have not undertaken an independent audit, examination, investigation or inspection of such matters and have relied solely on the facts, estimates and circumstances described in such proceedings and certifications. We have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

In rendering this opinion, we have examined and relied upon the opinion of even date herewith of the Office of General Counsel of the City, as to the due creation and valid existence of the City, the due enactment of the Bond Ordinance, the due execution and delivery of the Series 2012 Refunding Bonds and the Bond Terms Agreement as well as the compliance by the City with all conditions contained in ordinances of the City precedent to the issuance of the Series 2012 Refunding Bonds.

The Series 2012 Refunding Bonds are payable from those revenues of the City that are deposited to the credit of the City's General Fund derived from any source whatsoever that are legally available for the payment of the obligations of the City under the Special Revenue Bond Ordinance, inclusive of operating transfers from other funds into the General Fund, but exclusive of revenues derived from ad valorem taxation (the "Covenant Revenues"). The lien upon and pledge of the Covenant Revenues are on parity and equal status with Additional Bonds heretofore issued under the Bond Ordinance in the manner and to the extent provided in the Bond Ordinance. Pursuant to the terms, conditions and limitations contained in the Bond Ordinance, the City has reserved the right to issue Additional Bonds in the future which shall have a lien on the Covenant Revenues equal to that of the Series 2012 Refunding Bonds and any then outstanding Additional Bonds.

Mayor and City Council Members of the

City of Jacksonville, Florida

December 13, 2012

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The opinions set forth below are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the federal income tax laws of the United States of America.

Based upon and subject to the foregoing, we are of the opinion that:

(i) The Bond Ordinance constitutes a valid and binding obligation of the City, enforceable against the City in accordance with its terms.

(ii) The Series 2012 Refunding Bonds are valid and legally binding limited obligations of the City, payable solely from the Covenant Revenues and other legally available revenues of the City actually budgeted and appropriated for payment thereof and deposited in the funds and accounts created pursuant to the Bond Ordinance, all in the manner and to the extent provided in the Bond Ordinance. The Series 2012 Refunding Bonds have been issued in full compliance with the provisions of the Bond Ordinance authorizing the issuance of Additional Bonds.

The Series 2012 Refunding Bonds shall be secured only by the Covenant Revenues and other legally available funds actually budgeted and appropriated and deposited into the funds and accounts created under the Bond Ordinance, as provided in the Bond Ordinance. Nothing in the Bond Ordinance shall be deemed to create a pledge of or lien on the Covenant Revenues (until such funds are budgeted, appropriated and deposited into the funds and accounts created thereunder), the ad valorem tax revenues, or any other revenues or funds of the City, or to permit or constitute a mortgage or lien upon any assets owned by the City. No Bondholder shall ever have the right to compel any exercise of the ad valorem taxing power of the City for any purpose, including, without limitation, the pay the principal of or interest or premium, if any, on the Series 2012 Refunding Bonds or to make any other payment required under the Bond Ordinance or to maintain or continue any of the activities of the City which generate user service charges, regulatory fees or any other Covenant Revenues, nor shall the Series 2012 Refunding Bonds constitute a charge, lien or encumbrance, either legal or equitable, on any property, assets or funds of the City. The Bondholder will not have a lien on or a pledge of the Covenant Revenues until such funds are budgeted, appropriated and deposited into the funds and accounts created thereunder. The obligation of the City to budget, appropriate and make payments under the Bond Ordinance from its Covenant Revenues is subject to the availability of Covenant Revenues in the General Fund after satisfaction of the funding requirements for obligations having an express lien on or pledge of such revenues and the funding requirements for essential governmental services of the City.

(iii) Under existing statutes, regulations, rulings and court decisions, subject to the assumptions stated herein, interest on the Series 2012 Tax-Exempt Refunding Bonds is excludable from gross income for federal income tax purposes. Furthermore, interest on the Series 2012 Tax-Exempt Refunding Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on

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the Series 2012 Tax-Exempt Refunding Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. We express no opinion regarding other federal tax consequences resulting from the ownership, receipt or accrual of interest on or disposition of the Series 2012 Tax-Exempt Refunding Bonds.

(iv) The Series 2012 Refunding Bonds and the income thereon are not subject to taxation under the laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, as amended, on interest, income or profits on debt obligations owned by corporations as defined therein.

(v) Interest on the Series 2012E Bonds is not excludable from gross income for federal income tax purposes.

This opinion is qualified to the extent that the enforcement of the Series 2012 Refunding Bonds or the Bond Ordinance may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting generally the enforcement of creditors' rights now or hereafter in effect, or by the exercise of judicial discretion in accordance with general principles of equity.

In rendering the opinion set forth in Paragraph (iii) above, we have assumed the accuracy of the certifications and representations of the City and the continuing compliance by the City with the requirements of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder that must be met after the delivery of the Series 2012 Tax-Exempt Refunding Bonds in order that interest on the Series 2012 Tax-Exempt Refunding Bonds be and remain excludable from gross income for federal income tax purposes. The failure by the City to meet such requirements may cause interest on the Series 2012 Tax-Exempt Refunding Bonds to be included in gross income for federal income tax purposes retroactively to the date of delivery of the Series 2012 Tax-Exempt Refunding Bonds. The City has covenanted to comply with such requirements.

Except as stated in Paragraph (iii), (iv) and (v) above, we express no opinion as to any other tax consequences regarding the Series 2012 Refunding Bonds.

In our capacity as Co-Bond Counsel, we have not been engaged or undertaken to review or verify and, therefore, express no opinion herein regarding the accuracy, adequacy, fairness, or completeness of the Official Statement or any other offering material relating to the Series 2012 Refunding Bonds, except as may be otherwise set forth in our supplemental opinion delivered to the initial purchaser of the Series 2012 Refunding Bonds. This opinion should not be construed as offering material, an offering circular, prospectus or official statement and is not intended in any way to be a disclosure statement used in connection with the sale or delivery of the Series 2012 Refunding Bonds. Furthermore, we are not passing on the accuracy or sufficiency of any

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CUSIP numbers appearing on the Series 2012 Refunding Bonds. In addition, other than as expressly set forth herein, we have not been engaged to and, therefore, express no opinion as to compliance by the City or the underwriters with any federal or state statute, regulation or ruling with respect to the registration, sale and distribution of the Series 2012 Refunding Bonds or regarding the perfection or priority of the lien on the Covenant Revenues created by the Bond Ordinance.

Our opinions expressed herein are predicated upon present law, facts and circumstances, and we assume no affirmative obligation to update, revise or supplement the opinions expressed herein if such laws, facts or circumstances change after the date hereof.

This opinion is furnished solely for the information and benefit of the addressees hereof and may not be relied upon by any other person except as specifically authorized by the undersigned firm.

Respectfully submitted,

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**APPENDIX E**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

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## **CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Jacksonville, Florida (the "Issuer") in connection with the issuance of its \$183,980,000 City of Jacksonville, Florida Special Revenue Refunding Bonds, Series 2012C (the "Series 2012C Bonds"), \$11,840,000, City of Jacksonville, Florida Special Revenue Refunding Bonds, Series 2012D (the "Series 2012D Bonds"), and \$34,340,000 City of Jacksonville, Florida Taxable Special Revenue Refunding Bonds, Series 2012E (the "Series 2012E Bonds" and, together with the Series 2012C Bonds and the Series 2012D Bonds, the "Bonds"). The Bonds are being issued pursuant to Ordinance 2006-888-E, enacted on September 12, 2006, as supplemented and amended from time to time, including, particularly as supplemented by Ordinance 2012-621-E, enacted on November 13, 2012 (collectively, the "Bond Ordinance").

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

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

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

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

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

"EMMA" means the MSRB's Electronic Municipal Market Access System web portal at <http://emma.msrb.org>.

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

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

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

"Repository" shall mean each entity authorized and approved by the Securities and Exchange Commission from time to time to act as a repository for purposes of complying with the Rule. The Repositories currently approved by the Securities and Exchange Commission may be found by visiting the Securities and Exchange Commission's website at <http://www.sec.gov/info/municipal/nrmsir.htm>. As of the date hereof, the Repository recognized by the Securities and Exchange Commission for such purpose is the Municipal Securities Rulemaking Board, which currently accepts continuing disclosure submissions through EMMA.

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

"State" shall mean the State of Florida.

### **SECTION 3. PROVISION OF ANNUAL REPORTS.**

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than each April 30th, commencing April 30, 2013 with respect to the report for the fiscal year ended September 30, 2012, provide to any Repository in electronic format as prescribed by such Repository, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date provided, further, in such event unaudited financial statements are required to be delivered as part of the Annual Report in accordance with Section 4(a) below. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) If the Issuer is unable to provide to any Repository an Annual Report as required in subsection (a), the Issuer shall send a notice to any Repository, in electronic format as prescribed by such Repository, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of any Repository; and

(ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing any Repository to which it was provided.

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

(a) the audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement dated November 16, 2012 (the "Official Statement"), and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; and

(b) updates of the financial information set forth in the Official Statement in: (i) the table captioned "City of Jacksonville, Florida General Fund Schedule of Revenues and Expenditures" under the section entitled "GENERAL FUND;" (ii) the table captioned "City of Jacksonville, Florida Non-Self Sufficient Debt" under the section entitled "ADDITIONAL DEBT – Outstanding and Anticipated Non-Self Sufficient Debt;" and (iii) the table captioned "City of Jacksonville Calculation of Covenant Revenues and Anti-Dilution Test" under the section entitled "ADDITIONAL DEBT – Calculation of Covenant Revenues and Anti-Dilution Test Limitation."

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

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

## **SECTION 5. REPORTING OF SIGNIFICANT EVENTS.**

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on the debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with

respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;

7. modifications to rights of the holders of the Bonds, if material;
8. Bond calls, if material, and tender offers (other than scheduled mandatory redemption);
9. defeasances;
10. release, substitution, or sale of property securing repayment of the Bonds, if material;
11. ratings changes;
12. bankruptcy, insolvency, receivership or similar event of the Issuer;
13. the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. appointment of a successor or additional trustee or the change of name of a trustee, if material; and
15. notice of any failure on the part of the Issuer to meet the requirements of Section 3 hereof.

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

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

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

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

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

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

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the holders or Beneficial Owners of the Bonds in the same manner as provided in the Bond Ordinance for amendments to the Bond Ordinance with the consent of holders or Beneficial Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or Beneficial Owners of the Bonds.

Notwithstanding the foregoing, the Issuer shall have the right to adopt amendments to this Disclosure Certificate necessary to comply with any then applicable provisions of securities law and modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time.

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

and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

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

**SECTION 12. DUTIES, IMMUNITIES AND LIABILITIES OF DISSEMINATION AGENT.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

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Dated as of December 1, 2012.

**CITY OF JACKSONVILLE, FLORIDA**

(SEAL)

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Alvin Brown, Mayor

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C. Ronald Belton, Chief Financial Officer

## EXHIBIT A

### NOTICE OF FAILURE TO FILE ANNUAL REPORT

**Name of Issuer:** City of Jacksonville, Florida

**Name of Bond Issue:** \$183,980,000 Special Revenue Refunding Bonds, Series 2012C  
\$11,840,000 Special Revenue Refunding Bonds, Series 2012D  
\$34,340,000 Taxable Special Revenue Refunding Bonds, Series 2012E

**Date of Issuance:** December 13, 2012

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Sections 3 and 4(b) of the Continuing Disclosure Certificate dated as of December 1, 2012. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_, 2012.

[DISSEMINATION AGENT]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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