

In the opinion of Bond Counsel, under existing law, the interest on the Series 2015 Bonds is excluded from gross income of the owners thereof for federal income tax purposes and will not be a preference item for purposes of the federal alternative minimum tax on individuals or corporations, except as described herein. In the further opinion of Bond Counsel, the Series 2015 Bonds and the interest thereon are exempt from all taxation in the State of Louisiana. See "Tax Matters" herein and the proposed form of Bond Counsel opinion attached hereto as Appendix "G."



\$91,600,000
Communications System Revenue Refunding Bonds, Series 2015
CITY OF LAFAYETTE, STATE OF LOUISIANA

Dated: Date of Delivery

Due: November 1, as shown on the inside cover

The Communications System Revenue Refunding Bonds, Series 2015 (the "Series 2015 Bonds") are being issued by the City of Lafayette, State of Louisiana (the "City" or "Issuer") for the purposes of refunding all of the City's Communications System Revenue Bonds, Series 2007 (the "Refunded Bonds") and paying costs of issuance of the Series 2015 Bonds. See "REFUNDING PLAN" herein.

The Series 2015 Bonds are being initially issued as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2015 Bonds. Purchasers of the Series 2015 Bonds will not receive certificates representing their interest in the Series 2015 Bonds purchased. Purchases of the Series 2015 Bonds may be made only in book-entry form in authorized denominations by credit to participating broker-dealers and other institutions on the books of DTC as described herein. Principal of and interest on the Series 2015 Bonds will be payable by the Paying Agent to DTC, which will remit such payments in accordance with its normal procedures, as described herein. Interest on the Series 2015 Bonds is payable on November 1, 2015, and semiannually thereafter on November 1 and May 1 of each year in the manner set forth herein. Whitney Bank, Baton Rouge, Louisiana, will serve as Paying Agent for the Series 2015 Bonds.

THE SERIES 2015 BONDS ARE SUBJECT TO OPTIONAL REDEMPTION AS SET FORTH HEREIN.

The Series 2015 Bonds are special obligations of the City and do not constitute general obligations or indebtedness of the City within the meaning of the Constitution of Louisiana. The payment of the principal of, and interest on the Series 2015 Bonds and any Parity Debt (as defined in the Ordinance) shall be secured forthwith equally and ratably by an irrevocable lien on the Net Revenues (as defined herein) of the Communications System, all in the manner and to the extent provided in the Ordinance, prior and superior to all other liens or encumbrances on the Net Revenues, except as otherwise provided in the Ordinance, and the Issuer has irrevocably pledged to set aside the Net Revenues for the payment of the principal of, premium, if any, and interest on the Series 2015 Bonds and the Issuer's outstanding Communications System Revenue Bonds, Series 2012A and Series 2012B (collectively, the "Outstanding Parity Bonds") and any future Parity Debt, and, upon the occurrence of a Credit Event, to the extent of the insufficiency, the Residual Revenues, before their use for any other purpose as set forth in the Utilities Bond Ordinance. See "SECURITY AND SOURCES OF PAYMENT" herein. The Series 2015 Bonds constitute a Subordinated Indebtedness of the Utilities System, as defined and provided for in the General Bond Ordinance (Ordinance No. O-053-2006, adopted on March 21, 2006, which supplemented, amended, and restated in its entirety Ordinance No. O-230-2005, adopted on September 6, 2005), as supplemented, including as supplemented by the Third Supplemental Bond Ordinance (Ordinance No. O-049-2015, adopted on March 24, 2015 and to be supplemented on August 4, 2015) (collectively, the "Ordinance"). The Series 2015 Bonds were authorized pursuant to Chapter 14-A of Title 39 of the Louisiana Revised Statutes of 1950, as amended.

The scheduled payment of principal of and interest on the Series 2015 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2015 Bonds by Assured Guaranty Municipal Corp. See "BOND INSURANCE" herein and Appendix "H" —"SPECIMEN MUNICIPAL BOND INSURANCE POLICY" attached hereto for a specimen Municipal Bond Insurance Policy.



A Maturity Schedule for the Series 2015 Bonds appears on the inside cover of this Official Statement.

The Series 2015 Bonds are offered by the Underwriters subject to prior sale, withdrawal or modification of such offer without notice when, as and if issued by the Issuer and accepted by the Underwriters, subject to the approving opinion of Foley & Judell, L.L.P., Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Nixon Peabody LLP. It is expected that the Series 2015 Bonds will be delivered through the facilities of DTC, on or about August 21, 2015, against payment therefor.

RAYMOND JAMES®

STIFEL

The date of this Official Statement is July 23, 2015. This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

MATURITY SCHEDULE

CITY OF LAFAYETTE, STATE OF LOUISIANA Communications System Revenue Refunding Bonds, Series 2015

\$91,600,000 Serial Bonds

<u>Due November 1</u>	<u>Principal</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP Number*</u>
2016	\$ 940,000	2.00%	0.61%	50646PBX6
2017	4,045,000	5.00	1.07	50646PBY4
2018	4,425,000	5.00	1.41	50646PBZ1
2019	4,645,000	5.00	1.64	50646PCA5
2020	4,880,000	5.00	1.91	50646PCB3
2021	5,125,000	5.00	2.23	50646PCC1
2022	5,375,000	5.00	2.56	50646PCD9
2023	5,650,000	5.00	2.73	50646PCE7
2024	5,930,000	5.00	2.92	50646PCF4
2025	6,230,000	5.00	3.06	50646PCG2
2026 [†]	6,535,000	5.00	3.20	50646PCH0
2027 [†]	6,860,000	5.00	3.29	50646PCJ6
2028 [†]	5,000,000	5.00	3.38	50646PCK3
2028	2,205,000	3.50	3.59	50646PCP2
2029 [†]	7,535,000	5.00	3.47	50646PCL1
2030 [†]	7,915,000	5.00	3.52	50646PCM9
2031 [†]	5,000,000	5.00	3.59	50646PCN7
2031	3,305,000	3.75	3.87	50646PCQ0

* Copyright, American Banks Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of bondholders and none of the City or the Underwriters make any representation with respect to such numbers or undertake any responsibility for their accuracy. The CUSIP numbers are subject to change after the issuance of the Series 2015 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2015 Bonds.

[†] Priced at the stated yield to the November 1, 2025 optional redemption date at a redemption price of 100%.

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE LAFAYETTE CITY-PARISH COUNCIL AND THE LAFAYETTE PUBLIC UTILITIES AUTHORITY, THE GOVERNING AUTHORITY OF THE CITY OF LAFAYETTE, STATE OF LOUISIANA (THE “CITY” OR “ISSUER”) FOR UTILITY PURPOSES, OR THE UNDERWRITERS TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ANY OF THE FOREGOING.

THE INFORMATION SET FORTH HEREIN HAS BEEN FURNISHED BY THE ISSUER AND INCLUDES INFORMATION OBTAINED FROM SOURCES WHICH ARE BELIEVED TO BE RELIABLE BUT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS. THE INFORMATION SET FORTH HEREIN CONCERNING THE DEPOSITORY TRUST COMPANY (“DTC”) HAS BEEN FURNISHED BY DTC, AND NO REPRESENTATION IS MADE BY THE ISSUER OR THE UNDERWRITERS AS TO THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION.

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 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.

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 ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER OR DTC SINCE THE DATE HEREOF. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUER OR THE UNDERWRITERS AND ANY ONE OR MORE OF THE PURCHASERS OR REGISTERED OWNERS OF THE SERIES 2015 BONDS.

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 2015 Bonds are qualified in their entirety by reference to the form thereof included in the Ordinance and the provisions with respect thereto included in the aforesaid documents and agreements.

The Series 2015 Bonds have not been registered with the Securities and Exchange Commission. The registration, qualification or exemption of the Series 2015 Bonds in accordance with the applicable securities law provisions of the jurisdictions in which the securities have been registered, qualified or exempted should not be regarded as a recommendation thereof. Neither these jurisdictions nor any of their agencies have guaranteed or passed upon the safety of the Series 2015 Bonds as an investment, upon probability of any earnings thereon or upon the accuracy or adequacy of this Official Statement.

The prices and other terms respecting the offering and sale of the Series 2015 Bonds may be changed from time to time by the Underwriters after the Series 2015 Bonds are released for sale, and the Series 2015 Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Series 2015 Bonds into investment accounts. In connection with the offering of the Series 2015 Bonds, the Underwriters may over allot or effect transactions which stabilize or maintain the market prices of the Series 2015 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

Assured Guaranty Municipal Corp. (“Assured”) makes no representation regarding the Series 2015 Bonds or the advisability of investing in the Series 2015 Bonds. In addition, Assured has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured supplied by Assured and presented under the heading “Bond Insurance” and Appendix “H” – “Specimen Municipal Bond Insurance Policy”.

Cautionary Statements Regarding Forward-Looking Statements in this Official Statement

This Official Statement is marked with a dated date and speaks only as of that dated date. Readers are cautioned not to assume that any information has been updated beyond the dated date except as to any portion of the Official Statement that expressly states that it constitutes an update concerning specific recent events occurring after the dated date of the Official Statement. Any information contained in the portion of the Official Statement indicated to concern recent events speaks only as of its date. The Issuer expressly disclaims any duty to provide an update of any information contained in this Official Statement, except as agreed upon by said parties pursuant to the continuing disclosure certificate (the “Continuing Disclosure Certificate”), a form of which is included herein as Appendix “E.”

The information contained in this Official Statement may include forward looking statements by using forward-looking words such as “may,” “will,” “should,” “expects,” “believes,” “anticipates,” “estimates,” “budgets” or others. The reader is cautioned that forward-looking statements are subject to a variety of uncertainties that could cause actual results to differ from the projected results. Those risks and uncertainties include general economic and business conditions, and various other factors which are beyond the control of the Issuer.

Because the Issuer cannot predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different from what is included in forward-looking statements.

OFFICIALS
CITY OF LAFAYETTE, STATE OF LOUISIANA

PRESIDENT OF THE LAFAYETTE CITY-PARISH
CONSOLIDATED GOVERNMENT

L.J. "Joey" Durel, Jr.

CITY-PARISH COUNCIL

Kenneth P. Boudreaux, District 4*, *Chair*

Kevin Naquin, District 1

Jay Castille, District 2

Brandon Shelvin, District 3*

Jared Bellard, District 5

Andre "Andy" Naquin, District 6*

Donald L. Bertrand, District 7*

Keith Patin, District 8*

William G. Theriot, District 9

Clerk of Council

Veronica L. Williams

Chief Administrative Officer

Dee Stanley

Chief Financial Officer

Lorrie R. Toups

Director of Utilities

Terry Huval

Consulting Engineer

NewGen Strategies & Solutions, LLC

Certified Public Accountants

Kolder, Champagne, Slaven & Company, LLC

City-Parish Attorney

Michael D. Hebert

Bond Counsel

Foley & Judell, L.L.P.

* Also serves as a member of the Lafayette Public Utilities Authority.

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CITY OF LAFAYETTE, STATE OF LOUISIANA

OFFICIAL STATEMENT

\$91,600,000

COMMUNICATIONS SYSTEM REVENUE REFUNDING BONDS, SERIES 2015

INTRODUCTION

This Official Statement of the City of Lafayette, State of Louisiana (the “City” or “Issuer”) provides information with respect to the above-captioned bonds (the “Series 2015 Bonds”). This Official Statement contains summaries of certain of the provisions of the ordinances adopted and to be adopted by the Lafayette City-Parish Council (the “Council”), acting as the governing authority of the Issuer and the Lafayette Public Utilities Authority (the “Authority” or “LPUA”), pursuant to which the Series 2015 Bonds are being issued, including (a) Ordinance No. O-230-2005, adopted on September 6, 2005, which was supplemented, amended, and restated in its entirety Ordinance No. O-053-2006, adopted on March 21, 2006 (the “General Bond Ordinance”), (b) the First Supplemental Bond Ordinance adopted on June 12, 2007, (c) the Second Supplemental Bond Ordinance adopted on December 6, 2011 and (d) the Third Supplemental Bond Ordinance adopted on March 24, 2015 and to be supplemented on August 4, 2015 (collectively, the “Ordinance”). A copy of the General Bond Ordinance is included herein as Appendix “A”.

The Series 2015 Bonds are being issued by the City for the purposes of refinancing all of the City’s outstanding Communications System Revenue Bonds, Series 2007 (the “Refunded Bonds” or “Series 2007 Bonds”) and paying costs of issuance of the Series 2015 Bonds. The savings in debt service payments resulting from the refunding of the Refunded Bonds is currently expected to be used by the City to fund expansion of the Communications System.

Brief descriptions of the Issuer, the Authority, the Communications System, the Utilities System, the Series 2015 Bonds, the Ordinance and other acts, resolutions, ordinances, documents and instruments are contained in this Official Statement, and reference to such matters is qualified by reference to such entity, act, resolution, ordinance, document or instrument so referred to or summarized. In order to make an informed decision as to whether to invest in the Series 2015 Bonds, a potential investor must read this Official Statement in its entirety. See “RISK FACTORS AND INVESTMENT CONSIDERATIONS” herein.

Reference in this Official Statement to owner, holder, registered owner, Bondholder or Bondowner means the registered owner of the Series 2015 Bonds determined in accordance with the Ordinance. The Series 2015 Bonds are being issued under the Ordinance. Capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in Appendix “A” hereto.

The Issuer was incorporated in 1914. It is located on the Vermilion River, approximately 30 miles from the Gulf of Mexico, 135 miles west of New Orleans, and 200 miles east of Houston, Texas. The Issuer is the parish seat of the Parish of Lafayette, State of Louisiana (the “Parish”), which was created on January 17, 1823, and covers a total area of approximately 277 square miles. The area of the Issuer is approximately 40 square miles. The Issuer is the center of a metropolitan statistical area that includes the Parish and St. Martin Parish. The greater metropolitan area includes the parishes of Lafayette, St. Martin, Acadia, St. Landry, Iberia, and Vermilion. The Issuer had an

estimated population of approximately 126,000 in 2013. For additional information relating to the Issuer, see “THE ISSUER” herein and Appendices “B” and “F”.

The Issuer and the government of Lafayette Parish operate under a consolidated government known as the Lafayette City-Parish Consolidated Council (the “Lafayette City-Parish Consolidated Government”). The Home Rule Charter of the Lafayette City-Parish Consolidated Government (the “Charter”) provides that the governing authority of the Utilities Department (“LUS”) of the Issuer shall be the Authority. The Charter further provides, among other things, for the fixing of rates, incurrence of indebtedness, approval of the utility budget, and for the approval of proposals for the improvement and extension of the utilities by the Authority. The Charter also provides that the City-Parish President shall prepare the budget for the City and the Parish. Five members of the Council also serve as members of the Authority.

The Issuer owns the assets of the Communications System which currently operates a 100 percent fiber optic network in the City that is used to provide communication within the Utilities System, within parts of local government, within parts of the Parish School System, and within the University of Louisiana-Lafayette and provides service to retail and wholesale customers (the “Communications System”). The Communications System consists of a 125-mile, multiple-strand fiber backbone system providing wholesale broadband and high-speed Internet access with direct connections to major carriers with broadband backbone facilities that span the country, called Tier 1 providers. The backbone system serves as the core network to provide broadband and high-speed Internet to wholesale customers and voice, video, Internet, and data services to retail customers. In accordance with Title 45, Section 844.51(A)(1) of the Louisiana Revised Statutes of 1950, as amended, the Issuer established a single enterprise fund entitled the “Communications Services Enterprise Fund” to account for the City’s operation of the Communications System.

The Issuer also owns the assets of the Utilities System which includes: (1) an Electric System (including generation, transmission and distribution facilities); (2) a Water System (including supply, treatment, transmission, distribution and storage facilities); and (3) a Wastewater System (including wastewater collection and treatment facilities) (collectively, the “Utilities System”).

The Series 2015 Bonds are special obligations of the Issuer and do not constitute general obligations or indebtedness of the Issuer within the meaning of the Constitution of Louisiana. The payment of the principal of, and interest on the Series 2015 Bonds shall be secured forthwith equally and ratably with the Issuer’s \$7,595,000 original aggregate principal amount of Communications System Revenue Bonds, Series 2012A and \$7,000,000 original aggregate principal amount of Communications System Revenue Bonds, Series 2012B (collectively, the “Series 2012 Bonds”; and together with the Series 2015 Bonds, the “Outstanding Parity Bonds”) and any additional bonds which may be issued by the Issuer (such bonds, together with the Outstanding Parity Bonds, the “Bonds”), by an irrevocable lien on the Net Revenues (as defined in the Ordinance) of the Communications System, all in the manner and to the extent provided in the Ordinance, prior and superior to all other liens or encumbrances on the Net Revenues, except as otherwise provided in the Ordinance, and the Issuer has irrevocably pledged to set aside the Net Revenues for the payment of the principal of, premium, if any, and interest on the Series 2015 Bonds and the Outstanding Parity Bonds and, if the amounts on deposit in the Debt Service Account on the 21st day of the month preceding an Interest Payment Date are insufficient to pay principal of and interest on the Bonds due on such Interest Payment Date (a “Credit Event”), then to the extent of the insufficiency, the Residual Revenues of the Utilities System, before their use for any other purpose set forth in Section 5.1(e)(iv)(C) of Ordinance No. O-122-2004 adopted on June 29, 2004 (the “Utilities Bond Ordinance”). The Issuer has \$237,865,000 of its Utilities Revenue Bonds outstanding which are payable from a pledge and dedication of the income and revenues of the Utilities System prior to the Residual Revenues becoming available for the payment of the Series 2015 Bonds.

The Series 2015 Bonds were authorized pursuant to Chapter 14-A of Title 39 of the Louisiana Revised Statutes of 1950, as amended (the “Act”).

The scheduled payment of principal of and interest on the Series 2015 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2015 Bonds by Assured Guaranty Municipal Corp. (“Assured”). See “BOND INSURANCE” herein and Appendix “H” attached hereto for a specimen Municipal Bond Insurance Policy.

CONSULTING ENGINEER’S REPORT

Included in Appendix “D” hereto is the Consulting Engineer’s Report (the “Consulting Engineer’s Report”) of NewGen Strategies and Solutions, LLC, 225 Union Boulevard, Suite 305, Lakewood, Colorado 80228 (telephone 720-633-9509) (the “Consulting Engineer”). The Consulting Engineer’s Report includes, among other things, a description of the business, organization and management of the Communications System and the Utilities System; its findings regarding the Communications System, the Electric System, the Wastewater System and the Water System; environmental issues; and a financial survey. The forecasts contained in the Consulting Engineer’s Report are based upon assumptions about the outcome of future events and there can be no assurance that such forecasts will approximate actual results. The Consulting Engineer’s Report is part of this Official Statement and should be read in its entirety prior to the making of an investment decision with respect to the Series 2015 Bonds. The information included in Appendix “D” was provided by the Consulting Engineer and should not be deemed as a representation of either the Issuer or the Underwriters (as hereinafter defined).

REFUNDING PLAN

The Series 2015 Bonds are being issued by the City for the purposes of refunding \$96,855,000 in outstanding aggregate principal amount of the Issuer’s Series 2007 Bonds, and paying costs of issuance of the Series 2015 Bonds.

<u>Maturity (November 1)</u>	<u>Interest Rate</u>	<u>Amount Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP Number</u> [†]
2015	4.250%	\$ 595,000	Paid at Maturity	--	50646PAF6
2015	5.000	3,160,000	Paid at Maturity	--	50656PAG4
2016	4.125	1,625,000	Paid at Maturity	--	50646PAH2
2016	5.000	2,315,000	Paid at Maturity	--	50646PAJ8
2017	4.250	1,055,000	Paid at Maturity	--	50646PAK5
2017	5.000	3,070,000	Paid at Maturity	--	50646PAL3
2018	5.000	4,320,000	11/01/2017	100%	50646PAM1
2019	5.000	4,535,000	11/01/2017	100	50646PAN9
2020	5.250	4,765,000	11/01/2017	100	50646PAP4
2021	5.250	5,015,000	11/01/2017	100	50646PAQ2
2022	4.500	5,275,000	11/01/2017	100	50646PAR0
2023	5.250	5,515,000	11/01/2017	100	50646PAS8
2024	4.625	5,805,000	11/01/2017	100	50646PAT6
2027	4.750	705,000	11/01/2017	100	50646PAU3
2027	5.250	18,485,000	11/01/2017	100	50646PAV1
2031	5.250	30,615,000	11/01/2017	100	50646PAW9

[†] Copyright, American Banks Association.

The proceeds of the sale of the Series 2015 Bonds (exclusive of accrued interest and proceeds to be applied to the payment of Costs of Issuance (as defined in the Bond Ordinance)), together with additional moneys provided by the Issuer, will be deposited in an escrow fund (the “Escrow Fund”) to

be held by The Bank of New York Mellon Trust Company, N. A., in the City of Baton Rouge, Louisiana (the “Escrow Agent”), which Escrow Fund is created pursuant to the terms of an Escrow Deposit Agreement between the Issuer and the Escrow Agent (the “Escrow Agreement”). Pursuant to the Ordinance and the Escrow Agreement, the amounts on deposit in the Escrow Fund will be irrevocably invested in Defeasance Securities (as defined in the General Bond Ordinance), the principal of and interest on which, when added to other moneys on deposit in the Escrow Fund, will be sufficient to pay when due the principal of, premium, if any, and interest on the Refunded Bonds to the earlier of their respective maturities or through their redemption on November 1, 2017. Prior to or concurrently with the delivery of the Series 2015 Bonds, the Issuer shall obtain an independent mathematical verification that the moneys and Defeasance Securities required to be irrevocably deposited in trust in the Escrow Fund with the Escrow Agent, together with the earnings to accrue thereon, will always be sufficient for the payment of the principal of, premium, if any, and interest on the Refunded Bonds. Under the Escrow Agreement, the aforesaid escrow obligations may be sold and replacement obligations substituted therefor. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS” herein.

ESTIMATED SOURCES AND USES OF FUNDS

The Issuer anticipates that the proceeds of the Series 2015 Bonds shall be applied as follows:

Sources of Funds	
Par Amount of Bonds	\$ 91,600,000
Reoffering Premium	12,099,359
Transfers from Prior Issue Debt Service Funds	<u>4,771,579</u>
Total Sources	<u>\$108,470,938</u>
 Uses of Funds	
Costs of Issuance ⁽¹⁾	\$ 1,586,334
Deposit to Escrow Fund	<u>106,884,604</u>
Total Uses	<u>\$108,470,938</u>

Source: Raymond James & Associates, Inc.
 (1) Includes underwriters’ discount, legal fees, bond insurance premium and other issuance costs.

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DEBT SERVICE REQUIREMENTS

The following table sets forth, for each fiscal year ending October 31 (“Fiscal Year”), the amounts, rounded to the nearest dollar, required to be made available in such Fiscal Year for the payment of the principal of and interest on the Series 2015 Bonds, debt service on Outstanding Parity Bonds and the total debt service for all such outstanding Bonds under the Ordinance after giving effect to the refunding of the Refunded Bonds. The principal of the Series 2015 Bonds and Outstanding Parity Bonds matures on each November 1, one day following the close of the respective Fiscal Years listed.

Fiscal Year Ending October 31,	Outstanding Parity Bonds	Series 2015 Bonds			Aggregate Total Debt Service^{*†}
		Principal	Interest	Total[*]	
2015	\$ 3,211,748	--	\$ 870,608	\$ 870,608	\$ 4,082,356
2016	748,129	\$ 940,000	4,477,413	5,417,413	6,165,541
2017	748,129	4,045,000	4,458,613	8,503,613	9,251,741
2018	748,129	4,425,000	4,256,363	8,681,363	9,429,491
2019	748,129	4,645,000	4,035,113	8,680,113	9,428,241
2020	748,129	4,880,000	3,802,863	8,682,863	9,430,991
2021	748,129	5,125,000	3,558,863	8,683,863	9,431,991
2022	1,913,129	5,375,000	3,302,613	8,677,613	10,590,741
2023	1,916,079	5,650,000	3,033,863	8,683,863	10,599,941
2024	1,919,860	5,930,000	2,751,363	8,681,363	10,601,223
2025	1,914,108	6,230,000	2,454,863	8,684,863	10,598,970
2026	1,918,000	6,535,000	2,143,363	8,678,363	10,596,363
2027	1,911,670	6,860,000	1,816,613	8,676,613	10,588,283
2028	1,915,148	7,205,000	1,473,613	8,678,613	10,593,760
2029	1,913,700	7,535,000	1,146,438	8,681,438	10,595,138
2030	1,919,300	7,915,000	769,688	8,684,688	10,603,988
2031	1,914,650	8,305,000	373,938	8,678,938	10,593,588
TOTAL[†]	<u>\$26,856,163</u>	<u>\$91,600,000</u>	<u>\$44,726,183</u>	<u>\$136,326,183</u>	<u>\$163,182,346</u>

* Totals may not add due to rounding.

† Includes debt service on the Series 2012 Bonds and for Fiscal Year 2015, the Series 2007 Bonds. Does not include payments made by the Communications System into the Debt Service Fund for the Series 2007 Bonds equal to \$4,771,579.

THE SERIES 2015 BONDS

Form, Date, Maturities and Denomination of the Series 2015 Bonds

The Series 2015 Bonds are being issued as fully registered bonds in book-entry only form, are dated as of the date of delivery, and are in the denomination of five thousand dollars (\$5,000) or any integral multiple thereof within a single maturity. The Series 2015 Bonds will mature, subject to prior redemption, on November 1 in the years and in the principal amounts and will bear interest at the interest rates per annum (calculated on the basis of a 360-day year, consisting of twelve 30-day months) indicated on the inside front cover of this Official Statement.

Place of Payment

Principal of the Series 2015 Bonds is payable at the principal corporate trust office of Whitney Bank, Baton Rouge, Louisiana, or any successor paying agent (hereinafter referred to as the “Paying Agent”).

Interest Payment Dates

Interest on the Series 2015 Bonds is payable on November 1, 2015, and semiannually thereafter on November 1 and May 1 of each year (each an “Interest Payment Date”). For so long as the Series 2015 Bonds are registered in the name of Cede & Co. (as nominee of DTC), or its registered assigns, payments of principal and interest shall be made in accordance with the operational arrangements of DTC. In the event that the Series 2015 Bonds are no longer registered in the name of Cede & Co., interest on the Series 2015 Bonds is payable by check mailed to the holders by the Paying Agent at the addresses appearing on the registration books on the 15th calendar day of the month next preceding an Interest Payment Date, and principal of the Series 2015 Bonds is payable at the office of the Paying Agent.

Notwithstanding anything to the contrary herein, while the Series 2015 Bonds are issued in book-entry only form, the payment of principal of, premium, if any, and interest on the Series 2015 Bonds may be payable by the Paying Agent by wire transfer to DTC in accordance with DTC’s procedures. See “BOOK-ENTRY ONLY SYSTEM” below.

Redemption Provisions

Optional Redemption. The Series 2015 Bonds maturing on November 1, 2026, and thereafter, are callable for redemption by the Issuer in full, or in part, at any time on or after May 1, 2025, at the principal amount thereof and accrued interest to the date fixed for redemption.

Selection of Series 2015 Bonds to be Redeemed

In the case of redemptions of the Series 2015 Bonds, the Issuer will select the maturities of the applicable Series of Series 2015 Bonds to be redeemed. In the event a Series 2015 Bond is of a denomination larger than \$5,000, a portion of such Series 2015 Bond (\$5,000 or any integral multiple thereof) may be redeemed. If less than all of a maturity of the applicable Series of the Series 2015 Bonds are to be redeemed, the applicable bonds of such maturity to be redeemed will be selected by the Paying Agent, by lot, using such method of selection as the Paying Agent considers proper in its discretion. DTC has informed the Issuer that so long as DTC acts as securities depository for the Series 2015 Bonds, if less than all of a maturity of the Series 2015 Bonds are called for redemption, the particular bonds of such maturity or portions thereof to be redeemed will be selected by lot by DTC and the DTC Participants in accordance with their procedures. See “BOOK-ENTRY ONLY SYSTEM” below.

Notice of Redemption

Notice of redemption shall be sent at least thirty (30) days prior to the redemption date, filed with the Paying Agent, and mailed, postage prepaid, to all registered owners of the Series 2015 Bonds to be redeemed at their address as they appear of record on the books of the Paying Agent as of forty-five (45) days prior to the date fixed for redemption. Interest shall cease to accrue on any Series 2015 Bond duly called for prior redemption on the redemption date, if payment thereof has been duly provided. The privilege of transfer or exchange of any of the Series 2015 Bonds so called for redemption is suspended for a period commencing fifteen (15) calendar days preceding the mailing of the notice of redemption and ending on the date fixed for redemption. Failure to mail any such notice to any registered owner of a Series 2015 Bond, or any defect therein, shall not affect the validity of the proceedings for redemption of any Series 2015 Bond or portion thereof with respect to which no failure or defect occurred. In the event all or any portion of the Series 2015 Bonds are designated term bonds, the mandatory installment payments of such term bonds shall be treated as principal payments.

For so long as a book-entry only system is in effect with respect to the Series 2015 Bonds, the Issuer will mail notices of redemption to DTC or its nominee or its successor, and, if less than all of a maturity of the applicable Series 2015 Bonds are to be redeemed, DTC or its successor and Direct Participants and Indirect Participants (each as defined below) will determine the particular ownership interests of such Bonds to be redeemed. Any failure of DTC or its successor or a Direct Participant or Indirect Participant to do so, or notify a Beneficial Owner of a Bond of any redemption, will not affect the sufficiency or the validity or the redemption of Series 2015 Bonds.

Neither the Issuer, the Paying Agent nor the Underwriters can give any assurance that DTC, the Direct Participants or the Indirect Participants will distribute such redemption notices to the Beneficial Owners of the Series 2015 Bonds, or that they will do so on a timely basis.

Legal Authority

The Series 2015 Bonds are being issued under the authority of the Act.

BOOK-ENTRY ONLY SYSTEM

The Series 2015 Bonds will initially be issued solely in book-entry only form to be held in the system maintained by DTC. So long as such book-entry only system is used, only DTC will receive or have the right to receive physical delivery of the Series 2015 Bonds and Beneficial Owners (as defined below) will not be or be considered to be, and will not have any rights as, owners or holders of the Series 2015 Bonds under the Ordinance.

The following information about the book-entry only system applicable to the Series 2015 Bonds has been supplied by DTC. The Issuer makes no representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Series 2015 Bonds. The Series 2015 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 bond certificate will be issued for each maturity of each Series the Series 2015 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 3.6 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.

Purchases of the Series 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2015 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 2015 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 beneficial ownership interests in the Series 2015 Bonds, except in the event that use of the book-entry system for the Series 2015 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 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 the Series 2015 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 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015 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 the Series 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Series 2015 Bonds may wish to ascertain that the nominee holding the Series 2015 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 registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of a maturity of the Series 2015 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2015 Bonds of such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2015 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 Issuer 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 the Series 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of, premium, redemption proceeds and interest payments on the Series 2015 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 Issuer or the Paying Agent, on a payment 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, its nominee, the Paying Agent or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, redemption proceeds and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the 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 the Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2015 Bonds purchased or tendered, through its Participant, to the Underwriters, and shall effect delivery of such Series 2015 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2015 Bonds, on DTC's records, to the Underwriters. The requirement of physical delivery of Series 2015 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2015 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2015 Bonds to the Underwriters' DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2015 Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2015 Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2015 Bond certificates for such each Series of Series 2015 Bonds will be printed and delivered to DTC.

THE ISSUER CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT THE DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2015 BONDS (i) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2015 BONDS; (ii) CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN SERIES 2015 BONDS; OR (iii) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNERS OF THE SERIES 2015 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DTC PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE ISSUER NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (ii) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2015 BONDS; (iii) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS UNDER THE RESOLUTION; (iv)

THE SELECTION BY DTC, ANY PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF SERIES 2015 BONDS; (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR (vi) ANY OTHER PROCEDURES OR OBLIGATIONS OF DTC, PARTICIPANTS OR INDIRECT PARTICIPANTS UNDER THE BOOK-ENTRY SYSTEM.

Provisions Applicable if Book-Entry Only System is Terminated

General. Purchasers of Series 2015 Bonds will receive principal and interest payments, and may transfer and exchange Series 2015 Bonds, pursuant to the following provisions only if the book-entry only system is terminated. Otherwise, payments and transfers will be made only as described above under “Book-Entry Only System.”

Place of Payment. Principal of the Series 2015 Bonds will be payable at the principal corporate trust office of the Paying Agent.

Payment of Principal and Interest. Upon discontinuation of the book-entry only system, interest on the Series 2015 Bonds will be payable by check mailed on or before the Interest Payment Date by the Paying Agent to the registered owner, determined as of the close of business on the 15th calendar day of the month next preceding an Interest Payment Date, whether or not such day is a Business Day (the “Record Date”), at the address of such registered owner as it appears on the registration books of the Paying Agent.

The person in whose name any Series 2015 Bond is registered at the close of business on the Record Date with respect to an Interest Payment Date (unless such Series 2015 Bond has been called for redemption on a redemption date which is prior to such Interest Payment Date) shall be entitled to receive the interest payable with respect to such Interest Payment Date notwithstanding the cancellation of such Series 2015 Bond upon any registration of transfer or exchange thereof subsequent to such Record Date and prior to such Interest Payment Date.

Transfer, Registration and Exchange. Except as provided under “BOOK-ENTRY ONLY SYSTEM”, the Series 2015 Bonds are transferable only upon the records kept for that purpose at the principal corporate trust office of the Paying Agent, by the Owner or by his attorney duly authorized in writing, upon surrender of such Series 2015 Bonds with a written instrument or instruments of transfer in form and with a guaranty of signature satisfactory to the Paying Agent, duly executed by the Owner or his attorney duly authorized in writing, and upon the payment of the costs of any transfer taxes or other governmental charges relating thereto. Thereupon, the Paying Agent will register and deliver in the name of the transferee or transferees one or more new fully registered Series 2015 Bonds of any authorized denomination and like aggregate principal amount and designation, maturity and interest rate as the surrendered Series 2015 Bond. At the option of the Owner, the Series 2015 Bonds may also be exchanged for an equal aggregate principal amount of Series 2015 Bonds of the same designation, maturity and interest rate in any authorized denomination in accordance with the provisions of the Ordinance. The Issuer and the Paying Agent shall not be required (a) to issue, register the transfer of or exchange any Series 2015 Bond during a period beginning at the opening of business on the 15th day of the calendar month next preceding an Interest Payment Date or any date of selection of Series 2015 Bonds to be redeemed and ending at the close of business on the Interest Payment Date or day on which the applicable notice of redemption is given or (b) to register the transfer of or exchange any Series 2015 Bond so selected for redemption in whole or in part.

Prior to due presentment for registration of transfer of any Series 2015 Bond, the Issuer and the Paying Agent, and any agent of the Issuer or the Paying Agent may deem and treat the person in whose name any Series 2015 Bond is registered as the absolute Owner thereof for all purposes, whether or not such Series 2015 Bond shall be overdue, and shall not be bound by any notice to the contrary.

SECURITY AND SOURCES OF PAYMENT

Definitions

The Ordinance defines certain terms used herein and they are set forth in Appendix “A” hereto.

Sources of Payment

The Series 2015 Bonds shall not be or constitute general obligations or indebtedness of the Issuer within the meaning of the Constitution of Louisiana, but shall be payable first, from the net income and Revenues of the Communications System and second, upon the occurrence of a Credit Event, to the amount necessary, from a secondary or subordinate pledge of Residual Revenues of the Utilities System. No Bondholder shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer or taxation in any form on any real or personal property to pay such Series 2015 Bonds or the interest thereon, nor shall any Bondholder be entitled to payment of such principal and interest from any other moneys of the Issuer other than Net Revenues and Residual Revenues in the manner and to the extent provided in the Ordinance.

The payment of the principal of, premium, if any, and interest on the Series 2015 Bonds and the Outstanding Parity Bonds shall be secured forthwith equally and ratably by an irrevocable lien on the Net Revenues, all in the manner and to the extent provided in the Ordinance, prior and superior to all other liens or encumbrances on the Net Revenues, except as otherwise provided in the Ordinance, and the Issuer has irrevocably pledged to set aside the Net Revenues for the payment of the principal of, premium, if any, and interest on the Series 2015 Bonds and the Outstanding Parity Bonds and, upon the occurrence of a Credit Event, to the extent of the insufficiency, the Residual Revenues, before their use for any other purpose set forth in Section 5.1(e)(iv)(C) of the Utilities Bond Ordinance.

Notwithstanding any other provision of the Ordinance, the pledge of Residual Revenues set forth therein (but only until such Residual Revenues are released from the Capital Additions Account established under the Utilities Bond Ordinance) shall be subordinate to the pledge created in Section 4.2 of the Utilities Bond Ordinance.

THE SERIES 2015 BONDS ARE NOT GENERAL OBLIGATIONS OF THE ISSUER NOR THE AUTHORITY, AND NEITHER THE FULL FAITH AND CREDIT OF THE ISSUER, NOR THE AUTHORITY, NOR THE LAFAYETTE CITY-PARISH CONSOLIDATED GOVERNMENT, NOR THE STATE OF LOUISIANA IS PLEDGED TO THE PAYMENT THEREOF.

Creation of Funds and Accounts

Notwithstanding any provisions of the Ordinance to the contrary, the Issuer has established and will maintain a single Enterprise Fund entitled the “Communications Services Enterprise Fund” (the “Fund”) to account for the City’s operation of the Communications System. All Revenues and Bond proceeds shall be deposited in and maintained in such Fund in the manner described below.

Additionally, and not in place of the above provisions, there shall be an accounting of the Fund whereby separate accounts and/or sub-accounts will be created for accounting purposes only and shall be titled as follows: "Construction Account," "Receipts Account," "Operating Account," "Debt Service Account," "Reserve Account " and "Capital Additions Account." There may be created and established in the Operating Account and the Capital Additions Account one or more separate accounts or sub-accounts as determined by the Issuer from time to time to be necessary or convenient. The accounts established in the Ordinance shall constitute a trust for the purposes therein provided, shall be delivered to and held by the Chief Financial Officer (or an Authorized Depository designated by the Chief Financial Officer), who shall act as trustee of such moneys, and shall, except as otherwise provided, be subject to a lien and charge in favor of the Bondholders and used only as provided in the Ordinance. The described trust obligation shall extend only to the Issuer's obligation to hold such moneys for the benefit of Bondholders, but does not impose a trust obligation on any Authorized Depository.

(a) **Receipts Account.** Revenues, except (i) income received from the sale of capital assets, and (ii) proceeds from the issuance of Bonds, shall be deposited daily as the same may be collected in an account known and designated as the "Receipts Account."

(b) **Operating Account.** Out of the amounts in the Receipts Account, after the application of Bond proceeds deposited for working capital have been exhausted, there shall be transferred to or set aside in an "Operating Account," from time to time as needed during each Debt Service Account Year amounts sufficient to provide for the payment of Costs of Operation and Maintenance.

(c) **Debt Service Account.** Out of amounts in the Receipts Account, after providing for payments in (b) above, the Issuer shall establish and maintain an account to be known as the "Debt Service Account" by initially transferring to such account the portion of the Series 2015 Bond proceeds designated as accrued interest and capitalized interest. Thereafter, except to the extent other amounts are available from such accrued interest, capitalized interest or other sources on the Series 2015 Bonds received at the time of delivery, the Issuer shall deposit out of amounts in the Receipts Account, on or before the twentieth (20th) day of each month, a sum of money equal to a sum obtained by (i) multiplying the interest falling due on the next Interest Payment Date by a fraction the numerator of which is one and the denominator of which is the number of months, from and including the month of computation, to and including the month prior to the month in which such interest is due; and (ii) multiplying the principal on the Bonds falling due on the next Principal Payment Date by a fraction the numerator of which is one and the denominator of which is the number of months, including the month of computation, to and including the month prior to the month in which such principal payment is due. The foregoing deposit procedure into the Debt Service Account for the payment of principal will first start in the Bond Year in which the first principal payment falls due.

The Issuer shall cause to be transferred from the Debt Service Account to the Paying Agent no later than the twenty-first (21st) day of the month preceding each Interest Payment Date an amount equal to the interest and principal falling due on the Bonds on such Interest Payment Date. Such transfer or payment shall be held in trust by the Paying Agent for the benefit of the Bondholders and the Paying Agent shall disburse the amounts to the Bondholders on such Interest Payment Date. Upon failure of the Issuer to make such transfer on the twenty-first (21st) day of the month, the Paying Agent shall notify the Issuer within one (1) working day in writing or by electronic communication and the Issuer's continuing inability or failure to make such transfer by the twenty-fourth (24th) day of the month shall constitute a Credit Event. Failure of the Paying Agent to make the notification described above shall not prevent the occurrence of the Credit Event.

If a date prescribed in the Ordinance for a certain action is not a Business Day, such date so prescribed shall extend to the next day which is a Business Day.

(d) **Reserve Account.** The Reserve Account will be segregated into one or more sub-accounts that are created for various series of Reserve Secured Bonds. After meeting the requirements of (c) above, the amounts in the Receipts Account shall next be used to satisfy the Reserve Requirements for any subsequently issued Reserve Secured Bonds. The Series 2012 Bonds are not Reserve Secured Bonds. No sub-account in the Reserve Account and no Reserve Requirement has been established for the Series 2015 Bonds.

(e) **Capital Additions Account.** After meeting the requirements in (d) above, the amounts in the Receipts Account shall next be deposited in the Capital Additions Account, which amounts in the Capital Additions Account shall next be used for the following purposes:

(i) When amounts are deposited in the Capital Additions Account to pay the capitalized cost of interest on the Bonds of the Issuer, the Issuer shall pay from the Capital Additions Account to the Debt Service Account, on or before the first day of each Bond Year the amount equal to the interest for such Bond Year, to the extent amounts are available from capitalized interest.

(ii) Notwithstanding the above provisions, the Capital Additions Account must be applied to the payment of principal and Redemption Price of and interest on the Bonds and the payment of Parity Debt, on a pro rata basis, when due at any time that amounts are not available therefor and then to the payment falling due and any early repayment the Issuer deems appropriate on any advances, loans and/or transfers to the Fund from accounts or funds outside of the Communications System.

(iii) Not later than one hundred twenty (120) days following the close of each Fiscal Year, there shall be transferred from Capital Additions Account to the Issuer to the extent that the amount in such account makes possible such transfer under the restrictions hereinafter described, an in lieu of taxes (“ILOT”) payment, the amount of which shall be determined as follows:

(A) There shall be set-aside in each Fiscal Year for the purpose of paying Capital Costs an amount equal to seven and one-half percent (7-1/2%) of the Adjusted Revenues deposits into the Receipts Account for such Fiscal Year.

(B) If the balance of the amount so paid into the Capital Additions Account in any Fiscal Year, after there has been deducted from the amount so paid seven and one-half percent (7-1/2%) of the Adjusted Revenues deposits into the Receipts Account as above provided, is equal or less than twelve percent (12%) of the Adjusted Revenues deposits for such Fiscal Year, an amount equal to such balance shall be paid from the Capital Additions Account of the Fund to the General Fund of the Issuer; however, if such balance is more than twelve percent (12%) of the Adjusted Revenues deposits for such Fiscal Year, then the General Fund of the Issuer shall be paid an amount equal to twelve percent (12%) of said Adjusted Revenues deposits. Any such ILOT payment, required by this subparagraph, shall be reduced by the amount of any payment or transfer in such Fiscal Year to the Issuer’s General Fund for imputed taxes but not for transfers for Costs of Operation and Maintenance.

(iv) The remaining amounts in the Capital Additions Account may be used for (i) paying Capital Costs, (ii) paying Subordinate Debt and Subordinated Contract Obligations, (iii) purchasing Outstanding obligations, or (iv) making any payment or investment for any lawful purpose.

Council Ordinance

On July 7, 2015 the Council unanimously voted to introduce a proposed ordinance that would revise the ILOT payment by the Communications System as provided above (the “ILOT Ordinance”). The Council unanimously approved the ILOT Ordinance on July 21, 2015. The ILOT Ordinance revises and amends the formula for the payment of ILOT as follows in order to substitute the payments of imputed taxes in place of ILOT payments:

“The Communications System is hereby relieved of making ILOT payments to the City of Lafayette. Instead, payments of imputed taxes will be made each year in substitution of an ILOT payment, according to the following schedule:

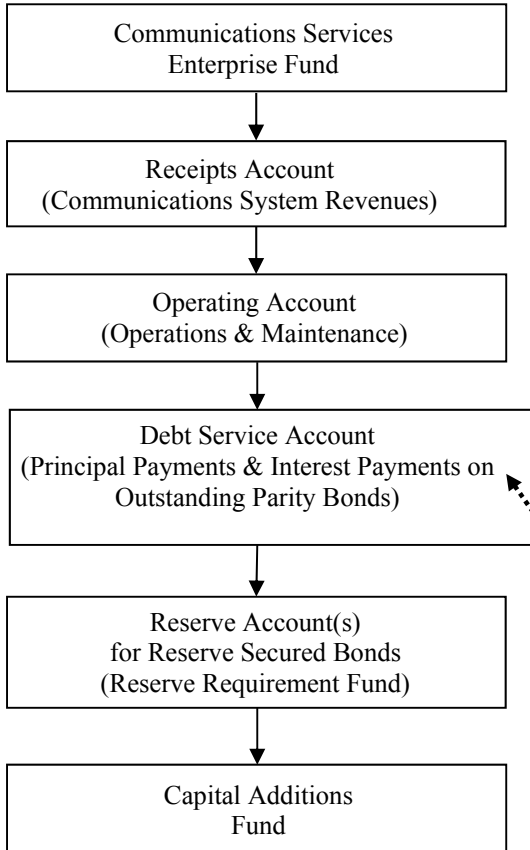
	Paid to the City General Fund	Paid to LUS
For FY 2016	\$200,000	See Note below
For FY 2017	\$400,000	See Note below
For FY 2018	\$600,000	See Note below
For FY 2019	\$800,000	See Note below
For FY 2020	\$1,000,000	See Note below

NOTE: the imputed taxes paid to LUS for each of these years will be the difference between the calculated imputed taxes and the amount paid to the City General Fund for that year.”

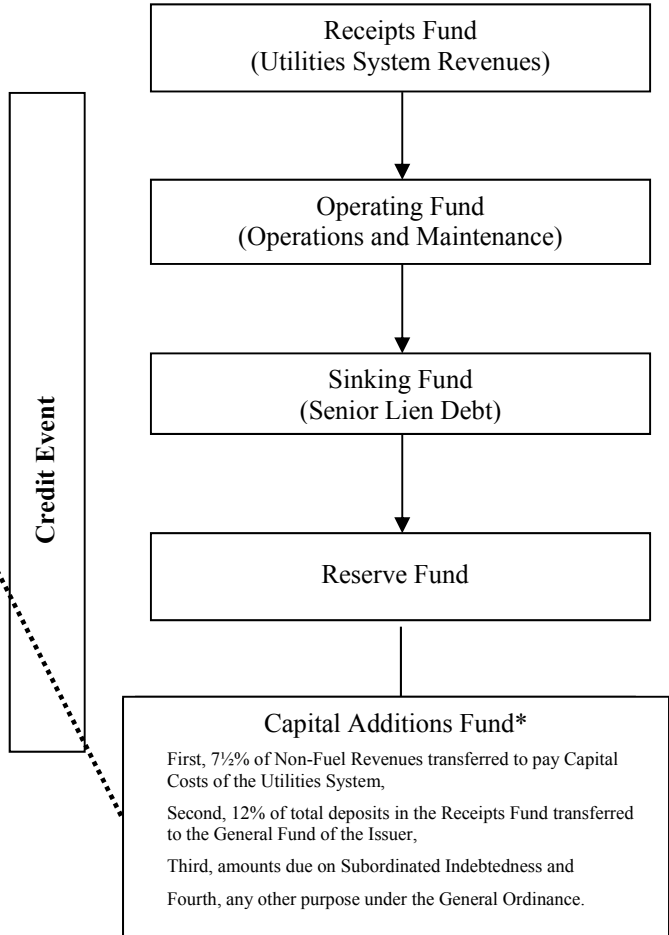
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Flow of Funds

Communications System



Utilities System



Capital Additions Fund*

First, 7½% of Non-Fuel Revenues transferred to pay Capital Costs of the Utilities System,
 Second, 12% of total deposits in the Receipts Fund transferred to the General Fund of the Issuer,
 Third, amounts due on Subordinated Indebtedness and
 Fourth, any other purpose under the General Ordinance.

* Upon the occurrence of a Credit Event, Residual Revenues will be transferred to the Debt Service Account of the Communications System from amounts on deposit in the Capital Additions Fund of the Utilities System payable on a parity with amounts due on Subordinated Indebtedness.

Additional Bonds

The Issuer shall not issue any bonds or other evidences of indebtedness or incur obligations, other than the Series 2015 Bonds and Parity Debt as provided in the Ordinance, secured by a pledge of the Net Revenues and Residual Revenues and shall not create or cause to be created any lien or charge on the Net Revenues and Residual Revenues, except to the extent provided by the Ordinance; provided, however, the Issuer may, at any time, or from time to time, incur Subordinate Debt or enter into Subordinated Contract Obligations payable out of, and which may be secured by a pledge of, such amounts as may from time to time be available for the purpose of the payment thereof in accordance with the Ordinance and such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge of Net Revenues and Residual Revenues created by the Ordinance as security for payment of the Series 2015 Bonds.

Issuance of Parity Obligations

Except as otherwise described in this section, no Obligations may be issued on a parity with the Series 2015 Bonds, unless the Issuer shall have first complied with the requirements of this section. Additional Obligations may be issued from time to time under the Ordinance for any lawful purpose of the Issuer in connection with the Communications System and the Utilities System.

(a) Any Obligations, or any part thereof, may be refunded and the refunding Obligations so issued shall enjoy complete equality of lien with the Obligations which are not refunded, if there be any, and the refunding Obligations shall continue to enjoy whatever priority of lien over subsequent issues as may have been enjoyed by the Obligations refunded.

(b) Additional Obligations, other than refunding Obligations described in subparagraph (a) above, may be issued from time to time under the Ordinance upon compliance with the following conditions:

(i) the Issuer shall have enacted an ordinance authorizing such Obligations and providing for the terms thereof as contemplated in the Ordinance and reciting that all of the covenants contained in the Ordinance will be fully applicable to such Obligations;

(ii) the City-Parish President shall certify in writing that, upon the delivery of such Obligations, the Issuer will not be in default in the performance of the terms and provisions of the Ordinance or of any of the Obligations;

(iii) (A) the City-Parish President shall certify in writing that the Net Revenues of the Communications System, as shown on the then-most recent available audited financial statements of the Communications System, equal or exceed the Bond Service Requirement for the same audited period for all Outstanding Obligations and (B) a Certificate from the Consulting Engineer certifying that the Net Revenues of the Communications System equal or exceed the Bond Service Requirement for all Outstanding Bonds, Parity Debt and additional Obligations proposed to be issued for the first three (3) complete Bond Years during which the additional Obligations shall be outstanding;

(iv) the Governing Authority shall have received an opinion or opinions from the Bond Counsel to the effect that (A) the Issuer has the right and power under the Act to enact the ordinance issuing the Parity Debt and said ordinance has been duly and lawfully enacted by the Issuer, is in full force and effect and is valid and binding upon the Issuer and is enforceable in accordance with its terms and no other authorization of that ordinance is required, (B) said ordinance provides that the Parity Debt is payable from the same pledge and source of revenues as the Series 2015 Bonds and other Parity Debt (C) the Obligations are valid and binding limited obligations of the Issuer, enforceable in accordance with their terms and said ordinance and have been duly and validly authorized and issued in accordance with the Act and said ordinance, and (D) the Issuer has the full lawful power and authority to issue the Obligations for the purposes for which they are authorized.

In calculating Net Revenues of the Communications System for purposes of clause (iii) above, the City-Parish President may, at his or her option, adjust the amount of Net Revenues shown on the most recent available audited financial statements of the Communications System in the following respects:

(1) If, prior to the issuance of the additional Obligations or incurrence of Parity Debt, the Issuer shall have increased the rates, fees, rentals or other charges for services of the Communications System, the Net Revenues may be adjusted to show the Net Revenues that would have been derived from the Communications System if such increased rates, fees, rentals or other charges had been in effect for the full Fiscal Year covered by such audited financial statements;

(2) If the Issuer, in connection with the issuance of the additional Obligations or incurrence of Parity Debt, shall enter into a contract (with a duration or term not less than the final maturity of such additional Obligations) with any public or private entity whereby the Issuer agrees to furnish services of the Communications System to such entity, then the Net Revenues shown on the audited financial statements shall be increased by the estimated amount which such public or private entity has agreed to pay in one Fiscal Year for the furnishing of such services, after deducting therefrom the cost of operation, maintenance, repair, renewal and replacement allocable to providing such services.

(v) Obligations issued and Parity Debt incurred in compliance with the terms and conditions as described in this section shall be deemed on a parity with all Bonds and Parity Debt then Outstanding, and all of the covenants and other provisions of the Ordinance shall be for the equal benefit, protection and security of the holders of any Bonds originally authorized and issued and Parity Debt incurred as described in this section and the holders of any Bonds and Parity Debt evidencing additional obligations subsequently created within the limitations of and in compliance with the Ordinance. Any debt incurred, which has a pledge of the Net Revenues or the Residual Revenues as security, but is not in compliance with this section will have a lien on said Net Revenues and Residual Revenues that is subordinate to that of the Obligations; and

(vi) Notwithstanding anything contained in the Ordinance to the contrary, the City may issue Parity Debt under its Utilities Bond Ordinance.

Also notwithstanding anything contained in this section to the contrary, the above restrictions shall not be applicable to Parity Reimbursement Obligations and Parity Swap Obligations incurred with respect to Obligations which met the conditions of this section upon their issuance or incurrence.

BOND INSURANCE

The following information has been furnished by the Insurer for use in this Official Statement. The Issuer makes no representations as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the dates indicated. Summaries of or references to the Bond Insurance Policy are made subject to all the detailed provisions thereof to which reference is hereby made for further information and do not purport to be complete statements of any or all of such provisions. Reference is made to Appendix "H" for a specimen of the Bond Insurance Policy.

Bond Insurance Policy

Concurrently with the issuance of the Series 2015 Bonds, Assured Guaranty Municipal Corp. ("Assured") will issue its Municipal Bond Insurance Policy for the Series 2015 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2015 Bonds when due as set forth in the form of the Policy included as Appendix "H" to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

Assured is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than Assured, is obligated to pay any debts of Assured or any claims under any insurance policy issued by Assured.

Assured's financial strength is rated "AA" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of Assured should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of Assured in its sole discretion. In addition, the rating agencies may at any time change Assured's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by Assured. Assured only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by Assured on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On June 29, 2015, S&P issued a credit rating report in which it affirmed Assured's financial strength rating of "AA" (stable outlook). Assured can give no assurance as to any further ratings action that S&P may take.

On November 13, 2014, KBRA assigned an insurance financial strength rating of "AA+" (stable outlook) to Assured. Assured can give no assurance as to any further ratings action that KBRA may take.

On July 2, 2014, Moody's issued a rating action report stating that it had affirmed Assured's insurance financial strength rating of "A2" (stable outlook). In February 2015, Moody's published a credit opinion under its new financial guarantor ratings methodology maintaining its existing rating

and outlook on Assured. Assured can give no assurance as to any further ratings action that Moody's may take.

For more information regarding Assured's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the Fiscal Year ended December 31, 2014.

Capitalization of Assured

At March 31, 2015, Assured's policyholders' surplus and contingency reserve were approximately \$3,730 million and its net unearned premium reserve was approximately \$1,702 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of Assured, Assured's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of Assured's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to Assured are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the Fiscal Year ended December 31, 2014 (filed by AGL with the SEC on February 26, 2015) and the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015 (filed by AGL with the SEC on May 8, 2015).

All consolidated financial statements of Assured and all other information relating to Assured included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the Internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding Assured included herein under the caption "– Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "Assured Information") shall be modified or superseded to the extent that any subsequently included Assured Information (either directly or through incorporation by reference) modifies or supersedes such previously included Assured Information. Any Assured Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

Assured or one of its affiliates may purchase a portion of the Series 2015 Bonds or any uninsured bonds offered under this Official Statement and such purchases may constitute a significant proportion of the bonds offered. Assured or such affiliate may hold such Series 2015 Bonds or

uninsured bonds for investment or may sell or otherwise dispose of such Series 2015 Bonds or uninsured bonds at any time or from time to time.

Assured makes no representation regarding the Series 2015 Bonds or the advisability of investing in the Series 2015 Bonds. In addition, Assured has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured supplied by Assured and presented under this heading "BOND INSURANCE".

Special Provisions Relating to the Series 2015 Bonds

For purposes of this sub-caption, the following definitions shall apply:

"Bond Insurance Policy" means the insurance policy issued by the Bond Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2015 Bonds when due, as provided therein.

"Bond Insurer" means Assured Guaranty Municipal Corp.

The following provisions, relating solely to the Series 2015 Bonds, apply only so long as the Bond Insurance Policy is in effect for the Series 2015 Bonds and the Bond Insurer has not failed to comply with its payment obligations under the Bond Insurance Policy.

The Bond Insurer shall be deemed to be the sole holder of the Series 2015 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 2015 Bonds insured by it are entitled to take pursuant to the section or article of the Ordinance pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Paying Agent. The Bond Insurer is a third party beneficiary to the Ordinance.

Any amendment, supplement, modification to, or waiver of, the Ordinance or any other transaction document, including any underlying security agreement, that requires the consent of the Holders of the Series 2015 Bonds or adversely affects the rights and interests of the Bond Insurer shall be subject to the prior written consent of the Bond Insurer. All amendments to the Ordinance require the prior written consent of the Bond Insurer.

Amounts paid by the Bond Insurer under the Bond Insurance Policy shall not be deemed paid for purposes of the Ordinance and the Series 2015 Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the City in accordance with the Ordinance. The Ordinance shall not be discharged unless all amounts due or to become due to the Bond Insurer have been paid in full or duly provided for.

The Bond Insurer shall, to the extent it makes any payment of principal of or interest on the Series 2015 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy. Each obligation of the City to the Bond Insurer under the Related Documents shall survive discharge or termination of such Related Documents.

In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Ordinance would adversely affect the security for the Series 2015 Bonds or the rights of the Holders of the Series 2015 Bonds, the Paying Agent shall consider the

effect of any such amendment, consent, waiver, action or inaction as if there were no Bond Insurance Policy.

GENERAL COVENANTS OF THE ISSUER

Ordinance to Constitute Contract

The Ordinance shall be deemed to be and shall constitute a contract between the Issuer and the Bondholders. The covenants and agreements to be performed by the Issuer set forth in the Ordinance 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 Ordinance.

Operation Covenant

The Issuer has covenanted to operate the Communications System and the Utilities System in a business-like manner and, in consultation with the Consulting Engineer, to operate the Communications System and the Utilities System in such manner in order to ensure the continued availability of Net Revenues and Residual Revenues to pay all amounts required by the Ordinance. The Issuer has covenanted to adequately maintain and improve the Communications System and the Utilities System and to employ the necessary staff and employees, as required by industry practice and as necessary to properly operate and protect the Communications System and the Utilities System.

Rate Covenant

(a) So long as any Obligations remain Outstanding, the Issuer, in its judgment, will make best efforts to fix, charge and collect, or cause to be fixed, charged and collected, subject to applicable requirements or restrictions imposed by law, such rates, rentals, fees and charges for the use of and for the services and products provided by the Communications System as are expected to be sufficient in each Debt Service Account Year to generate Revenues, in an amount, at least equal to the sum of (i) one hundred percent (100%) of the Costs of Operation and Maintenance for such Debt Service Account Year, (ii) one hundred percent (100%) of the Bond Service Requirement for such Debt Service Account Year, (iii) one hundred percent (100%) of the amounts payable with respect to Subordinate Debt and Subordinated Contract Obligations in such Debt Service Account Year, (iv) one hundred percent (100%) of the amount required to maintain the Reserve Account for the Bonds in accordance with the Ordinance, and any additional amount required to make all other payments required to be made.

Upon the occurrence of a Credit Event, the Issuer will fix, charge and collect, or cause to be fixed, charged and collected, subject to applicable requirements or restrictions imposed by law, such rates, rentals, fees and charges for the use of and for the services and products provided by the Utilities System as are expected to be sufficient in each Debt Service Account Year to produce Residual Revenues, in an amount, that when added to the Revenues is at least equal to the sum of (i) one hundred percent (100%) of the Bond Service Requirement for such Debt Service Account Year, (ii) one hundred percent (100%) of the amounts payable with respect to Subordinate Debt and Subordinated Contract Obligations in such Debt Service Account Year, (iii) one hundred percent (100%) of the amount required to maintain the Reserve Account for the Bonds in accordance with the Ordinance, and any additional amount required to make all other payments required to be made.

(b) Failure by the Issuer to comply with the preceding paragraph of this section in any Fiscal Year shall not constitute an “event of default” so long as the Issuer shall, no later than sixty (60) days after discovering such non-compliance and in all events no later than sixty (60) days of receipt by the Issuer of audited financial statements delivered pursuant to the Ordinance which statements show such noncompliance, retain a Qualified Independent Consultant for the purpose of reviewing the Communications System and Utilities System fees, rates, rents, charges and surcharges and shall implement the recommendations of such Qualified Independent Consultant with respect to such fees, rates, rents, charges and surcharges filed by the Qualified Independent Consultant with the Issuer in a written report or certificate, and such failure shall not be an event of default even though the Qualified Independent Consultant shall be of the opinion, as set forth in such report or certificate, that it would be impracticable at the time to charge such fees, rates, rents, charges and surcharges for the Communications System and/or Utilities System as would provide moneys sufficient to comply with the requirements of the preceding paragraph so long as the Issuer imposes such schedule of fees, rates, rents, charges and surcharges as in the opinion of such Qualified Independent Consultant will allow the Issuer to as nearly as then practicable comply with such requirements and the Issuer shall again be in compliance with the preceding paragraph of this section no later than twelve calendar months after its discovery of such non-compliance. The Issuer shall provide notice of its failure to comply with the preceding paragraph of this section to all then existing Nationally Recognized Municipal Securities Information Repositories no later than thirty (30) days after engaging the services of a Qualified Independent Consultant pursuant to the requirements of the preceding sentence and shall provide a copy of the report or certificate of the Qualified Independent Consultant to any Owner who shall request the same in writing. Furthermore, the Issuer shall provide a copy of the report or certificate of the Qualified Independent Consultant to the Rating Agencies within thirty (30) days after receipt of same.

(c) The rate covenant of the Issuer contained in Section 7.7 of the Utilities Bond Ordinance, as amended from time to time, is incorporated in the Ordinance by reference to the same extent as if set forth therein and shall inure to the benefit of the Owners of the Series 2015 Bonds, and the Bond Service Requirement on any Bonds issued and Outstanding under the Ordinance shall be treated as “amounts payable with respect to Subordinated Indebtedness” for purposes of such Section 7.7 of the Utilities Bond Ordinance.

The Series 2015 Bonds constitute Subordinated Indebtedness of the Utilities System, and are included in the rate covenant of the Utilities Bond Ordinance which provides in pertinent part as follows:

So long as any Obligations remain Outstanding, the Issuer will fix, charge and collect, or cause to be fixed, charged and collected, subject to applicable requirements or restrictions imposed by law, such rates, rentals, fees and charges for the use of and for the services and products provided by the Utilities System as are expected to be sufficient in each Sinking Fund Year to produce Revenues, in an amount, at least equal to the sum of (i) one hundred percent (100%) of the Costs of Operation and Maintenance for such Sinking Fund Year, (ii) one hundred percent (100%) of the Bond Service Requirement for such Sinking Fund Year, (iii) one hundred percent (100%) of the amounts payable with respect to Subordinated Indebtedness and Subordinated Contract Obligations in such Sinking Fund Year, (iv) one hundred percent (100%) of the amount required to maintain the Reserve Fund in accordance with Section 5.1 hereof,

and any additional amount required to make all other payments required to be made.

Maintenance of Communications System and Utilities System; Disposition

The Issuer will maintain the Communications System and the Utilities System and all parts thereof in good condition and will operate the same in an efficient and economical manner, making such expenditures for such equipment, maintenance and repairs and for renewals and replacements thereof as may be proper for its economical operation and maintenance, provided, however, that nothing in the Ordinance shall be construed to prevent the Issuer from ceasing to operate or maintain, or from leasing or disposing of any portion or component of the Communications System and the Utilities System if, in the judgment of the Issuer, (i) it is advisable to lease, dispose of, or not operate and maintain the same, and (ii) the lease, disposition or failure to maintain or operate such component or portion of the Communications System and the Utilities System will not prevent the Issuer from meeting the flow of funds and rate covenant requirements in the Ordinance. Notwithstanding anything in the foregoing to the contrary, the sale-leaseback or lease-leaseback of any portion or component of the Communications System and the Utilities System or any similar contractual arrangements the effect of which is that the Issuer continues to retain the revenues from such portion or component of the Communications System and the Utilities System, shall not constitute a lease or disposition thereof for purposes of this section.

Operating Budget; Reports and Annual Audits

Before the first day of each Fiscal Year, the Authority shall prepare, approve and adopt in the manner prescribed by law a detailed budget of the Revenues, Bond Service Requirement (including the anticipated amortization of Designated Maturity Obligations and Commercial Paper Obligations) and Cost of Operation and Maintenance for the next succeeding Fiscal Year. The Issuer shall keep separately identifiable financial books, records, accounts and data concerning the operation of the Communications System and the receipt and disbursement of Revenues, and any Bondholder shall have the right at all reasonable times to inspect the same. The Issuer shall require that an annual audit of the accounts and records with respect to the Communications System and the Utilities System be completed as soon as reasonably practicable after the end of each Fiscal Year by a qualified independent certified public accountant. Such audit shall be conducted in accordance with generally accepted auditing standards as applied to governments and shall include a statement by such auditors that no default on the part of the Issuer of any covenant or obligation under the Ordinance has been disclosed by reason of such audit, or, alternatively, specifying in reasonable detail the nature of such default.

No Free Service

The Issuer will not permit free services to be supplied by the Communications System and the Utilities System to the Issuer or any department thereof or to any Person.

THE ISSUER

General

The City was incorporated in 1914. It is located on the Vermilion River, approximately 30 miles from the Gulf of Mexico, 135 miles west of New Orleans, and 200 miles east of Houston, Texas. The City is the parish seat of the Parish, which was created on January 17, 1823, and covers a total area of approximately 277 square miles. The City is located in the heart of Acadiana, an eight-

parish area in the center of southern Louisiana, between New Orleans and Houston, Texas in proximity to many of the largest and richest oilfields in Louisiana. The region was settled in 1763 by exiled Acadians from Nova Scotia. French and Acadian culture, handwork and traditions are very much in evidence in and around the City and both French and English languages are still spoken.

Each of the Electric System, Water System and Wastewater System provides services primarily inside the City, but also on a limited basis to some areas outside the City limits. The Communications System provides services only to residents of the City, with the exception to services to school systems outside of the City but within the Parish.

Based on the 2014 Census, the United States Census Bureau estimates that the population of the City grew from 120,623 in 2010 to 124,276 in 2013 or 3.03 percent since 2010. Data from the Louisiana Workforce Commission indicated a Parish unemployment rate of 5.5 percent as of January 2015. As of December 2013, the largest employers in the City were in the following industries: education, healthcare, public administration, oil and gas, retail trade, and manufacturing.

As of Fiscal Year 2014, the Utilities System served approximately 163,000 accounts. The Electric System served nearly 65,000 accounts, of which approximately 53,884 were residential and approximately 8,973 were commercial customers. The Water System and Wastewater System served approximately 55,000 and 43,000 accounts, respectively. As of the end of the 2014 Fiscal Year, the Communications System provided wholesale fiber service to 38 wholesale customers and 16,300 retail customers with CATV, telephone or Internet data, or some combination of the three services.

Home Rule Charter

On November 1992, the electorate of the Parish, including the City, voted to approve the Charter establishing the Lafayette City-Parish Consolidated Government for the purposes of consolidating the governmental functions of the City and the Parish. The new government became operative June 3, 1996, when the Lafayette City-Parish Consolidated Government officials took office pursuant to the Charter.

Section 4-17 of the Charter provides for administrative reorganization whereby the City-Parish President proposes and the City-Parish Council (the "Council") approves various organizational changes. In May 1998, the Council adopted an ordinance providing for the reorganization of certain functions and departments under the Charter.

The governing authority of the Lafayette City-Parish Consolidated Government is the Council, consisting of nine members elected from nine single member districts. The Charter further provides that the City-Parish President succeeds to all powers of the Mayor of the City. The names of the incumbent City-Parish President and Council members are listed on the title page to this Official Statement.

Certain important Charter provisions affecting the Communications System and the Utilities System are:

- The City shall continue to exist as a legal entity for the purpose of rendering certain municipal services as provided in the Charter.
- The governing authority of the City is the Council.
- The governing authority of LUS is the Authority, although the governing authority of the Issuer is the Council.

- The Authority consists of those Council members whose districts include sixty percent or more of that district’s residents living within the City.
- The Authority will fix rates, incur indebtedness, approve the utility budget, and approve proposals for the improvement and extension of the utilities, although the Council is the governing authority of the Issuer, and as such, also has powers and responsibilities regarding the matters discussed above.

Government

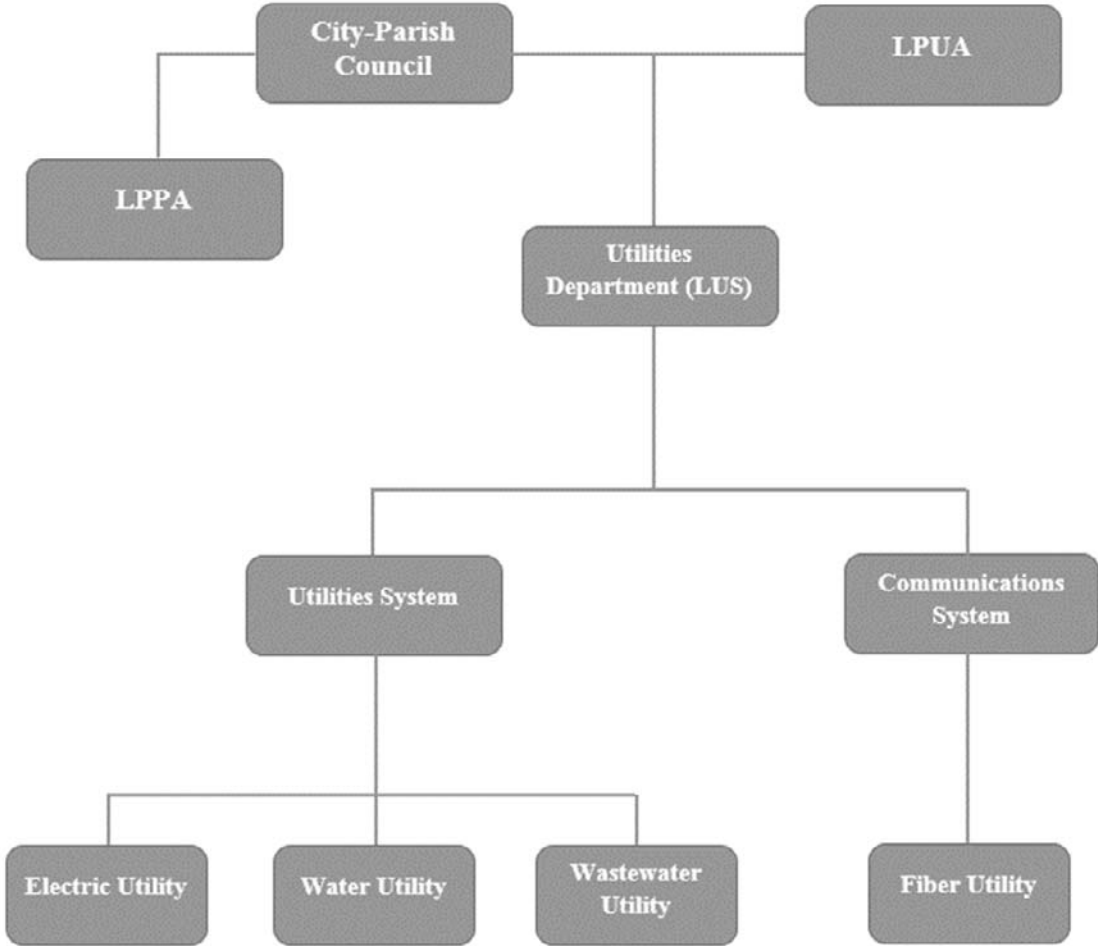
The Lafayette City-Parish Consolidated Government includes the City-Parish President and nine Council members who are elected to four-year terms of office. The City-Parish President and his Chief Administrative Officer direct and supervise the administration of all departments, offices, and agencies of the Lafayette City-Parish Consolidated Government, except as may otherwise be provided by the Charter or by law. Certain departments of the Lafayette City-Parish Consolidated Government are involved in day-to-day management and operation of the Utilities System and the Communications System. The City owns the Communications and Utilities Systems’ assets. The Utilities System consists of: (1) an Electric System (including generation, transmission and distribution facilities); (2) a Water System (including supply, treatment, transmission, distribution and storage facilities); and (3) a Wastewater System (including wastewater collection and treatment facilities).

The Council is the governing authority of the Lafayette Public Power Authority (“LPPA”), a political subdivision created for the purpose of acquiring electric generating facilities to provide power to the Utilities System. LPPA provides wholesale power to LUS.

The Charter provides that the members of LPUA consist of those members of the Council whose districts include sixty percent or more of that district’s residents living within the boundary of the City. The Charter further states that the LPUA shall be the governing authority for LUS. LUS is primarily responsible for the Utilities and Communications Systems management and operations.

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Governance Structure



L.J. “Joey” Durel, Jr. is the President of the Lafayette City-Parish Consolidated Government and his term expires January 4, 2016.

The following are the current members of the Council:

- Kenneth P. Boudreaux, District 4, Chair
- Kevin Naquin, District 1
- Jay Castille, District 2
- Brandon Shelvin, District 3
- Jared Bellard, District 5
- Andre “Andy” Naquin, District 6
- Donald L. Bertrand, District 7
- Keith Patin, District 8
- William G. Theriot, District 9

Industry, Commerce and Agriculture

The City is the natural economic, commercial, agricultural, retail and cultural center of the region because of its location as the geographic center of Acadiana. The Parish's location between New Orleans and Houston and its proximity to the largest and richest oilfields in Louisiana and the Gulf of Mexico make the oil industry a factor in the City's economy. However, the City's employment has significantly diversified over the years and today mining represents 10 percent of employment. Also, the City's economy is largely driven by its position as a major regional trade and retail center serving the southwest region of Louisiana, which includes the Parish and surrounding areas, with an estimated population of over 878,000 people. A third significant factor in the City's economy is the educational and medical facilities located within its boundaries. There are six acute care hospitals located in the City which serve the entire region, including Lafayette General Hospital, Our Lady of Lourdes Hospital, University Hospital and Clinics, Regional Medical Center of Acadiana, Women's and Children's Hospital and Heart Hospital of Lafayette. The University of Louisiana at Lafayette ("ULL"), the second largest institution of higher education in the State, is located in the City. ULL had a 2014 (Fall Semester) enrollment of approximately 18,796 full-time and part-time students.

The Parish is a strong agricultural area in the State. The main crops are soy beans, rice, wheat and corn. Dairy and beef cattle, sheep and hogs are raised extensively throughout the Parish.

Among other honors, in 2014 the City was named one of the "Happiest Cities" by the National Bureau of Economic Research, and the City was named in Travel + Leisure's list of the top 20 best college towns in 2013. The City ranked top five in four categories, including friendliest, cool souvenirs, burgers and local accent. The City also ranked top ten in four additional categories, including cafes, bars, ice cream and fairs.

The City's unique culture and quality of life draws thousands of visitors. It is known for its great food, music and festivals, along with many historical attractions, museums and art exhibitions. The "Acadian Village" is a replica of a Cajun settlement, with homes and buildings, their furnishings, all reflecting the Cajun living conditions of yore. Vermilionville Living History Museum is a similar tourist attraction located on the beautiful grounds on the banks of Bayou Vermilion and is laid out as a historic village authentically portraying life in Acadiana between 1765 and 1890. Located near Vermilionville is the Acadian Cultural Center belonging to the Jean Lafitte National Park System offering various Cajun and Creole-related topics. Although the City is modern in most respects, there is a strong interest in preserving the flavor and customs of the past. Accordingly, recent history has shown a renewed interest in the Cajun language, Zydeco music, Cajun cuisine and historical sites in the area.

The City is also home to nationally recognized festivals. Festival International de Louisiane is an annual four day free celebration that brings talented artists from francophone countries around the world. French, African, Caribbean, and Hispanic cultures participate via music, dance and craft performances. Festivals Acadiens et Créoles is a weekend festival featuring Cajun, Creole, and Zydeco musicians.

In recent years, the City has positioned itself, through its unique, publicly-owned fiber optic loop, as a technology leader with high-tech infrastructure designed to encourage economic development and improve and reduce costs of telecommunications services to its citizens. An example of this is the \$27 million, 70,000 square foot Louisiana Immersive Technologies Enterprise ("LITE") which is one of very few facilities in the world that combine high performance computing capabilities with advanced visualization.

THE COMMUNICATIONS SYSTEM

General

The Communications System currently operates a 100 percent fiber optic network in the City that is used to provide communication within the Utilities System, within parts of local government, within parts of the Parish School System, and within the University of Louisiana-Lafayette and provides use to various wholesale customers. The Communications System consists of a 125-mile, multiple-strand fiber backbone system providing wholesale broadband and high-speed Internet access with direct connections to major carriers with broadband backbone facilities that span the country, called Tier 1 providers. The backbone system serves as the core network to provide broadband and high-speed Internet to wholesale customers and voice, video, Internet, and data services to retail customers. The fiber optic system is built for substantial penetration within the City with available capacity to handle the full potential market of customers and services.

The fiber optic system began with bulk fiber serving the Electric System supervisory control and data acquisition (“SCADA”) system, transmission line protection systems, and LUS facilities in 1998. Further expansion provided the Utilities System with an efficient and reliable means of communications for the infrastructure of its Electric System, Water System and Wastewater System, and offered communications and data services to governmental and educational facilities, and retail data, telephone and cable television (“CATV”) services to the general public. The first residential customers began receiving services in February 2009 and the first business customers began receiving services in June, 2009.

On June 28, 2007, Lafayette City-Parish Consolidated Government issued the Series 2007 Bonds to finance the build-out of the Fiber-to-the-Home system (“FTTH”). With the issuance of the Series 2007 Bonds, the City began the process of building and operating a retail communications utility. The Communications System purchased the backbone network and inventory from the Utilities System in 2007. Those physical assets were transferred to the Communications System on November 1, 2007. The Communications System utilized inter-utility loans from the Utilities System to fund the purchase of the fiber system assets, startup costs, imputed taxes and operating costs. The Communications System’s repayment of the loans will continue through 2033. The repayment of the Utilities System loan is subordinate to the Communications System debt service payments.

The Communications System backbone includes multiple 10-gigabit circuits deployed in multiple loops for greater redundancy that span the entire City and connect with the national fiber backbone through contracts with multiple providers. The system is comprised of a 125-mile fiber backbone system with direct connections to national, major Tier 1 broadband providers. The Communications System maintains several wholesale contracts with major carriers, Internet service providers, and application service providers that provide bandwidth, Internet, and telephone services on a retail basis to medium and large business customers. Wholesale customer contracts currently account for approximately 10 percent of the annual Communications System. The Communications System also provides broadband and Internet access to most of Lafayette City-Parish Consolidated Government’s facilities, local government facilities, schools and libraries. In the retail market, the Communications System offers “triple play” services. “Triple play” is a common term in the industry that refers to CATV, Internet, and telephone services. In addition to the residential retail communications services, the Communications System offers business communications services.

The Local Government Fair Competition Act of 2005

The Local Government Fair Competition Act of 2004, including amendments in 2005 and 2008 (Louisiana Revised Statutes 45:844.41, et seq.) (the “Local Government Act”) sets forth certain requirements in order for a local government, such as the Issuer, to provide telecommunications services, Internet access and cable television services (“Covered Services”) to subscribers. Such requirements include public hearings, a feasibility study and, upon presentation of a qualifying petition, a referendum on the authorization to provide Covered Services. Said legislation also requires a local government which provides Covered Services to establish a single enterprise fund to account for the local government’s operation of Covered Services. Except for certain specified circumstances, a local government may not transfer any funds from an existing enterprise fund to the enterprise fund created for the Covered Services. Any bonds to finance the capital costs for facilities necessary to provide Covered Services are required to be secured and payable solely from the revenues derived from Covered Services, provided that a local government that issues debt to finance the capital costs of the facilities to provide Covered Services is permitted to pledge the resources of its electric, water, gas, sewer or other utilities to obtain the best available interest rates, terms and conditions for any such debt. The Local Government Act also requires, among other provisions, that LUS must provide the Covered Services in a manner that does not discriminate against competing providers of the same services, and it may not grant any undue or unreasonable preference to itself or any private provider of Covered Services. Further, LUS may not cross-subsidize its Covered Services with tax dollars, income from other local government or utility services, below-market rate loans from the local government or any other means.

Pursuant to the Local Government Act, LUS is also subject to certain rules and audit requirements of the Louisiana Public Service Commission (“LPSC”). In particular, the LPSC has enacted Cost Allocation and Affiliate Transaction Rules (“LPSC Rules”), and has responsibility and authority for compliance thereof by LUS. LUS is required by the LPSC Rules to file a certification with the LPSC on an annual basis, signed under oath, stating that it is complying with the Local Government Act and the LPSC Rules. The LPSC Rules previously required LUS to have performed on an annual basis an attest engagement audit by an independent certified public accountant that expresses an opinion that the systems, processes and procedures applied by LUS comply with the Local Government Act and the LPSC Rules. LUS has obtained and filed such attest audit reports with the LPSC annually for each Fiscal Year of its operations, including for Fiscal Years 2009-2013. Such audit is no longer required by LPSC. In addition, pursuant to the LPSC Rules, the LPSC has conducted separate audits of LUS’ compliance with the LPSC Rules for each of the Fiscal Years 2008-2012. The most recent audit by the LPSC for 2011-2012, was approved by the LPSC in February 2015, and stated that it did not identify any instances of non-compliance with the LPSC Rules in the audit. After 2014, LUS is no longer required to file the annual audit.

Separate from the requirements of the Local Government Act, and LPSC Rules, the LPSC has jurisdiction over the telecommunications rates of LUS but it does not have jurisdiction over LUS’ rates for Internet and cable television services.

Management

The City-Parish President, who is the Chief Executive Officer of the Lafayette City-Parish Consolidated Government, and his Chief Administrative Officer, direct and supervise the administration of various departments of the Lafayette City-Parish Consolidated Government. The Lafayette City-Parish Consolidated Government manages and operates the Communications System through its departmental structure. LUS is primarily responsible for the Communications System management and operations. The Office of Finance and Management, the Department of Information Services and Technology and the Legal Department provide vital functions to LUS operations.

The Office of Finance and Management is responsible for budgeting, accounting, procurement and property management.

The principal members of the management team of the Communications System, which are also the principal members of the management team of the Utilities System, include:

Lorrie R. Toups, CPA, CGFO - Chief Financial Officer

Ms. Toups has over 22 years of experience in government finance. She was employed by St. Charles Parish, Louisiana from 1993 through 2008 where she held the position of Chief Financial Officer from 2000 – 2008. She served as Director of Accounting from 2008 through 2011 in Jefferson Parish, Louisiana prior to joining Lafayette City-Parish Consolidated Government in January 2011.

Ms. Toups is a certified public accountant, a certified government finance officer, and a chartered global management accountant. She holds a B.S.B.A degree from Nicholls State University with a major in accounting. She is a past president of the Louisiana Government Finance Officers Association and served six years on its board of directors. She served on the board of directors for the Louisiana Certified Public Accountants – New Orleans Chapter for four years and chaired the Governmental and Non-profit committee for seven years. Ms. Toups also served on the Industrial Development Board of St. Charles Parish and on the Archbishop Chapelle High School Board.

Terry Huval – Utilities Director

Mr. Huval has 36 years of experience in the electric power utilities industry (sixteen with Entergy - GSU and twenty years with the Utilities System). He is a registered professional electrical engineer in the states of Louisiana and Texas, and has a cum laude degree in electrical engineering from the University of Louisiana-Lafayette. Mr. Huval has received numerous awards for his engineering and public service activities. Mr. Huval was Chair of the American Public Power Association (“APPA”) in 2007-2008. He served on the APPA Board from 2002 through 2009. He also served as a member of the board of directors for the Louisiana Energy and Power Authority. In addition, he has served the community as Chairman of the Board for the United Way of Acadiana, in addition to having been Campaign Chairman. He has also served on the Board of Directors for the Greater Lafayette Chamber of Commerce. He is currently a board member of the Louisiana Professional Engineers and Land Surveyors, and is a member of the Louisiana Broadband Advisory Council.

Andrew Duhon – Customer & Support Services Manager

Mr. Duhon has 35 years’ experience in the accounting field (ten years with various private and government entities and 25 years with the Utilities System). He received a Bachelor of Arts degree from the University of Louisiana-Lafayette and is an inactive certified public accountant. He is an alternate director of the Louisiana Energy and Power Authority and is immediate past chairman of the Customer Accounting and Services Committee of the American Public Power Association. He is past Chairman of the Acadiana Chapter of the American Red Cross and is a board member and past Chairman of the Lafayette Public Library Board of Control.

Jeff Stewart – Engineering & Power Supply Manager

Mr. Stewart has over 13 years of experience in the public utility industry. He is a registered Professional Engineer in Louisiana.

Michael Boustany – Electric Operations Manager

Mr. Boustany has spent his 32-year career in the electric power industry with the Utilities System, working in distribution, transmission, substation engineering, control systems and communications. He is registered Professional Engineer in Louisiana.

Customers

The Communications System operates a 100 percent fiber optic system that provides CATV, Internet, and telephone services to residential, wholesale and business customers within the City limits, as well as certain school systems outside the City but within the Parish. These services are in competition with regional and national data and communications providers including Cox Communications, AT&T, Dish, and DirecTV. The fiber optic system is built for substantial penetration within the City with available capacity to handle the full potential market of customers and services. LUS’ marketing activities focus primarily on a subset of residential electric customers that are largely comprised of single-family homes receiving electric service inside the City limits. Customers meeting this profile enable LUS to provide communication services with minimal additional cost.

The Communications System’s ten largest customers provide approximately 17 percent of the total revenue for Fiscal Year 2014. The two largest customers for the Communications System are the Utilities System and Lafayette City-Parish Consolidated Government, which provide approximately 13.5 percent of the revenue for Fiscal Year 2014. The remaining eight largest customers are primarily telecom providers that utilize the Communications System to provide services to others.

The Communications System offers the following residential retail services to customers.

- ***Residential Cable Television/Video Services:***
 - Basic Package with 22 channels
 - Expanded Basic with 87 + channels
 - Digital Access with 187 digital channels
 - Digital Plus with 261 digital channels
 - Additional equipment and service options include digital video recorder (“DVR”), video on demand, pay-per-view, and set top boxes.
- ***Residential Internet Service:***
 - 3 megabits per second (“Mbps”)
 - 25 x 25 – 25 Mbps
 - 80 x 80 – 80 Mbps
 - 1,000 x 1,000 – 1,000 Mbps

- ***Residential Telephone Service:***
 - Basic Line – basic digital telephone service line with paid long distance calling; packages and features are sold separately
 - Basic Feature Package – basic calling features
 - Premium Feature Package – basic service, plus voicemail and caller identification
 - Unlimited Long Distance – offered as a separate service to add to the above services

In addition to the residential retail communications services, the Communications System offers business communications services. Internet service sales have exhibited the highest growth for the Communications System, while CATV service has exhibited lower growth, and telephone service sales are slowly declining. CATV growth levels and the decline in telephone service sales aligns with national market trends. LUS’ service market share is increasing.

LUS also provides current subscribers with “Hub City Wi-Fi” services in the home or at limited events within the City. LUS is currently considering a broader public area wireless service offering, where “Hub City Wi-Fi” is offered to LUS Fiber customers (requiring a login to access) for free and may charge a small fee to non-customers. A broader roll-out of wireless services is anticipated within the next year.

Expansion of the system into new subdivision developments is constrained by the need to have sufficient market share to justify the additional main fiber feeder construction costs. New customer installation costs, including set top boxes and fiber to home connections, as is typical within the industry, are rolled into the monthly rates for each of the service packages.

Customer Statistics

The historical and projected number of customers of the Communications System is illustrated in the following table. The number of Communications Systems customers is represented by the number of customer connections.

As illustrated in the table below, the number of Communications System customers is projected to increase between 3.5 percent and 6.2 percent per year through 2024. The customer projections shown below include consideration for customer churn. Customer churn is the number of customers who discontinue service during a specified time period. Customer churn is a market characteristic generally experienced by communications service providers including LUS and its competitors.

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Historical and Projected Number of Customer Accounts for the Communications System

<u>Year</u>	<u>Number of Customer Accounts ⁽¹⁾</u>	<u>Increase in Customer Accounts (%)</u>
Historical		
2010	7,761	
2011	11,417	47.1%
2012	13,747	20.4
2013	15,126	10.0
2014	16,270	7.6
Projected		
2015	16,626	2.2
2016	17,686 ⁽²⁾	6.4
2017	18,386	4.0
2018	19,113	4.0
2019	19,869	4.0
2020	20,656	4.0
2021	21,371	3.5
2022	22,110	3.5
2023	22,876	3.5
2024	23,668	3.5
Average Growth	4.0%	

Source: LUS

- (1) Communications customer projections include retail customers with CATV, Internet, and telephone or some combination of the three services. The number of customers reflects the customers at the end of the Fiscal Year. The retail customer projection takes into consideration that the Communications System began serving customers in 2007 as a new market entrant. As shown in this table, historical percentage growth in customers has been significant because the Communications System was new to the market. The projection assumes that percentage increases in annual growth will gradually decline as LUS market presence matures and market penetration reflects levels that consider the presence of several competitors.
- (2) LUS plans to expand the service territory to include new housing developments, which contributes to increased growth rates for customers. This expansion will be funded with the savings from the refunding of the Series 2007 Bonds.

The Communications System has several initiatives that are expected to continue to increase market share over the next several years. The Communications System has and continues to improve the method and efficiency of providing service to both residential and business customers. Through market research, the Communications System is creating products, services, and features that leverage technology and are differentiators in the City’s marketplace. Several of these products, services, or features are considered “sticky”, meaning that once the customer starts using them, they are more likely to remain customers of the Communications System.

LUS’ marketing activities focus primarily on a subset of residential electric customers that are largely comprised of single-family homes receiving electric service inside the City limits. Customers meeting this profile enable LUS to provide communication services with minimal additional cost. Set forth below is a table setting forth the projected market share for the Communications System through 2024.

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Projected Retail Market Share

<u>Year</u>	<u>Number of Customers ⁽¹⁾</u>	<u>Increase in Customers (%)</u>	<u>Market Potential ⁽²⁾</u>	<u>LUS Target Market ⁽³⁾</u>	<u>Increase in LUS Target Market</u>	<u>LUS Target Market Share</u>
2015	16,626	2.2%	53,900	48,768	1.7%	34.1%
2016	17,686 ⁽⁴⁾	6.4	54,732	49,521	1.5	35.7
2017	18,386	4.0	55,503	50,218	1.4	36.6
2018	19,113	4.0	56,209	50,857	1.3	37.6
2019	19,869	4.0	56,866	51,452	1.2	38.6
2020	20,656	4.0	57,484	52,011	1.1	39.7
2021	21,371	3.5	58,072	52,543	1.0	40.7
2022	22,110	3.5	58,602	53,022	0.9	41.7
2023	22,876	3.5	59,086	53,460	0.8	42.8
2024	23,668	3.5	59,537	53,868	0.8	43.9
Average Growth	4.0%					

Source: LUS

- (1) Communications customer projections include retail customers with CATV, Internet, and telephone or some combination of the three services. The number of customers reflects the customers at the end of the Fiscal Year. The retail customer projection takes into consideration that the Communications System began serving customers in 2007 as a new market entrant. Historical percentage growth in customers has been significant because the Communications System was new to the market. The projection assumes that percentage increases in annual growth will gradually decline as LUS market presence matures and market penetration reflects levels that consider the presence of several competitors.
- (2) Projection includes all LUS residential electric customers inside the City limits. See "The Utilities System" for more information.
- (3) Target market excludes apartments and other multifamily dwellings.
- (4) LUS plans to expand the service territory to include new housing developments, which contributes to increased growth rates for customers. This expansion will be funded with the savings from the refunding of the Series 2007 Bonds.

Rates for Communications System

Net Revenues of the Communications System are pledged to the payment of debt obligations of the Communications System. LUS regularly reviews and independently sets rates for Communications Systems services. The Council and LPUA have the authority to regulate the Communications System's rates and charges for services within the corporate limits of the City. The Utilities Director has the authority to develop and implement rates subject to methodologies that have been approved by the Council and LPUA which meet the cost of service requirements. In accordance with the Local Government Act, the rates and charges set by LUS must meet the LPSC requirements for cost based rates, and direct rate subsidies from LUS are forbidden.

Current communications services rates are stable, with increases for CATV or video generally driven by programming and content costs. LUS' content pricing continues to improve since attaining membership in the National Cable Television Cooperative ("NCTC") in December 2011. A recent increase in telephone rates was the first since the service began in 2009. LUS pricing practices reflect an opportunistic approach where the development of new or higher value service offerings and competitor price increases provide LUS the ability to adjust rates if warranted. LUS' pricing strategy is to offer comparable or higher quality services at a lower price than the competition.

Historical Communications Operating Revenues

The Communications System began offering retail services in 2009. Wholesale revenues decreased in 2011 through 2013 as some medium and large customers transitioned from wholesale to retail products. However, overall revenues are increasing due to increased retail sales. The table below summarizes the historical operating revenue for the Communications System from 2010

through 2014. Internet service sales exhibit the highest growth in sales for the Communications System, while CATV service exhibits lower growth, and telephone service sales are slowly declining. The decline in telephone service sales aligns with national market trends.

Operating Revenue Summary (October 31)

	2010	2011	2012	2013	2014
Operating Revenues					
Retail ⁽¹⁾⁽²⁾	\$6,057,983	\$13,607,449	\$20,678,636	\$24,059,121	\$28,317,202
Wholesale ⁽¹⁾	3,267,615	3,094,302	3,086,417	3,000,432	3,167,698
Other ⁽¹⁾⁽³⁾	509,333	50,507	(392,484)	(215,239)	156,524
Total Operating Revenues	\$9,834,931	\$16,752,258	\$23,372,570	\$26,844,315	\$31,641,423

Source: Consulting Engineer

- (1) Based on the Communications System Financial and Operating Statements.
- (2) Includes revenues from CATV, Internet, and telephone services.
- (3) Includes Interest Income and Miscellaneous Operating Revenues.

The Communications System served its first retail customers in February 2009. The initial launch strategy was to market to small geographic areas once the fiber system construction was completed and services were available. These small areas typically contained 100 to 200 potential customers. Despite technical issues that resulted in adverse effects to video customers, the Communications System sales continued to grow. The video technical issues were largely resolved with an upgrade to the video system software and hardware in September 2009. The Communications System now receives numerous positive comments about the look and functionality of the upgraded video product.

In addition, the Communications System Internet products outperform the competition, insofar as they provide superior bandwidth in a synchronous manner (upload and download speeds are the same). The Communications System appears to be well-positioned to capitalize on user trends that lean towards online content, since it has the Internet capacity to accommodate the needs of those users.

Forecasted Operating Revenues

Revenue forecasts for the Communications System are based on projections provided to the Consulting Engineer by LUS. Since the Communications System's inception in 2009, the system has successfully added customers and increased market share within the Utilities System service territory. The sale of CATV, Internet, and telephone services to retail and wholesale customers directly relates to the Communications System revenues. Projected operating results reflect average annual customer growth of 4.0 percent over the 2015–2024 period (the "Projected Period"). The growth assumption results in target market share increasing from the current 34 percent to 44 percent in 2024. Revenue per customer reflects a blend of CATV, Internet, and telephone services. Retail service pricing levels are projected to be adjusted periodically in consideration of the cost of goods sold and other rising costs. LUS pricing practices reflect an opportunistic approach where the development of new or higher value service offerings and competitor price increases provide LUS the ability to adjust rates if warranted. LUS' pricing strategy is to offer comparable or higher quality services at a lower price than the competition. Additionally, the projected number of wholesale customers will decrease from 38 to 37 customers in 2017, with an incremental increase in wholesale revenues from \$3.2 million in 2015 to \$3.4 million in 2024.

As a result of these assumptions, the following table summarizes Communications System's projected revenues for the Projected Period.

Communications System Revenue Forecast

<u>Year</u>	<u>Number of Retail Customers⁽¹⁾</u>	<u>Wholesale Customers⁽²⁾</u>	<u>Retail Revenue</u>	<u>Wholesale Revenue⁽²⁾</u>	<u>Other Revenue⁽³⁾</u>	<u>Total Operating Revenues⁽⁴⁾</u>
2015	16,626	38	\$30,287,648	\$3,167,698	\$171,510	\$33,626,856
2016	17,686	38	32,091,352	3,240,555	206,172	35,538,079
2017	18,386	37	34,017,316	2,938,337	248,149	37,203,803
2018	19,113	37	35,734,895	3,005,920	256,209	38,997,023
2019	19,869	37	37,542,639	3,075,055	309,540	40,927,234
2020	20,656	37	39,335,857	3,136,558	358,096	42,830,511
2021	21,371	37	41,181,470	3,199,291	390,746	44,771,507
2022	22,110	37	43,084,432	3,263,276	405,731	46,753,439
2023	22,876	37	45,092,158	3,328,539	430,431	48,851,129
2024	23,668	37	47,210,446	3,395,108	450,013	51,055,567
Average Growth	4.0%					

Source: LUS

- (1) The retail customer projection takes into consideration that the Communications System began serving customers in 2007 as a new market entrant. As shown in "Historical and Projected Number of Customer Accounts for the Communications System" above, historical percentage growth in customers has been significant because the Communications System was new to the market. The projections for the Projected Period assume that percentage increases in annual growth will gradually decline as LUS' market presence matures and market penetration reflects levels that consider the presence of several competitors.
- (2) An existing wholesale customer contract will expire in 2017 and will not be renewed.
- (3) Includes interest income and other miscellaneous income.
- (4) Retail service pricing levels are projected to be adjusted periodically in consideration of the cost of goods sold and other rising costs.

Historical and Projected Operating Expenses

The Communications System has two major categories of operating expense: variable and fixed operating expenses. The variable expenses include cable television programming and long distance telephone expenses. These expenses increase as the number of customers increases. Cable television programming costs are also growing faster than the rate of inflation. The fixed operating expenses include costs associated with labor, benefits, rents, maintenance, billing, customer service and overhead.

The Communications System became a member of the National Cable Television Cooperative ("NCTC") in 2011. This cooperative is the single largest buyer of cable television programming in the United States. LUS' content pricing improved significantly since attaining membership in the NCTC as evidenced by the reduction in operation and maintenance and other expenses in 2012 from 2011.

Operating expense projections for the Communications System are based on information provided by LUS. The expense projections set forth in the table below includes the cost of goods sold, maintenance of plant, administrative and general expenses, and other miscellaneous expenses. The projected cost of goods sold assumes the 2014 cost per customer (adjusted for inflation) multiplied by the projected number of customers. Other expenses have been escalated at a rate of 2.1 percent annually over the prior year during the Projected Period.

Communications System Historical Operating Expenses

<u>Year</u>	<u>Cost of Goods Sold⁽¹⁾</u>	<u>Operation & Maintenance and Other Expenses</u>	<u>Total Operating Expenses⁽²⁾</u>
2010	\$2,292,585	\$ 8,039,786	\$10,332,371
2011	4,600,346	10,155,828	14,756,174
2012	6,100,877	9,641,783	15,742,660
2013	6,660,707	10,530,359	17,191,066
2014	6,981,477	10,610,371	17,591,848

Source: LUS provided years 2010–2014, audited.

(1) Cost of Goods Sold include the programming and content costs associated with service offerings.

(2) Includes operation and maintenance expenses; other expenses include customer service, and administrative and general costs. Excludes depreciation. Operating expenses do not include ILOT, inter-utility loan payments to LUS, external loan payments, and other miscellaneous expenses.

The table below provides the Communications System operating expenses forecast from through the Projected Period.

Communications System Projected Operating Expenses

<u>Year</u>	<u>Cost of Goods Sold⁽¹⁾</u>	<u>Operation & Maintenance and Other Expenses⁽²⁾</u>	<u>Total Operating Expenses</u>
2015	\$6,736,552	\$10,833,189	\$17,569,741
2016	7,033,131	11,060,686	18,093,817
2017	7,353,908	11,292,960	18,646,868
2018	7,687,591	11,530,112	19,217,703
2019	8,032,767	11,772,245	19,805,012
2020	8,390,299	12,019,462	20,409,761
2021	8,762,495	12,271,871	21,034,365
2022	9,151,300	12,529,580	21,680,880
2023	9,557,459	12,792,701	22,350,160
2024	9,981,745	13,061,348	23,043,092

Source: LUS

(1) Cost of Goods Sold predominantly consists of programming and content costs associated with service offerings.

(2) Includes operation and maintenance expenses; other expenses include customer service, and administrative and general costs. Excludes depreciation. Operating expenses do not include ILOT, inter-utility loan payments to LUS, external loan payments, and other miscellaneous expenses.

Competition

The CATV and Internet services markets within the City limits are competitive. National telecommunications firms such as Cox Communications, AT&T, Dish, and DirecTV each offer services within the City limits. Recent merger and acquisition trends in the telecommunications industry may affect the local competitors. Comcast announced the acquisition of Time Warner in February 2014, while AT&T announced its acquisition of DirecTV in May 2014. As of the date of this Official Statement, Comcast has withdrawn its acquisition of Time Warner due to federal government concerns about competition. The AT&T acquisition of DirecTV is currently awaiting

approval of the Federal Communications Commission (“FCC”) and the Department of Justice. Some of the competitors (AT&T, DirecTV, and Dish) also have access to and own wireless spectrum, which may further increase competition for telecommunications services within the City. The recent FCC ruling regarding Net Neutrality may also affect the merger and acquisition trends in the industry, as well as the currently pending acquisition.

The Communications System was recently recognized by Open Technology Institute’s report “2014 Speed Leaders for Home Broadband” as one of seven cities having the fastest home Internet in the world. LUS shares this distinction with Seoul, South Korea, Hong Kong, China, Tokyo, Japan, Chattanooga, Tennessee and Kansas City, Kansas and Kansas City, Missouri based on Internet data upload and down load speeds. LUS’ 1-gigabit fiber home service offers equal upload and download speeds with its fiber equipment connecting directly to the home.

LUS’ high Internet speeds are a tangible competitive advantage. LUS typically stays in step with the competition in offering other services to the market. Providing quality service offerings to customers is a top priority business objective of LUS. For example, in response to the FCC’s new definition of high speed Internet download speeds at 25 Mbps or greater, LUS recently increased their standard high-speed data package from 20 Mbps to 25 Mbps. LUS increased the charge for this higher speed, basic package by \$2 per month.

Current communications services rates are stable, with increases for CATV or video generally driven by programming and content costs. LUS’ content pricing continues to improve since attaining membership in the NCTC in December 2011. A recent increase in telephone rates was the first since the service began in 2009.

LUS offers comparable and competitively priced higher-end CATV packages within the City. Internet service is extremely competitive, based on the equally fast download and upload speeds offered by the Communications System. Competitors offer a slower download speed and significantly reduced upload speed (typically 10 to 20 percent of download speeds). The Communications System also offers customers a unique feature that enables peer-to-peer connections within the City limits with excellent data exchange speeds. Currently competitors cannot offer this feature. Telephone service is competitive but difficult to compare directly with competitors’ packages.

The table below summarizes and compares LUS’ and competitors’ Internet service offerings within the City. The comparison below illustrates LUS’ competitive advantage of faster download and upload speeds available at lower prices than competitors.

Competitive Internet Service Offerings

<u>Provider</u>	<u>Service Offerings (Upload and Download Speeds)</u>		
LUS Fiber	25 Mbps ⁽¹⁾ (Sym) ⁽²⁾	80 Mbps (Sym)	1000 Mbps (Sym)
Price	\$35.95	\$44.95	\$69.95
Cox	15 X 2 ⁽³⁾ Mbps	50 X 5 Mbps	150 X 20 Mbps
Price	\$52.99	\$66.99	\$99.99
AT&T	6 X 1 Mbps	24 X 3 Mbps	45 X 6 Mbps
Price	\$52.00	\$72.00	\$82.00

Source: LUS

(1) Mbps is millions of bits (Megabits) per second.

(2) Sym is symmetrical, or equal upload and download speeds.

(3) Cox and AT&T services are identified first by the download speeds, then upload (e.g. 15 x 2 represents up to 15 Mbps download and 2 Mbps upload).

Security Issues

In 2014, the Network Operations Center (“NOC”) of the Communications System moved its operations to the LUS Field Operations Center (“FOC”). The NOC is now secured behind the same physical security perimeter as the FOC and the LUS Administration building. There has also been a significant increase in physical security at the head-end facility and the customer service office, where security guards are stationed. Perimeter access is controlled and there are additional levels of internal access within the building that limit access to the general office area.

New and Proposed Regulations

Management of the Communications System monitors legislation, both federal and state, for impacts on its operations. Management of the Communications System has indicated that they are aware of no new or proposed regulations that would adversely affect their operation or business.

The FCC recently ruled and reclassified broadband Internet access services under Title II of the Communications Act. The FCC will regulate certain aspects of broadband Internet services across the country, in particular the ability of broadband providers to slow or block competitors’ services and/or charge fees to content providers to deliver content at faster speeds, commonly referred to as “Net Neutrality.” While the FCC has ruled on Net Neutrality, several participants will likely begin litigation over the ruling and the application of Title II. It is expected that the FCC’s ruling will not directly affect the services or the actions of broadband providers for several years. See “CERTAIN FACTORS AFFECTING THE COMMUNICATIONS INDUSTRY – Legislation.”

Environmental Issues

Given the design and operation of the Communications System, there are limited environmental compliance issues. The Communications System fiber is installed on LUS’ overhead electric poles and in underground ducts co-located within the underground electric distribution system, avoiding additional right-of-way requirements or construction and land use related issues.

Capital Improvement Plan

The Communications System five-year Capital Improvement Plan is reviewed, updated and budgeted annually. General life expectancy of incoming connections and distribution (e.g. head-end) is three to five years, at which time replacement or upgrades may be warranted. Some of the existing Communications System equipment has been in service for over seven years and is scheduled for upgrade and replacement.

The timing of capital projects are continually evaluated based on priority given changing circumstances; therefore, projects identified in the early years of the five-year program reflect a higher degree of certainty. All projects identified in the Communications System Capital Improvement Plan are expected to be funded with cash available from Communications Systems operations. The table below and the categories that follow describe the Communications System Capital Improvement Plan.

Communications System Capital Improvement Plan

<u>Project Description</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Customer Installations	\$1,883,127	\$2,566,235	\$1,445,296	\$1,445,296	\$1,445,296
Customer Premise Equipment	1,980,146	2,697,134	1,518,707	1,518,707	1,518,707
Customer Service Drops	277,487	377,961	212,823	212,823	212,823
Head-end Equipment and Upgrades	324,000	324,000	324,000	324,000	324,000
Hut Equipment and Upgrades	202,500	202,500	202,500	202,500	202,500
Network Equipment and Upgrades	260,000	260,000	260,000	260,000	260,000
Outside Plant Extensions	240,000	240,000	240,000	240,000	240,000
Special Equipment	<u>98,000</u>	<u>98,000</u>	<u>98,000</u>	<u>98,000</u>	<u>98,000</u>
Total ⁽¹⁾	\$5,265,260	\$6,765,830	\$4,301,326	\$4,301,326	\$4,301,326

Source: LUS. Lafayette City-Parish Consolidated Government 2016 Proposed Budget.

(1) Funded from Communications Systems operations. Shown in 2015 dollars.

The Capital Improvement Plan includes the ongoing cost of customer installations, head-end, hut, network equipment and upgrades, and other miscellaneous items. Capital improvement projects are based on the capital plan submitted to the Lafayette City-Parish Consolidated Government with the 2016 Proposed Budget and LUS projections. As a result of these assumptions, the following table projects the Communications System capital expenditures through 2024.

Communications System Projected Capital Improvement Program

<u>Year</u>	<u>Total Capital Program ⁽¹⁾</u>
2015	\$4,301,326
2016	5,265,260
2017	6,907,912
2018	4,483,879
2019	4,578,040
2020	4,674,179
2021	7,446,988
2022	6,782,093
2023	7,763,046
2024	9,756,434

Source: LUS. Lafayette City-Parish Consolidated Government 2016 Proposed Budget, with modifications

(1) Amounts shown in nominal dollars. Amounts differ from the previous table for the Communications System Capital Improvement Program due to increases for the effects of inflation.

Network Equipment and Upgrades, and Hut Equipment and Upgrades

The Communications System's FTTH electronics consists of essentially two components, the network electronics and the electronics at each customer location. The network electronics are the devices that integrate signals onto the fiber system and deliver high-speed data, video and voice services throughout the fiber network.

Customer Installations, Customer Premise Equipment, Customer Service Drops

The Communications System has planned for the addition of new customers. This includes the costs of providing a fiber drop to the premise, installing the communications service, installing additional wiring as needed, the electronics at each premise, and other equipment necessary to provide service to the customer. The electronics at each customer premise consist of a device referred to as an Optical Network Terminal that converts the light signal from the network to electrical signals that provide telephone service, cable television service and high-speed Internet service.

Head-end Equipment and Upgrades

The cable television head-end consists of numerous devices needed to receive and disseminate cable television signals. It includes the dishes required to receive signals from satellites, a tower used to mount antennas to receive over-the-air channels such as local network stations, and electronics used to decode cable television signals and reformat the signal to be used by the FTTH network equipment. Telephone equipment includes a switch and software needed to route calls to and from customers. Internet equipment includes routers, switches, and servers and associated software necessary to provide data services to customers at speeds faster than those available with most commercial providers.

Outside Plant Expansions

Plant expansions include the extension of fiber outside plant to areas not yet serviced by the Communications System. These costs include the fiber, conduit, pole hardware, fiber splitters, vaults, other associated material, and the labor to install these assets.

Special Equipment

Other assets include vehicles, furniture, computers, other software, tools, and specialized work equipment.

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OPERATING REVENUES AND EXPENSES

Communications System Historical Operating Results

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Operating Revenues:					
Retail ⁽¹⁾	\$6,057,983	\$13,607,449	\$ 20,678,636	\$24,059,121	\$28,317,202
Wholesale ⁽²⁾	3,267,615	3,094,302	3,086,417	3,000,432	3,167,698
Other ⁽³⁾	<u>509,333</u>	<u>50,507</u>	<u>(392,484)</u>	<u>(215,239)</u>	<u>156,524</u>
Total Operating Revenues	\$9,834,931	\$16,752,258	\$23,372,570	\$26,844,315	\$31,641,423
Operating Expenses:					
Cost of Goods Sold ⁽⁴⁾	\$2,292,585	\$4,600,346	\$6,100,877	\$6,660,707	\$6,981,477
Other Operating Expenses ⁽⁵⁾	<u>8,039,786</u>	<u>10,155,828</u>	<u>9,641,783</u>	<u>10,530,359</u>	<u>10,610,371</u>
Total Operating Expenses	\$10,332,371	\$14,756,174	\$15,742,660	\$17,191,066	\$17,591,848
Net Revenue for Debt Service:	<u>(\$497,440)</u>	<u>\$1,996,085</u>	<u>\$7,629,909</u>	<u>\$9,653,248</u>	<u>\$14,049,575</u>
Debt Service:					
Existing ⁽⁶⁾	\$5,494,331	\$8,684,331	\$8,686,731	\$8,683,931	\$9,434,060
Proposed	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Service	<u>\$5,494,331</u>	<u>\$8,684,331</u>	<u>\$8,686,731</u>	<u>\$8,683,931</u>	<u>\$9,434,060</u>
Debt Service Coverage ⁽⁷⁾	(0.1)	0.2	0.9	1.1	1.5
Balance After Debt Service	<u>(\$5,991,771)</u>	<u>(\$6,688,246)</u>	<u>(\$1,056,822)</u>	<u>\$969,317</u>	<u>\$4,615,515</u>
Other Income (Expenditures)					
Miscellaneous ⁽⁸⁾	(84,308)	(50)	(278,627)	(131,663)	2,467,154
Inter-Utility Loan Repayment ⁽⁹⁾	(847,379)	(443,465)	0	0	(588,262)
Imputed Tax & ILOT ⁽¹⁰⁾	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,061,385)</u>
Total Other Income (Expenditures)	<u>(\$931,687)</u>	<u>(\$443,515)</u>	<u>(\$278,627)</u>	<u>(\$131,663)</u>	<u>\$817,507</u>
Balance Available for Capital	<u>(\$6,923,458)</u>	<u>(\$7,131,761)</u>	<u>(\$1,335,450)</u>	<u>\$837,654</u>	<u>\$5,433,023</u>

(1) Based on the Communications System Financial and Operating Statements. Includes revenues from CATV, Internet and telephone services.

(2) Wholesale revenues are based on the Communications System Financial and Operating Statements.

(3) Other Revenues are based on the Communications System Financial and Operating Statements. Other revenues include Interest Income and Miscellaneous Operating Revenues. The Miscellaneous Operating Revenues are based on historical data and escalated at inflation.

(4) Include the programming and content costs associated with service offerings.

(5) Includes operation and maintenance and related expenses, and customer service and administrative and general costs. Does not include ILOT, Imputed Tax, inter-utility loan payments to the Utilities System, and other miscellaneous expenses.

(6) Includes the Series 2007 Bonds and the Series 2012 Bonds.

(7) Debt Service Coverage is the Net Revenues for Debt Service divided by the Total Debt Service.

(8) Based on the Communications System Financial and Operating Statements.

(9) Based on a schedule provided by Lafayette City-Parish Consolidated Government. Payments continue through 2033. The inter-utility loan repayment includes loans for the fiber backbone, start-up costs, 2010 through 2012 Imputed Taxes, and a 2011 operating loan. The inter-utility loan was refinanced in 2011 to provide for a more consistent pay-out term and to reduce the interest rate. Loan interest payments for a portion of 2011 and all of years 2012 and 2013 were capitalized and included in the 2011 restructured loan. In 2013, the loan balance was reduced to correct prior years' Imputed Tax calculation errors. The 2014 payment was delayed due to a loan restructuring. Additional information is available in the Lafayette, Louisiana Comprehensive Annual Financial Report for year ending October 31, 2013.

(10) Based on data provided by the Lafayette City-Parish Consolidated Government. The Imputed Tax and ILOT obligation for a given year is paid in the following year. For years 2010 through 2012, the Imputed Tax obligation was included in the inter-utility loan described above in footnote 9. In 2013, the Communications System had an Imputed Tax obligation of \$1,061,385 which was paid in 2014. Historical Imputed Tax amounts reflect Lafayette City-Parish Consolidated Government's correction of the Imputed Tax formula.

Operating Revenues from Fiscal Year 2010 to 2014 increased, reflecting the increase in sales as the Communications System captured a significant market share of FTTH retail customers. Retail sales reached \$28.3 million as new areas of the service territory were penetrated. Wholesale sales stayed steady with the slight increases in sales offset by some wholesale customers migrating to retail operation. Other revenues reflect interest earnings, which decreased to \$0.16 million due to smaller cash balances to invest since capital construction for new customers continued.

Operating Expenses increased significantly from Fiscal Year 2010 to Fiscal Year 2014. Cost of Goods Sold increased as new customers were connected and the corresponding cost for video, Internet and phone subscribers increased. Other Operating Expenses also increased from \$8.0 million in Fiscal Year 2010 to \$10.6 million in Fiscal Year 2014, reflecting the continued deployment of sales and service units to support the increased customer base.

Net Revenue for Debt Service was negative in Fiscal Year 2010 as expected in start-up years of retail service; however, Fiscal Year 2014 indicates Net Revenue for Debt Service of \$14.0 million which reflects the substantial growth in sales to new customers.

Balance Available for Capital was negative in Fiscal Years 2010, 2011, and 2012; however, in Fiscal Year 2013 the Balance Available for Capital was positive for the first time and Fiscal Year 2014 reflected \$5.4 million in Balance Available for Capital. This was achieved by the continued growth in retail customers and revenues and a moderation in expenses due to stabilized programming costs and controlling other operating expenses.

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Communications System Forecasts

Projected operating results developed by the Consulting Engineer are shown in the following table.

Communications System Projected Operating Results

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Operating Revenues:					
Retail ⁽¹⁾	\$30,287,648	\$32,091,352	\$34,017,316	\$35,734,895	\$37,542,639
Wholesale ⁽²⁾	3,167,698	3,240,555	2,938,337	3,005,920	3,075,055
Other ⁽³⁾	<u>171,510</u>	<u>206,172</u>	<u>248,149</u>	<u>256,209</u>	<u>309,540</u>
Total Operating Revenues	\$33,626,856	\$35,538,079	\$37,203,803	\$38,997,023	\$40,927,234
Operating Expenses:					
Cost of Goods Sold ⁽⁴⁾	\$ 6,736,552	\$ 7,033,131	\$ 7,353,908	\$ 7,687,591	\$ 8,032,767
Other ⁽⁵⁾	<u>10,833,189</u>	<u>11,060,686</u>	<u>11,292,960</u>	<u>11,530,112</u>	<u>11,772,245</u>
Total Operating Expenses	\$17,569,741	\$18,093,817	\$18,646,868	\$19,217,703	\$19,805,012
Net Revenues for Debt Service:	<u>\$16,057,115</u>	<u>\$17,444,262</u>	<u>\$18,556,934</u>	<u>\$19,779,320</u>	<u>\$21,122,223</u>
Debt Service:					
Existing ⁽⁶⁾	\$3,211,748	\$ 748,129	\$ 748,129	\$ 748,129	\$ 748,129
Proposed ⁽⁷⁾	<u>870,608</u>	<u>5,417,413</u>	<u>8,503,613</u>	<u>8,681,363</u>	<u>8,680,113</u>
Total Debt Service	\$4,082,356	\$6,165,541	\$9,251,741	\$9,429,491	\$9,428,241
Debt Service Coverage ⁽⁸⁾	<u>3.9</u>	<u>2.8</u>	<u>2.0</u>	<u>2.1</u>	<u>2.2</u>
Balance After Debt Service	<u>\$11,974,759</u>	<u>\$11,278,721</u>	<u>\$9,305,193</u>	<u>\$10,349,829</u>	<u>\$11,693,982</u>
Other Income (Expenditures)					
Miscellaneous ⁽⁹⁾	(\$113,614)	(\$116,000)	(\$118,436)	(\$120,923)	(\$123,462)
Inter-Utility Loan Repayment ⁽¹⁰⁾	(1,933,505)	(1,001,003)	(1,339,820)	(1,535,135)	(1,705,320)
Imputed Tax & ILOT ⁽¹¹⁾	<u>(1,379,979)</u>	<u>(3,226,836)</u>	<u>(3,420,594)</u>	<u>(3,581,987)</u>	<u>(3,757,132)</u>
Total Other Income (Expenditures)	(\$3,427,098)	(\$4,343,839)	(\$4,878,849)	(\$5,238,046)	(\$5,585,914)
Balance Available for Capital	<u>\$8,547,661</u> ⁽¹²⁾	<u>\$6,934,882</u>	<u>\$4,426,344</u>	<u>\$5,111,783</u>	<u>\$6,108,068</u>

(1) Includes revenues from CATV, Internet and telephone services. Revenues are calculated annually by the type of service provided and incorporate future rate increases.

(2) Revenues are calculated annually and incorporate future rate increases.

(3) Includes interest income and miscellaneous operating revenues. Calculated based on reserve fund and cash balances using a short-term interest rate. Miscellaneous operating revenues are based on historical data and escalated inflation.

(4) Includes the programming and content costs associated with service offerings. Adjusted based on the growth in number of customers and escalated at inflation.

(5) Includes operation and maintenance and related expenses, and customer service and administrative and general costs. Does not include ILOT, Imputed Tax, inter-utility loan payments to the Utilities System, and other miscellaneous expenses.

(6) Includes debt service on the Series 2012 Bonds and for Fiscal Year 2015, the Series 2007 Bonds.

(7) Includes the Series 2015 Bonds, which will refund the Series 2007 Bonds.

(8) Debt Service Coverage equals the Net Revenues for Debt Service divided by Total Debt Service.

(9) Based on historical information and escalated at inflation.

(10) Based on a schedule provided by Lafayette City-Parish Consolidated Government. Payments continue through 2033. The 2015 payment of \$1,933,505 represents the 2014 and 2015 inter-utility loan obligation. The 2014 payment was delayed due to a loan restructuring.

(11) Based on data provided by the Lafayette City-Parish Consolidated Government. For years 2016 through 2024, the Communications System is projected to pay ILOT to the City based on the formula provided for in the Bond Ordinance. The ILOT Ordinance would revise the ILOT calculation to be equal to Imputed Taxes, which results in lower Other Expenses. This table does not reflect any of the potential financial results of the ILOT Ordinance and was prepared as if the ILOT Ordinance would not be approved.

(12) In 2015, the Balance Available for Capital includes \$4.8 million accumulated in the sinking fund for the Series 2007 Bonds. This amount will be applied to the outstanding balance of the Series 2007 Bonds as shown under the heading "ESTIMATED SOURCES AND USES OF FUNDS."

The following table provides a summary of the Communications System fund balance. These funds are utilized to support the Communications System Capital Improvement Program. The City has established two funds within the Communications System; the Construction Fund and the Retained Earnings Fund. Each fund has an initial Fiscal Year 2015 balance, which includes the remaining balance of the Outstanding Parity Bonds (for the Construction Fund) and existing Utilities System loans and a transfer from interest earned on the Construction Fund and deposits from earnings (for the Retained Earnings Fund). Additions to the Retained Earnings Fund include deposits from future earnings. Withdrawals from the Construction Fund and the Retained Earnings Fund include the capital expenditures for the Communications System.

Communications System Sources & Uses of Funds

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Construction Fund					
<u>Sources of Funds</u>					
Beginning Balance ⁽¹⁾	\$1,167,980	\$ 0	\$ 0	\$ 0	\$ 0
Deposits from Series 2015 Debt Issue	0	0	0	0	0
Interest Income	1,221	0	0	0	0
<u>Uses of Funds</u>					
Capital Expenditures	<u>(1,169,201)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Construction Fund End Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Retained Earnings Fund					
<u>Sources of Funds</u>					
Beginning Balance ⁽²⁾	5,611,928	4,393,418	5,261,303	2,599,397	3,227,714
Deposits from Earnings	8,935,194	6,133,144	4,246,006	5,112,196	6,110,729
<u>Uses of Funds</u>					
Capital Expenditures	(3,132,125)	(5,265,260)	(6,907,912)	(4,483,879)	(4,578,040)
Operating Account Creation	(2,250,000)	0	0	0	0
Sinking Fund transfer to Refunding	<u>(4,771,579)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Retained Earnings Fund End Balance	<u>\$4,393,418</u>	<u>\$5,261,303</u>	<u>\$2,599,397</u>	<u>\$3,227,714</u>	<u>\$4,760,403</u>

Source: Communications System Financial and Operating Statements.

(1) Construction Fund Source of Funds Beginning Balance includes: Series 2007 and Series 2012 Bond Account Investments.

(2) Retained Earnings Fund, Sources of Funds, Beginning Balance includes: Receipts Fund, Operating Account, and other cash.

DEBT SERVICE COVERAGE CALCULATION

The Communications System currently has a debt service coverage requirement of 1.0 associated with Outstanding Bonds and any inter-utility loans from the Utilities System.

The Series 2015 Bonds are being issued pursuant to the Ordinance. Payment of debt service on Bonds is payable under the General Bond Ordinance from the “Net Revenues Available for Debt Service” and is equal to Operating Revenues less Operating Expenses.

The Communications System purchased the fiber backbone and inventory from the Utilities System and the network was transferred to the Communications System on November 1, 2007. The Communications System is currently reimbursing the Utilities System for a series of loans issued for the purchase of assets, start-up costs, imputed taxes, installation costs and other costs. As of June 30, 2015, the balance of the remaining loans is \$27,798,160.

Pursuant to terms of a regulatory settlement, the Communications System is required to pay an Imputed Tax. The Imputed Tax is equivalent to paying state and local sales tax, property tax, franchise tax, and income tax. This Imputed Tax calculation is performed annually and can be paid

either to the Utilities System or as an ILOT payment to the General Fund of the Issuer. In 2013, the Issuer reviewed the Imputed Tax calculation and corrected an error in the computation, which reduced the Imputed Tax obligation of the Communications System for the fiscal years 2009 through 2012. This correction is reflected in the historical Communications System Imputed Tax obligations included in the Communications System Historical Operating Results above under “OPERATING REVENUES AND EXPENSES”. Lafayette City-Parish Consolidated Government did not restate historical financial and operating statements as a result of this correction. Thus far, Imputed Tax payments have only been paid to the Utilities System. As the Communications System improves operating margins, the Communications System will be able to pay ILOT to the General Fund of the Issuer. Once ILOT payments are made to the General Fund of the Issuer, the corresponding Imputed Tax obligation is reduced on a dollar-by-dollar basis. For historical debt service coverage ratios, see “OPERATING REVENUES AND EXPENSES” herein.

On July 7, 2015, the ILOT Ordinance was introduced to the Council. At introduction, the Council voted unanimously to accept the ILOT Ordinance. The Council unanimously approved the ILOT Ordinance on July 21, 2015. The ILOT Ordinance recognizes that the Communications System operates in a competitive environment and the current ILOT calculation is a greater expense than Imputed Tax. With the approval of this ordinance, the Communications System will be required to pay an ILOT amount equal to Imputed Taxes. The Imputed Tax payment will be made to LUS and the City for years 2016 through 2020 as prescribed in the ILOT Ordinance. According to LUS staff, 100% of Imputed Tax payments will go to the City after 2020.

With the approval of the ILOT Ordinance by the Council, the Communications System’s cumulative projected ILOT payment to the City over the period 2016 through 2024 will be reduced from approximately \$36 million to approximately \$13 million resulting in \$23 million of savings over the nine year period. The reduced financial obligation will increase cash available for Communication System’s capital improvement projects and reserves thereby reducing pressure to raise rates in the future and helping to maintain a level playing field with competitors. The \$13 million projected Communication System’s Imputed Tax obligation will be divided between the City and LUS from 2016 through 2020. Similar to the Communications System, the portion of Imputed Tax payments to LUS will increase cash available for electric, water, and wastewater capital improvement projects and reserves thereby reducing pressure on future rate increases in the Utilities Systems.

Notwithstanding the foregoing two paragraphs, the projected Communications System debt service coverage ratios are presented in the table below. The table below does not reflect any of the potential financial results of the ILOT Ordinance and was prepared as if the ILOT Ordinance had not been approved.

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Communications System Projected Debt Service Coverage Ratios

<u>Year</u>	<u>Operating Revenues</u> ⁽¹⁾	<u>Operating Expenses</u> ⁽²⁾	<u>Net Revenues Available for Debt Service</u>	<u>Debt Service</u> ⁽³⁾	<u>Debt Service Coverage Ratio</u>
2015 ⁽⁴⁾	\$33,626,856	\$17,569,741	\$16,057,115	\$ 4,082,356	3.9x
2016	35,538,079	18,093,817	17,444,262	6,165,541	2.8x
2017	37,203,803	18,646,868	18,556,934	9,251,741	2.0x
2018	38,997,023	19,217,703	19,779,320	9,429,491	2.1x
2019	40,927,234	19,805,012	21,122,223	9,428,241	2.2x
2020	42,830,511	20,409,761	22,420,750	9,430,991	2.4x
2021	44,771,507	21,034,365	23,737,142	9,431,991	2.5x
2022	46,753,439	21,680,880	25,072,559	10,590,741	2.4x
2023	48,851,129	22,350,160	26,500,969	10,599,941	2.5x
2024	51,055,567	23,043,092	28,012,474	10,601,223	2.6x

Source: LUS

- (1) Operating revenues include interest income and other miscellaneous revenues.
- (2) Includes operation and maintenance expenses; other expenses include customer service, and administrative and general costs. Excludes depreciation. Operating expenses do not include ILOT, Imputed Tax, inter-utility loan payments to LUS, external loan payments, and other miscellaneous expenses.
- (3) The debt service represents the Series 2012 Bonds and Series 2015 Bonds. 2015 includes a portion of the Series 2007 Bonds debt service.
- (4) Total reflects debt service payments to be made on Outstanding Parity Bonds after the closing of the Series 2015 Bonds. Total does not reflect the City's contributions to the Debt Service Fund for the Series 2007 Bonds equal to \$4,771,579.

Communications System Impact on the Utilities System

There are positive impacts to the Utilities System from the Communications System, including the receipt of the imputed taxes, receipt of the interest revenues derived from the outstanding loans, and the continued benefit of sharing general and administrative expenses.

Although the Communications System is financially separate from the Utilities System, if the Communications System defaults on the Outstanding Parity Bonds, the Utilities System Residual Revenues would be used to cover any debt service shortfalls. The “Utilities System Residual Revenues” are defined by the Ordinance as those revenues that are deposited into the Capital Additions Fund and are available for subordinated indebtedness. See “THE UTILITIES SYSTEM – Financial Results – Communications System Default”. If the Utilities System is required to pay the debt service on both the Communications System and the Utilities System, the average monthly residential electric bill is projected to increase \$5.00 from \$96.00 to \$101.00. This amount is still competitive with the current rates of electric providers.

THE UTILITIES SYSTEM

Introduction

The Utilities System provides electric, water and wastewater services to citizens primarily within the City limits as well as to customers residing outside of the City limits but within the Parish. The telecommunications service for wholesale customers was transferred to the Communications System after the delivery date of the Issuer’s Series 2007 Bonds.

The Electric System has approximately 45 miles of transmission line, and more than 900 miles of distribution lines; the Water System has approximately 1,087 miles of water mains of varying sizes, 20 wells and two treatment plants; and the Wastewater System has approximately 556 miles of sanitary sewer lines with four treatment plants.

In addition to the Director's Office, the Utilities System is comprised of the following operating divisions:

<i>Engineering</i>	<i>Electric Operations</i>
<i>Water Operations</i>	<i>Support Services</i>
<i>Wastewater Operations</i>	<i>Customer Service</i>
<i>Power Production</i>	<i>Environmental Compliance</i>

As of June 30, 2015, the Utilities System had approximately 435 full-time employees and approximately 50 part-time employees. The Utilities System has a budgeted employee figure of 467.

Management of the Utilities System

The City-Parish President, who is the Chief Executive Officer of the Lafayette City-Parish Consolidated Government, and his Chief Administrative Officer, direct and supervise the administration of various departments of the Lafayette City-Parish Consolidated Government. The Lafayette City-Parish Consolidated Government manages and operates the Utilities System through its departmental structure. LUS is primarily responsible for the Utilities System management and operations. The Office of Finance and Management, the Department of Information Services and Technology and the Legal Department provide vital functions to LUS operations.

The Office of Finance and Management is responsible for budgeting, accounting, procurement and property management.

The principal members of the management team of the Utilities System, which are also the principal members of the management team of the Communications System, include:

Lorrie R. Toups, CPA, CGFO - Chief Financial Officer

Ms. Toups has over 22 years of experience in government finance. She was employed by St. Charles Parish, Louisiana from 1993 through 2008 where she held the position of Chief Financial Officer from 2000 – 2008. She served as Director of Accounting from 2008 through 2011 in Jefferson Parish, Louisiana prior to joining Lafayette City-Parish Consolidated Government in January 2011.

Ms. Toups is a certified public accountant, a certified government finance officer, and a chartered global management accountant. She holds a B.S.B.A degree from Nicholls State University with a major in accounting. She is a past president of the Louisiana Government Finance Officers Association and served six years on its board of directors. She served on the board of directors for the Louisiana Certified Public Accountants – New Orleans Chapter for four years and chaired the Governmental and Non-profit committee for seven years. Ms. Toups also served on the Industrial Development Board of St. Charles Parish and on the Archbishop Chapelle High School Board.

Terry Huval – Utilities Director

Mr. Huval has 36 years of experience in the electric power utilities industry (sixteen with Entergy - GSU and twenty years with the Utilities System). He is a registered professional electrical engineer in the states of Louisiana and Texas, and has a cum laude degree in electrical engineering from the University of Louisiana-Lafayette. Mr. Huval has received numerous awards for his engineering and public service activities. Mr. Huval was Chair of the American Public Power Association (“APPA”) in 2007-2008. He served on the APPA Board from 2002 through 2009. He also served as a member of the board of directors for the Louisiana Energy and Power Authority. In addition, he has served the community as Chairman of the Board for the United Way of Acadiana, in addition to having been Campaign Chairman. He has also served on the Board of Directors for the Greater Lafayette Chamber of Commerce. He is currently a board member of the Louisiana Professional Engineers and Land Surveyors, and is a member of the Louisiana Broadband Advisory Council.

Michael Boustany – Electric Operations Manager

Mr. Boustany has spent his 32-year career in the electric power industry with the Utilities System, working in distribution, transmission, substation engineering, control systems and communications. He is registered Professional Engineer in Louisiana.

Craig Gautreaux – Water and Wastewater Operations Manager

Mr. Gautreaux has 35 years of experience in the civil engineering/wastewater operations industry (five years with University of Louisiana- Lafayette, five years with a private consulting firm and 25 years with the Utilities System). He is a graduate civil engineer with a masters degree in civil engineering.

Allyson Pellerin – Environmental Compliance Manager

Ms. Pellerin has been in the environmental field with the Utilities System for 23 years, serving as the Environmental Compliance Manager for the past 15 years. Her education includes a B.S. in general studies/natural sciences with major course study in microbiology from the University of Louisiana- Lafayette.

Andrew Duhon – Customer & Support Services Manager

Mr. Duhon has 35 years’ experience in the accounting field (ten years with various private and government entities and 25 years with the Utilities System). He received a Bachelor of Arts degree from the University of Louisiana-Lafayette and is an inactive certified public accountant. He is an alternate director of the Louisiana Energy and Power Authority and is immediate past chairman of the Customer Accounting and Services Committee of the American Public Power Association. He is past Chairman of the Acadiana Chapter of the American Red Cross and is a board member and past Chairman of the Lafayette Public Library Board of Control.

Jeff Stewart – Engineering & Power Supply Manager

Mr. Stewart has over 13 years of experience in the public utility industry. He is a registered Professional Engineer in Louisiana.

Generation Facilities

The Utilities System owns three gas-fired generating facilities located within the Parish: the Louis Doc Bonin Plant, the T. J. Labbé Plant, and the Hargis-Hébert Plant. The Utilities System obtains a significant portion (from 50 to 70 percent) of its electric energy requirements from LPPA. LPPA has a 50 percent ownership interest in a 523 MW coal-fired generating station located at Brame Energy Center, known as Rodemacher Power Station Unit 2 (“Rodemacher Unit 2”). Located in northwest Rapides Parish near Boyce, Louisiana, approximately 100 miles northwest of the City, Rodemacher Unit 2 is operated by Cleco Corporation (“Cleco”) which has thirty percent ownership of the station. The remaining twenty percent is owned by the Louisiana Energy and Power Authority. The Council is the governing authority of LPPA. The Chief Executive Officer of LPPA is the Lafayette City-Parish Consolidated Government President. The Utilities Director is also the Managing Director of LPPA.

Annual generation at Rodemacher Unit 2 has averaged approximately 2,853 gigawatt hours (“GWh”) (net) over the 2010 to 2014 period with average annual plant capacity factor of 64.8 percent. The annual average heat rate of Rodemacher Unit 2 was approximately 10,964 British thermal units (“Btu”) per kilowatt hour (“kWh”).

Doc Bonin Generation Station

The Doc Bonin Plant is located in the northwest part of the City. It is a gas-fired, steam-electric generation station with a net accredited capability of 295 megawatts (“MW”) and consists of three units. Unit 1 has a nameplate capacity of 54 MW with a Babcock and Wilcox boiler and a Westinghouse turbine and was built in 1964 (“Unit 1”). Unit 2 was built in 1970 and has a nameplate capacity of 100 MW with a Combustion Engineering boiler and a General Electric turbine (“Unit 2”). Unit 3 has a nameplate capacity of 187 MW with a Babcock and Wilcox boiler and a General Electric turbine that was built in 1976 (“Unit 3” and together with Unit 1 and Unit 2, the “Units”).

All of the Units at the Doc Bonin Plant are currently unavailable and not offered into the Midcontinent Independent System Operator (“MISO”) market through June 29, 2017 under the terms of a Suspended Operations Agreement, which began on June 29, 2014. These Units are economically suspended and could be available for emergency power generation after approximately two months of preparation. As economic conditions change in MISO, LUS will evaluate the utilization of Units in the Doc Bonin Plant in the utility’s overall power supply portfolio.

T. J. Labbé and Hargis-Hébert Generation Stations

The T. J. Labbé Plant is located toward the northern portion of the City. It is a simple cycle nominal 90 MW peaking power station consisting of two natural gas-fired aero-derivative GE LM6000PC Sprint combustion turbine generators (“CTG”) with water injection for nitrogen oxide (“NO_x”) control and chillers for inlet air cooling to enhance power production when operating at high ambient temperatures. It is equipped with three capacity gas compressors each rated at 50 percent of capacity and is connected to the Utilities System 230 kV transmission system by means of a looped interconnect to the existing Pont des Mouton to Doc Bonin line. It also includes a 230 kV switchyard and a 600 kilowatt (“kW”) black start emergency diesel generator. Commercial operation for the T. J. Labbé Plant began in September of 2005.

Annual generation at the T. J. Labbé Plant has averaged approximately 80 GWh (net) over the 2010 to 2014 period with average annual plant capacity factor of 13.28% for Unit 1 and 6.52% for Unit 2. The annual average net heat rate of the T. J. Labbé Plant was approximately 13,069 Btu per kWh.

The Hargis-Hébert Plant is located in the southern portion of the City. It is a simple cycle nominal 90 MW peaking power station consisting of two natural gas-fired aero-derivative GE LM6000PC Sprint CTGs. It is connected to the Utilities System 230 kV transmission system by a 69 kV line to the Elks Substation. It also includes a 69 kV switchyard and a 600 kW black start emergency diesel generator. Commercial operation for the Hargis-Hébert Plant began in June 2006.

Annual net generation at the Hargis-Hébert Plant has averaged approximately 80 GWH over the 2010 to 2014 period with average annual unit capacity factor of 11.21% for Unit 1 and 8.77% for Unit 2. The annual average net heat rate of the T. J. Labbé Plant was approximately 11,441 Btu per kWh.

While the T. J. Labbé Plant and Hargis-Hébert Plant are almost identical plants, their respective heat rates vary due to their relative use for peaking and regulation services.

Power Supply/Sales Contracts

LPPA – Rodemacher Unit 2 Power Station

Lafayette City-Parish Consolidated Government, through LPPA, owns a 50 percent ownership interest in Rodemacher Unit 2. The primary fuel supply to Rodemacher Unit 2 is low-sulfur Wyoming coal and the output is sold by LPPA to Lafayette City-Parish Consolidated Government in accordance with a long-term power sales contract.

The City and LPPA entered into the Power Sales Contract (“PSC”), whereby LPPA agreed to sell, and the City agreed to purchase, LPPA’s share of the power and energy produced from the Unit 2. The PSC expires on August 31, 2047.

Under the PSC, payments are specified to be sufficient to pay all costs of LPPA in connection with Rodemacher Unit 2, including LPPA’s share of operation and maintenance of Rodemacher Unit 2, debt service requirements, and all other financial obligations of LPPA’s share of the Rodemacher Unit 2. The PSC provides that the obligations of the City to make such payments in each contract year shall constitute obligations payable as an operating expense of the Utilities System and payable solely from the revenues of such utilities system. Such payments are to be made whether or not Rodemacher Unit 2 is operating or operable.

Fuel Infrastructure and Supply Contracts

The Utilities System signed Letter Agreement Number Two for Natural Gas Services, dated February 1, 2005 (the “Letter Agreement”) with The Energy Authority (“TEA”), which supersedes the previous agreements for natural gas services. The Letter Agreement authorizes TEA to provide resource management services, including purchasing natural gas and both firm and interruptible transportation on behalf of the Utilities System, and marketing the Utilities System’s surplus natural gas and transportation. The Letter Agreement continues until either party provides 30 day written notice of termination to the other party.

Natural gas for the Doc Bonin, T. J. Labbé, and Hargis-Hébert Plants is provided under a base contract between Atmos Energy Marketing, LLC and TEA, acting on the behalf of LUS. The latest Transaction Confirmation #6, for a Firm Supply of up to 20,000 million British Thermal Units (“MMBtu”) per day, establishes monthly and daily rates based on Henry Hub indices, plus six cents (\$0.06) per MMBtu, plus Gulf South Pipelines current transmission tariff, plus taxes or assessments.

LUS owns a ten mile, 10-inch gas supply pipeline, which connects to Texas Gas Transmission Corporation (“Texas Gas”) and Columbia Gulf Transmission Company (“Columbia Gas”) pipeline systems and supplies natural gas to the Doc Bonin Plant. The Utilities System-owned gas pipeline also crosses (but is not interconnected with) two other gas pipelines, Florida Gas Transmission, a subsidiary of CrossCountry Energy, LLC, and Gulf South Pipeline Company, LP. (“Gulf South”).

Fuel supply to the T. J. Labbé Plant is provided via an approximately one-half mile pipeline expansion branch from the 10-inch gas supply pipeline that connects the Doc Bonin Plant with Columbia Gulf and Texas Gas. The supply pipeline is a 10-inch line that follows a 2,250 foot westerly route parallel with Renaud Drive, then north for approximately 500 feet to the T. J. Labbé Plant.

Fuel supply for the Hargis-Hébert Plant is provided by interconnection with the east-west Gulf South Pipeline Company, LP system between Louisiana Highway 89 (Southpark Road) and Commission Boulevard, at the intersection of the Gulf South pipeline with American Boulevard. Gulf South owns, operates, and maintains a 10-inch, 2,500-foot supply lateral. Gulf South also operates and maintains a metering station at the Hargis-Hébert Plant site that is owned by the Utilities System.

Coal from the Powder River Basin in Wyoming is the predominant fuel used at Rodemacher Unit 2 and supplied by Arch Coal Sales Inc. LPPA owns two unit trains that deliver coal to the plant from Wyoming. Cleco coordinates the deliveries in conjunction with their unit trains. Coal price adjustments are based on sulfur content in the coal and the heating value (British Thermal Units per pound (“Btu/lb”)) of the delivered coal.

An annual physical observation of the coal inventory is performed based on an aerial photographic survey and density measurements. Adjustments to the inventory book values are made as a result of the survey.

Environmental Issues

The Utilities System is subject to continuing environmental regulation. Federal, state and local standards and procedures, which regulate the impact of the Utilities System on the environment, are subject to change. Consequently, there is no assurance that the facilities owned or under contract to the Utilities System will remain subject to regulations that are currently in effect or will always be in compliance with future regulations governing the protection of the environment. The State of Louisiana (the “State”) through the Louisiana Department of Environmental Quality (“LDEQ”) establishes standards of performance and requires permits for the generating units of the Utilities System as well as Rodemacher Unit 2 in which the Utilities System has an ownership interest. In addition the LDEQ has been delegated authority over and implements certain programs established by the United States Environmental Protection Agency (“USEPA”).

The Utilities System facilities are in material compliance with applicable environmental regulations and key environmental permits, approvals and consent orders.

In accordance with federal regulations, monitoring of carbon dioxide has been implemented at the Doc Bonin Plant, T. J. Labbé Plant and Hargis-Hébert Plant. The first such reports were submitted in September 2011. The Doc Bonin Plant has been in mothball status since June 2014 and has not operated since 2013. For calendar year 2014, the combined carbon dioxide emissions for both the Hargis-Hébert and T. J. Labbé was approximately 15,948.7 metric tons.

The Electric System's most recent North American Electric Reliability Corporation ("NERC") audit in the fall of 2014 was successful and did not indicate any violations of applicable NERC standards. Southwest Power Pool ("SPP") is LUS' compliance enforcement authority.

Within the last three years, LUS created a separate electric and environmental compliance division under the Engineering and Power Supply Manager. Individual personnel are assigned to 1) NERC compliance; 2) spills, spill prevention control and countermeasure plans, and remediation; and 3) air quality. Compliance staff education and training takes place as standards are updated/created, and the staff participants in NERC reliability conferences.

LUS environmental and NERC compliance staff store all official documentation on Microsoft SharePoint, a web-based document management system. Testing and maintenance records and other documentation required by NERC are uploaded by Subject Matter Experts ("SMEs") for routine compliance requirements and regular internal and external audits. LUS utilizes third-party engineering consultants to assist with compliance understanding of all requirements and standards, when necessary.

LUS has established Policies, Guideline, and Procedures ("PGPs") that comply with testing and maintenance requirements set forth by NERC standards. LUS policy is for SMEs to perform periodic review of the PGPs in order to keep the testing and maintenance practices in line with changing standards.

Clean Air Transport Rule and Cross-State Air Pollution Rule

In July 2011, the EPA finalized the Cross-State Air Pollution Rule ("CSAPR") to replace the existing Clean Air Interstate Rule ("CAIR"). In August 2012, the U.S. Court of Appeals for the District of Columbia Circuit invalidated CSAPR. On April 29, 2014, the U.S. Supreme Court reversed the Court of Appeals, upholding all aspects of the rule that had resulted in the Court of Appeals' invalidation. The Supreme Court remanded CSAPR to the Court of Appeals for further proceedings. On November 21, 2014, the USEPA issued an interim final rule amending the CSAPR compliance deadlines to align with the October 23, 2014 ruling that granted EPA's motion to lift the stay of CSAPR and delay its deadlines for three years. The interim final rule provides that the compliance with CSAPR Phase 1 emissions budgets are now required in 2015 and 2016 and compliance with Phase 2 will be required in 2017 and beyond.

Under CSAPR, each facility is assigned an allocation of NO_x (tons), which may be emitted during the Ozone Season (May – September). In the event that the facility exceeds the limit during the Ozone Season, additional allowances may be withdrawn from the owner's banked allowances or allowances may be purchased. As of December 31, 2014, the quantity of banked CAIR allowances was 722, of which 483 are allocated to LPPA. The 2015 CSAPR NO_x allocation for the Rodemacher Unit 2 is 1,102 tons.

The impact of CSAPR on the Utilities System is not expected to be significant for the Doc Bonin, Hargis-Hébert, and T. J. Labbé generating facilities because the current proposed allowance allocations are roughly equivalent to the recent emissions at all of the Utilities System natural gas generating plants. Similarly, CSAPR is not expected to impact operations at Rodemacher Unit 2 as the allocations are equivalent to recent emissions history and improved performance from the SNCR installation.

Rodemacher Unit 2 Environmental Issues

Acid Rain Program

The USEPA issued a Title IV permit, which addresses the Acid Rain Program provisions of the Clean Air Act as applicable to Rodemacher Unit 2. The Acid Rain Program established (1) a trading system for SO₂ allowances, which are allocated to each facility, and (2) NO_x emission limits for coal-fired units.

Each SO₂ allowance is equal to one ton of SO₂ emissions. If the facility emits more than the allocated SO₂ allowances it may purchase additional allowances in the established market or may transfer allowances from another of the Owner's facilities. Emission allowances may be banked, transferred, purchased, or sold. The Rodemacher Unit 2 receives an annual allocation of 18,212 SO₂ allowances (tons). LPPA's share of the total SO₂ allocation is based on its ownership interest in the facility. Rodemacher Unit 2's historical SO₂ emission levels have been below permitted levels.

Mercury and Air Toxics Standard

On February 16, 2012, the USEPA issued the final ruling titled *National Emission Standards for Hazardous Air Pollutants from Coal- and Oil-fired Electric Utility Steam Generating Units and Standards of Performance for Fossil-Fuel-Fired Electric Utility, Industrial-Commercial-Institutional, and Small Industrial-Commercial-Institutional Steam Generating Units*, commonly referred to as MATS. To comply with the MATS requirements, Rodemacher Unit 2 has completed the installation of a dry absorbent injection system for acid gas control; a fabric filter baghouse for metallic particulate control; and ID Booster Fans. As of the date of this report, all of the new equipment and systems are functioning properly. The results of contract guarantee testing indicates that the equipment is operating as per design to meet the MATS requirements. On June 29, 2015, the Supreme Court of the United States effectively remanded the USEPA's MATS requirements to the District of Columbia Circuit Court. The Supreme Court's decision did not prohibit the USEPA from regulating mercury emissions; however, it does require the USEPA to consider costs for those plants yet to meet the MATS requirements. At this time, it is not known when the USEPA will complete and apply the revised MATS rules to those plants not currently in compliance. In effect, the Supreme Court ruling provides an additional extension for those plants yet to comply with MATS. The Supreme Court's ruling on MATS does not apply to, and has no effect on Rodemacher Unit 2, as it has completed an upgrade and meets MATS requirements..

Emission control additions at Rodemacher Unit 2 have been installed for compliance with CSAPR and MATS. The Utilities System's share of the capital cost for installation of these controls is \$74 million. These estimated costs are not included the Utilities System Capital Improvement Plan as capital improvements for LPPA-owned assets are not included in the Utilities System Capital Improvement Plan. To date, these costs have been funded within LPPA.

Coal Combustion Residue

Rodemacher Unit 2 coal combustion residue (e.g. flyash and bottom ash) is removed on a regular basis from the site by truck and sold for beneficial reuse. On December 19, 2014, USEPA finalized the Coal Combustion Residue Rule, and it was published on April 17, 2015 in the Federal Register. The rule will become effective 180 days after publication in the Federal Register. The final rule classifies coal ash as solid waste rather than hazardous waste. Classifying coal residue as a solid waste eliminates potential increased disposal costs associated with special handling, transportation,

and disposal requirements for hazardous waste. As a result of the latest USEPA ruling, Rodemacher Unit 2 continues marketing and selling their coal ash for beneficial use.

Potential Future Regulatory Requirements

National Ambient Air Quality Standards

The Clean Air Act requires USEPA to set National Ambient Air Quality Standards (“NAAQS”) to protect the public health and the environment. Ambient air quality monitoring and air dispersion models are used to monitor air quality in a region or predict concentrations of pollutants for a given area. When pollution exceeds an allowable air quality standard, an area may be designated as a “Nonattainment Area,” which typically requires emissions reductions from sources within the region and more restrictive permit limits for new sources. Rapides Parish and the surrounding region in Northern Louisiana is currently designated as “Attainment” for all criteria pollutants. Therefore, the more stringent nonattainment area regulations do not apply to Rodemacher Unit 2 under the current NAAQS.

In addition to implementing the NAAQS, USEPA must also periodically update the standards to keep pace with new developments in health and science. Standards for NO_x (1-hour), PM_{2.5}, SO₂ (1-hour), and ozone have all been updated within the past five years, and Rapides Parish continues to meet the standards. If future updates to the NAAQS result in a nonattainment area designation, LDEQ would evaluate emission sources in the region and emissions reductions at Rodemacher Unit 2 could be required.

New Source Performance Schedule

On January 8, 2014, USEPA proposed a New Source Performance Standard (“NSPS”) designed to reduce carbon pollution from new power plants. These regulations, which only apply to new facilities, would limit coal fired power plant CO₂ emissions to 1,100 lb/MWh (gross). Traditional coal fired power plants cannot meet this limit without some form of CO₂ abatement, such as carbon capture and sequestration. Existing plants that commenced construction per the definition at 40 Code of Federal Regulations (“CFR”) Subpart 60 prior to January 8, 2014 are not subject to the rule. Rodemacher Unit 2 commenced construction prior to January 8, 2014, and as such, is not subject to the rule.

Clean Power Plan Emission Guidelines

On June 2, 2014, USEPA proposed the Clean Power Plan: CO₂ emission guidelines for existing power plants. Those regulations are expected to be finalized by June 2015 and each state would work with USEPA to submit an implementation plan by June 2016 to incorporate the CO₂ guidelines for existing power plants. States would also have the option for a one or two year extension to submit their state plans. Clean Air Act Section 111(d) is the basis for the regulation of carbon emissions from existing power generation facilities. Under Section 111(d), state standards for existing sources must reflect the level of emissions performance achievable through the application of the best system of emission reduction (“BSER”), but states have significant flexibility in the design of their plans.

The June 2014 proposal has two main elements: (1) state-specific emission rate-based CO₂ goals and (2) guidelines for the development, submission, and implementation of state plans. USEPA suggests four “Building Blocks” that states may utilize to achieve their state-specific emission targets:

1. Efficiency improvements at coal fired power plants
2. Increased generation from natural gas combined cycle plants along with decreased generation from coal and oil fired facilities
3. Increased generation from renewable and other low- or zero-carbon sources
4. Increased demand-side energy efficiency

States may choose to develop plans using all four approaches or none of USEPA's suggestions. The proposed rule does suggest that existing coal-fired units can achieve an average six percent heat rate improvement to reduce greenhouse gas emissions as part of the first building block. Ultimately, the proposal does not prescribe how a state should meet its goal. The proposal provides up to two or three years for submission of final plans and up to 15 years for full implementation of all emission reduction measures after the proposal is finalized to achieve the final targets by 2030. State programs may include heat rate targets, trading programs, maintenance requirements, or other measures.

Transmission and Distribution

The Electric System is responsible for the transmission, distribution, metering, and accounting of electrical power to consumers. It is also responsible for the Energy Control System ("ECS"), which provides for the scheduling and dispatch of generating resources (including the purchase and sale of wholesale power) and the operation of the SCADA system. The SCADA system provides direct control of the electric transmission and distribution system, as well as control and monitoring of certain water and wastewater facilities and equipment. The ECS is also the interface with power marketing activities conducted through TEA.

The Electric System includes 45 miles of transmission lines and more than 900 miles of distribution lines. Transmission facilities operate at 230 kV, 138 kV and 69 kV, with interconnections with Entergy (230 kV and 138 kV) and Cleco (230 kV and 69 kV). Transmission substation facilities are at 230 kV, 138 kV, and 69 kV. The 230 kV transmission system includes 16 miles of line with interconnections to Cleco and Entergy. The 138 kV system equipment at the Doc Bonin Plant Substation connects to Entergy, as well as autotransformers to the 230 kV and 69 kV busses. The 69 kV transmission system consists of 28 miles of line. Fourteen distribution substations serve the 80 feeders on the LUS 13.8 kV distribution system, with more than 900 miles of primary distribution line split nearly evenly between overhead and underground lines.

Existing transmission circuits are on a range of structure types including wood poles and steel towers. Typical new transmission circuits will use galvanized steel poles.

The more than 900 miles of distribution include overhead and underground lines (13.8 kV). Overhead distribution poles are primarily creosote-treated southern yellow pine, with light-duty steel poles for corners or areas where guying is not possible.

All distribution facilities serving new subdivisions and commercial developments are underground. New underground cable is typically aluminum. All underground cable is installed in conduit with the exception of segments purchased from the local cooperative utility, SLEMCO. LUS is not aggressively pursuing conversion of overhead to underground facilities due to the significant costs incurred for the conversion.

The transmission and distribution systems utilize dedicated fiber optic cables for secure communication and protection. The operations center via the fiber system connections the distribution capacitor bank controls and recloser controls.

LUS became a MISO full Market Participant in December 2013. MISO provides reliability and wholesale market grid operation for interconnected utilities in the Midwest region of the United States. LUS is a Local Balancing Authority within the MISO Balancing Authority footprint.

Transmission congestion issues negatively affected LUS operations in past years, including requirements to run a portion of the T. J. Labbé Plant and Hargis-Hébert Plant combustion turbines without market-competitive reimbursement. The completion of a significant transmission project with Cleco and Entergy in 2012, as well as the transition to MISO control and scheduling in December 2013 effectively eliminated transmission congestion issues to date, including curtailments and reduced requirements to run local generation.

Interconnections

System interconnection refers to a connection between two electric systems permitting the transfer of electric energy in either direction. Interchange refers to energy in kWh delivered to or received by one electric utility or pooling system from another. Transmission access refers to the ability of third parties to make use of transmission facilities owned by others (wheeling utilities) to deliver power to another utility.

The various interconnection, interchange, and transmission agreements in effect between Lafayette City-Parish Consolidated Government and other electric utilities and agencies are with Entergy Gulf States, Inc. (“Entergy-GSU”), Cleco, Louisiana Generating LLC (“Louisiana Generating,” formerly Cajun Electric Cooperative, Inc.), Entergy Louisiana, formerly Louisiana Power and Light (“Entergy-LA”), Southwestern Electric Power Company (“SWEPCO”), and Southwestern Power Administration (“SPA”). These agreements provide various terms for the purchase and sale of emergency, replacement, and economy energy.

LUS operates an Electric System providing reliable power and electricity to more than 65,000 customers. The Electric System consists of power generation, transmission, substation, distribution, and customer facilities within and outside its service territory.

Electric System retail sales increased 2.4 percent between 2013 and 2014. Future retail sales are projected to increase by approximately 1.6 to 1.9 percent per year through 2024.

In June 2013, LUS joined MISO, initially receiving Reliability Coordinator services. In December 2013, LUS became a full market participant as a Local Balancing Authority, with TEA designated to handle day-ahead schedules. Since becoming a MISO participant, LUS now generates power for and purchases power from the MISO market. MISO membership requires LUS to modify the methods and processes the utility uses to purchase and sell power. LUS purchases power to meet load from the power market on an hourly basis. Simultaneously, LUS economically dispatches generation assets into the market creating wholesale power sales. As a result of these changes, LUS reports the combined transaction as net purchased power (e.g. total market purchases less total market sales), therefore, wholesale sales projections are to be zero in the Projected Period as shown in the table below.

Historical and Projected Electric Retail and Wholesale Sales

	<u>Retail Sales (MWh)⁽¹⁾</u>	<u>Wholesale Sales (MWh)⁽²⁾</u>	<u>Total Sales (MWh)</u>
Historical			
2010	2,020,173	151,215	2,171,388
2011	2,024,762	230,531	2,255,293
2012	1,970,448	132,272	2,102,720
2013	1,979,136	37,151	2,016,287
2014	2,027,115	1,014,675	3,041,789
Projected			
2015	2,060,020	0	2,060,020
2016	2,096,835	0	2,096,835
2017	2,135,526	0	2,135,526
2018	2,175,749	0	2,175,749
2019	2,217,209	0	2,217,209
2020	2,259,417	0	2,259,417
2021	2,302,575	0	2,302,575
2022	2,346,496	0	2,346,496
2023	2,391,110	0	2,391,110
2024	2,436,438	0	2,436,438

Source: LUS provided years 2010–2014, audited

Source: Consulting Engineer

(1) Electric System projections based on Load Forecast for LUS developed by Burns & McDonnell.

(2) Wholesale sales reduce the total amount of MISO purchased power after 2014, the date of LUS' entry into MISO.

Electric System Customer Class Statistics as of October 31, 2014

	<u>Number of Customers</u>	<u>Percent of Total</u>	<u>Sales (kWh)</u>	<u>Percent of Total</u>
Residential	53,017	81.2%	825,112,483	40.7%
Residential – Outside the City	867	1.3%	15,428,425	0.8%
Commercial with Demand – Small	7,545	11.6%	200,174,063	9.9%
Commercial Small and Large – Outside of City	176	0.3%	16,876,910	0.8%
Commercial with Demand – Large	1,252	1.9%	792,813,917	39.1%
Private Security Lighting	1,725	2.6%	6,783,880	0.3%
Street Lighting	1	0.0%	17,459,091	0.9%
Schools and Churches	416	0.6%	54,991,894	2.7%
Schools and Churches – Outside the City	2	0.0%	883,200	0.0%
Municipal	4	0.0%	2,981	0.0%
University of Louisiana – Lafayette	89	0.1%	62,550,950	3.1%
Interdepartmental	<u>170</u>	0.3%	<u>34,036,871</u>	1.7%
Total	65,262		2,027,114,665	

Source: LUS October 2014 Financial and Operating Statements, audited

Proposed Facilities

The Electric System five-year Capital Improvement Plan is reviewed, updated, and budgeted annually. During the 2016 budget process, LUS reevaluated the timing of projects and deferred certain capital expenditures contained within the five-year period. To address north side City growth, the City will eventually need a substation, but the substation was deferred.

The Electric System facility improvements that are proposed by the Utilities System for the next five years are listed by category in the table that follows.

Electric System Capital Improvement Plan (2016-2020)⁽¹⁾

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total</u>
Acquisitions	\$ 100,000	\$ 0	\$ 3,000,000	\$ 0	\$ 0	\$ 3,100,000
Production	1,115,000	460,000	310,000	110,000	110,000	2,105,000
Distribution	445,000	210,000	1,657,000	810,000	110,000	3,232,000
Substation	910,000	2,360,000	9,510,000	7,960,000	360,000	21,100,000
Transmission	10,000	585,000	1,895,000	1,010,000	3,070,000	6,570,000
General Plant	<u>935,000</u>	<u>1,335,000</u>	<u>2,210,000</u>	<u>110,000</u>	<u>10,000</u>	<u>4,700,000</u>
Total Electric	\$3,515,000	\$4,950,000	\$18,582,000	\$10,000,000	\$3,760,000	\$40,807,000

Source: Lafayette City-Parish Consolidated Government 2016 Proposed Budget, shown in 2015 dollars.

(1) Does not include Rodemacher Unit 2 capital improvement program.

Acquisitions

The Utilities System does not anticipate acquiring any additional customers in 2015.

Distribution/ Production/ Substation/Transmission/General Plant

The Utilities System has planned for line extensions, new feeders and feeder ties to extend service to growing areas of the City. Production projects include combustion turbine plant improvements and emissions controls upgrades.

The Utilities System plans to install an autotransformer at the Pont des Mouton Substation. Funds are also appropriated for pole replacement projects and transmission lines from Peck and Pont des Mouton Substations to the planned Northeast Substation.

General plant improvements include a server farm and storage area network expansion and upgrades to NERC compliance software.

Electric System Forecast

Electric System sales consist of retail sales to the Utilities System native load customers, firm wholesale sales and short-term market sales for periods when the Utilities System is projected to have excess power that can be economically sold into the market. Projected operating results assume that electric sales will grow at an average annual rate of approximately 1.9 percent over the Projected Period. The revenue projection assumes no rate increases throughout the Projected Period. Rate increases are required to meet system operating costs, debt service coverage, capital planning requirements, the ILOT test, and minimum cash reserve requirements. Total revenue is expected to

grow approximately 3.4 percent annually from 2015 through 2024 as displayed in the following table. No base rate increases are assumed.

Electric System Projected Sales and Revenue Forecast⁽¹⁾

<u>Year</u>	<u>Retail Sales (MWh)⁽¹⁾</u>	<u>Retail Sales: Base Rate Revenue⁽²⁾</u>	<u>Retail Sales: FC Revenue</u>	<u>Other Revenue</u>	<u>Total Operating Revenues</u>
2015	2,060,020	\$93,874,883	\$95,708,548	\$4,519,685	\$194,103,115
2016	2,096,835	95,205,487	91,212,311	3,432,859	189,850,658
2017	2,135,526	96,569,136	96,696,618	3,873,598	197,139,351
2018	2,175,749	97,972,013	104,697,030	4,086,502	206,755,545
2019	2,217,209	99,407,559	111,836,039	4,333,171	215,576,769
2020	2,259,417	100,860,099	120,268,774	4,541,167	225,670,040
2021	2,302,575	102,341,790	126,181,118	4,717,547	233,240,455
2022	2,346,496	103,853,780	138,325,964	4,856,186	247,035,930
2023	2,391,110	105,388,288	144,183,938	5,054,542	254,626,768
2024	2,436,438	106,947,122	150,133,317	5,254,128	262,334,566

Source: Consulting Engineer and LUS

(1) Electric System projections based on Load Forecast for LUS developed by Burns and McDonnell.

(2) Base Rate Revenue projections reflect revenue from customer, energy, and demand charges by customer class.

The Electric System expenses have been projected by the Consulting Engineer for the Projected Period. Using this forecast, assumptions pertaining to the dispatch of LUS’ generating units were developed. These assumptions were the basis for projecting LUS’ purchased power and fuel costs associated with the T. J. Labbé and Hargis Hébert Plants. Electric System production expenses include LPPA costs.

The structure of LUS electric rates and the schedule of monthly Electric System fuel charges (“Schedule FC”) enable the direct pass through of MISO power supply costs, eligible LPPA costs, and other eligible costs and credits to customers. The Utilities Director may adjust Schedule FC monthly to ensure that the charge adequately recovers eligible costs as closely as possible. LPPA fuel, certain operation and maintenance expenses (including transmission, distribution, customer, and administrative and general expenses, debt service associated with Mercury and Air Toxic Standard (“MATS”) upgrades, and debt service associated with rail cars are included in the FC calculation. Over the Projected Period, approximately 85 percent of LPPA debt service is passed through Schedule FC. LUS Electric System base rates recover the remaining LPPA debt service obligation.

Other Electric System operating expenses include transmission, distribution, customer, and administrative and general expenses.

The transmission expenses are projected based on data provided by the Utilities System. Distribution expenses are analyzed on a historical dollars per customer basis and are projected into the future. The administrative and general expenses are projected based on historical data for the Utilities System. The compounded annual growth rate for projected total Electric System expenses is approximately 3.3 percent. The table below provides projections of Electric System expenses.

Electric System Projected Operating Expenses

<u>Year</u>	<u>Production</u>	<u>Transmission</u>	<u>Distribution</u>	<u>Customer Accounts Service & Sales</u>	<u>Administrative & General</u>	<u>Total Operating Expenses ⁽¹⁾</u>
2015	\$116,898,381	\$6,778,195	\$11,274,549	\$2,879,709	\$11,777,608	\$149,608,442
2016	113,426,926	7,535,212	11,511,315	2,953,776	12,024,938	147,452,167
2017	115,431,904	7,695,898	11,753,052	3,030,078	12,277,461	150,188,395
2018	120,116,643	7,860,033	11,999,866	3,108,696	12,535,288	155,620,527
2019	127,414,710	8,027,690	12,251,864	3,189,714	12,798,529	163,682,506
2020	135,252,083	8,198,946	12,509,153	3,273,220	13,067,298	172,300,700
2021	141,549,767	7,263,159	12,771,845	3,359,306	13,341,712	178,285,788
2022	154,097,982	1,982,308	13,040,054	3,448,067	13,621,887	186,190,298
2023	160,204,617	2,026,859	13,313,895	3,539,603	13,907,947	192,992,921
2024	166,570,181	2,072,433	13,593,487	3,634,018	14,200,014	200,070,132

Source: Consulting Engineer and LUS

(1) Does not include debt service, ILOT, normal capital and special equipment, or other expenses.

Water System Description

The Water System includes two water treatment facilities, 20 wells, elevated and ground treated water storage, and 1,087 miles of distribution piping. The wells serve the treatment facilities with a combined production capacity of 50.5 million gallons per day (“MGD”).

LUS provides potable water to approximately 55,000 residential, commercial, industrial, and wholesale customers. LUS’ responsibilities include raw water supply, water treatment, transmission, and distribution of finished potable water, metering, and sales. LUS obtains all of its raw water supply needs from the Chicot aquifer.

Historical Water Sales

There has been little growth in the volume of sales by the Water System to its customers from 2010 to 2014. There has been a slight decrease in retail sales and a slight increase in wholesale sales. Retail sales may be influenced by conservation efforts initiated by the Utilities System. Wholesale sales increases are due to residential developments in areas outside the City. The Utilities System estimates that peak demand will be approximately 32 MGD by Fiscal Year 2024.

For 2014, water delivered to wholesale customers amounted to approximately 27 percent of the water sold by the Utilities System. Total Water System sales increased 0.6 percent between 2013 and 2014, primarily driven by an increase in wholesale water sales. Retail water volume sales are projected to increase at 1.1 percent per year while wholesale water volume sales are projected to increase at 2.5 percent per year (with the exception of discontinued service to a wholesale water customer). Historical retail and wholesale water sales from 2010 to 2024 and projected sales are provided in the following table.

**Historical and Projected
Water Retail and Wholesale Sales**

<u>Year</u>	<u>Retail Sales (1,000 gallons)⁽¹⁾</u>	<u>Wholesale Sales (1,000 gallons)⁽²⁾</u>	<u>Total Sales (1,000 gallons)</u>
Historical			
2010	5,599,380	1,834,034	7,433,414
2011	5,826,291	1,846,090	7,672,381
2012	5,743,099	1,858,479	7,601,578
2013	5,494,648	1,893,375	7,388,023
2014	5,426,408	2,004,355	7,430,763
Projected			
2015	5,691,195	2,053,850	7,745,046
2016	5,754,803	2,104,568	7,859,370
2017	5,819,121	2,156,537	7,975,658
2018 ⁽³⁾	5,884,158	1,948,893	7,833,051
2019	5,949,922	1,997,018	7,946,940
2020	6,016,421	2,046,332	8,062,753
2021	6,083,663	2,096,864	8,180,527
2022	6,151,657	2,148,644	8,300,300
2023	6,220,410	2,201,702	8,422,112
2024	6,289,932	2,256,070	8,546,003

Source: LUS provided years 2010–2014, audited.

Source: Consulting Engineer

(1) Retail Sales Projections based on customer growth and historical usage per customer.

(2) Wholesale Sales Projections based on customer growth and historical usage per customer.

(3) The decrease in Wholesale Sales reflects discontinued service to a wholesale customer.

**Water System Largest Retail Customers
Fiscal Year 2014**

<u>Customer</u>	<u>Revenues</u>	<u>% of Total Revenues</u>
University of Louisiana - Lafayette	\$ 388,958	2.3%
Lafayette General Hospital	262,073	1.5
Our Lady Of Lourdes Regional Medical Center	109,993	0.6
Borden Company	76,845	0.4
Single Source Supply, LLC	63,619	0.4
Lafayette Parish Correctional Center	61,513	0.4
Regional Medical Center of Acadiana	48,073	0.3
Advanced Polymer Systems	47,574	0.3
Bayou Shadows Apartments	37,572	0.2
South Point Apartments	<u>35,169</u>	<u>0.2</u>
TOTAL	\$1,131,389	6.5%

Source: LUS.

Water Supply

The sole LUS' raw water supply source is the Chicot aquifer, a confined aquifer that supplies water for public water systems (14 percent); aquaculture (17 percent); irrigation (58 percent); and industry, power generation, and other uses (11 percent). The Chicot aquifer is designated as a "sole-source" aquifer for all or parts of 15 parishes in Louisiana and parts of Texas. The USEPA designated the Chicot aquifer as a sole source, thus, special consideration for federal permitting of projects that could adversely affect it are required.

Water Production

The Water System includes two water treatment facilities (the North Water Plant and the South Water Plant) and 20 additional wells situated throughout the Parish to provide raw water for treatment and supplemental volume and pressure to the system. The South Water Plant has a capacity of 24 million MGD and the North Water Plant has a capacity of 21.5 MGD. Both the North Water Plant and the South Water Plant use coagulation, sedimentation, and filtration to remove iron and manganese with lime-softening for hardness reduction and hypochlorite for finished water disinfection.

Water Well Nos. 24 and 26, located at the Gloria Switch remote site, provide supplemental volume and pressure to the northern end of the distribution system. A ground storage tank stores finished water and delivers it to the system with high-service pumps. Water Well Nos. 23 and 25, located at the Commission Boulevard remote site, provide additional volume and pressure to the wholesale users on the southern end of the distribution system including a 2.0 million gallon ("MG") ground storage tank and high service pumps that are used to improve pressure conditions at the outer limits of the distribution system. Water Well Nos. 23 and 25 have a high amount of naturally occurring ammonia, and LUS purchased approximately eight acres adjacent to this site for the construction of ammonia removal facilities. Design and construction of these additional facilities is included in the LUS five-year Capital Improvement Plan.

On-site backup electric generation facilities provide the water production facilities adequate backup to sustain an acceptable level of water production in the event of power failures or other catastrophic events. The South Water Plant is equipped with full power generation capacity capable of maintaining full production output, while the North Water Plant is equipped sufficiently to provide approximately 60 percent production output.

Water Distribution and Storage

Treated water storage totals approximately 15.25 million gallons. This includes 4.3 million gallons of elevated storage and 10.95 million gallons of ground storage, including finished water and booster pumping station clear wells. LUS is currently evaluating the need for additional water storage facilities on the north end of the distribution system to provide operational flexibility and support growth.

The Water System distribution network consists of 1,087 miles of pipe, most of which is in the 6 inch to 12 inch diameter range. As the geographical service area and customer base increased over the past several years, the amount and size of transmission and distribution lines have not correspondingly increased. Current capacity and water pressure in the system is adequate. However, the past lack of distribution piping investment may become a limiting factor in the ability of LUS to provide sufficient water volume and pressure to meet the demands from future residential and commercial development. LUS plans to address these future limitations and meet future capacity and pressure needs by constructing additional transmission improvements outlined in the Capital

Improvement Plan. These distribution improvements range from \$260,000 to \$2,405,000 per year beginning in Fiscal Year 2015.

Drinking Water Quality

Studies conducted by the Louisiana Department of Environmental Quality (“LDEQ”) indicate that the water quality of the Chicot aquifer generally does not exceed the maximum contaminant levels (“MCL”) for pollutants listed in the federal primary drinking water standards. A multi-step purification process treats the Chicot raw water supply at the water treatment facilities, which are monitored 24-hours a day by LUS operators, and certified by Louisiana Department of Health and Hospitals (“LA DHH”) to ensure that all water delivered to its customers is safe to drink, and is of acceptable secondary quality.

The USEPA, based on statutory requirements, periodically conducts reviews of contaminants found in drinking water to determine if a change in regulations is warranted. The Utilities System monitors planned changes to these regulations and has incorporated or will incorporate the requirements into current and future operations. The Utilities System does not anticipate that compliance with presently proposed changes will require major capital expenditures.

Wholesale Sales and Contracts

In addition to the Water System within the City limits, LUS operates and maintains water distribution facilities outside the City limits as a wholesale provider. Wholesale services are provided in accordance with contracts between Lafayette City-Parish Consolidated Government and the district customers. Lafayette City-Parish Consolidated Government has six wholesale contracts including two water districts and five neighboring water systems or cities. These six wholesale contracts include Water District North, Water District South, the City of Scott, the City of Broussard, Milton Water System, and the Town of Youngsville. These wholesale customers represented 27 percent of the total water volume and 24 percent of the retail and wholesale water sales in 2014. Each of the contracts is a long-term contract between 25 and 40 years in length. The first two contracts are set to expire in 2020 and 2022, with none of the remaining four contracts set to expire before 2032.

As of June 2015, one wholesale customer is pursuing an alternate water source and intends to self-produce all water needs by 2018. While the contract is set to expire in July 2020, this customer has been removed from the wholesale projections beginning in 2018.

Proposed Facilities

The Water System five-year Capital Improvement Plan is reviewed, updated, and budgeted annually. The 2016 Proposed Budget includes a water Capital Improvement Plan that totals \$13.5 million of which the largest capital projects include the installation of pressure filters and building rehabilitation at water treatment facilities. These projects represent approximately \$4.0 million of the five-year total. The Water System facility improvements that are proposed by the Utilities System for the next five years are listed by category in the table and are described below.

Water System Capital Improvement Plan (2015-2019)

Project Description	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>TOTAL</u>
Production	\$ 810,000	\$1,690,000	\$5,085,000	\$ 60,000	\$ 60,000	\$ 7,705,000
Distribution	<u>2,040,000</u>	<u>1,605,000</u>	<u>460,000</u>	<u>1,110,000</u>	<u>610,000</u>	<u>5,825,000</u>
Total Water	\$2,850,000	\$3,295,000	\$5,545,000	\$1,170,000	\$670,000	\$13,530,000

Source: Lafayette City-Parish Consolidated Government 2016 Proposed Budget, shown in 2015 dollars.

Production Improvements

There are some small treatment plant upgrades and modifications planned, as well as improvements to buildings at the North Water Treatment Plant.

Distribution Improvements

Plans for water distribution include extension of lines along Ambassador Caffery Parkway and Louisiana Avenue, along with some other main extensions and the re-painting of water towers at Northpark and Southpark industrial parks.

Water System Forecasts

The Water System average residential revenue per meter increased by approximately 14 percent from 2013 to 2014. The general service average revenue per meter increased by 5.2 percent from 2013 to 2014. Since 2010, the average residential revenue per meter has increased approximately 6.7 percent and general service revenue per meter has increased 11.7 percent. Historically, water sales have shown steady growth. Water retail sales project growth at an average annual rate of approximate 1.1 percent, and wholesale sales project growth at an average annual rate of approximate 2.5 percent over the Projected Period, with the exception of discontinued service to a wholesale water customer. The revenue projection assumes rate increases of 8 percent in 2017, 6 percent in 2018 and 3 percent in 2021. Rate increases are required to meet system operating costs, debt service coverage, capital planning requirements, the ILOT test, and minimum cash reserve requirements.

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Water System Projected Sales and Revenue Forecast

<u>Year</u>	<u>Retail Sales (1,000 gallons)⁽¹⁾</u>	<u>Wholesale Sales (1,000 gallons)</u>	<u>Retail Sales Revenue</u>	<u>Wholesale Sales Revenue</u>	<u>Other Revenue</u>	<u>Total Revenues</u>	<u>Water Retail and Wholesale Rate Increase</u>
2015	5,691,195	2,053,850	\$13,772,693	\$4,272,008	\$567,126	\$18,611,827	0%
2016	5,754,803	2,104,568	13,926,622	4,377,501	582,859	18,886,982	0%
2017	5,819,121	2,156,537	15,187,905	4,852,209	618,249	20,658,364	8%
2018	5,884,158	1,948,893	16,416,800	4,696,832	649,508	21,763,140	7%
2019	5,949,922	1,997,018	16,600,282	4,812,814	680,465	22,093,561	0%
2020	6,016,421	2,046,332	16,785,814	4,931,661	718,322	22,435,797	0%
2021	6,083,663	2,096,864	17,825,132	5,305,066	748,419	23,878,618	5%
2022	6,151,657	2,148,644	18,024,354	5,436,069	759,491	24,219,914	0%
2023	6,220,410	2,201,702	18,225,802	5,570,306	775,539	24,571,647	0%
2024	6,289,932	2,256,070	18,429,501	5,707,858	785,581	24,922,940	0%

Source: Consulting Engineer and LUS.

(1) Retail Sales Projections based on customer growth and historical usage per customers.

Water System Expenses

Water System expenses include production, distribution, customer and administrative and general expenses. Water production is the largest expense for the Water System. The Water System expenses have been projected by the Consulting Engineer for the Projected Period. Each of the supply expenses, pumping expenses, and purification expenses are projected based on historical cost per 1,000 gallons. The distribution expenses are projected based on historical cost per customer. Administrative and general expenses are projected based on historical data for the Utilities System. The compounded average annual growth in total expenses for the Water System is approximately 2.6 percent from 2015 to 2024, as provided in the following table.

Water System Projected Operating Expenses

<u>Year</u>	<u>Production</u>	<u>Distribution</u>	<u>Customer Accounting, Collecting Service and Information</u>	<u>Administrative & General</u>	<u>Total Operating Expenses⁽¹⁾</u>
2015	\$5,161,276	\$2,363,835	\$1,110,263	\$4,578,480	\$13,213,854
2016	5,296,260	2,416,031	1,137,087	4,674,628	13,524,006
2017	5,462,357	2,469,406	1,164,649	4,772,795	13,869,207
2018	5,531,513	2,523,988	1,192,974	4,873,024	14,121,498
2019	5,706,837	2,579,804	1,222,087	4,975,357	14,484,085
2020	5,890,676	2,636,883	1,252,015	5,079,840	14,859,413
2021	6,073,678	2,695,255	1,282,784	5,186,516	15,238,233
2022	6,277,845	2,754,950	1,314,423	5,295,433	15,642,651
2023	6,472,342	2,815,999	1,346,962	5,406,637	16,041,940
2024	6,673,263	2,878,433	1,380,431	5,520,177	16,452,304

Source: Consulting Engineer and LUS.

(1) Does not include debt service, ILOT, normal capital and special equipment, or other expenses.

Wastewater System Description

The Wastewater System is comprised of a wastewater collection system, four main wastewater treatment plants at various locations throughout the City, and waste sludge management and disposal facilities. The total combined permitted treatment capacity for the four main plants is 18.5 MGD. In addition to the main LUS Wastewater System, LUS integrates small, community-type package wastewater treatment plants into the LUS Wastewater System. The following provides a description of historical system flows, the existing facilities, issues related to its operating permits, and new and proposed regulations.

Historical Wastewater Flows

In 2014, the average daily wastewater volume treated by the four plants was 15.0 MGD. The average operating volumes treated by the four plants is less than each plant’s permitted capacity except the Ambassador Caffery Treatment Plant (the “ACTP”). Wastewater flows are measured at the intake of the treatment facility and vary annually depending on rainfall events. Based on projected growth in the number of customers, with intake per customer remaining steady, the Utilities System expects an average annual growth rate of approximately 1.1 percent in terms of projected retail wastewater flows through the Projected Period. The Utilities System has completed engineering design of improvements and expansions to the ACTP to meet anticipated growth. Total retail wastewater flows decreased slightly between 2010 and 2014 as provided in the following table.

Historical Wastewater System Flows (000 Gallons)

<u>Year</u>	<u>Total Retail Collection (1,000 gallons)⁽¹⁾</u>
Historical	
2010	5,715,794
2011	5,190,182
2012	5,448,397
2013	5,730,473
2014	5,476,065
Projected	
2015	5,680,064
2016	5,743,547
2017	5,807,740
2018	5,872,649
2019	5,938,285
2020	6,004,654
2021	6,071,764
2022	6,139,625
2023	6,208,244
2024	6,277,630

Source: LUS provided years 2010–2014, audited.

(1) Retail collection volumes based on customer growth and historical collection per customer.

Customers

Wastewater System Largest Retail Customers Fiscal Year 2014

<u>Customer</u>	<u>Revenue</u>	<u>% of Total Revenues</u>
University of Louisiana	\$ 600,318	2.1%
Borden Company	335,328	1.2
Lafayette General Medical Center	205,901	0.7
Our Lady of Lourdes Medical Center	148,902	0.5
Lafayette Parish Correctional Center	147,324	0.5
Cintas Corp	119,115	0.4
Single Source Supply LLC	115,771	0.4
Bayou Shadows Apartments	115,308	0.4
South Point Apartments	109,159	0.4
Pinhook South Apartments	<u>95,892</u>	<u>0.3</u>
TOTAL	<u>\$1,993,018</u>	7.0%

Source: LUS.

Wastewater Treatment

The four main wastewater treatment plants include the South Sewage Treatment Plant (the “SSTP”), the East Sewage Treatment Plant (the “ESTP”), the ACTP, and the Northeast Treatment Plant (the “NETP”). The SSTP and ESTP are activated sludge facilities with a permitted capacity of 7.0 MGD and 4.0 MGD, respectively. The ACTP is a 6.5 MGD treatment plant that was originally constructed with rotating biological contactors (“RBC”) and an oxidation ditch, but the Sequencing Batch Reactors (“SBR”) has since replaced the RBC process. LUS finds the SBR system to be extremely efficient and flexible by easily processing varying flow ranges. The NETP is an oxidation ditch treatment facility with a 1.5 MGD permitted capacity.

LUS recently purchased land surrounding the existing SSTP site for future construction of additional retention and treatment facilities to serve growth in the system and the potential addition of packaged plants in the area. The planned expansion will increase the capacity of the SSTP from 7.0 MGD to a total capacity of 12.0 MGD.

Inflow and Infiltration

The wastewater collection system has, in the past, experienced excessive wastewater flow resulting in treatment plant bypasses and overflows of the wastewater collection system. The excess flows are due to infiltration and inflow of surface and groundwater into the wastewater collection system during and after rainfall events. As a result of these continuing events, the USEPA issued administrative orders requiring treatment plant upgrades and expansions. The Utilities System has completed these requirements for all of its wastewater treatment plants.

Historically, the Utilities System has received compliance orders from LDEQ regarding discharge of sewage from the Utilities System sewage pumping stations. The Utilities System responded to these compliance orders and to each issue raised by LDEQ by describing past or planned actions that have been or will be undertaken by the Utilities System to eliminate the causes of sewage overflows. Actions taken include the upgrade of the cited lift station to its maximum pumping capacity and modifications to the South Sewage Treatment Plant to handle excess flows.

Wastewater Discharge Permits

The wastewater discharge permit renewals for all four plants were completed in 2014. All renewed permits contain identical effluent limits for biological oxygen demand, total suspended solids, ammonia-nitrogen, dissolved oxygen, total residual chlorine and pH, and have not changed as a result of the renewals.

Each plant must, among other things:

- Conduct quarterly whole effluent toxicity testing using bioassay methods.
- Perform an annual Environmental Audit Report including a resolution from the governing body.
- Operate an industrial pretreatment program.
- Submit monthly reports to LDEQ.

The 2014 discharge monitoring reports for the various treatment plants and operating units indicate all operating units were in compliance with National Pollutant Discharge Elimination System discharge limits, no notices of violation of effluent limits were received, LUS is current with all fees and report submittals, and there were no public complaints received in 2014.

Bio-solids Reuse

LUS disposes of biosolids, the sludge byproduct of water and wastewater treatment plant operation, to privately owned farmland disposal sites leased by LUS. Each of the leased locations is an active farming operation. LUS is required to accommodate their farming activities such as crop and livestock rotation, and access to farming operations during inclement weather. This arrangement makes it necessary for LUS to secure more acreage than is actually required for actual biosolids disposal. LUS currently leases approximately 2,700 acres for sludge disposal, with year-to-year leases that each include a 30-day notice end-of-lease clause.

Proposed Improvements

The Wastewater System five-year Capital Improvement Plan is reviewed, updated, and budgeted annually. The five-year Capital Improvement Plan totals \$52.5 million. The largest capital projects are the SSTP plant expansion, and SSTP odor control and sludge handling improvements, which represent approximately \$27.3 million of this amount.

Proposed Wastewater System Capital Improvement Plan (2015-2019)

Project Description	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>TOTAL</u>
Treatment	\$ 760,000	\$ 12,085,000	\$ 15,785,000	\$ 6,460,000	\$ 1,210,000	\$ 36,300,000
Collection	<u>5,610,000</u>	<u>4,150,000</u>	<u>1,635,000</u>	<u>4,025,000</u>	<u>735,000</u>	<u>16,155,000</u>
Total	\$6,370,000	\$16,235,000	\$17,420,000	\$10,485,000	\$1,945,000	\$52,455,000

Source: Lafayette City-Parish Consolidated Government 2016 Proposed Budget, shown in 2015 dollars.

Wastewater Treatment Plant Improvements

LUS recently purchased land surrounding the existing SSTP site for future construction of additional retention and treatment facilities to serve growth in the system and the potential addition of packaged plants in the area. The planned expansion will increase the capacity of the SSTP from 7.0 MGD to a total capacity of 12.0 MGD.

Wastewater System Improvements

General

Wastewater System master planning concluded in 2010 and considers current and future needs, including capital and operational aspects of the Wastewater System. Proposed improvements are delineated into three planning horizons, 5-year, 10-year, and 20-year periods based on the timeframe of anticipated system needs. The intent is that 5-year capital outlays identified in the Utilities System planning process will be incorporated into the Utilities System Capital Improvement Plan and capital needs initially identified in the 10-year and 20-year periods will be incorporated into the Capital Improvement Plan as they become more immediate needs (i.e., shift to 5-year planning horizon).

Wastewater Collection System Improvements

Proposed improvements to the wastewater collection system include extension of lines along Ambassador Caffery South, significant upgrades to several lift stations, and normal betterments and improvements to the collection lines.

New and Proposed Regulations

The USEPA, based on statutory requirements, periodically conducts reviews of wastewater regulations and standards to determine if a change in regulations is warranted. The Utilities System monitors planned changes to these regulations and has incorporated or will incorporate these requirements into current and future operations. The Utilities System does not anticipate that compliance with presently proposed changes will require major capital expenditures or major increases in costs of operations.

Wastewater System Forecasts

The Wastewater System average residential revenue per account decreased approximately 0.8 percent from 2013 to 2014. Since 2010, the average residential revenue per account for the Wastewater System has increased by approximately 1.5 percent. The revenue projection assumes rate increases of four percent in 2017 and 2021, three percent in 2018 and one percent in 2024. Rate increases are required to meet system operating costs, debt service coverage, capital planning requirements, the ILOT test, and minimum cash reserve requirements. Wastewater sales are a function of water retail sales.

Wastewater System Projected Sales and Revenue Forecast

<u>Year</u>	<u>Retail Sales (1000 gallons)⁽¹⁾</u>	<u>Retail Sales Revenue</u>	<u>Other Revenue</u>	<u>Total Operating Revenue</u>	<u>Wastewater Rate Increase</u>
2015	5,680,064	\$29,195,531	\$437,110	\$29,632,641	0%
2016	5,743,547	29,521,833	473,919	29,995,752	0%
2017	5,807,740	31,071,407	565,559	31,636,966	4%
2018	5,872,649	32,358,298	661,984	33,020,282	3%
2019	5,938,285	32,719,949	710,353	33,430,302	0%
2020	6,004,654	33,085,641	712,534	33,798,175	0%
2021	6,071,764	34,791,209	769,147	35,560,356	4%
2022	6,139,625	35,180,051	773,645	35,953,696	0%
2023	6,208,244	35,573,238	768,179	36,341,417	0%
2024	6,277,630	35,970,820	782,659	36,753,480	0%

Source: Consulting Engineer and LUS.

(1) Retail Sales Projections based on customer growth and historical usage per customers.

Wastewater System Expenses

Wastewater System operating expenses include treatment, collection, customer, and administrative and general expenses. Wastewater treatment is the largest expense for the Wastewater System. The Wastewater System expenses are projected by the Consulting Engineer for the 2015-2024 forecast period. Each of the treatment expense, collection expense, and customer expense are projected based on historical cost per customer. Administrative and general expenses are projected based on historical data for the Utilities System. The compounded annual growth rate is approximately 2.2 percent for all expenses combined. The following table provides a summary of the projected operations expenses for the Wastewater System.

Wastewater System Projected Operating Expenses

<u>Year</u>	<u>Treatment</u>	<u>Collection</u>	<u>Customer Accounting, Collecting, Service and Information</u>	<u>Administrative & General</u>	<u>Total Operating Expenses⁽¹⁾</u>
2015	\$6,940,551	\$3,928,574	\$1,190,530	\$5,608,165	\$17,667,820
2016	7,056,676	3,987,629	1,220,355	5,725,937	17,990,597
2017	7,219,276	4,079,613	1,251,046	5,846,181	18,396,117
2018	7,395,422	4,181,072	1,282,636	5,968,951	18,828,081
2019	7,570,570	4,281,413	1,315,155	6,094,299	19,261,438
2020	7,754,123	4,387,696	1,348,636	6,222,279	19,712,734
2021	7,929,956	4,487,320	1,383,113	6,352,947	20,153,337
2022	8,134,960	4,609,620	1,418,622	6,486,359	20,649,562
2023	8,316,826	4,712,437	1,455,200	6,622,573	21,107,036
2024	8,502,450	4,817,250	1,492,886	6,761,647	21,574,233

Source: Consulting Engineer and LUS.

(1) Does not include debt service, ILOT, normal capital and special equipment, or other expenses.

Customer Statistics

The historical and projected number of customers of the Utilities System is illustrated in the following table. The number of Utilities System customers is represented by the number of meter connections.

Historical and Projected Number of Customers by System

<u>Year</u>	<u>Electric</u> ⁽¹⁾	<u>Water</u> ⁽²⁾	<u>Wastewater</u> ⁽³⁾
Historical			
2010	62,746	51,960	41,522
2011	63,531	52,749	41,928
2012	63,911	53,088	42,049
2013	64,496	53,926	42,586
2014	65,262	54,637	43,068
Projected			
2015	66,263	55,331	43,550
2016	67,210	56,034	44,036
2017	68,098	56,748	44,528
2018	68,922	57,463	45,026
2019	69,699	58,197	45,529
2020	70,438	58,941	46,038
2021	71,148	59,696	46,553
2022	71,801	60,462	47,073
2023	72,409	61,238	47,599
2024	<u>72,985</u>	<u>62,026</u>	<u>48,131</u>
Average Growth (2015–2024)	1.1%	1.3%	1.1%

Source: LUS provided years 2010–2014, audited.

Source: Consulting Engineer.

- (1) Electric System projections based on Load Forecast for Lafayette Utilities System developed by Burns & McDonnell.
- (2) Water System projections based on historical customer growth.
- (3) Wastewater System projections based on historical customer growth.

In 2015, total sales revenues from the Utilities System, including wholesale sales, are projected to be approximately \$242.3 million, of which the Electric System accounts for approximately 80 percent, the Water System accounts for approximately 7.7 percent and the Wastewater System accounts for approximately 12.2 percent.

Rates for Utilities System

Net revenues of the Utilities System are pledged to the payment of debt obligations of the Utilities System. The Utilities System regularly reviews and sets rates for the Electric System, Water System and Wastewater System independently. The Council and LPUA have the exclusive right to regulate the Utilities System rates and charges for services within and outside the corporate limits of the City.

Currently, the Utilities System retail rates adequately cover operating and maintenance costs, debt service obligations (including minimum debt service coverage requirements), capital expenditures paid from current earnings, and the required ILOT payments to the City. The Utilities

System pursues an overall financial objective where each system charges rates sufficient to render such system financially independent of the others, so that customers pay the full cost of service without subsidization. For the Electric System, Water System, and Wastewater System, rates are cost-based and charged to individual classes of customers based on customer use of the system and consumption patterns.

Electric System

Base rates for the Electric System were increased in February 2010 and in November 2010 (Fiscal Year 2011). Incorporating these increases, forecasted Electric System revenues are sufficient to fully fund the Electric System operation on a stand-alone basis. There are no base rate increases over the Projected Period.

The Electric System monthly fuel charge is calculated to recover costs for natural gas fuel, LPPA coal fuel costs, LPPA rail car debt service, purchased power expenses, and fuel restoration according to the ILOT calculation for Lafayette City-Parish Consolidated Government. The monthly fuel charge is adjusted as needed to recover the described costs. The remainder of Electric System expenses are recovered through the base rates (customer charge, demand charge, and energy charge).

Electric System Rate Comparisons

Overall, the Electric System retail rates are competitive compared to neighboring utilities. With respect to the residential rate class, the 2014 Utilities System rates (which include the Fiscal Year 2010 and 2011 rate increases) were 19.3% percent below the highest residential rates in the region as demonstrated in the table below.

Electric Residential Rate Comparison

<u>Utility</u>	<u>Average \$/kWh ⁽¹⁾</u>
SWEPCO ⁽²⁾	\$0.0962
LUS	\$0.0982
Entergy ⁽³⁾	\$0.0985
Cleco	\$0.1217

Source: LUS.

(1) Based upon 1,000 kWh per month consumption.

(2) Southwestern Electric Power Company (“SWEPCO”)

(3) Average of Entergy Louisiana, Gulf States, and New Orleans.

With respect to the commercial rate class, the Utilities System’s 2014 rates were 3.3 percent below the highest commercial rates in the region as shown in the table below.

Electric Commercial Rate Comparison

<u>Utility</u>	<u>Average \$/kWh⁽¹⁾</u>
SWEPSCO	\$0.0798
Entergy ⁽²⁾	\$0.0853
LUS	\$0.0930
Cleco	\$0.0962

Source: Consulting Engineer .

(1) Based upon an average customer of 131 kW demand and 48,144 kWh per month.

(2) Average of Entergy Louisiana, Gulf States, and New Orleans.

Financial Results

The following table reflects a combined summary Schedule of operating revenues, operating expenses and the balance available for capital for the five fiscal years ended October 31, 2010 through 2014 of the Utilities System.

Operating Revenues from Fiscal Year 2010 to Fiscal Year 2014 increased from \$214.6 million to \$248.4 million. Base rate revenues for all utilities services (including the Electric System, Water System, and Wastewater System) increased between Fiscal Year 2010 and Fiscal Year 2011 due to a Council-approved rate increase, and remained stable through Fiscal Year 2014. Fuel adjustment revenues increased between Fiscal Year 2010 and Fiscal Year 2014 by \$21.6 million due to increases in fuel and purchased power costs, influencing the overall increase in Operating Revenues over that period. Operating Expense fluctuations from Fiscal Year 2010 to Fiscal Year 2014 were mostly influenced by changes in fuel and purchased power costs in the Electric System, although some increases in Water and Wastewater Expenses (for example, wastewater collection operations expenses) and Administrative and General Expenses also affected the overall increase from Fiscal Year 2010 to 2014.

Net Revenues for Debt Service increased from \$41.6 million in Fiscal Year 2010 to \$70.9 million in Fiscal Year 2014 due to the increase in Operating Revenues increasing at a greater rate than the increase in Operating Expenses.

Debt Service increased from Fiscal Year 2010 to Fiscal Year 2014 by \$12.6 million, thus Debt Service Coverage reduced from 3.9x in Fiscal Year 2010 to 3.0x in Fiscal Year 2014; however, Balance after Debt Service increased by \$16.8 million between Fiscal Year 2010 and Fiscal Year 2014.

The overall effect of these changes is that after Other Income & Expenditures were accounted for, the remaining Balance Available for Capital increased from Fiscal Year 2010 to Fiscal Year 2014 by \$12.6 million to \$18.7 million. This increase was mostly affected by increases in Operating Revenues, particularly for Electric and Wastewater, which more than offset the moderate increases in Operating Expenses.

The information in the following table is derived from the audited financial reports of the City for the Utilities System. The audits of the Lafayette Consolidated Government are incorporated by reference into this Official Statement.

Utilities System Historical Operating Results

	2010	2011	2012	2013	2014
Operating Revenues					
Electric - Retail - Base Rate ⁽¹⁾	\$ 80,680,077	\$ 90,791,982	\$ 88,556,974	\$ 88,860,207	\$ 91,749,309
Electric - Retail - Fuel Charge ⁽¹⁾⁽²⁾	83,750,043	87,783,625	76,824,304	93,158,373	105,375,603
Electric - Wholesale ⁽¹⁾	3,952,181	6,145,005	4,462,303	932,096	160,062
Electric - Other ⁽¹⁾⁽³⁾	6,013,145	6,181,259	5,046,540	5,120,541	4,606,272
Water - Retail ⁽¹⁾	12,076,955	13,856,966	13,491,838	13,370,347	13,119,010
Water - Wholesale ⁽¹⁾	3,030,138	4,241,593	3,690,835	3,425,414	4,164,275
Water - Other ⁽³⁾	558,615	564,094	620,750	763,993	500,181
Wastewater - Retail ⁽¹⁾	23,982,152	29,326,976	28,861,669	28,382,562	28,316,395
Wastewater - Other ⁽³⁾	517,308	551,221	451,908	511,418	419,180
Total Operating Revenues	\$214,560,614	\$239,442,720	\$222,007,121	\$234,524,951	\$248,410,288
Operating Expenses					
Electric Direct ⁽¹⁾⁽⁴⁾	\$135,733,989	\$141,073,540	\$123,420,218	\$126,031,633	\$132,159,231
Water Direct ⁽¹⁾⁽⁵⁾	6,413,046	6,633,823	6,581,911	6,628,144	7,303,913
Wastewater Direct ⁽¹⁾⁽⁶⁾	9,071,342	9,238,115	9,306,699	9,836,488	10,693,690
Customer Related ⁽¹⁾	5,106,107	4,910,551	5,821,855	5,311,176	5,053,499
Administrative & General ⁽¹⁾	16,678,273	18,984,694	21,034,489	20,607,971	22,256,227
Total Operating Expenses	\$173,002,757	\$180,840,724	\$166,165,173	\$168,415,411	\$177,466,560
Net Revenues for Debt Service	\$ 41,557,857	\$ 58,601,996	\$ 55,841,948	\$ 66,109,540	\$ 70,943,728
Debt Service					
Existing ⁽⁷⁾	\$ 10,722,038	\$ 14,245,228	\$ 15,311,868	\$ 22,917,286	\$ 23,333,915
Future	0	0	0	0	0
Total Debt Service	\$ 10,722,038	\$ 14,245,228	\$ 15,311,868	\$ 22,917,286	\$ 23,333,915
Debt Service Coverage ⁽⁸⁾	3.9	4.1	3.6	2.9	3.0
Balance After Debt Service	\$ 30,835,820	\$ 44,356,769	\$ 40,530,081	\$ 43,192,254	\$ 47,609,813
Other Income (Expenditures)					
Miscellaneous ⁽¹⁾	\$ 324,750	\$ 1,278,762	\$ 7,858,906	\$ 3,353,861	\$ 1,145,515
In Lieu of Tax Payment ⁽¹⁾	(19,462,860)	(19,199,649)	(21,596,096)	(22,131,617)	(22,073,833)
Normal Capital & Special Equipment ⁽¹⁾	(5,581,263)	(4,870,753)	(3,375,806)	(7,926,987)	(7,975,639)
Total Other Income (Expenditures)	(\$24,719,374)	(\$22,791,640)	(\$17,112,997)	(\$26,704,743)	(\$28,903,957)
Balance Available for Capital	\$ 6,116,446	\$ 21,565,129	\$ 23,417,084	\$ 16,487,511	\$ 18,705,856

⁽¹⁾ Based on the LUS Financial and Operating Statements.

⁽²⁾ The expenses that flow through the FC include: MISO market purchases less market sales, transmission associated with purchased power, LPPA fuel and fuel handling costs, LPPA rail car debt service, LPPA MATS debt service, LPPA MATS operation and maintenance, LPPA reagents, LUS fuel costs, hydro purchased power contract, capacity contract and TEA costs.

⁽³⁾ Other revenues include Interest Income and Miscellaneous Operating Revenues. The Interest Income includes Communications System Inter-utility loan interest payments. Miscellaneous Operating Revenues include Imputed Tax payments from the Communications System.

⁽⁴⁾ Electric Direct Expenses include production, transmission, and distribution expenses.

⁽⁵⁾ Water Direct Expenses include production and distribution expenses.

⁽⁶⁾ Wastewater Direct Expenses include treatment and collection expenses.

⁽⁷⁾ Existing Debt Service includes the Series 2004, Series 2010, and Series 2012 Bonds.

⁽⁸⁾ Debt Service Coverage is the Net Revenues for Debt Service divided by the Total Debt Service.

Historical Debt Service Coverage Calculation ⁽¹⁾

Fiscal Years Ended October 31,

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Total System Revenues ⁽²⁾	\$214,560,614	\$239,442,720	\$222,007,121	\$234,524,951	\$248,410,288
Total Operating Expenses	<u>173,002,757</u>	<u>180,840,724</u>	<u>166,165,173</u>	<u>168,415,411</u>	<u>177,466,560</u>
Balance Available for Debt Service	<u>\$ 41,557,857</u>	<u>\$ 58,601,996</u>	<u>\$ 55,841,948</u>	<u>\$ 66,109,540</u>	<u>\$ 70,943,728</u>
Debt Service	\$ 10,772,038	\$ 14,245,228	\$ 15,311,868	\$ 22,917,286	\$ 23,333,915
Debt Service Coverage	3.9x	4.1x	3.6x	2.9x	3.0x

(1) Source: Utilities System Financial & Operating Statement as adjusted for audit reclassifications. The Debt Service Coverage calculation is based on the audited financial information provided by the Lafayette City-Parish Consolidated Government.

(2) Total System Revenues do not reflect corrections made to the Communications System Imputed Tax transfers for years 2009 through 2012. Utilities System and Communications System Income Statements were not restated over this period as a result of these corrections. Rather a prior period adjustment was made to the 2013 balance sheets included in the Financial and Operating Statements for both the Communications and Utilities Systems.

Projected Debt Service Coverage

The Utilities System has the following outstanding bonds: the Series 1996 LDEQ Construction Fund (“1996 LDEQ debt”), the Utilities Revenue Bonds, Series 2010 (the “Series 2010 Bonds”), and Utilities Revenue Bonds, Series 2012 (the “Series 2012 Bonds” and together with the 1996 LDEQ debt and the Series 2010 Bonds, the “Outstanding Prior Utilities System Bonds”). Collectively, the aggregate principal amount of the Outstanding Prior Utilities System Bonds is approximately \$22.9 million. The following table shows projected debt service for the Utilities System and the associated debt service coverage ratio.

Utilities System Projected Debt Service Coverage Calculation

<u>Year</u>	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Net Revenues Available for Debt Service</u>	<u>Debt Service</u> ⁽¹⁾	<u>Debt Service Coverage Ratio</u>
2015	\$242,347,582	\$180,490,116	\$61,857,467	\$22,924,293	2.7x
2016	238,733,391	178,966,770	59,766,622	22,925,238	2.6x
2017	249,434,681	182,453,718	66,980,962	24,049,623	2.8x
2018	261,538,968	188,570,106	72,968,861	24,648,474	3.0x
2019	271,100,632	197,428,029	73,672,603	24,886,590	3.0x
2020	281,904,012	206,872,847	75,031,164	25,241,947	3.0x
2021	292,679,429	213,677,358	79,002,071	25,466,195	3.1x
2022	307,209,539	222,482,512	84,727,027	25,797,624	3.3x
2023	315,539,832	230,141,897	85,397,935	26,206,950	3.3x
2024	324,010,986	238,096,668	85,914,318	26,796,165	3.2x

Source: Consulting Engineer and LUS.

(1) Debt service for the Utilities System includes the Outstanding Prior Utilities System Bonds and assumes bond issues in years 2017, 2019, 2021, and 2023.

It is estimated that the debt service coverage ratio for the existing and indicated debt service will range from a minimum of 2.6x in 2016 to a maximum of 3.3x in 2022 during the Projected Period for the Utilities System.

As indicated previously, if the Communications System defaults on the Outstanding Parity Bonds, to the extent of the insufficiency, the Residual Revenues of the Utilities System will be used to pay the debt service associated with the Communications System. The following table below provides the annual Utilities System Residual Revenues debt service coverage ratio under a “default” scenario. This ratio compares the Utilities System Residual Revenues to the Communications System debt obligations.

**Utilities System
Projected Residual Revenues Debt Service Coverage Calculation –
Assuming a Communications System Default**

Year	Utilities System Net Revenues Available for Debt Service and the Capital Additions Fund	Utilities System Debt Service⁽¹⁾	Utilities System Capital Requirement⁽²⁾	Utilities System Residual Revenues Available for Communications Debt Service	Communications System Debt Service⁽³⁾	Debt Service Coverage Ratio from Residual Revenues
2015	\$60,954,026	\$22,924,293	\$10,858,180	\$27,171,554	\$3,694,822	7.4x
2016	58,865,619	22,925,238	10,929,921	25,010,460	6,967,279	3.6x
2017	66,083,210	24,049,623	11,315,284	30,718,302	9,432,079	3.3x
2018	72,085,476	24,648,474	11,616,770	35,820,232	9,429,079	3.8x
2019	72,810,399	24,886,590	11,799,661	36,124,149	9,425,579	3.8x
2020	74,196,362	25,241,947	11,978,383	36,976,032	9,431,079	3.9x
2021	78,199,107	25,466,195	12,340,178	40,392,734	9,429,579	4.3x
2022	83,976,311	25,797,624	12,519,102	45,659,585	10,590,829	4.3x
2023	84,701,556	26,206,950	12,707,310	45,787,296	10,597,279	4.3x
2024	85,274,450	26,796,165	12,899,453	45,578,832	10,600,810	4.3x

Source: Consulting Engineer and LUS.

- (1) Utilities System debt service includes the debt service on the Outstanding Prior Utilities System Bonds, and assumes future bond issues in years 2017, 2019, 2021, and 2023.
- (2) The bond ordinance requires for the Utilities System a minimum amount equal to 7.5 percent of the Adjusted Revenue deposits into the Receipts Account for the purposes of paying capital costs.
- (3) The debt service represents the Series 2012 Bonds and Series 2015 Bonds. Year 2015 includes a portion of the Series 2007 Bonds debt service.

If the Utilities System were to pay the debt service on both the Communications System Revenue Bonds and the Utilities System Bonds, the average monthly residential electric bill would increase \$5.00 from \$96.00 to \$101.00. This amount is still competitive with the current rates of comparable electric providers. See “THE UTILITIES SYSTEM – Rates for Utilities System – Electric System – Electric System Rate Comparisons” above.

CERTAIN FACTORS AFFECTING THE COMMUNICATIONS INDUSTRY

The Communications System provides voice telephone, cable television, Internet, and, to a lesser extent, various other communications services. Each of these three main categories of services is regulated to some degree at the state or federal level. In addition, each of these services is subject to competitive pressures from one or more sources.

Recent years have brought fundamental changes to the telecommunications industry, introducing competition for every major communications product line. Accompanying these changes has been the growth in popularity of the Internet for business, social and entertainment purposes. The convergence of these two trends has resulted in a number of entities seeking to provide broadband (high speed Internet connections), as well as traditional telephone and cable television service. This combination of services, known as the “triple play,” is often offered by the Communications System’s competitors at an initially discounted rate as a means of gaining market share. In addition, in the last few years, wireless technology and applications have improved significantly, enabling users of smartphones, iPads, and other wireless devices to take advantage of services that were available, if at all, only through wireline facilities. There can be no assurance that competitors to the Communications System will not develop and market services that will be equally or more commercially attractive than those of the Communications System.

Regulation

Telecommunications services are regulated at the federal level by the FCC pursuant to the federal Communications Act of 1934 (the “Communications Act”), as amended by the Telecommunications Act of 1996 (47 U.S.C. § 151, *et seq.*) (the “Telecommunications Act”). State and local governments have been given certain roles in implementing the federal regime as guided by the Telecommunications Act and federal agency regulations. Intrastate telecommunications service is generally regulated by the state public utility commissions, in this case the LPSC, pursuant to state law (LA. CONST. ART. IV, § 21).

Cable television is regulated at the federal level by the FCC pursuant to Title VI of the Communications Act, as first enacted by the Cable Communications Policy Act of 1984, Cable Television Consumer Protection and Competition Act of 1992, and amended by the Telecommunications Act (together, the “Cable Act”). State and local governments retain some authority over cable television, most notably franchising authority. The regulatory status of Internet services is still evolving.

In addition to the Louisiana laws, rules and regulations that govern competitive telecommunications providers and cable providers, a local government providing telecommunications, cable and advanced services is subject to the Local Government Fair Competition Act (the “Local Government Act”), and the LPSC’s Cost Allocation and Affiliate Transaction Rules (“LPSC Rules”) (LPSC General Order dated October 4, 2005) promulgated thereunder. The Local Government Act and LPSC Rules provide certain accounting, financing and operating restrictions on the local government, and subject the local government to annual audits for compliance with the Local Government Act and the LPSC Rules.

Voice Telephone Services

Regulation of conventional voice telephone services, and to a certain extent, telephone services through Voice over Internet Protocol, endures at the federal level, despite the introduction of competition. The Communications System is subject to the same rules and regulations as other

competitive providers of interstate telephone service. Regional Bell Operating Companies and other incumbent local exchange carriers are subjected to more stringent regulation given their historical status as monopolies. In addition, since the Communications System provides local exchange telephone service, it has negotiated an interconnection agreement with the incumbent local exchange carrier to be able to exchange traffic with that entity pursuant to Sections 251 and 252 of the Communications Act (47 U.S.C. §§ 251-252). Further, the Communications System is required to provide exchange access to long distance service providers, for which the Communications System is compensated according to its tariff filed with the FCC. The Communications System is also required to contribute to various federal “universal service” programs pursuant to Section 254 of the Communications Act (47 U.S.C. § 254); protect the privacy Customer Proprietary Network Information pursuant to Section 222 of the Communications Act (47 U.S.C. § 222); assist law enforcement agencies pursuant to the Communications Assistance for Law Enforcement Act (47 U.S.C. § 1004); and comply with various other federal requirements.

Similarly, the LPSC has jurisdiction over companies that provide intrastate telephone service. In the past several years AT&T, the incumbent telephone company serving the City, has been able to get the LPSC to detariff or deregulate most of its telephone products, meaning the LPSC no longer holds the ability to approve most of AT&T’s rates. There are also general state laws that apply to telecommunications providers; for example, the Louisiana Underground Utilities and Facilities Damage Prevention Law (LA. REV. STAT. ANN. § 40:1749.11, *et seq.*) (the “Underground Utilities and Facilities Damage Prevention Law”) requires owners or operators of underground facilities to mark locations or supply information to a regional notification center (“Louisiana One Call”) that will enable excavators and demolishers to locate underground utilities and facilities. The State Department of Transportation and Development (“State DOTD”) is also authorized by law to issue permits for the use and occupancy of the rights-of-way of state highways for the installation, operation, and maintenance of underground pipes, conduits, or cables along or across the highways for the purpose of conveying telephone or telegraph messages and cable television signals (LA. REV. STAT. ANN. § 48:381, *et seq.*). Other general state laws may also be applicable to telephone providers; for example, under the Database Security Breach Notification Law (LA. REV. STAT. ANN. § 51:3071, *et seq.*) (the “Database Security Breach Notification Law”), any person that conducts business in the State that owns or licenses computerized data that includes personal information (an individual’s first name or first initial and last name in combination with a Social Security number, driver’s license number, or account, credit or debit card number and associated security code or password), shall, following discovery of a breach in the security of the system containing such data, notify any resident of the State whose personal information was, or is reasonably believed to have been, acquired by an unauthorized person.

Additionally, a local government providing telephone services is subject to the Local Government Act and the associated LPSC Rules. Among other things these rules require the Communications System to perform an annual attestation audit to make sure that they are in compliance with the Local Government Act. The Communications System also is subject to audit by the LPSC.

Cable Television Services

Cable television services are regulated at the national level pursuant to the federal Cable Act, which sought to promote competition while establishing an orderly process for local franchising authorities. The Cable Act set forth cable channel requirements, (47 U.S.C. § 531, *et seq.*) as well as local carriage rules (47 U.S.C. § 534, *et seq.*), ownership restrictions (47 U.S.C. § 533) and franchise requirements (47 U.S.C. § 541). It also established a cap on franchise fees and prohibited the regulation of rates, except where a cable system is not subject to effective competition (47 U.S.C.

§ 622-623). In addition, the Cable Act prohibits rate regulation of a system that is owned or operated by a local government or franchising authority within whose jurisdiction the system is the only system.

On a local level, franchising authorities are responsible for implementation of the Cable Act when granting cable franchises and allowing access to municipal rights-of-way. While the police power of the local government to manage its rights-of-way and to grant franchises has been preserved (47 U.S.C. § 541), such power is subject to federal guidelines and restrictions.

There are also general state laws that apply to cable providers; for example, the Underground Utilities and Facilities Damage Prevention Law requires owners or operators of underground facilities to mark locations or supply information to Louisiana One Call that will enable excavators and demolishers to locate underground utilities and facilities. The State DOTD is also authorized by law to issue permits for the use and occupancy of the rights-of-way of state highways for the installation, operation, and maintenance of underground pipes, conduits, or cables along or across the highways for the purpose of conveying telephone or telegraph messages and cable television signals (LA. REV. STAT. ANN. § 48:381, *et seq.*). Also, under the Database Security Breach Notification Law, any person that conducts business in the State of Louisiana that owns or licenses computerized data that includes personal information (an individual's first name or first initial and last name in combination with a Social Security number, driver's license number, or account, credit or debit card number and associated security code or password), shall, following discovery of a breach in the security of the system containing such data, notify any resident of the state whose personal information was, or is reasonably believed to have been, acquired by an unauthorized person.

A local government providing cable services is subject to the Local Government Act and LPSC Rules. Among other things these rules require the Communications System to perform an annual attestation audit to make sure that they are in compliance with the Local Government Act. The Communications System also is subject to audit by the LPSC. In 2011, Cox Communications, the incumbent cable company in the City filed with the FCC to have the City declared as a "competitive market" under the terms of the Cable Act. The FCC approved the request, which means that Cox Communications is now allowed to charge different rates to different customers within the City.

Broadband (Internet) Services

The regulatory treatment of broadband services is evolving. As a general rule, the FCC has taken a "light-touch" approach to broadband regulation. In 2005, the Supreme Court decided Nat'l Cable & Telecomm. Ass'n v. Brand X Internet Services, 545 U.S. 967 (2005), which upheld an FCC decision that broadband cable modem service is not a "telecommunications service" and is not subject to mandatory common carrier regulation. Subsequently, the FCC determined that wireline broadband services provided over telephone lines ("DSL" service) are information services and not subject to the rigorous regulatory scheme that the Telecommunications Act normally prescribes for telephone services (which are classified as telecommunications services). (*Appropriate Framework for Broadband Access to the Internet*, 20 FCC Red 14853.)

Since 2005 the FCC has also repeatedly stated that certain federal protections are necessary to ensure that access to the Internet will not be unduly restricted or burdened by providers of Broadband Internet Access Services ("BIAS"). On two occasions, however, - see *Comcast Corp. v. FCC*, 600 F.3d 642, 644, 390 U.S. App. D.C. 111 (D.C. Cir. 2010) and *Verizon Corp. v. FCC*, 740 F.3d 623 (D.C. Cir. 2014) - the courts set aside FCC Open Internet orders issued pursuant to Section 706 of the Telecommunications Act. In response, the FCC voted on February 26, 2015, to issue a new Open Internet order that reclassifies BIAS as a Title II telecommunications service, that exempts providers of

BIAS from most of the requirements that providers of telecommunications service must meet, and that imposes on providers four main requirements: (1) transparency, (2) no blocking, (3) no unreasonable discrimination, and (4) no paid prioritization. On March 12, 2015, the FCC released its formal written order explaining the details of the new Open Internet rules. The order became effective on June 12, 2015, following denial of motions to stay the order. Lawsuits have been filed challenging the order. Furthermore, legislation has been introduced in Congress to strip the FCC of any authority it may have to issue Open Internet rules. It is unlikely that these matters will be finally resolved for years to come.

On the same day that the FCC voted to adopt its new Open Internet rules, the agency also voted to preempt the laws of North Carolina and Tennessee that impose barriers on the ability of municipalities to provide BIAS. The FCC's order implementing this decision was issued, and became effective, on March 12, 2015, *In the Matter of City of Wilson, North Carolina Petition for Preemption of North Carolina General Statute Sections 160A-340 et seq.; The Electric Power Board of Chattanooga, Tennessee Petition for Preemption of a Portion of Tennessee Code Annotated Section 7-5260, Memorandum Opinion and Order*, 30 FCC Rcd. 2408, 1755, 2015 WL 1120113 (F.C.C.). The States of Tennessee and North Carolina have appealed the order to the United States Court of Appeals for the Sixth Circuit. The North Carolina law at issue bears several similarities to Louisiana's Local Government Fair Competition Act. The FCC has not yet released its written order, which will become effective on release.

The LPSC has affirmatively acknowledged that it does not regulate the rates or pricing of wholesale and retail DSL service (AT&T's provision of ADSL Service to End-Users over Cleco, Loops, Louisiana Public Serv. Comm'n Order No. R-26173 (Jan. 24, 2003) and Louisiana Public Serv. Comm'n Order No. R-26173-A (Apr. 4, 2003)). The Louisiana Legislature also has not attempted to impose significant regulations on broadband service providers although the Legislature has adopted LA. REV. STAT. ANN. § 51:1425 to provide that a violation of the Unlawful Access to Stored Communications Act (18 U.S.C. § 2701 *et seq.*) by a provider of Internet service involving information relating to a resident of Louisiana shall constitute a deceptive and unfair trade practice. As used in LA. REV. STAT. ANN. § 51:1425, a "provider of Internet service" means a facilities-based provider or other entity that provides residential consumers with the ability to access the Internet in exchange for consideration such as through a paid subscription or through an agreement to view specific ads or content in exchange for Internet access. It does not include an entity that provides access to the Internet using spectrum regulated by the FCC pursuant to 47 U.S.C. 301, *et seq.*, or systems operated or services offered by libraries or educational institutions. Nevertheless, there can be no assurances that the present state policies favoring little or no regulation of Internet services will continue.

While not directed at providers of Internet service, such providers are subject to various general laws of the State. For example, other general state laws may also be applicable to telephone providers; for example, under the Database Security Breach Notification Law, any person that conducts business in the State that owns or licenses computerized data that includes personal information (an individual's first name or first initial and last name in combination with a Social Security number, driver's license number, or account, credit or debit card number and associated security code or password), shall, following discovery of a breach in the security of the system containing such data, notify any resident of the state whose personal information was, or is reasonably believed to have been, acquired by an unauthorized person. Also, the Underground Utilities and Facilities Damage Prevention Law requires owners or operators of underground facilities to mark locations or supply information to a regional notification center that will enable excavators and demolishers to locate underground utilities and facilities.

A local government providing telephone services will be subject to the Local Government Act and the associated LPSC Rules, including annual compliance audits.

A local government providing broadband services will be subject to the Local Government Act and LPSC Rules. Among other things, these rules require the Communications System to perform an annual attestation audit to make sure that they are in compliance with the Local Government Act. The Communications System is also subject to audit by the LPSC.

Legislation

Federal

Over the last several years, numerous bills have been introduced in Congress to amend various features of the federal communications laws. None has passed, except for the Satellite Television Extension Act Reauthorization Act (Pub. L. 113–200, 128 Stat. 2059), which primarily extended certain cable television provisions. The current Congress is likely to begin to consider comprehensive telecommunications law reform, but no such legislation is likely to pass for several years.

On January 22, 2015, Senators Cory Booker (D-NJ), Edward Markey (D-MA), Claire McCaskill (D-MO), Angus King (I-ME), and Ron Wyden (D-OR) introduced S.240, the Community Broadband Act of 2015. If enacted, the bill would preempt state barriers to community broadband initiatives and, at the same time, provide certain safeguards to the private sector communications service providers. Although similar bills were passed in 2006 by the House of Representatives and by the Senate Commerce Committee, there is little chance that S.240 will pass in the current Congress.

On February 26, 2015, Senator Thom Tillis (R-NC) introduced S.597 and Representative Marsha Blackburn (R-TN) introduced H.R. 1106, the States' Rights Municipal Broadband Act of 2015. The purpose of both bills is to remove any authority that the FCC may have under Section 706 of the Telecommunications Act to preempt state barriers to community broadband initiatives. While these bills will probably pass Congress, they are likely to be vetoed by President Obama.

On March 3, 2015, Rep. Marsha Blackburn (with 31 co-sponsors) also introduced H.R. 1212, the Internet Freedom Act, to prohibit the FCC from reclassifying broadband Internet access service as a telecommunications service and from imposing certain regulations on providers of such service. Prospects for this legislation in Congress are unclear. If the bill passes, President Obama is likely to veto it.

State

Since the enactment of the Local Government Act in the 2004 Regular Session of the Louisiana Legislature, there have been additional bills filed that could potentially affect the Communications System. The Local Government Act was amended in 2005 to require a local government to call an election on whether or not to provide telephone, cable or Internet services (Acts 2005, No. 406, eff. July 11, 2005). Prior to that amendment, calling an election was optional.

There has been at least one telecommunications related bill introduced in each legislative session since 2005, however, few of these bills have passed. The latest telecommunications related bills come from the 2011 and 2012 legislative sessions. In 2011, a bill would have prevented municipal cable TV systems from offering adult content. This bill did not pass. In 2012, there were two telecommunications related bills - one would have made it a deceptive trade practice for anyone

selling television services in the state to misrepresent to any consumer that such services include access to FCC-licensed television stations when such service is not included in its services or capacity for services; the other would have required any company offering television services, including satellite and cable, in the state to provide all customers with access to FCC-licensed Class A television stations. Neither of these bills passed. There can be no assurances regarding the passage of future legislation which may affect the Communications System.

Act 433 of the 2008 Regular Session of the Louisiana Legislature (eff. August 15, 2008) created the Consumer Choice for Television Act, which provides for, among other matters, issuance of state cable franchise certificates to be distributed by the Louisiana Secretary of State, imposition of franchise fees and the conduct of franchise fee audits, termination of existing franchises, prohibition against build-out requirements, and regulation of a certificate holder by a local governmental subdivision. House Bill 869 of 2008 would have created the Streamlined Video Authorization and Fair Competition Act, which provided for regulation of cable and telecommunications services, but it never passed out of committee.

Act 779 of the 2008 Regular Session (eff. July 7, 2008) amends the Local Government Act to specify that the LPSC shall enforce the cost allocation and affiliate transaction rules for all other covered services, not just those covered services within its jurisdiction but that, with the exception of such enforcement, the LPSC shall have no jurisdiction over Internet access and cable television services. Act 779 further provides for the LPSC to conduct an initial audit and subsequent periodic audits as deemed necessary.

Act 531 of the 2009 Regular Legislative Session (eff. January 1, 2010) imposes service charges on prepaid wireless telecommunications services that allow a caller to access the 911 emergency system and directs distribution of such charges to communications districts.

In 2010, the Louisiana Senate issued Resolution 117, which memorialized the President of the United States, the United States Congress, and the FCC to refrain from regulating Internet broadband services as common carrier services under Title II of the Communications Act of 1934. Two House Bills introduced in 2010 would have amended the Consumer Choice for Television Act: House Bill 467 would have required a cable franchise certificate holder to show stated-funded professional sports franchises in order to maintain the certificate. House Bill 461 would have transferred authority to issue certificates from the Secretary of State to the LPSC and granted regulatory authority over cable service, video programming, and video service to the LPSC. Neither bill passed out of committee.

RISK FACTORS AND INVESTMENT CONSIDERATIONS

The Communications System is a comparatively new enterprise of the City, having placed the original fiber optic network into service in 1999, transmitting working traffic in December of 2000 and serving wholesale customers in May of 2002. The first retail communications customer was billed in February 2009. The City started the Communications System after the enactment of the Telecommunications Act, which led to considerable deregulation in a variety of telecommunications services, including local, regional and long-distance telephone service, cable television services and related services, many of which are core to the City's Communications System business plan or potential service additions. Though the City considers the Communications System to be a logical and efficient outgrowth and extension of its Utilities System, the Communications System operates in a much more competitive operating environment than the City has previously experienced with the Utilities System.

Competitive Providers

Certain investor-owned telecommunications companies have provided their services within the City limits and elsewhere for considerably longer than has the City. The two primary competitors to the Communications System are the incumbent telephone and cable companies. Although their operations are offered over a larger footprint and in some ways are more regulated and taxed than those of the City, some of these companies have wider access to capital and lower purchasing cost (through higher volume) than the City, as well as greater provider familiarity with customers than the City (other than its role as an electric, water and wastewater utility operating for over 100 years in the City). Chief among these competitive providers are the cable television company, high speed Internet service providers, and the telephone company. Currently, such providers have a larger market share in the City for digital television and high-speed Internet services than the City does and, to some extent, such service providers have adjusted their local pricing and service offerings to compete with those to be offered by the City, although variations in package pricing and other terms make direct comparisons difficult to quantify.

Competitive Technologies

Currently, television viewers can obtain signals through various alternative technologies, including traditional over-the-air signals, Internet-based television, home satellite reception, and wireless cell telephone reception. In June 2009 almost all over-the-air signals were converted to digital and consumers now need to use a digital converter box to receive over-the-air content. Until that time signals for local TV stations were available in an analog format that could be received directly by most TVs. Over the air transmission of high-definition television (“HDTV”) signals remains the principal alternative to cable HDTV beyond the current capabilities of direct-satellite service, although HDTV reception requires advanced and relatively expensive in-home equipment.

In recent years there has been a shift of large amounts of programming content to the Internet. This trend has been labeled as over-the-top video. Content providers like Hulu, Netflix, YouTube and others now offer a host of free or for-pay video content on the Internet in direct competition with traditional cable providers. Several programmers like Disney and ESPN are now offering content directly to subscribers over the web. In the first quarter of 2011 the entire terrestrial cable industry had its first drop in overall customers, due partially to the trend of younger viewers using over-the-top video and further due to the poor economy.

There are also new wireless technologies competing for broadband customers. The primary new technology is 4G wireless service offered by AT&T Wireless, Verizon Wireless, Sprint and T-Mobile. This technology offers significantly faster Internet speeds for wireless devices, aimed mostly at smart phones and handheld mobile devices like iPods and Blackberries. 4G technology can also be used to provide broadband to fixed computers, but the speeds are not as fast as the speeds on the Communications System’s current network. However, some customers will find the mobility of 4G a better fit for their lifestyle.

There continues to be an erosion of telephone customers due to the availability of alternate technologies that provide voice services. The majority of consumers in the market now own a cell phone. Additionally, voice services are available from voice-over-IP (“VoIP”) providers like Vonage and MagicJack. There is also competition for voice services from computer services like Skype. Despite the competition, the Communications System has been able to sell voice services to over 50% of its customer base and most business customers continue to purchase the traditional voice services that the Communications System provides.

The expected longevity of the Communications System's fiber technology, together with the comparative ease of upgrades and modifications to the Communications System's architecture, have supported the City's status as a strong competitor for other providers and technologies, although no assurances in this regard can be provided to holders of the Series 2015 Bonds or in any future financing which the City may undertake relative to the Communications System.

Programming Costs

Over the last few years, the balance of bargaining power in retransmission-consent negotiations has shifted from cable operators to broadcasters. As a result, the City, like cable operators across the United States, both large and small, has experienced sharply rising costs for broadcast programming. Cable operators have sought assistance from the FCC and Congress, but no significant assistance is likely to be forthcoming in the foreseeable future. The City also acquires programming from satellite and terrestrial video programming distributors. As a result of a settlement of litigation with the NCTC in November 2011, the City was able to join the Cooperative and take advantage of many of its buying discounts. This has substantially lowered the City's costs for such satellite and terrestrially-delivered cable programming.

FRANCHISE AGREEMENT

The Local Government Act provides that the local government shall include franchise fees similar to other private providers in calculating the rates it charges for services provided that are subject to the act. Additionally, the Local Government Act provides that a local government shall apply without discrimination as to itself and to any private provider the local government's ordinances, rules, and policies, including those relating to obligation to serve, access to public rights of way, permitting, performance bonding, reporting, and quality of service. To meet this requirement the Communications System entered into a franchise agreement with the Lafayette City-Parish Consolidated Government that was nearly identical to the franchise agreement that was negotiated with Cox Communications, the other terrestrial cable provider in the City.

LITIGATION

Each year the City is named defendant in various civil actions. Many are disposed of by settlement or by prescription of the action or the judgment. There are no final and unappealable money judgments against the City in an amount in excess of \$1 million which are unsatisfied or outstanding. There are a number of suits pending against the City and/or Lafayette City-Parish Consolidated Government of which the City is a part, but, as a general proposition, Louisiana law neither requires nor allows an amount to be stated in the petition initiating the suit. Many of the judgments previously awarded, and it is anticipated that many that may be awarded in connection with pending actions, will be satisfied by insurance or through the City's self-insurance program. The remaining judgments are not enforceable unless the Council appropriates moneys for such purpose. Article XII, Section 10(c) of the Louisiana Constitution of 1974, provides in part: "...No judgment against...a political subdivision shall be exigible, payable, or paid except from funds appropriated therefor by the legislature or by the political subdivision against which the judgment is rendered." In the case of *Holly & Smith Architects, Inc. v. St. Helena Congregate*, 928 So. 2d 615 (La. App. 1st Cir. 2/10/06), the Louisiana First Circuit Court of Appeals ruled that judgments against political subdivisions may become a judicial mortgage on immovable property of such governments that may follow the property if transferred to another person. The case was appealed to the Louisiana Supreme Court and the judgment was affirmed as to result only. The Supreme Court opinion said that, "From the plain language of the constitutional and statutory provisions, there are no prohibitions against recording in the mortgage records those judgments rendered against political subdivisions; however,

the constitutional and statutory provisions are very clear with respect to the method by which judgments against the State and/or its political subdivisions are paid.”

LEGAL MATTERS

The Series 2015 Bonds will be issued subject to the approval of legality by Foley & Judell, L.L.P., New Orleans, Louisiana, Bond Counsel. See Appendix “G” herein for the form of the opinion of Bond Counsel. The opinion of Bond Counsel is limited to the matters set forth therein, and Bond Counsel is not passing upon the accuracy or completeness of this Official Statement. Bond Counsel’s opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, 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 Bond Counsel’s professional judgment based on a review of existing law and in reliance on the representations and covenants that it deems relevant to such opinions. Certain legal matters will be passed upon by Nixon Peabody LLP, New York, New York, counsel to the Underwriters.

For additional information regarding the opinion of Bond Counsel, see “TAX MATTERS” herein. The compensation of Bond Counsel is contingent upon the sale and delivery of the Series 2015 Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of (a) the mathematical computations of the adequacy of the Defeasance Securities and any moneys to be on deposit in the Escrow Fund to provide for the payment when due of the interest on and the redemption price of the Refunded Bonds and (b) the mathematical computations supporting the conclusion that the Series 2015 Bonds are not “arbitrage bonds” under the Code will be verified by The Arbitrage Group, Inc. Such verifications will be based upon certain public information supplied to The Arbitrage Group, Inc. by or on behalf of the Issuer.

UNDERWRITING

Raymond James & Associates, Inc. and Stifel, Nicolaus & Company Incorporated (collectively, the “Underwriters”) have agreed to purchase the Series 2015 Bonds, subject to certain conditions, at a purchase price of \$102,966,558.50, representing the principal amount of the Series 2015 Bonds, plus a net original issue premium of \$12,099,358.50, minus Underwriters’ discount of \$732,800.00, and to reoffer the Series 2015 Bonds at the public offering price or prices or yields set forth on the inside cover page hereof. The Series 2015 Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment trusts) at prices lower or yields higher than such public offering prices or yields and such public offering prices or yields may be changed, from time to time, by the Underwriters. The Underwriters’ obligation to purchase the Series 2015 Bonds is subject to certain conditions precedent and they will be obligated to purchase all of the Series 2015 Bonds if any Series 2015 Bonds are purchased.

TAX MATTERS

Treasury Circular 230 Disclosure

To ensure compliance with Treasury Circular 230, taxpayers are hereby notified that: (a) any discussion of U.S. federal tax issues in this Official Statement is not intended or written to be relied upon, and cannot be relied upon, by taxpayers for the purpose of avoiding penalties that may be imposed on taxpayers pursuant to the Internal Revenue Code of 1986, as amended (the “Code”); (b) such discussion is written in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) taxpayers should seek advice based on their particular circumstances with an independent tax advisor. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the “Service”) with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

Interest on Bonds

The delivery of the Series 2015 Bonds is subject to the opinion of Foley & Judell, L.L.P., New Orleans, Louisiana, Bond Counsel, to the effect that interest on the Series 2015 Bonds is excluded from gross income for federal income tax purposes under existing law. See Appendix “G.”

Louisiana Taxes

The opinion of Bond Counsel will state that under the provisions of Chapter 14-A of Title 39 of the Louisiana Revised Statutes of 1950, as amended, interest on the Series 2015 Bonds and the income therefrom are exempt from all taxation by the State or any political subdivision thereof. Each prospective purchaser of the Series 2015 Bonds should consult his or her own tax advisor as to the status of interest on the Series 2015 Bonds under the tax laws of any state other than Louisiana.

Alternative Minimum Tax Consideration

Except as hereinafter described, interest on the Series 2015 Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Code imposes a 20% alternative minimum tax on the “alternative minimum taxable income” of a corporation, if the amount of such alternative minimum tax is greater than the amount of the corporation’s regular income tax. Generally, a corporation’s “alternative minimum taxable income” includes 75% of the amount by which a corporation’s “adjusted current earnings” exceeds a corporation’s alternative minimum taxable income. Interest on the Series 2015 Bonds will be included in a corporation’s “adjusted current earnings.”

Bonds Not Qualified Tax-Exempt Obligations (Non-Bank Deductibility)

The Tax Reform Act of 1986 revised Section 265 of the Code so as to generally deny financial institutions 100% of the interest deductions that are allocable to tax-exempt obligations acquired after August 7, 1986. However, an exception is permitted under the Tax Reform Act of 1986 for certain qualified tax-exempt obligations which allows financial institutions to continue to treat the interest on such obligations as being subject to the 20% disallowance provision under prior law if the issuer, together with certain subordinate entities, reasonably expects that it will not issue more than \$10,000,000 of governmental purpose bonds in a calendar year and designates such bonds as “qualified tax-exempt obligations” pursuant to the provisions of Section 265(b)(3)(B) of the Code.

The Series 2015 Bonds are **not** designated as “qualified tax-exempt obligations” pursuant to Section 265(b)(3)(B) of the Code.

Special Considerations with Respect to Series 2015 Bonds

The Code imposes a number of requirements that must be satisfied for interest on state and local obligations to be excluded from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of certain bond proceeds be paid periodically to the United States, except under certain circumstances, and a requirement that information reports be filed with the Internal Revenue Service.

The opinions of Bond Counsel will assume continuing compliance with the covenants in the Ordinance pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Series 2015 Bonds for federal income tax purposes and, in addition, will rely on representations by the City with respect to matters solely within the knowledge of the City, which Bond Counsel has not independently verified. If the City should fail to comply with the covenants in the Ordinance or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Series 2015 Bonds could become included in gross income from the date of original delivery of the Series 2015 Bonds, regardless of the date on which the event causing such inclusion occurs.

Owners of the Series 2015 Bonds should be aware that (i) the ownership of tax-exempt obligations, such as the Series 2015 Bonds, may result in collateral federal income tax consequences to certain taxpayers and (ii) certain other federal, state and/or local tax consequences may also arise from the ownership and disposition of the Series 2015 Bonds or the receipt of interest on the Series 2015 Bonds. Furthermore, future laws and/or regulations enacted by federal, state or local authorities may affect certain owners of the Series 2015 Bonds. All prospective purchasers of the Series 2015 Bonds should consult their legal and tax advisors regarding the applicability of such laws and regulations and the effect that the purchase and ownership of the Series 2015 Bonds may have on their particular financial situation. Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on or acquisition, ownership or disposition of the Series 2015 Bonds.

Tax Treatment of Original Issue Premium. The Series 2015 Bonds maturing November 1, 2016 to November 1, 2027, inclusive, the Series 2015 Bonds maturing November 1, 2028 and bearing interest at a rate of 5.00% per annum, the Series 2015 Bonds maturing November 1, 2029 to November 1, 2030, inclusive, and the Series 2015 Bonds maturing November 1, 2031 and bearing interest at a rate of 5.00% per annum (collectively, the “Premium Bonds”), are being offered and sold to the public at a price in excess of their stated principal amounts.

Such excess is characterized as a “bond premium” and must be amortized by an investor purchasing a Premium Bond on a constant yield basis over the remaining term of the Premium Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium related to a tax-exempt bond for federal income tax purposes. However, as bond premium is amortized, it reduces the investor’s basis in the Premium Bond. Investors who purchase a Premium Bond should consult their own tax advisors regarding the amortization of bond premium and its effect on the Premium Bond’s basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Premium Bond.

Original Issue Discount. The Series 2015 Bonds maturing November 1, 2028 and bearing interest at a rate of 3.50% per annum, and the Series 2015 Bonds maturing November 1, 2031 and bearing interest at a rate of 3.75% per annum (collectively, the "OID Bonds"), are sold to their original owners at a discount. The difference between the initial public offering prices and their stated amounts constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes and which is exempt from all present State taxation subject to the caveats and provisions described herein.

Owners of OID Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of original issue discount accrued with respect to such OID Bonds as of any date, including the date of disposition of an OID Bond and with respect to the state and local consequences of owning an OID Bond.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the market value of the Series 2015 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2015 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2015 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2015 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation.

BOND RATINGS

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), and Moody's Investors Service, Inc. ("Moody's") are expected to assign their ratings of "AA" (stable outlook) and "A2" (stable outlook), respectively, to the Series 2015 Bonds, each with the understanding that the financial guaranty insurance policy of Assured will be issued upon delivery of the Series 2015 Bonds. See "BOND INSURANCE." Moody's assigned an initial underlying rating of "A3" (stable outlook) to the Series 2015 Bonds. S&P assigned an initial underlying rating of "A+" (stable outlook) to the Series 2015 Bonds. Such ratings reflect only the view of S&P and Moody's and an explanation of the significance of such ratings may be obtained from S&P at 55 Water Street, New York, New York 10041, telephone (212-438-2000), and from Moody's, 7 World Trade Center, 250 Greenwich Street, 23rd floor, New York, New York 10007, telephone (212-553-0300). S&P and Moody's are independent of any investment banking firm, bank or similar institution.

The Issuer has furnished to each rating agency rating the bonds being offered information, including information not included in this Official Statement, about the Issuer and the Series 2015 Bonds. Generally, a rating agency bases its rating on the information and materials furnished by the issuer and others, and on investigations, studies and assumptions made by such rating agency. A rating may be changed, suspended, or withdrawn as a result of changes, in or unavailability of, information. There is no assurance that a rating will not be changed or withdrawn entirely, if in the judgment of the rating agency issuing the rating, circumstances so warrant. Any such downward changes or withdrawals of the ratings could have an adverse effect on the market price for the Series 2015 Bonds.

CONTINUING DISCLOSURE

The Issuer will covenant in a Continuing Disclosure Certificate for the benefit of Bondowners to provide certain financial information and operating data relating to the Issuer (the “Annual Report”) by not later than May 1 in each year commencing May 1, 2016 and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the Issuer with Electronic Municipal Market Access System (“EMMA”) of the Municipal Securities Rulemaking Board (the “MSRB”). Any notices of material events will be filed by the Issuer with the MSRB through EMMA. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth herein in Appendix “E.” These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5).

A failure by the Issuer to comply with the Continuing Disclosure Certificate will not constitute an Event of Default under the Ordinance (although Bondholders will have any available remedy at law or in equity). Nevertheless, any such a failure must be reported in accordance with Rule 15c2-12 and must be considered by a broker-dealer or municipal securities dealer before recommending the purchase or sale of the Series 2015 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2015 Bonds and their market price.

The Issuer’s Dissemination Agent for the above information is its Chief Administrative Officer, Lafayette City-Parish Consolidated Government, 705 West University Avenue, Lafayette, Louisiana 70502, telephone 337-291-8311.

Except as provided below, the Issuer has filed all continuing disclosure reports currently required by its prior undertakings under the Rule; however, due to differing compliance dates contained within the continuing disclosure certificates, not all reports were timely filed. Additionally, the Issuer has failed to timely file notice of certain events as required by its prior undertakings. While the Issuer has not made any determination as to materiality, the following summarizes the results of the Issuer’s last five years of filings.

The Issuer's undertakings in connection with its Communications System Revenue Bonds, Series 2007, Series 2012A and Series 2012B had a compliance date of May 1. The Annual Report required to be filed on May 1, 2010 was filed on June 1, 2010 due to a change of the accounting firm responsible for preparing the financial statement. For Fiscal Year 2012, the Issuer satisfied the reporting requirements for the Audited Financial Statements and the Annual Report timely on May 1, 2013; the Issuer satisfied the reporting requirements for the Engineering Report timely on May 1, 2013, however, said report was not properly associated with the City's Communication Revenue Bonds. The Engineering Report for Fiscal Year 2012 was re-filed with the MSRB for convenience on August 28, 2014.

The Issuer's undertakings in connection with its Public Improvement Sales Tax Bonds, Series 2003A, Series 2003B, Series 2003C, Series 2003D, Series 2005B and Series 2005C, and its Public Improvement Sales Tax Refunding Bonds, Series 2003, Series 2004A, Series 2004 and Series 2005 had a continuing disclosure compliance date of April 1. For Fiscal Year 2009, the Issuer satisfied the reporting requirement for the Audited Financial Statements late on April 8, 2011. The Issuer satisfied the reporting requirement for the sales tax collections late on July 31, 2014. For Fiscal Year 2010, the Issuer satisfied the reporting requirement for the Audited Financial Statements late on April 29, 2011, but did not properly associate said document with the City's public improvement bonds. The Audited Financial Statements for Fiscal Year 2010 were re-filed with the MSRB on July 30, 2014 for convenience. The Issuer satisfied the reporting requirement for the sales tax collections late

on July 31, 2014. For Fiscal Year 2011, the Issuer satisfied the reporting requirements for the Audited Financial Statements and the sales tax collections late on April 27, 2012. For Fiscal Year 2012, the Issuer satisfied the reporting requirements for the Audited Financial Statements and the sales tax collections late on April 30, 2013. For Fiscal Year 2013, the Issuer satisfied the reporting requirements for the Comprehensive Annual Financial Report and the sales tax collections late on April 30, 2014. For each of the foregoing years, the Issuer satisfied the reporting requirements for the top sales tax dealers on August 19, 2014 and August 20, 2014. In connection with its Public Improvement Sales Tax Bonds, Series 2005C, on April 24, 2015, the Issuer filed a notice indicating that it had failed to file its audited financial statements for the fiscal year 2014 on or before the continuing disclosure compliance deadline of April 1, 2015 because such audited financial statements were not available.

The Issuer's undertakings in connection with its Taxable Refunding Bonds, Series 2002 had a compliance date of April 1. For Fiscal Year 2009, the Issuer satisfied the reporting requirement for the Audited Financial Statements late on August 29, 2014. The Issuer satisfied the reporting requirement for the sales tax collections late on July 31, 2014. For Fiscal Year 2010, the Issuer satisfied the reporting requirement for the Audited Financial Statements and the sales tax collections late on July 30, 2014 and July 31, 2014, respectively. For Fiscal Year 2011, the Issuer satisfied the reporting requirement for the Audited Financial Statements and the sales tax collections late on August 29, 2014. For Fiscal Year 2012, the Issuer satisfied the reporting requirement for the Audited Financial Statements and the sales tax collections late on August 29, 2014.

The Issuer's undertakings in connection with its Public Improvement Sales Tax Bonds, Series 2001A, Series 2001B, Series 2006A, Series 2007A and Series 2007B, and its Public Improvement Sales Tax Refunding Bonds, Series 2005A, Series 2006B and Series 2006C, Taxable Public Improvement Sales Tax Build America Bonds, Series 2009A and Series 2009B, and Taxable Public Improvement Sales Tax Recovery Zone Economic Development Bonds, Series 2009A, had a continuing disclosure compliance date of May 1. For Fiscal Year 2009, the Issuer satisfied the reporting requirement for the Audited Financial Statements timely on April 8, 2011; the Issuer satisfied the reporting requirement for the sales tax collections late on July 31, 2014. For Fiscal Year 2010, the Issuer satisfied the reporting requirement for the Audited Financial Statements timely on April 29, 2011, but did not properly associate said document with the City's public improvement bonds. The Audited Financial Statements for Fiscal Year 2010 were re-filed with the MSRB on July 30, 2014 for convenience. The Issuer satisfied the reporting requirement for the sales tax collections late on July 31, 2014. For Fiscal Year 2011, the Issuer satisfied the reporting requirements for the Audited Financial Statements and the sales tax collections timely on April 27, 2012. For Fiscal Year 2012, the Issuer satisfied the reporting requirements for the Audited Financial Statements and the sales tax collections timely on April 30, 2013. For Fiscal Year 2013, the Issuer satisfied the reporting requirements for the Comprehensive Annual Financial Report and the sales tax collections timely on April 30, 2014. For each of the foregoing years, the Issuer satisfied the reporting requirements for the top sales tax dealers on August 19, 2014 and August 20, 2014.

The Issuer's undertakings in connection with its Public Improvement Sales Tax Bonds, Series 2011, Series 2011A, Series 2011C and Series 2013, and Public Improvement Sales Tax Refunding Bonds, Series 2011B, Series 2011D, Series 2012A, and Series 2012B had a compliance date of June 30. For Fiscal Year 2011, the Issuer satisfied the reporting requirement for the sales tax dealers late on August 20, 2014. For Fiscal Year 2012 the Issuer satisfied the reporting requirement for the sales tax dealers late on August 20, 2014. For Fiscal Year 2013 the Issuer satisfied the reporting requirement for the sales tax dealers late on August 20, 2014.

The Issuer has established procedures to ensure compliance with and proper filing of the reports and notices required by its prior undertakings and the Continuing Disclosure Certificate in the future. Such procedures include, but are not limited to, (i) designating the Issuer's Chief Financial Officer with the duty of ensuring proper filings, (ii) educating the Lafayette City-Parish Consolidated Government on an ongoing basis regarding the importance of the proper content and filing of the reports and notices required by the Continuing Disclosure Certificate and its prior undertakings, and (iii) periodically checking MSRB/EMMA to ensure such reports and notices have been properly filed and indexed. In addition, the Issuer has enrolled in the MSRB/EMMA reminder service, which will help ensure the proper officials of the Issuer are advised of upcoming filing deadlines. Furthermore, the Louisiana Legislature enacted Act 463 of the 2014 Regular Session of the Louisiana Legislature ("Act 463"), effective August 1, 2014, which provides additional procedures designed to ensure compliance with the Continuing Disclosure Certificate by (i) requiring public entities, such as the Issuer, to keep certain records demonstrating compliance with the Continuing Disclosure Certificate, and (ii) mandating that the Issuer's auditor, as part of the preparation of the Issuer's annual financial audit, review the Issuer's compliance with its continuing disclosure undertakings and record keeping requirements.

ADDITIONAL INFORMATION

Included in Appendix "B" of this Official Statement is certain financial and statistical data pertaining to the Issuer and the Parish, its economy, and its finances. The Lafayette City-Parish Consolidated Government Comprehensive Annual Financial Report for the Fiscal Year Ended October 31, 2014 has been filed with EMMA and is included by specific cross-reference in this Official Statement as Appendix "F". It can be found and accessed at <http://emma.msrb.org/>. For convenience, a copy of such document can also be found on the Issuer's website (<http://lafayettela.gov/Finance/SiteAssets/Files/Accounting/LCG2014CAFR.pdf>). No statement on the Issuer's website is included by specific cross-reference herein.

For any additional information concerning the Issuer, please address Ms. Lorrie R. Toups, Chief Financial Officer, Lafayette City-Parish Government, P.O. Box 4017-C, Lafayette, Louisiana 70502 (337-291-8202). For additional information concerning the Series 2015 Bonds now offered for sale, please address Foley & Judell, L.L.P., Suite 2600, One Canal Place, 365 Canal Street, New Orleans, Louisiana 70130-1138 (telephone 504-568-1249).

MISCELLANEOUS

This Official Statement has been prepared in connection with the initial offering and sale of the Series 2015 Bonds to the Underwriters on the date hereof and is not intended for use in connection with any subsequent sale, reoffering or remarketing of the Series 2015 Bonds. Subsequent purchasers must therefore rely on their own examination of the offering, including the merits and the risks involved.

Potential purchasers of the Series 2015 Bonds should consult their own tax advisors as to the consequences of investing in the Series 2015 Bonds. Also see "TAX EXEMPTION" herein.

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The Issuer has authorized and directed the use of this Official Statement, including the Appendices hereto, by the Underwriters in connection with the public offering of the Series 2015 Bonds.

**CITY OF LAFAYETTE,
STATE OF LOUISIANA**

/s/ L.J. Durel, Jr.
L.J. Durel, Jr.
City-Parish President

/s/ Kenneth P. Boudreaux
Kenneth P. Boudreaux
Council Chair

/s/ Donald L. Bertrand
Donald L. Bertrand
LPUA Chair

/s/ Veronica L. Williams
Veronica L. Williams
Clerk of the Council

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APPENDIX A

THE GENERAL BOND ORDINANCE

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ORDINANCE NO. O-053-2006

**A SUPPLEMENTAL ORDINANCE TO AMEND AND RESTATE
ORDINANCE NO. O-230-2005 BY THE LAFAYETTE CITY-PARISH
COUNCIL AND THE LAFAYETTE PUBLIC UTILITIES
AUTHORITY AUTHORIZING THE INCURRING OF DEBT AND
ISSUANCE OF NOT EXCEEDING ONE HUNDRED TWENTY-FIVE
MILLION DOLLARS (\$125,000,000) OF COMMUNICATIONS
SYSTEM REVENUE BONDS, SERIES 2006, OF THE CITY OF
LAFAYETTE, STATE OF LOUISIANA; PRESCRIBING THE FORM,
PROVIDING FOR THE RIGHTS OF THE HOLDERS THEREOF;
PROVIDING FOR THE PAYMENT OF SAID BONDS AND THE
APPLICATION OF THE PROCEEDS THEREOF; AND PROVIDING
FOR OTHER MATTERS IN CONNECTION THEREWITH**

WHEREAS, on September 6, 2005, the Lafayette City-Parish Council and the Lafayette Public Utilities Authority adopted Ordinance No. O-230-2005; and

WHEREAS, the Lafayette City-Parish Council and the Lafayette Public Utilities Authority deem it necessary to amend the provisions of Ordinance No. O-230-2005 so as to comply with the decision in the case of *BellSouth Telecommunications Inc. v. The City of Lafayette, et al*; and

WHEREAS, in accordance with the provisions of Section 12.1 of Ordinance No. O-230-2005, the Lafayette City-Parish Council and the Lafayette Public Utilities Authority may enter into ordinances which are supplemental to Ordinance No. O-230-2005, which supplemental ordinances shall thereafter form a part of Ordinance No. O-230-2005.

NOW, THEREFORE, BE IT ORDAINED by the Lafayette City-Parish Council and the Lafayette Public Utilities Authority that Ordinance No. O-230-2005 be, and it is hereby supplemented, amended, and restated in its entirety to read as follows:

ORDINANCE NO. O-230-2005

**AN ORDINANCE OF THE LAFAYETTE CITY-PARISH COUNCIL
AND THE LAFAYETTE PUBLIC UTILITIES AUTHORITY
AUTHORIZING THE INCURRING OF DEBT AND ISSUANCE OF
NOT EXCEEDING ONE HUNDRED TWENTY-FIVE MILLION
DOLLARS (\$125,000,000) OF COMMUNICATIONS SYSTEM
REVENUE BONDS, SERIES 2006, OF THE CITY OF LAFAYETTE,
STATE OF LOUISIANA; PRESCRIBING THE FORM, PROVIDING
FOR THE RIGHTS OF THE HOLDERS THEREOF; PROVIDING
FOR THE PAYMENT OF SAID BONDS AND THE APPLICATION OF
THE PROCEEDS THEREOF; AND PROVIDING FOR OTHER
MATTERS IN CONNECTION THEREWITH.**

WHEREAS, the City of Lafayette, State of Louisiana (the "Issuer" or "City") has organized a Division of Communications Services as a part of its Utilities Department; and

WHEREAS, the Issuer now owns and operates a utilities system as a single revenue producing public utility, consisting of the waterworks plant and system, electric power and light plant and system and sewer system, as said plants and systems now exist and as they may be improved, extended or supplemented, and any other utility-related services or functions, as the City shall determine by subsequent ordinance (the "Utilities System"); and

WHEREAS, the Division of Communications Services intends to provide a local communications network that will offer telephone, cable TV, high-speed Internet access, and other communications and information services and any future services, improvements and additions thereto (the "Communications System"); and

WHEREAS, in accordance with Title 45, Section 844.51(A)(1) of the Louisiana Revised Statutes of 1950, as amended, the Issuer shall establish a single enterprise fund entitled the "Communications Services Enterprise Fund" to account for the City's operation of the Communications System; and

WHEREAS, the City proposes to construct, acquire, develop, extend and improve the Communications System and/or Utilities System and finance all or a part of the costs of the

additions and improvements to the Communications System and/or Utilities System, including acquiring the necessary furniture, fixtures and equipment in connection therewith, funding the Reserve Account, and providing working capital through the sale and issuance of not exceeding One Hundred Twenty-Five Million Dollars (\$125,000,000) of Communications System Revenue Bonds, Series 2006 of the City (the "Bonds"); and

WHEREAS, the State Bond Commission on May 19, 2005 approved the issuance, sale and delivery of the Bonds, provided such issuance, sale and delivery was authorized by the registered voters of the City at a special election held on July 16, 2005; and

WHEREAS, the registered voters of the City authorized the issuance, sale and delivery of the Bonds at a special election held in the City on July 16, 2005 by approving the following proposition (the "Proposition"):

"SUMMARY: AUTHORITY FOR THE CITY OF LAFAYETTE TO ISSUE NOT EXCEEDING \$125,000,000 OF 25-YEAR REVENUE BONDS FOR THE PURPOSE OF CONSTRUCTING, ACQUIRING, DEVELOPING, EXTENDING AND IMPROVING A LOCAL COMMUNICATIONS NETWORK THAT WILL OFFER TELEPHONE, CABLE TV, HIGH-SPEED FIBER TO THE HOME (FTTH) INTERNET AND OTHER RELATED SERVICES (THE "COMMUNICATIONS SYSTEM") AND, SHOULD THE CITY DETERMINE THAT ANY BOND PROCEEDS ARE UNNECESSARY FOR COMMUNICATIONS SYSTEM PURPOSES, FOR REPURCHASING OR PAYING ANY SUCH BONDS AND FOR CONSTRUCTING, ACQUIRING AND IMPROVING THE CITY'S COMBINED WATERWORKS, ELECTRIC AND SEWER SYSTEMS (THE "UTILITIES SYSTEM"), INCLUDING ACQUIRING THE NECESSARY FURNITURE, FIXTURES AND EQUIPMENT IN CONNECTION WITH ALL THE ABOVE DESCRIBED ADDITIONS AND IMPROVEMENTS, PAYING THE COSTS OF ISSUANCE, FUNDING A RESERVE FOR THE BONDS, AND PROVIDING WORKING CAPITAL, SAID BONDS TO BE PAYABLE FIRST, FROM THE NET INCOME AND REVENUES OF THE COMMUNICATIONS SYSTEM AND SECOND, TO THE AMOUNT NECESSARY, FROM A SECONDARY OR SUBORDINATE PLEDGE OF THE REVENUES OF THE UTILITIES SYSTEM.

Shall the City of Lafayette, State of Louisiana (the "City"), issue its communications system revenue bonds in an amount not exceeding One Hundred Twenty-Five Million Dollars (\$125,000,000) to run not more than twenty-five (25) years from date of issuance to be sold at par, premium or discount with interest at a rate or rates not exceeding nine per centum (9%) per annum, for the purpose of constructing, acquiring, developing, extending and improving a local communications network that will offer telephone, cable TV, high-speed fiber to the home (FTTH) Internet service and other related services, (the "Communications System") and, should the City determine that any bond proceeds are unnecessary for Communications System purposes, for repurchasing or paying any such bonds and for constructing, acquiring and improving the combined waterworks plant and system, electric power and light plant and system and sewer systems of the City (the "Utilities System"), including acquiring the necessary furniture, fixtures and equipment in connection with all the above described additions and improvements, as established and set forth in the City's then current capital budget adopted after budget hearings held in the manner contemplated by the Home Rule Charter, paying the costs of issuance, funding a reserve for the bonds, and providing working capital, said bonds to be payable from the net income and revenues of the Communications System and to the amount necessary, from a secondary or subordinate pledge of the revenues of the Utilities System?"; and

WHEREAS, in accordance with Article VI, Section 35(A) of the Louisiana Constitution of 1974 and Title 13, Section 5121, *et seq.* of the Louisiana Revised Statutes of 1950, as amended, more than sixty (60) days has expired since promulgation of the result of the election, and no one shall have any cause or right of action to contest the regularity, formality, or legality of the election or bond authorization for any cause whatsoever, and the authority to incur or assume debt, or issue the bonds, the legality thereof, and the revenues necessary to pay the same shall be conclusively presumed to be valid, and no court has the authority to inquire into such matters; and

WHEREAS, the Issuer desires to issue Bonds in accordance with the authority granted by the Proposition; and

WHEREAS, the Issuer has outstanding the following described revenue bonds which are payable from a pledge and dedication of the income and revenues of the Utilities System, viz:

Issue	Maturing Date of Issue	Authorized by Principal Outstanding	Nov. 1, 2005 to Nov. 1:	Ordinance Adopted on
Utilities Revenue Bonds, Series 1996	August 22, 1996	\$12,670,000	2017	May 28, 1996
Utilities Revenue Bonds, Series 2004	August 10, 2004	\$183,990,000	2028	June 29, 2004

WHEREAS, the Lafayette City-Parish Council and the Lafayette Public Utilities Authority (the “Governing Authority”) hereby determines that the pledge of all the Net Revenues, (as defined herein), from the Communications System and the pledge of the Residual Revenues, (as defined herein) under certain circumstances in the manner set forth herein, is necessary to obtain the best available interest rates, terms and conditions for the Bonds, as provided in Title 45, Section 844.52C(3) of the Louisiana Revised Statutes of 1950, as amended; and

WHEREAS, as provided in the Proposition, the Bonds will be payable first, from the net income and revenues of the Communications System and second, to the amount necessary, from a secondary or subordinate pledge of the revenues of the Utilities System. The Bonds constitute Subordinated Indebtedness of the Utilities System, as defined and provided for in the Utilities Bond Ordinance (as defined herein); and

WHEREAS, the Issuer wishes to provide for the issuance of the Bonds.

NOW, THEREFORE, BE IT ORDAINED by the Lafayette City-Parish Council, acting as the governing authority of the City of Lafayette, State of Louisiana, and the Lafayette Public Utilities Authority, acting as the governing authority of the Utilities Department, that:

ARTICLE I

DEFINITIONS AND INTERPRETATION

SECTION 1.1. Definitions. The following terms shall have the following meanings unless the context otherwise requires:

“Accreted Values” means, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (the principal amount at its initial offering) plus the interest accrued on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Compounding Date next preceding the date of computation or the date of computation if a Compounding Date, such interest to accrue at a rate not exceeding the maximum rate permitted by law, compounded periodically, plus, with respect to matters related to the payment upon redemption of the Capital Appreciation Bonds, if such date of computation shall not be a Compounding Date, a portion of the difference between the Accreted Value as of the immediately preceding Compounding Date and the Accreted Value as of the immediately succeeding Compounding Date, calculated based on the assumption that Accreted Value accrues during any period in equal daily amounts on the basis of a year of twelve 30-day months.

“Act” means Sub-Part C, Part I, Chapter 10, Title 33 (R.S. 33:4251 *et seq.*) of the Louisiana Revised Statutes of 1950, as amended, and other statutory and constitutional provisions supplemental thereto.

“Adjusted Revenues” shall mean Revenues less cost of goods sold, as determined under GAAP.

“Agent” means a financial institution performing those duties described in Section 11.5.

“Annual Budget” means the annual operating and capital budget of the Communications System, as amended and supplemented from time to time, prepared by the Issuer for each Fiscal Year.

“Applicable Law” means applicable provisions of Louisiana law, including particularly (but not limited to) (a) the Communications Act, (b) the Rules adopted and in force under the

Communications Act, and (c) other statutory and constitutional provisions applicable to the Issuer, the Communications Division and the Utilities Department.

“Authorized Depository” means any bank, trust company, national banking association, savings and loan association, savings bank or other banking association selected by the Issuer as a depository hereunder.

“Bank” means the bank or banks selected by the Issuer which may be the regularly designated fiscal agent bank or banks of the Issuer.

“BMA Municipal Index” means The Bond Market Association Municipal Swap Index as of the most recent date for which such index was published, or such other weekly, high-grade index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or as otherwise designated by The Bond Market Association or any successor thereto; provided, however, that, if such index is no longer produced by Municipal Market Data, Inc. or its successor, then “BMA Municipal Index” shall mean such other reasonably comparable index selected by the Issuer.

“Bond Counsel” means counsel 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 selected by the Issuer.

“Bond” or “Bonds” means any or all of the not exceeding One Hundred Twenty-Five Million Dollars (\$125,000,000) of Communications System Revenue Bonds, Series 2006 of the Issuer issued pursuant to the Ordinance, as the Ordinance may be amended from time to time.

“Bondholders,” “Registered Owner,” “Holder,” and “Owner” means the registered owners (or their authorized representatives) of the Bonds issued in registered form and the holders of Bonds issued in bearer form.

“Bond Obligation” means, as of the date of computation, the sum of: (i) the principal amount of all Current Interest Bonds then Outstanding and (ii) the Accreted Value on all Capital Appreciation Bonds then Outstanding.

“Bond Service Requirement” means for a given Debt Service Account Year, the remainder after subtracting any accrued interest paid by the purchasers of the Bonds, and capitalized interest for the Bond Year ending the immediately following November 1 that has been deposited into the Debt Service Account for that purpose, from the sum of the principal of and interest and premium, if any, and any owed administrative fee, or other payments on the Obligations coming due in such Bond Year.

For purposes of determining the Bond Service Requirement, unless the interest rate is fixed for the duration of the applicable Bond Year, in which case the actual interest rate shall be used, the interest rate on Variable Rate Obligations that are Outstanding at the time of such determination, shall be assumed to be one hundred ten percent (110%) of the average interest rate on such Variable Rate Obligations during the twelve months ending with the month preceding the date of calculation (or such shorter period of time as such Variable Rate Obligations shall have been Outstanding). If such Variable Rate Obligations are not Outstanding on the date of such calculation, the interest rate used to calculate the Bond Service Requirement, if the Obligations are Tax-Exempt Obligations, shall be one hundred ten percent (110%) of the BMA Municipal Index on the date of calculation, and if the Bonds are Taxable Obligations shall be the interest rate on U.S. Treasury Obligations with comparable maturities, plus fifty (50) basis points, on the date of calculation.

If a series of Variable Rate Obligations are subject to purchase by the Issuer 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.

For all purposes of this Ordinance, if the Issuer has entered into a Qualified Swap with respect to all or a portion of the Bonds, interest on such Bonds shall be calculated at (i) the fixed rate or rates of the Qualified Swap if the Issuer has entered into what is generally referred to as a “floating-to-fixed” Qualified Swap (where the Issuer receives a floating rate and pays a fixed rate) or (ii) as provided in the second paragraph of this definition of “Bond Service Requirement”, if the Issuer has entered into either what is generally referred to as a “fixed-to-floating” Qualified Swap (where the Issuer receives a fixed rate and pays a variable rate) or a “floating-to-floating” Qualified Swap (where the Issuer receives a variable rate and pays a different variable rate).

For purposes of calculating the Bond Service Requirement with respect to Designated Maturity Obligations, the unamortized principal coming due on the final maturity date thereof that the Issuer reasonably anticipates refinancing, as reflected in the Annual Budget, shall not be included and in lieu thereof, there shall be included in the Bond Service Requirement for the Bond Year in which such final maturity occurs only the principal amount thereof the Issuer reasonably anticipates to become due in such Bond Year, taking into account any such anticipated refinancing of such Designated Maturity Obligations.

For purposes of calculating the Bond Service Requirement with respect to Commercial Paper Obligations, only the interest obligations with respect to such Commercial Paper Obligations and the principal amount of the Commercial Paper Obligations the Issuer reasonably expects to retire and not to pay with the proceeds of roll-over Commercial Paper Obligations in such Bond Year (as reflected in the Annual Budget) shall be included in the calculation of the Bond Service Requirement. The interest rate on the Commercial Paper Obligations shall be assumed for purposes of calculating the Bond Service Requirement, to be equal to the greater of (i) one hundred ten percent (110%) of the Bond Market Association Municipal Swap Index (or if such index is no longer available, such other reasonably comparable index as the Issuer shall designate) or (ii) the actual rate on such Commercial Paper Obligations.

“Bond Year” means the annual period beginning on the second day of November of each year and ending on the first day of November of the following calendar year.

“Business Day” means, except as otherwise provided in a Supplemental Ordinance, a day of the year other than a day on which banks located in New York, New York and the cities in which the principal offices of the Paying Agent are located are required or authorized to remain closed and on which the New York Stock Exchange is closed.

“Capital Additions Account” means the account by that name established in Section 6.1(e) hereof.

“Capital Appreciation Bonds” means Obligations that bear interest which is payable only at maturity or upon redemption prior to maturity in amounts determined by reference to the Accreted Values.

“Capital Costs” means the costs of (i) physical construction of or acquisition of real or personal property or interests therein for any Project, together with incidental costs (including legal, administrative, engineering, consulting and technical services, insurance and financing costs), working capital and reserves deemed necessary or desirable by the Issuer (including but not limited to costs of supplies, fuel, fuel assemblies and components or interests therein), and other costs properly attributable thereto; (ii) all capital improvements or additions, including but not limited to, renewals or replacements of or repairs, additions, improvements, modifications or betterments to or for any Project; (iii) the acquisition of any other real property, capital improvements or additions, or interests therein, deemed necessary or desirable by the Issuer for the conduct of its business; (iv) any other purpose for which bonds, notes or other obligations of the Issuer may be issued (whether or not also classifiable as a Cost of Operation and Maintenance); and (v) the payment of principal, interest, and redemption, tender or Purchase Price of any (a) Obligations issued by the Issuer for the payment of any of the costs specified above, (b) Obligations issued to refund such Obligations, or (c) Obligations issued to pay capitalized interest.

“Charter” means the Home Rule Charter of the Lafayette City-Parish Consolidated Government.

“Chief Financial Officer” means the Chief Financial Officer of the Issuer or the successor in function as chief financial officer of the Issuer.

“Chief Operating Officer” means the Director of Utilities or his successor in function as chief operating officer of the Utilities System.

“Clerk” means the Lafayette City-Parish Council Clerk.

“Code” means the Internal Revenue Code of 1986, as amended, or any successor Federal Internal Revenue Code.

“Commercial Paper Obligations” means all of the Obligations or a particular maturity thereof with a maturity of less than two hundred seventy-one (271) days so designated by the Issuer by Supplemental Ordinance prior to issuance thereof.

“Communications Act” means Chapter 8-K of Title 45 of the Louisiana Revised Statutes of 1950, comprised of R.S. 45:844.40 through 844.56, otherwise named the “Local Government Fair Competition Act”.

“Communications Division” means the Division of Communications Services within the Utilities Department that deals solely with the Communications System.

“Communications System” means a local communications network that will offer telephone, cable TV, high-speed Internet access, and other communications and information services and any future services, improvements and additions thereto.

“Compounding Date” means a date for compounding of interest on Capital Appreciation Bonds as shown on a table of Accreted Values for such Capital Appreciation Bonds.

“Construction Account” means the account established by that name established in Section 3.8 hereof.

“Consulting Engineer” means a consulting utility engineer or firm of consulting utility engineers with nationally recognized credentials demonstrating skill and experience in the construction and operation of publicly owned communications, electric, water and wastewater utility properties.

“Costs of Issuance” means all items of expense, directly or indirectly payable or reimbursable and related to the authorization, sale and issuance of the Bonds, including but not limited to printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any fiduciary, legal fees and charges, fees and charges for the preparation and distribution of a preliminary official statement and official statement, if paid by the Issuer, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of the Bonds, costs and expenses of refunding, premiums for the insurance of the payment of the Bonds, if any, and any other cost, charge or fee paid or payable by the Issuer in connection with the original issuance of any issue of Bonds.

“Cost of Operation and Maintenance” means any operating and maintenance expense for the Communications System, as defined in accordance with GAAP in the United States of America. Notwithstanding the foregoing, Costs of Operation and Maintenance shall not include (i) any costs and expenses attributable to the Utilities System, (ii) depreciation costs or (iii) any interest expense on any Obligation.

“Covered Services” means those services as may be defined in the Communications Act as now existing or hereafter amended. For purposes of Section 11.1, “Covered Services” means those services as may be defined as such in the Communications Act at the time of an event of default.

“Credit Event” means an event as described in Section 6.1(c).

“Credit Facility” means a line of credit, letter of credit, standby bond purchase agreement, policy of bond insurance, surety bond, guaranty or similar credit or liquidity enhancement device or arrangement providing credit or liquidity support with respect to any Outstanding Obligations or Subordinate Debt, or any agreement relating to reimbursement of advances under any such instrument.

“Current Interest Bonds” means Obligations that bear interest which is payable periodically rather than solely at the maturity of such Obligations.

“Debt Service Account” means the account by that name established in Section 6.1(c) hereof.

“Debt Service Account Year” means the year commencing on November 1st and ending on October 31st of the following year.

“Defeasance Securities” means (i) direct non-callable obligations of the United States of America or obligations the timely payment when due of the principal of and interest on which is unconditionally guaranteed by the United States of America, to which the direct obligation or guarantee of the full faith and credit of the United States of America has been pledged, (ii) stripped interest obligations on bonds, notes, debentures and similar obligations issued by the Resolution Funding Corporation, (iii) local government obligations rated AAA by a Rating Agency (iv) local government obligations defeased by securities described in clauses (i), (ii), (iii), (v), (vi) and (vii) hereof, (v) guaranteed investment contracts rated AAA by a Rating Agency, (vi) in the event any Bonds are secured by a Credit Facility, any securities approved by such Credit Facility provider, and (vii) notes, bonds, debentures, mortgages and other evidences of indebtedness, issued or guaranteed at the time of the investment by the United States Postal Service, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Student Loan Marketing Association, the Federal Farm Credit System, or any other United States government sponsored agency; provided that at the time of the investment such agency or its obligations are rated and the agency receives, or its obligations receive, ratings in the highest Rating Category of each of the Rating Agencies that then rates such agency or its obligations.

“Designated Maturity Obligations” means all of the Obligations or a particular maturity thereof, with a maturity longer than two hundred seventy (270) days, so designated by the Issuer by Supplemental Ordinance prior to the issuance thereof, for which no mandatory debt service account redemption requirements have been established.

“Enterprise Fund” means a fund established and maintained in accordance with GAAP as described by the Governmental Accounting Standards Board.

“Exposure on Guaranteed Debt” means, with respect to the period of time for which calculated, (i) as to each Guaranteed Debt as to which the Issuer has not been required to make any payments under its guaranty, an amount equal to twenty percent (20%) of the debt service requirement for such period (calculated in the same manner as the Bond Service Requirement) on that Guaranteed Debt, and (ii) as to any Guaranteed Debt as to which the Issuer has been required to make any payments under its guaranty, an amount equal to one hundred percent (100%) of the debt service requirement for such period (calculated in the same manner as the Bond Service Requirement) on that Guaranteed Debt.

“Executive Officers” means, collectively, the Lafayette City-Parish President, and the Clerk of the Lafayette City-Parish Council and the Chairman of the Lafayette Public Utilities Authority or any officers of the Issuer or its successor designated by Supplemental Ordinance.

“Fiduciary” or “Fiduciaries” means any trustee, or Paying Agent, or any or all of them, as may be appropriate.

“Fiscal Year” means the one-year period commencing on November 1 of each year, or such other one-year period as may be designated by the Governing Authority as the fiscal year of the Issuer.

“Fund” means the Communications Services Enterprise Fund by that name established in Section 6.1 hereof.

“GAAP” means Generally Accepted Accounting Principles which are a combination of authoritative standards set by policy boards and widely accepted conventions and procedures for recording and reporting accounting information for fair presentation of financial statements.

“Governing Authority” means the Lafayette City-Parish Council and the Lafayette Public Utilities Authority, or their successors in function, as provided by the Charter.

“Government Securities” means direct obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America, which may be United States Treasury Obligations such as the State and Local Government Series and may be in book-entry form.

“Guaranteed Debt” means any indebtedness or obligation for money of any Person which the Issuer has guaranteed to pay from the Communications System on a parity with debt service on the Obligations.

“Interest Payment Date” means May 1 and November 1 of each year, except as otherwise provided in any Supplemental Ordinance.

“Investment Obligations” means any investments or securities then permitted for municipalities under Louisiana law.

“Issuer” means the City of Lafayette, State of Louisiana.

“Net Revenues” means, for any Fiscal Year period, the amount of Revenues less the Cost of Operation and Maintenance of the Communications System.

“Obligations” means any Bonds and any Parity Debt.

“Operating Account” means the account by that name established in Section 56.1(b) hereof.

“Ordinance” means this Ordinance as from time to time amended or supplemented by Supplemental Ordinance.

“Outstanding”, when used with reference to the Bonds, means, as of any date, all Bonds theretofore issued under the Ordinance, except:

(a) Bonds theretofore cancelled by the Paying Agent or delivered to the Paying Agent for cancellation;

(b) Bonds for the payment or redemption of which sufficient cash and/or Defeasance Securities have been deposited with the Paying Agent or an escrow agent in trust for the Owners of such Bonds with the effect specified in the Ordinance, provided that if such Bonds are to be redeemed, irrevocable notice of such redemption has been duly given or provided for pursuant to the Ordinance, to the satisfaction of the Paying Agent, or waived;

(c) Bonds in exchange for or in lieu of which other Bonds have been registered and delivered pursuant to the Ordinance; and

(d) Bonds alleged to have been mutilated, destroyed, lost, or stolen which have been paid as provided in the Ordinance or by law.

“Parity Debt” means any Parity Reimbursement Obligation, Parity Swap Obligation, Guaranteed Debt or obligation issued in accordance with Section 10.2 hereof.

“Parity Reimbursement Obligation” has the meaning provided in Section 10.3(d) hereof.

“Parity Swap Obligation” means the obligation to pay any amount under a Qualified Swap calculated as interest on a notional amount (but excluding any termination payments and payments of any other fees, expenses, indemnification or other obligations to a counterparty), that is secured by a lien on and pledge of the Net Revenues on a parity with the Bonds.

“Paying Agent” means the Issuer or any Authorized Depository designated by the Issuer to (i) serve as a Paying Agent or place of payment for the Bonds issued hereunder which shall have agreed to arrange for the timely payment of the principal of, redemption premium, if any, and interest on, with respect to the Bonds to the registered owners thereof, from moneys made available therefor by the Issuer, and any successors designated pursuant to this Ordinance and (ii) maintain the registration books for the Bonds issued hereunder or to perform other duties with respect to registering the transfer of Bonds.

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

“Principal Payment Date” means November 1 of each year.

“Project” means any project, facility, system, equipment, or material related to or necessary or desirable in connection with the Communications System and/or Utilities System, whether owned jointly or singly by the Issuer, including any output in which the Issuer has an interest, heretofore or hereafter authorized by Applicable Law.

“Proposition” means the proposition approved at the election held in the City of Lafayette, State of Louisiana on July 16, 2005 and appearing in the preamble hereto.

“Public Service Commission” means the Louisiana Public Service Commission.

“Purchase Price” means, with respect to any Obligation, one hundred percent (100%) of the principal amount thereof plus accrued interest, if any, plus in the case of an Obligation subject to mandatory tender for purchase on a date when such Obligation is also subject to optional redemption at a premium, an amount equal to the premium that would be payable on such Obligation if redeemed on such date.

“Qualified Independent Consultant” means any one or more qualified and recognized independent consultants or firm of consultants (which may include, without limitation, independent accountants and engineers), having favorable repute, skill and experience with respect to the acts and duties required of a Qualified Independent Consultant by a particular section or sections of this Ordinance, as shall from time to time be retained by the Issuer for the purposes hereof. It may be the Consulting Engineer described in Article IX.

“Qualified Swap” means, to the extent from time to time permitted by law, with respect to Bonds, any financial arrangement (i) which is entered into by the Issuer with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; an interest rate, forward rate or future rate swap (such swap may be based on an amount equal either to the principal amount of such Obligations of the Issuer as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Obligations); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, entered into by the Issuer for the purpose of moderating interest rate fluctuations or otherwise, and (iii) which has been designated in writing by the Issuer as a Qualified Swap with respect to such Obligations.

“Qualified Swap Provider” means an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims-paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims-paying ability, are rated either (i) at least as high as the third highest Rating Category of each nationally recognized securities Rating Agency then maintaining a rating for the Qualified Swap Provider, but in no event lower than any Rating Category designated by each such Rating Agency for the Obligations subject to such Qualified Swap, or (ii) any such lower Rating Categories which each such Rating Agency indicates in writing to the Issuer will not, by itself, result in a reduction or withdrawal of its rating on the Outstanding Obligations subject to such Qualified Swap that is in effect prior to entering into such Qualified Swap.

“Rating Agency” means each nationally recognized securities rating agency then maintaining a rating on the Bonds at the request of the Issuer.

“Rating Category” means one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

“Receipts Account” means the account by that name established in Section 6.1(a) hereof.

“Record Date” means, except as otherwise provided in a Supplemental Ordinance, with respect to an Interest Payment Date, the fifteenth day of the calendar month next preceding such Interest Payment Date, whether or not such day is a Business Day.

“Redemption Price” means, when used with respect to an Obligation, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the Ordinance.

“Reimbursement Obligation” has the meaning provided in Section 10.3(d) hereof.

“Reserve Account” means the account by that name established in Section 6.1(d) hereof.

“Reserve Product” means a policy of 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 meeting the terms and conditions of Section 6.1(d) hereof.

“Reserve Product Provider” means a bond insurance provider or a bank or other financial institution providing a Reserve Product, whose bond insurance policies insuring, or whose letters of credit, surety bonds or other credit facilities securing, the payment, when due, of the principal of, premium, if any, and interest on bond issues by public entities, at the time such Reserve Product is obtained, result in such issues being rated in one of the two highest full rating categories by each of the Rating Agencies; provided, however, that nothing herein shall require the Issuer to obtain a rating on any Bonds issued under this Ordinance.

“Reserve Requirement” means, with respect to the Bonds, the amount, if any, set forth as the Reserve Requirement in the Supplemental Ordinance authorizing the Bonds.

“Reserve Secured Bonds” means the Bonds for which the Supplemental Ordinance related thereto provide that the payment of the principal of, premium, if any, and interest on the Bonds shall be secured by amounts on deposit and investments held in a designated sub-account in the Reserve Account.

“Residual Revenues” means revenues from the Utilities System deposited in the Capital Additions Fund, established and maintained under the Utilities Bond Ordinance, and available for payment on Subordinated Indebtedness.

“Revenues” means (i) all rates, fees, charges, income, rents and receipts derived by the Issuer from or attributable to the ownership and operation of the Communications System, including all revenues attributable to the Communications System or to the payment of the costs thereof received by the Issuer under any contracts for the sale of or other use of the services, facilities or products of the Communications System or any part thereof or any contractual arrangement with respect to the use of the Communications System or any portion thereof or the services, facilities, capacity or products of the Communications System, (ii) the proceeds of any insurance covering business interruption loss relating to the Communications System, (iii) interest received on the investment or reinvestment of any moneys held hereunder required to be deposited or kept in the Receipts Account, (iv) payments received by the Issuer under a Qualified Swap, and (v) loans made to the Communications Division, as further set forth in Section 5.1 hereof.

“Rules” mean those rules to define and govern equitable cost allocation, as well as safeguards to govern affiliate or inter-company transactions for purposes of application of Title 45, Section 844.53(2) of the Louisiana Revised Statutes of 1950, as amended, adopted by the Public Service Commission pursuant to Title 45, Section 844.55D of the Louisiana Revised Statutes of 1950, as amended.

“State” means the State of Louisiana.

“Subordinated Contract Obligation” means any payment obligation (other than a payment obligation constituting Parity Debt or Subordinate Debt) arising under (a) any Credit Facility which has been designated in writing by the Issuer as constituting a “Subordinated Contract Obligation,” (b) any Qualified Swap which has been designated in writing by the Issuer as constituting a “Subordinated Contract Obligation,” and (c) any other contract, agreement or other obligation authorized by ordinance or resolution of the Issuer and designated in writing by the Issuer as constituting a “Subordinated Contract Obligation.” Each Subordinated Contract Obligation shall be payable from the Net Revenues subject and subordinate to the payments to be made with respect to the Bonds and Parity Debt, and shall be secured by a lien on and pledge of the Net Revenues junior and inferior to the lien on and primary pledge of the Net Revenues and the lien on and secondary pledge of the Residual Revenues herein created for the payment of the Bonds and Parity Debt.

“Subordinate Debt” means any bond, note or other indebtedness authorized by ordinance or resolution of the Issuer and designated in such ordinance or resolution by the Issuer as constituting “Subordinate Debt,” which shall be payable from the Net Revenues subject and subordinate to the payments to be made with respect to the Bonds and Parity Debt, and which shall be secured by a lien on and pledge of the Net Revenues junior and inferior to the lien on and pledge of the Net Revenues and Residual Revenues herein created for the payment of the Bonds and Parity Debt.

“Subordinated Indebtedness” means Subordinated Indebtedness as defined and provided for in the Utilities Bond Ordinance.

“Supplemental Ordinance” means any ordinance or resolution supplemental to or amendatory of this Ordinance.

“Taxable Obligations” mean any Obligations which are not Tax-Exempt Obligations.

“Tax-Exempt Obligations” mean any Obligations the interest on which is intended by the Issuer to be generally excluded from gross income for federal income tax purposes.

“Trustee” means a financial institution serving in the capacity described in Section 11.2.

“Utilities Bond Ordinance” means the General Utilities Revenue Bond Ordinance No. O-122-2004, adopted by the Governing Authority on June 29, 2004.

“Utilities Department” means the utilities department as described and set forth in the Charter.

“Utilities System” means the revenue producing public utilities system of the Issuer consisting of the combined waterworks plants and system, the electric power and light plant and systems, and sewer system, including specifically all properties of every nature owned, leased or operated by the Issuer and used or useful in the operation of its complete waterworks plants and system, electric power and light plants and system and sewer systems, as said plants and systems now exist and as they may be improved, extended or supplemented from any source including the proceeds of bonds, and including all real estate, personal and intangible properties, contracts, franchises, leases and chooses in action, and including any right to use the capacity from any facilities or services thereof, and all properties now or hereafter operated by the Issuer under lease or agreement with any other individual, joint venture, partnership or corporation, public or private, as a part of the Utilities System, whether lying within or without the boundaries of the Issuer. Upon compliance with the requirements of Section 7.12 of the Utilities Bond Ordinance, the term “Utilities System” may include any other utility-related services or functions, as the Issuer shall determine by subsequent ordinance or resolution. For purposes of the Ordinance, the Utilities System shall not include the Communications System.

“Variable Rate Obligations” means Obligations issued with a variable, adjustable, convertible or other similar interest rate which is not fixed in percentage for the remaining term thereof.

SECTION 1.2. Interpretation. In the Ordinance, unless the context otherwise requires, (a) words importing the singular include the plural and vice versa, (b) words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders and (c) the title of the offices used in this Ordinance shall be deemed to include any other title by which such offices shall be known under any subsequently adopted charter.

ARTICLE II

INSTRUMENT TO CONSTITUTE CONTRACT

SECTION 2.1. Instrument to Constitute Contract. In consideration of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the Issuer and the Bondholders. The covenants and agreements herein set forth to be performed by the Issuer 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 herein.

ARTICLE III

AUTHORIZATION, DESCRIPTION, FORM AND TERMS OF THE BONDS

SECTION 3.1. Authorization and Designation. Pursuant to the provisions of the Act, and the authorization received from the registered voters of the City by the passage of the Proposition, there is hereby authorized the issuance of not exceeding One Hundred Twenty-Five Million Dollars (\$125,000,000) principal amount of Bonds of the Issuer to be designated “Communications System Revenue Bonds, Series 2006 of the City of Lafayette, State of

Louisiana,” for the purposes of constructing, acquiring, developing, extending and improving the Communications System and/or Utilities System and financing all or a part of the costs of the addition and improvements to the Communications System and/or Utilities System, including acquiring the necessary furniture, fixtures and equipment in connection therewith, funding the Reserve Account, and providing working capital through the sale and issuance of the Bonds. The Bonds shall be in substantially the form set forth in Exhibit A hereto, with such necessary or appropriate variations, omissions and insertions as are required or permitted by the Act and this Ordinance.

SECTION 3.2. Denominations, Dates, Maturities and Interest. The Bonds shall be issued as fully registered bonds without coupons in the denominations of \$5,000 principal amount or any integral multiple thereof within a single maturity, shall be dated the day of delivery of the Bonds, and shall be numbered R-1 upward. The unpaid principal of the Bonds shall bear interest from the date thereof or from the most recent Interest Payment Date to which interest has been paid or duly provided for, payable on each Interest Payment Date, commencing November 1, 2006 or if the date of delivery occurs after November 1, 2006, then commencing the first Interest Payment Date following the date of delivery, at a rate or rates of interest not exceeding seven per centum (7%) per annum and shall mature as to principal not later than twenty-five (25) years from the first November 1 after the date of delivery.

The principal and premium, if any, of the Bonds are payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts at the principal corporate trust office of the Paying Agent, upon presentation and surrender thereof. Interest on the Bonds is payable by check mailed on or before the Interest Payment Date by the Paying Agent to the Owner thereof (determined at the close of business on the Record Date) at the address of such Owner as it appears on the registration books of the Paying Agent maintained for such purpose. Except as otherwise provided in this Section, Bonds shall bear interest from the date thereof or from the most recent Interest Payment Date to which interest has been paid or duly provided for, as the case may be, provided, however, that, if and to the extent that the Issuer shall default in the payment of the interest on any Bonds due on any Interest Payment Date, then all such Bonds shall bear interest from the most recent Interest Payment Date to which interest has been paid on the Bonds, or if no interest has been paid on the Bonds, from their dated date. The person in whose name any Bond is registered at the Record Date with respect to an Interest Payment Date shall in all cases be entitled to receive the interest payable on such Interest Payment Date (unless such Bond has been called for redemption on a redemption date which is prior to such Interest Payment Date) notwithstanding the cancellation of such Bond upon any registration of transfer or exchange thereof subsequent to such Record Date and prior to such Interest Payment Date.

SECTION 3.3. Execution of Bonds. Unless otherwise provided by Supplemental Ordinance, the Bonds shall be executed in the name of the Issuer as provided in the Charter of the Issuer and the seal of the Issuer shall be imprinted, reproduced or lithographed on the Bonds, attested to and countersigned as provided in the Charter of the Issuer. There may be such additional signatures and attestations as may be determined by the Issuer. The signatures of the Executive Officers of the Issuer on the Bonds may be by facsimile, but one such officer shall sign his manual signature on the Bonds unless the Issuer appoints an authenticating agent, registrar, transfer agent or trustee who shall cause one of its duly authorized officers to manually execute the Bonds. If any officer whose signature appears on the Bonds ceases to hold office before the delivery of the Bonds, his signature shall nevertheless be valid and sufficient for all purposes. In addition, any Bond may bear the signature of, or may be signed by, such persons as at the actual time of execution of such Bond shall be the proper officers to sign such Bond although at the date of such Bond or the date of delivery thereof such persons may not have been such officers.

SECTION 3.4. Bonds Mutilated, Destroyed, Stolen or Lost. If any Bond is mutilated, destroyed, stolen or lost, the Issuer or its agent may, in its discretion (i) deliver a duplicate replacement Bond, or (ii) pay a Bond that has matured or is about to mature. A mutilated Bond shall be surrendered to and cancelled by the Chief Financial Officer or the duly authorized agent of the Issuer. The Bondholder must furnish the Issuer or its agent proof of ownership of any destroyed, stolen or lost Bond; post satisfactory indemnity; comply with any reasonable conditions the Issuer or its agent may prescribe; and pay the Issuer's and/or its agent's reasonable expenses.

Any such duplicate Bond shall constitute an original contractual obligation on the part of the Issuer whether or not the destroyed, stolen, or lost Bond be at any time found by anyone, and such duplicate Bond shall be entitled to equal and proportionate benefits and rights as to lien on,

and source of and security for payment from, the moneys pledged to the payment of the Bond so mutilated, destroyed, stolen or lost.

SECTION 3.5. Provisions for Redemption. The Bonds, or any portion thereof, shall be subject to redemption prior to maturity at such times and in such manner as may be established by Supplemental Ordinance of the Issuer adopted with respect to the Bonds at such premium (not exceeding 4% of principal amount) as may be set forth in the Supplemental Ordinance. Notice of redemption shall be sent at least thirty (30) days prior to the redemption date (i) be filed with the paying agent, and (ii) be mailed, postage prepaid, to all Registered Owners of Bonds to be redeemed at their address as they appear of record on the books of the Paying Agent as of forty-five (45) days prior to the date fixed for redemption. Interest shall cease to accrue on any Bond duly called for prior redemption on the redemption date, if payment thereof has been duly provided. The privilege of transfer or exchange of any of the Bonds so called for redemption is suspended for a period commencing fifteen (15) calendar days preceding the mailing of the notice of redemption and ending on the date fixed for redemption. Failure to mail any such notice to a registered owner of a Bond, or any defect therein, shall not affect the validity of the proceedings for redemption of any Bond or portion thereof with respect to which no failure or defect occurred. In the event all or any portion of the Bonds are designated term bonds by any Supplemental Ordinance, the mandatory installment payments of such term bonds shall be treated as principal payments.

SECTION 3.6. Effect of Notice of Redemption. Notice having been given in the manner and under the conditions hereinabove required, the Bonds or portions of the 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 Bonds or portions of the 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 Paying Agent, an escrow agent or any Authorized Depository, in trust for the registered owners of the Bonds or portions thereof to be redeemed, all as provided in this Ordinance, interest on the Bonds or portions of the Bonds so called for redemption shall cease to accrue, such Bonds and portions of the Bonds shall cease to be entitled to any lien, benefit or security under this Ordinance, and the registered owners of such Bonds or portions of the Bonds shall have no right in respect thereof except to receive payment of the redemption price thereof and to receive the Bonds for any unredeemed portions of the Bonds. Notwithstanding anything to the contrary in the Ordinance, with respect to any notice of optional redemption of the Bonds, unless upon the giving of such notice such Bonds or portions thereof shall be deemed to have been paid within the meaning hereof, such notice shall state that such redemption shall be conditioned upon the receipt by the Paying Agent on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds or portions thereof to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Issuer shall not be required to redeem such Bonds or portions thereof. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Paying Agent shall within five (5) days thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

SECTION 3.7. Redemption of Portion of Registered Bonds. In case part but not all of an outstanding fully-registered Bond shall be selected for redemption, the Registered Owners thereof shall present and surrender such Bond to its designated Paying Agent (or if no such Paying Agent is designated, to the Issuer) for payment of the principal amount thereof and premium, if any, so called for redemption, and the Issuer shall execute and deliver to or upon the order of such Registered Owner, without charge therefor, for the unredeemed balance of the principal amount of the Bond so surrendered, a Bond or Bonds fully-registered as to principal and interest.

SECTION 3.8. Application of Bond Proceeds. The proceeds of the Bonds shall be deposited in the Fund. From such proceeds, an amount equal to the accrued interest received at the time of delivery of the Bonds and an amount not exceeding Twenty Million Dollars (\$20,000,000) shall be deposited to the Debt Service Account for use as capitalized interest. Also from such proceeds, the Issuer will deposit an amount not exceeding Ten Million Dollars (\$10,000,000) to the Operating Account to be applied to working capital and an amount not exceeding Ten Million Dollars (\$10,000,000) to be used as a deposit, or surety policy premium to satisfy the debt service requirement in the Reserve Account; the remaining Bond proceeds shall be deposited by the Issuer to the Construction Account to be used solely for the purposes for which the Bonds are issued, including the payment of the Costs of Issuance. All investment earnings shall be deposited in the Receipts Account as Revenues, except for earnings from the Construction Account which will either remain in the Construction Account to be used for Capital

Costs or shall be deposited in the Debt Service Account to be used for the purpose of meeting the Bond Service Requirement.

SECTION 3.9. Temporary Bonds. Pending the preparation of definitive Bonds, the Issuer may execute and deliver temporary Bonds. Temporary Bonds shall be issuable as registered Bonds without coupons, of any authorized denomination, and substantially in the form of the definitive Bonds but with such omissions, insertions, and variations as may be appropriate for temporary Bonds, all as may be determined by the Issuer. Temporary Bonds may contain such reference to any provisions of this Ordinance as may be appropriate. Every temporary Bond shall be executed and authenticated upon the same conditions and in substantially the same manner, and with like effect, as the definitive Bonds. As promptly as practicable, the Issuer shall execute and shall furnish definitive Bonds and thereupon temporary Bonds may be surrendered in exchange for definitive Bonds without charge at the principal office of the Paying Agent, and the Paying Agent shall authenticate and deliver in exchange for such temporary Bonds a like aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Ordinance as definitive Bonds.

ARTICLE IV

SOURCE OF PAYMENT OF BONDS

SECTION 4.1. Bonds not to be Indebtedness of the Issuer. The Bonds shall not be or constitute general obligations or indebtedness of the Issuer within the meaning of the Constitution of Louisiana, but shall be first, from the net income and Revenues of the Communications System and second, to the amount necessary, from a secondary or subordinate pledge of the revenues of the Utilities System. No Bondholder shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer or taxation in any form on any real or personal property to pay such Bonds or the interest thereon, nor shall any Bondholder be entitled to payment of such principal and interest from any other moneys of the Issuer other than Net Revenues and Residual Revenues in the manner and to the extent herein provided.

SECTION 4.2. Security for Bonds. The payment of the principal of, premium, if any, and interest on the Bonds shall be secured forthwith equally and ratably by an irrevocable lien on the Net Revenues, all in the manner and to the extent provided herein, prior and superior to all other liens or encumbrances on the Net Revenues, except as otherwise provided herein, and the Issuer does hereby irrevocably pledge and set aside the Net Revenues to the payment of the principal of, premium, if any, and interest on the Bonds and, upon the occurrence of a Credit Event, to the extent of the insufficiency, the Residual Revenues, before their use for any other purpose set forth in Section 5.1(e)(iv)(C) of the Utilities Bond Ordinance.

Notwithstanding any other provision of this Ordinance, the pledge of Residual Revenues set forth herein (but only until such Residual Revenues are released from the capital additions account established under the Utilities Bond Ordinance) shall be subordinate to the pledge created in Section 4.2 of the Utilities Bond Ordinance.

ARTICLE V

OTHER RIGHTS AND OBLIGATIONS OF THE COMMUNICATIONS SYSTEM AND THE ISSUER

SECTION 5.1. Loans. The Communications System may obtain loans from any source (including the City) for purposes of providing Covered Services and for any other purpose consistent with Applicable Law. Said loans must be repaid and are subject to audit as required by Applicable Law.

SECTION 5.2. Special Obligations of the Utilities System. The Bonds are Subordinated Indebtedness. As such, the Residual Revenues of the Utilities System are hereby pledged as security for the payment of the principal of, premium, if any, and interest on the Bonds, but only in the manner herein set forth. The Consulting Engineer for the Utilities System, as designated under the Utilities Bond Ordinance, shall annually review the Issuer's rates for Utilities System services to ensure that the Issuer meets its rate covenant, as set out in Section 8.4 hereof.

ARTICLE VI

CREATION OF FUND AND ACCOUNTS WITHIN SUCH FUND

SECTION 6.1. Creation of Funds and Accounts. Notwithstanding any provisions of this Ordinance to the contrary, the Issuer hereby establishes and will maintain a single Enterprise Fund entitled the "Communications Services Enterprise Fund" to account for the City's operation of the Communications System. All Revenues and Bond proceeds shall be deposited in and maintained in such Fund in the manner hereinafter set forth. Additionally, and not in place of the above provisions, there shall be an accounting of the Fund whereby separate accounts and/or sub-accounts will be created for accounting purposes only and shall be titled as follows: "Construction Account," "Receipts Account," "Operating Account," "Debt Service Account," "Reserve Account" and "Capital Additions Account". There may be created and established in the Operating Account and the Capital Additions Account one or more separate accounts or sub-accounts as determined by the Issuer from time to time to be necessary or convenient. The accounts established herein shall constitute a trust for the purposes herein provided, shall be delivered to and held by the Chief Financial Officer (or an Authorized Depository designated by the Chief Financial Officer), who shall act as trustee of such moneys for the purposes hereof, shall, except as otherwise provided herein, be subject to a lien and charge in favor of the Bondholders and used only as herein provided. The described trust obligation shall extend only to the Issuer's obligation to hold such moneys for the benefit of Bondholders, but does not impose a trust obligation on any Authorized Depository.

(a) Receipts Account. Revenues, except (i) income received from the sale of capital assets, and (ii) proceeds from the issuance of Bonds, shall be deposited daily as the same may be collected in an account known and designated as the "Receipts Account."

(b) Operating Account. Out of the amounts in the Receipts Account, after the application of Bond proceeds deposited for working capital have been exhausted, there shall be transferred to or set aside in an "Operating Account," from time to time as needed during each Debt Service Account Year amounts sufficient to provide for the payment of Costs of Operation and Maintenance.

(c) Debt Service Account. Out of amounts in the Receipts Account, after providing for payments in (b) above, the Issuer shall establish and maintain an account to be known as the "Debt Service Account" by initially transferring to such account the portion of the Bond proceeds designated as accrued interest and capitalized interest by Section 3.8 hereof. Thereafter, except to the extent other amounts are available from such accrued interest, capitalized interest or other sources on the Bonds received at the time of delivery, the Issuer shall deposit out of amounts in the Receipts Account, on or before the twentieth (20th) day of each month, a sum of money equal to a sum obtained by (i) multiplying the interest falling due on the next Interest Payment Date by a fraction the numerator of which is one and the denominator of which is the number of months, from and including the month of computation, to and including the month prior to the month in which such interest is due; and (ii) multiplying the principal on the Bonds falling due on the next Principal Payment Date by a fraction the numerator of which is one and the denominator of which is the number of months, including the month of computation, to and including the month prior to the month in which such principal payment is due. The foregoing deposit procedure into the Debt Service Account for the payment of principal will first start in the Bond Year in which the first principal payment falls due.

The Issuer shall cause to be transferred from the Debt Service Account to the Paying Agent no later than the twenty-first (21st) day of the month preceding each Interest Payment Date an amount equal to the interest and principal falling due on the Bonds on such Interest Payment Date. Such transfer or payment shall be held in trust by the Paying Agent for the benefit of the Bondholders and the Paying Agent shall disburse the amounts to the Bondholders on such Interest Payment Date. Upon failure of the Issuer to make such transfer on the twenty-first (21st) day of the month, the Paying Agent shall notify the Issuer within one (1) working day in writing or by electronic communication and the Issuer's continuing inability or failure to make such transfer by the twenty-fourth (24th) day of the month shall constitute a Credit Event. Failure of the Paying Agent to make the notification described above shall not prevent the occurrence of the Credit Event.

If a date prescribed herein for a certain action is not a Business Day, such date so prescribed shall extend to the next day which is a Business Day.

(d) Reserve Account. After meeting the requirements of Section 6.1(c), the amounts in the Receipts-Account shall next be used to satisfy the Reserve Requirements for the Bonds and any subsequently issued Reserve Secured Bonds. The Reserve Account will be segregated into one or more sub-accounts that are created for various series of Reserve Secured Bonds.

Except as set forth in a Supplemental Ordinance, amounts on deposit in each sub-account of the Reserve Account may be used solely for the purpose of curing deficiencies in the payment when due of the principal of, premium, if any, and interest on the Reserve Secured Bonds for which such sub-account was created. If moneys on deposit in each Reserve Account sub-account exceed the Reserve Requirement for the applicable Reserve Secured Bonds, the excess amount shall be deposited into the Debt Service Account to the extent moneys from the Receipts Account are unavailable to meet current Bond Service Requirements and otherwise to the Capital Additions Account, provided, however, that, upon refunding of any Reserve Secured Bonds, such excess may be applied to pay or redeem the Reserve Secured Bonds to be refunded.

Within the Reserve Account there may be created separate sub-accounts to secure the payment of various issues of Reserve Secured Bonds, each with varying Reserve Requirements. Any issue of Reserve Secured Bonds may utilize an existing Reserve Account, provided in doing so; the Reserve Requirement of the prior issue is met and satisfied.

If at any time the Issuer is required to fund a Reserve Account, or to increase the amount required to be maintained in the Reserve Account, the amount, or increase in the amount, as applicable, required to satisfy such Reserve Requirement may be funded in up to twelve (12) substantially equal consecutive monthly deposits commencing not later than the month following the occurrence of deficiency.

Each Reserve Requirement, in whole or in part, may be funded with cash or Investment Obligations, or one or more Reserve Products, or a combination thereof. Any such Reserve Product must provide for payment on any interest or principal payment date (provided adequate notice is given) on which a deficiency exists (or is expected to exist) in amounts held hereunder for payment of the principal of or interest on the Bonds due on such date which cannot be cured by amounts in any account held pursuant to this Ordinance and available for such purpose, and shall name the Paying Agent as the beneficiary thereof. Each Reserve Product must be rated in the highest rating category by each Rating Agency. If a disbursement is made from a Reserve Product as provided above, the Issuer shall be obligated to reinstate the maximum limits of such Reserve Product on or before the close of the month following such disbursement from the first Revenues available pursuant to this Section or to replace such Reserve Product by depositing into the Reserve Account pursuant to such sections, the maximum amount originally available under such Reserve Product, plus amounts necessary to reimburse the Reserve Product Provider for previous disbursements under such Reserve Product, or a combination thereof. For purposes of this Section, amounts necessary to satisfy such reimbursement obligations of the Issuer to the Reserve Product Provider shall be deemed to be required deposits to the Reserve Account, but shall be applied to satisfy the obligations to the Reserve Product Provider.

If the Reserve Requirement is funded in whole or in part with cash or Investment Obligations and no event of default shall have occurred and be continuing hereunder, the Issuer may at any time in its discretion, substitute a Reserve Product meeting the requirements of this Ordinance for the cash and Investment Obligations in the Reserve Account and the Issuer may then withdraw such cash and Investment Obligations from the Reserve Account and deposit them to the credit of the Operating Account so long as (i) the same does not adversely affect any rating by a Rating Agency then in effect with respect to the Bonds, and (ii) the Issuer obtains an opinion of Bond Counsel to the effect that such actions will not, in and of themselves, adversely affect the exclusion from gross income of interest on the Bonds (if not Taxable Obligations) for federal income tax purposes.

Cash on deposit in any Reserve Account sub-account shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any Reserve Product in such account. If more than one Reserve Product is deposited in the Reserve Account sub-account, drawings thereunder shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

(e) Capital Additions Account. After meeting the requirements in Section 6.1(d), the amounts in the Receipts Account shall next be deposited in the Capital Additions Account, which amounts in the Capital Additions Account shall next be used for the following purposes:

(i) When amounts are deposited in the Capital Additions Account to pay the capitalized cost of interest on the Bonds of the Issuer, the Issuer shall pay from the Capital Additions Account to the Debt Service Account, on or before the first day of each Bond Year the amount equal to the interest for such Bond Year, to the extent amounts are available from capitalized interest.

(ii) Notwithstanding the above provisions of this Section, the Capital Additions Account must be applied to the payment of principal and Redemption Price of and interest on the Bonds and the payment of Parity Debt, on a pro rata basis, when due at any time that amounts are not available therefor and then to the payment falling due and any early repayment the Issuer deems appropriate on any advances, loans and/or transfers to the Fund from accounts or funds outside of the Communications System.

(iii) Not later than one hundred twenty (120) days following the close of each Fiscal Year, there shall be transferred from Capital Additions Account to the Issuer to the extent that the amount in such account makes possible such transfer under the restrictions hereinafter contained, a payment in lieu of taxes, the amount of which shall be determined as follows:

(A) There shall be set-aside in each Fiscal Year for the purpose of paying Capital Costs an amount equal to seven and one-half percent (7-1/2%) of the Adjusted Revenues deposits into the Receipts Account for such Fiscal Year.

(B) If the balance of the amount so paid into the Capital Additions Account in any Fiscal Year, after there has been deducted from the amount so paid seven and one-half percent (7-1/2%) of the Adjusted Revenues deposits into the Receipts Account as above provided, is equal or less than twelve percent (12%) of the Adjusted Revenues deposits for such Fiscal Year, an amount equal to such balance shall be paid from the Capital Additions Account of the Fund to the General Fund of the Issuer; however, if such balance is more than twelve percent (12%) of the Adjusted Revenues deposits for such Fiscal Year, then the General Fund of the Issuer shall be paid an amount equal to twelve percent (12%) of said Adjusted Revenues deposits. Any such payment in lieu of taxes, required by this subparagraph, shall be reduced by the amount of any payment or transfer in such Fiscal Year to the Issuer's General Fund for imputed taxes but not for transfers for Costs of Operation and Maintenance.

(iv) The remaining amounts in the Capital Additions Account may be used for (i) paying Capital Costs, (ii) paying Subordinate Debt and Subordinated Contract Obligations, (iii) purchasing Outstanding obligations, or (iv) making any payment or investment for any lawful purpose.

ARTICLE VII

DEPOSITORIES OF MONEYS, SECURITY FOR DEPOSITS AND INVESTMENT OF MONEYS

SECTION 7.1. Deposits Held In Trust. All moneys or other property which at any time may be owned or held in the possession of or deposited with the Issuer in the Fund, its accounts, sub-accounts and Construction Account created or maintained under the provisions of this Ordinance shall be held in trust and applied only in accordance with the provisions of this Ordinance.

All moneys or other property which at any time may be owned or held in the possession of or deposited with the Issuer pursuant to this Ordinance shall be continuously secured, for the benefit of the Issuer and the Bondholders, either (a) by lodging with an Authorized Depository, as custodian, collateral security consisting of obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (b) in such other manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust moneys.

All moneys deposited with each Authorized Depository shall be credited to the particular account or sub-account within the Fund to which such moneys belong.

SECTION 7.2. Investment of Moneys. Moneys held for the credit of the Fund established hereunder shall be invested and reinvested by the Issuer in Investment Obligations. Such investments or reinvestments shall mature or become available not later than the respective

dates, as estimated by the Issuer, that the moneys held for the credit of said Fund will be needed for the purposes of such Fund.

Obligations so purchased as an investment of moneys in the Fund shall be deemed at all times to be a part of such Fund, and shall at all times, for the purposes of this Ordinance, be valued at the amortized cost of such investments.

Except as otherwise expressly provided herein or as provided by Supplemental Ordinance, all income and profits derived from the investment of moneys in the accounts shall be deposited in the Receipts Account and used for the purposes specified for the Receipts Account, except that all income and profits derived from the investment of moneys in the Reserve Account shall be retained therein until the Reserve Account is fully funded and then shall be deposited in the Receipts Account.

All such investments relating to Tax Exempt Obligations shall be made in compliance with covenants in Supplemental Ordinances relating to the Code.

ARTICLE VIII

GENERAL COVENANTS OF THE ISSUER

SECTION 8.1. Operation Covenant. The Issuer hereby covenants to operate the Communications System and the Utilities System in a business-like manner and, in consultation with the Consulting Engineer, to operate the Communications System and the Utilities System in such manner in order to ensure the continued availability of Net Revenues and Residual Revenues to pay all amounts required by this Ordinance. The Issuer covenants to adequately maintain and improve the Communications System and the Utilities System and to employ the necessary staff and employees, as required by industry practice and as necessary to properly operate and protect the Communications System and the Utilities System.

SECTION 8.2. Maintenance of Communications System; Disposition. The Issuer will maintain the Communications System and the Utilities System and all parts thereof in good condition and will operate the same in an efficient and economical manner, making such expenditures for such equipment, maintenance and repairs and for renewals and replacements thereof as may be proper for its economical operation and maintenance, provided, however, that nothing herein shall be construed to prevent the Issuer from ceasing to operate or maintain, or from leasing or disposing of any portion or component of the Communications System and the Utilities System if, in the judgment of the Issuer, (i) it is advisable to lease, dispose of, or not operate and maintain the same, and (ii) the lease, disposition or failure to maintain or operate such component or portion of the Communications System and the Utilities System will not prevent the Issuer from meeting the requirements of Sections 6.1 and 8.4 hereof. Notwithstanding anything in the foregoing to the contrary, the sale-leaseback or lease-leaseback of any portion or component of the Communications System and the Utilities System or any similar contractual arrangements the effect of which is that the Issuer continues to retain the revenues from such portion or component of the Communications System and the Utilities System, shall not constitute a lease or disposition thereof for purposes of this Section.

SECTION 8.3. Operating Budget. Before the first day of each Fiscal Year the Governing Authority shall prepare, approve and adopt in the manner prescribed by law, and may amend from time to time as provided by law, a detailed budget of the Revenues, Bond Service Requirement (including the anticipated amortization of Designated Maturity Obligations and Commercial Paper Obligations) and Cost of Operation and Maintenance for the next succeeding Fiscal Year. Copies of its annual budgets and all authorizations for increases in the Cost of Operation and Maintenance shall be available for inspection at the offices of the Issuer and shall be mailed to any Bondholder requesting the same.

SECTION 8.4. Rate Covenant.

(a) So long as any Obligations remain Outstanding, the Issuer, in its judgment, will make best efforts to fix, charge and collect, or cause to be fixed, charged and collected, subject to applicable requirements or restrictions imposed by law, such rates, rentals, fees and charges for the use of and for the services and products provided by the Communications System as are expected to be sufficient in each Debt Service Account Year to generate Revenues, in an amount, at least equal to the sum of (i) one hundred percent (100%) of the Costs of Operation and Maintenance for such Debt Service Account Year, (ii) one hundred percent (100%) of the Bond Service Requirement for such Debt Service Account Year, (iii) one hundred percent (100%) of

the amounts payable with respect to Subordinate Debt and Subordinated Contract Obligations in such Debt Service Account Year, (iv) one hundred percent (100%) of the amount required to maintain the Reserve Account for the Bonds in accordance with Section 6.1 hereof, and any additional amount required to make all other payments required to be made.

Upon the occurrence of a Credit Event, the Issuer will fix, charge and collect, or cause to be fixed, charged and collected, subject to applicable requirements or restrictions imposed by law, such rates, rentals, fees and charges for the use of and for the services and products provided by the Utilities System as are expected to be sufficient in each Debt Service Account Year to produce Residual Revenues, in an amount, that when added to the Revenues is at least equal to the sum of (i) one hundred percent (100%) of the Bond Service Requirement for such Debt Service Account Year, (ii) one hundred percent (100%) of the amounts payable with respect to Subordinate Debt and Subordinated Contract Obligations in such Debt Service Account Year, (iii) one hundred percent (100%) of the amount required to maintain the Reserve Account for the Bonds in accordance with Section 6.1 hereof, and any additional amount required to make all other payments required to be made.

(b) Failure by the Issuer to comply with the preceding paragraph of this Section in any Fiscal Year shall not constitute an event of default as described in Section 11.1 hereof so long as the Issuer shall, no later than sixty (60) days after discovering such non-compliance and in all events no later than sixty (60) days of receipt by the Issuer of audited financial statements delivered pursuant to Section 8.6 hereof which statements show such noncompliance, retain a Qualified Independent Consultant for the purpose of reviewing the Communications System and Utilities System fees, rates, rents, charges and surcharges and shall implement the recommendations of such Qualified Independent Consultant with respect to such fees, rates, rents, charges and surcharges filed by the Qualified Independent Consultant with the Issuer in a written report or certificate, and such failure shall not be an event of default even though the Qualified Independent Consultant shall be of the opinion, as set forth in such report or certificate, that it would be impracticable at the time to charge such fees, rates, rents, charges and surcharges for the Communications System and/or Utilities System as would provide moneys sufficient to comply with the requirements of the preceding paragraph so long as the Issuer imposes such schedule of fees, rates, rents, charges and surcharges as in the opinion of such Qualified Independent Consultant will allow the Issuer to as nearly as then practicable comply with such requirements and the Issuer shall again be in compliance with the preceding paragraph of this Section no later than twelve calendar months after its discovery of such non-compliance. The Issuer shall provide notice of its failure to comply with the preceding paragraph of this Section to all then existing Nationally Recognized Municipal Securities Information Repositories no later than thirty (30) days after engaging the services of a Qualified Independent Consultant pursuant to the requirements of the preceding sentence and shall provide a copy of the report or certificate of the Qualified Independent Consultant to any Owner who shall request the same in writing. Furthermore, the Issuer shall provide a copy of the report or certificate of the Qualified Independent Consultant to the Rating Agencies within thirty (30) days after receipt of same.

(c) The covenant of the Issuer contained in Section 7.7 of the Utilities Bond Ordinance, as amended from time to time, is hereby incorporated herein by reference to the same extent as if set forth herein and shall inure to the benefit of the Owners of the Bonds hereunder, and the Bond Service Requirement on any Bonds issued and Outstanding hereunder shall be treated as “amounts payable with respect to Subordinated Indebtedness” for purposes of such Section 7.7 of the Utilities Bond Ordinance.

SECTION 8.5. Books and Records. The Issuer shall keep separately identifiable financial books, records, accounts and data concerning the operation of the Communications System and the receipt and disbursement of Revenues, and any Bondholder shall have the right at all reasonable times to inspect the same.

SECTION 8.6. Reports and Annual Audits. The Issuer shall require that an annual audit of the accounts and records with respect to the Communications System and the Utilities System be completed as soon as reasonably practicable after the end of each Fiscal Year by a qualified independent certified public accountant. Such audit shall be conducted in accordance with generally accepted auditing standards as applied to governments and shall include a statement by such auditors that no default on the part of the Issuer of any covenant or obligation hereunder has been disclosed by reason of such audit, or, alternatively, specifying in reasonable detail the nature of such default.

SECTION 8.7. Insurance and Condemnation Awards. The Issuer will carry adequate fire, windstorm, explosion and other hazard insurance on the components of the Communications

System and the Utilities System that are subject to loss through fire, windstorm, hurricane, cyclone, explosion or other hazards; adequate public liability insurance; other insurance of the kinds and amounts normally carried in the operation of similar enterprises; and in time of war, such insurance as may be available at reasonable cost against loss or damage by the risks and hazards of war in an amount or amounts equal to the fair market value of the Communications System and the Utilities System. The Issuer may, upon appropriate authorization by its Governing Authority, self-insure against such risks on a sound actuarial basis. Any such insurance shall be carried for the benefit of the Issuer and, to the extent herein provided, the Bondholders. All proceeds received from property damage or destruction insurance and all proceeds received from the condemnation of the Communications System and the Utilities System or any part thereof are hereby pledged by the Issuer as security for the Obligations, and thereafter shall be deposited at the option of the Issuer (but subject to the limitations hereinafter described) either (i) into the Capital Additions Account, in which case, such proceeds shall be held in the Capital Additions Account and used to remedy the loss, damage or taking for which such proceeds are received, either by repairing the damaged property or replacing the destroyed or taken property, as soon as practicable after the receipt of such proceeds, or (ii) into the Debt Service Account for the purpose of purchasing or redeeming the Bonds.

SECTION 8.8. Enforcement of Collections. The Issuer will diligently enforce and collect the fees, rates, rentals and other charges for the use of the products, services and facilities of the Communications System and the Utilities System. The Issuer will not take any action that will impair or adversely affect its rights to impose, collect and receive the Revenues as herein provided, or impair or adversely affect in any manner the pledge of the Revenues made herein or the rights of the Bondholders.

SECTION 8.9. No Free Service. The Issuer will not permit free service to be supplied by the Communications System and the Utilities System to the Issuer or any department thereof or to any Person.

ARTICLE IX

CONSULTING ENGINEER

SECTION 9.1. Consulting Engineer. The Issuer shall retain a Consulting Engineer for the purpose of providing the Issuer immediate and continuous counsel and advice regarding the Communications System and the Utilities System.

SECTION 9.2. Comprehensive Annual Report. The Consulting Engineer shall prepare within one hundred eighty (180) days after the close of each Fiscal Year a comprehensive report, which comprehensive report shall contain therein or be accompanied by a certified copy of an audit of such year's business prepared by the certified public accountant chosen by the Issuer, and in addition thereto, shall report upon the operations of the Communications System and the Utilities System during the preceding year, the maintenance of the properties, the efficiency of the management of the property, the proper and adequate keeping of books of account and record, the adherence to budget and budgetary control provisions, the adherence to all the provisions of the Ordinance, and all other things having a bearing upon the efficient and profitable operations of the Communications System and the Utilities System, and shall include whatever criticism of any phase of the operation of the Communications System and the Utilities System the Consulting Engineer may deem proper, and such recommendation as to changes in operation and the making of repairs, renewals, replacements, extensions, betterments and improvements as the Consulting Engineer may deem proper including recommended changes in organization, pay scales and risk management practices. Copies of such report shall be placed on file with the Chief Operating Officer and shall be open to inspection by any Owners of any of the Obligations. Such report shall also contain the Consulting Engineer's recommendations as to personnel practices and policy and his analysis of the ability of the Communications System and the Utilities System to function in the present and forecasted environments.

ARTICLE X

ISSUANCE OF ADDITIONAL OBLIGATIONS

SECTION 10.1. Creation of Liens, Issuance of Subordinate Debt, Subordinated Contract Obligations and Debt. The Issuer shall not issue any bonds or other evidences of indebtedness or incur obligations, other than the Bonds and Parity Debt as provided herein, secured by a pledge of the Net Revenues and Residual Revenues and shall not create or cause to be created any lien or charge on the Net Revenues and Residual Revenues, except to the extent provided by this

Ordinance; provided, however, the Issuer may, at any time, or from time to time, incur Subordinate Debt or enter into Subordinated Contract Obligations payable out of, and which may be secured by a pledge of, such amounts as may from time to time be available for the purpose of the payment thereof in accordance with Section 6.1(e)(iii)(C) hereof and such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge of Net Revenues and Residual Revenues created by this Ordinance as security for payment of the Bonds.

SECTION 10.2. Issuance of Parity Obligations. Except as otherwise provided in this Section, no Obligations may be issued on a parity with the Bonds, unless the Issuer shall have first complied with the requirements of this Section. Additional Obligations may be issued from time to time hereunder for any lawful purpose of the Issuer in connection with the Communications System and the Utilities System.

(a) Any Obligations, or any part thereof, may be refunded and the refunding Obligations so issued shall enjoy complete equality of lien with the Obligations which are not refunded, if there be any, and the refunding Obligations shall continue to enjoy whatever priority of lien over subsequent issues as may have been enjoyed by the Obligations refunded.

(b) Additional Obligations, other than refunding Obligations described in subparagraph (a) above, may be issued from time to time under this Ordinance upon compliance with the following conditions:

(i) the Issuer shall have enacted an ordinance authorizing such Obligations and providing for the terms thereof as contemplated herein and reciting that all of the covenants contained herein will be fully applicable to such Obligations;

(ii) the City-Parish President of the Issuer shall certify in writing that, upon the delivery of such Obligations, the Issuer will not be in default in the performance of the terms and provisions of this Ordinance or of any of the Obligations;

(iii) (a) the City-Parish President of the Issuer shall certify in writing that the Net Revenues of the Communications System, as shown on the then-most recent available audited financial statements of the Communications System, equal or exceed the Bond Service Requirement for the same audited period for all Outstanding Obligations and (b) a Certificate from the Consulting Engineer certifying that the Net Revenues of the Communications System equal or exceed the Bond Service Requirement for all Outstanding Bonds, Parity Debt and additional Obligations proposed to be issued for the first three (c) complete Bond Years during which the additional Obligations shall be outstanding; and

(iv) the Governing Authority shall have received an opinion or opinions from the Bond Counsel to the effect that (a) the Issuer has the right and power under the Act to enact the ordinance issuing the Parity Debt and said ordinance has been duly and lawfully enacted by the Issuer, is in full force and effect and is valid and binding upon the Issuer and is enforceable in accordance with its terms and no other authorization of that ordinance is required, (b) said ordinance provides that the Parity Debt is payable from the same pledge and source of revenues as the Bonds and other Parity Debt (c) the Obligations are valid and binding limited obligations of the Issuer, enforceable in accordance with their terms and said ordinance and have been duly and validly authorized and issued in accordance with the Act and said ordinance, and (d) the Issuer has the full lawful power and authority to issue the Obligations for the purposes for which they are authorized.

In calculating Net Revenues of the Communications System for purposes of clause (iii) above, the City-Parish President may, at his or her option, adjust the amount of Net Revenues shown on the most recent available audited financial statements of the Communications System in the following respects:

(1) If, prior to the issuance of the additional Obligations or incurrence of Parity Debt, the Issuer shall have increased the rates, fees, rentals or other charges for services of the Communications System, the Net Revenues may be adjusted to show the Net Revenues that would have been derived from the Communications System if such increased rates, fees, rentals or other charges had been in effect for the full Fiscal Year covered by such audited financial statements;

(2) If the Issuer, in connection with the issuance of the additional Obligations or incurrence of Parity Debt, shall enter into a contract (with a duration or term not less than the final maturity of such additional Obligations) with any public or private entity whereby the Issuer

agrees to furnish services of the Communications System to such entity, then the Net Revenues shown on the audited financial statements shall be increased by the estimated amount which such public or private entity has agreed to pay in one Fiscal Year for the furnishing of such services, after deducting therefrom the cost of operation, maintenance, repair, renewal and replacement allocable to providing such services.

(v) Obligations issued and Parity Debt incurred in compliance with the terms and conditions of this Section shall be deemed on a parity with all Bonds and Parity Debt then Outstanding, and all of the covenants and other provisions of this Ordinance shall be for the equal benefit, protection and security of the holders of any Bonds originally authorized and issued and Parity Debt incurred in accordance with this Section and the holders of any Bonds and Parity Debt evidencing additional obligations subsequently created within the limitations of and in compliance with this Section. Any debt incurred, which has a pledge of the Net Revenues or the Residual Revenues as security, but is not in compliance with this Section will have a lien on said Net Revenues and Residual Revenues that is subordinate to that of the Obligations.

(vi) Notwithstanding anything contained in this Ordinance to the contrary, the City may issue Parity Debt under its Utilities Bond Ordinance.

(vii) Further notwithstanding any other provision in this Section to the contrary, the Issuer may issue additional completion bonds in an amount not exceeding Ten Million Dollars (\$10,000,000) that will be on a parity with the Bonds, provided the Consulting Engineer certifies that such completion bonds are necessary in order to complete the Project, provided the total amount of the Bonds issued, including any additional completion bonds, does not exceed One Hundred Twenty-Five Million Dollars (\$125,000,000).

Also notwithstanding anything contained in this Section to the contrary, the above restrictions shall not be applicable to Parity Reimbursement Obligations and Parity Swap Obligations incurred with respect to Obligations which met the conditions of this Section upon their issuance or incurrence.

SECTION 10.3. Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt.

(a) The Issuer may include provisions in a Supplemental Ordinance authorizing the issuance of the Bonds secured by a Credit Facility as the Issuer deems appropriate, and no such provisions shall be deemed to constitute an amendment to this Ordinance requiring action under Article XII hereof, including:

(i) So long as a Credit Facility providing security (but not liquidity) is in full force and effect, and payment on the Credit Facility is not in default, then, in all such events, the issuer of the Credit Facility shall be deemed to be the sole Bondholder of the Outstanding Obligations the payment of which such Credit Facility secures when the approval, consent or action of the Bondholders for such Obligations is required or may be exercised under this Ordinance. The rights of the issuer of a Credit Facility under this clause (i) may not be assigned or delegated by the issuer of such Credit Facility without the written consent of the Issuer.

(ii) In the event that the Debt Service Account installments, principal, if any, and Redemption Price, if applicable, or interest due on any Outstanding Obligations shall be paid under the provisions of a Credit Facility, all covenants, agreements and other obligations of the Issuer to the Bondholders of such Obligations shall continue to exist and such issuer of the Credit Facility shall be subrogated to the rights of such Bondholders in accordance with the terms of such Credit Facility.

(b) In addition, such Supplemental Ordinance may establish such provisions as are necessary (i) to comply with the provisions of each such Credit Facility, (ii) to provide relevant information to the issuer of the Credit Facility, (iii) to provide a mechanism for paying principal installments and interest on Obligations secured by the Credit Facility, and (iv) to make provision for any events of default or for additional or improved security required by the issuer of a Credit Facility.

(c) In connection therewith the Issuer may enter into such agreements with the issuer of such Credit Facility providing for, inter alia: (i) the payment of fees and expenses to such issuer for the issuance of such Credit Facility, (ii) the terms and conditions of such Credit Facility and the Obligations affected thereby, and (iii) the security, if any, to be provided for the issuance of such Credit Facility.

(d) The Issuer may secure such Credit Facility by an agreement providing for the purchase of the Obligations secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Issuer in the applicable Supplemental Ordinance. The Issuer may also in an agreement with the issuer of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility (together with interest thereon, the "Reimbursement Obligation"); provided, however, that no Reimbursement Obligation shall be created for purposes of this Ordinance until amounts are paid under such Credit Facility. Any such Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related Obligation, may be secured by a pledge of the Net Revenues and Residual Revenues on a parity with the lien created by Section 4.2 to secure the Bonds (a "Parity Reimbursement Obligation"), but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration, or may constitute a Subordinated Contract Obligation, as determined by the Issuer. Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds, which payments shall be Subordinated Contract Obligations.

(e) Any such Credit Facility shall be for the benefit of and secure such Obligations or portion thereof as specified in the applicable Supplemental Ordinance.

(f) In connection with the issuance of any Obligations or at any time thereafter so long as Obligations remain Outstanding, the Issuer may, to the extent from time to time permitted pursuant to law, enter into Qualified Swaps. The Issuer's obligation to pay any amount under any Qualified Swap may constitute a Parity Swap Obligation, or may constitute a Subordinated Contract Obligation, as determined by the Issuer. Parity Swap Obligations shall not include any payments of any termination or other fees, expenses, indemnification or other obligations to a counterparty to a Qualified Swap, which payments shall be Subordinated Contract Obligations.

ARTICLE XI

EVENTS OF DEFAULT; REMEDIES

SECTION 11.1. Events of Default. Each of the following events is hereby declared an "event of default," that is to say if:

(a) the occurrence of a Credit Event as described in Section 6.1(c) hereof; or

(b) payment of principal and/or any installment of interest of any Obligations shall not be made when the same shall become due, either at maturity (whether by acceleration or otherwise) or on required payment dates by proceedings for redemption or otherwise; and any owed administrative fee shall not be made when the same shall become due and payable; or

(c) the Issuer shall for any reason be rendered incapable of fulfilling its obligations hereunder to the extent that the payment of or security for the Obligations would be materially adversely affected, and such conditions shall continue unremedied for a period of thirty (30) days after the Issuer becomes aware of such conditions; or

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

(e) any proceedings shall be instituted, with the consent or acquiescence of the Issuer, for the purpose of effecting a compromise between the Issuer 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 the Revenues; or

(f) the entry of a final judgment or judgments for the payment of money against the Issuer as a result of the ownership, operation or control of the Communications System or which subjects any of the moneys pledged hereunder to a lien for the payment thereof in contravention

of the provisions of this Ordinance for which there does not exist adequate insurance, reserves or appropriate bonds for the timely payment thereof, and any such judgment shall not be discharged within ninety (90) days from the entry thereof or an appeal shall not be taken therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, in such manner as to stay the execution of or levy under such judgment, order, decree or process or the enforcement thereof; or

(g) the Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in this Ordinance on the part of the Issuer to be performed, and such default shall continue for sixty (60) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer by the Registered Owners of not less than twenty-five percent (25%) of the Bond Obligation; notwithstanding the foregoing, however, such an event of default shall not be deemed to have occurred under this paragraph if the default of the Issuer can not be cured within sixty (60) days of such notice but can be cured within a reasonable period of time and the Issuer in good faith institutes curative action within such sixty (60) day period and diligently pursues such action until the default has been corrected.

Upon such a default as described in clause (a) or (b), the Issuer shall be required to pay any insufficiency from Residual Revenues without any judicial proceedings whatsoever, the necessity of such judicial proceedings being hereby expressly waived. In such case, the Issuer shall proceed to discontinue its provision of Covered Services, as soon as reasonably practicable, taking into consideration minimizing the disinterruption of services to the existing users of such Covered Services and the efficient wind down of the Communications System.

Notwithstanding the foregoing, with respect to the events described in clauses (c) and (g), the Issuer shall not be deemed in default hereunder if such default can be cured within a reasonable period of time and if the Issuer in good faith institutes appropriate curative action and diligently pursues such action until the default has been corrected.

SECTION 11.2. Enforcement of Remedies. Upon the happening and continuance of any event of default specified in Section 11.1, then, and in every such case, the Owners of not less than twenty-five percent (25%) of the Bond Obligation may appoint any state bank, national bank, trust company or national banking association qualified to transact business in Louisiana 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 twenty-five percent (25%) of the Bond Obligation and the trust instrument under which the Trustee shall have agreed to serve, shall be filed with the Issuer and the Trustee and notice of such appointment shall be published in THE BOND BUYER or a financial journal of general circulation in the City of New York, New York and mailed to the Registered Owners of the Bonds; provided, however, that if all Bonds then Outstanding are in registered form, no newspaper publication shall be required. After the appointment of a Trustee hereunder, no further Trustees may be appointed; however, the Holders of a majority of the Bond Obligation may remove the Trustee initially appointed and appoint one or more successors at any time. If the default for which the Trustee was appointed is cured or waived pursuant to this Article, 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 twenty-five percent (25%) of the Bond Obligation shall proceed to protect and enforce the rights of the Bondholders under the laws of the State of Louisiana, including the Act, and under this 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 herein or in aid of execution of any power herein 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.

In the enforcement of any remedy against the Issuer under this Ordinance, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Issuer for principal, premium, if any, and interest or otherwise under any provisions of this Ordinance or of such Bonds and unpaid, with interest on overdue payments of principal and, to the extent permitted by law, on interest at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce any judgment or decree against the Issuer, but solely as provided herein and in such Bonds, for any

portion of such amounts remaining unpaid and interest, costs and expenses as above provided, and to collect (but solely from moneys in the Receipts Account, and any other moneys available for such purpose) in any manner provided by law, the moneys adjudged or decreed to be payable.

SECTION 11.3. 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 Issuer, the Trustee and Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

SECTION 11.4. Directions to Trustee as to Remedial Proceedings. Anything in this Ordinance to the contrary notwithstanding, the Holders of a majority of the Bond Obligation 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 hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of this 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.

SECTION 11.5. Pro Rata Application of Moneys. Anything in this Ordinance to the contrary notwithstanding, if at any time the moneys in the Operating Account, as the case may be, shall not be sufficient to pay the principal (or Accreted Values with respect to the Capital Appreciation Bonds) of or the interest on the Bonds as the same become due and payable, such moneys, together with any moneys then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in this Article or otherwise, shall be applied as follows:

(a) Unless the principal of all the Bonds and Parity Debt shall have become due and payable, all such moneys shall be applied (1) to the payment of all installments of interest then due on the Bonds and the interest component of Parity Debt then due, in the order of the maturity of the installments of such interest, to the persons entitled thereto, ratably, without any discrimination or preference, and (2) to the payment of all installments of principal of the Bonds and Parity Debt then due.

(b) If the principal of all the Bonds and Parity Debt shall have become due and payable, all such moneys shall be applied to the payment of the principal of, premium, if any, and interest (or Accreted Values with respect to Capital Appreciation Bonds) then due and unpaid upon the Bonds and Parity Debt, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond or Parity Debt over any other Bond or Parity Debt, ratably, according to the amounts due, respectively, for principal and interest (or Accreted Values with respect to Capital Appreciation Bonds), to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds and Parity Debt.

Whenever moneys are to be applied by a trustee or paying agent appointed by the Issuer (the "Agent") pursuant to the provisions of this Section, such moneys shall be applied by the Agent at such times, and from time to time, as the Agent in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future; the setting aside of such moneys, in trust for the proper purpose, shall constitute proper application; and the Agent shall incur no liability whatsoever to the Issuer, to any Bondholder or owner of Parity Debt or to any other person for any delay in applying any such moneys, so long as reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of this Ordinance as may be applicable at the time of application. Whenever the Agent shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an interest payment date unless the Issuer shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue and the Accreted Value of Capital Appreciation Bonds shall cease to accrete. The Agent shall give such notice as it may deem appropriate of the fixing of any such date, and shall not be required to make payment to the owner of any Bond unless such Bond shall be presented to the Agent for appropriate endorsement or for cancellation if fully paid.

SECTION 11.6. 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 obligation hereunder or for any other remedy hereunder unless such Bondholder previously shall have given to the Issuer written notice of the event of default on account of which suit, action or proceeding is to be taken, and unless the Holders of not less than twenty-five percent (25%) of the Bond Obligation shall have made written request of the Issuer after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Issuer a reasonable opportunity either to proceed to exercise the powers hereinabove granted or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Issuer 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 Issuer shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Issuer, to be conditions precedent to the execution of the powers and trusts of this Ordinance or for any other remedy hereunder. It is understood and intended that no one or more Owners of the Bonds hereunder secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Ordinance, or to enforce any right hereunder, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein 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 this Ordinance to the rights and remedies herein provided.

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

SECTION 11.7. Appointment of a Receiver. Upon the happening and continuance of an event of default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders under this Ordinance, the Trustee shall be entitled, as a matter of right, without regard to the solvency of the Issuer, to the appointment of a receiver or receivers of the Communications System, pending such proceedings, with such powers as the court making such appointments shall confer, whether or not the Revenues, the Net Revenues, Residual Revenues and other moneys as pledged hereunder shall be deemed sufficient ultimately to satisfy the Bonds outstanding hereunder.

ARTICLE XII

MISCELLANEOUS PROVISIONS

SECTION 12.1. Modification or Amendment.

(a) No modification or amendment of this Ordinance, or of any Supplemental Ordinance, materially adverse to the Bondholders may be made without the consent in writing of the Owners of not less than a majority of the Bond Obligation, unless otherwise provided by Supplemental Ordinance, and no modification or amendment shall permit a change (i) in the maturity of any of the Bonds or a reduction in the rate of interest thereon, (ii) in the amount of the principal obligation of any Bond, (iii) that would affect the unconditional obligation of the Issuer to collect and hold the Revenues as herein provided, or provide for the receipt and disbursement of such Revenues as herein provided, or (iv) that would reduce such percentage of Owners of the Bond Obligation, required above, for such modifications or amendments, without the consent of all of the Bondholders. For the purpose of Bondholders' voting rights or consents, the Bonds, if any, owned by or held for the account of the Issuer, directly or indirectly, shall not be counted. Notwithstanding the foregoing, and so long as the same shall not result in the interest on the Bonds other than Taxable Obligations Outstanding hereunder being included in gross income of the holders thereof for federal income tax purposes, the Issuer may, without the consent of the Bondholders, enter into such supplemental ordinances or resolutions (which supplemental ordinances or resolutions shall thereafter form a part hereof):

(1) To cure any ambiguity, inconsistency or formal defect or omission in this Ordinance or in any Supplemental Ordinance, or

(2) 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, or

(3) To provide for the sale, authentication and of additional Bonds or refunding Bonds and the disposition of the proceeds from the sale thereof, in the manner and to the extent authorized herein, or

(4) To modify, amend or supplement this Ordinance or any ordinance or resolution supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America, and, if the Issuer so determines, to add to this Ordinance or any ordinance or resolution supplemental hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute, or

(5) To provide for the issuance of coupon Bonds or certificated or uncertificated registered public obligations, or

(6) To provide for changes suggested by a nationally recognized securities rating agency as necessary to secure or maintain the rating on the Bonds, or

(7) To subject to the terms of this Ordinance any additional moneys, securities or properties, or

(8) To make any other change or modification of the terms hereof which, in the reasonable judgment of the Issuer is not prejudicial to the rights or interests of the Holders of the Bonds hereunder.

(b) Notwithstanding any provision set forth above, any bond insurer of any Bonds or Parity Debt may vote on behalf of all Bondholders of all such Bonds or Parity Debt.

(c) Notice of any amendments or modifications of this Ordinance shall be given by the Issuer to the Rating Agencies then rating any Bonds Outstanding hereunder.

SECTION 12.2. Defeasance and Release of Ordinance. If, at any time after the date of issuance of the Obligations, (a) all Obligations secured hereby, or any series thereof, or maturity or portion of a maturity within a series, shall have become due and payable in accordance with their terms or otherwise as provided in this Ordinance, or shall have been duly called for redemption, or the Issuer gives the 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 scheduled by the Issuer, or any combination thereof, (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 Paying Agent, an escrow agent or any Authorized Depository, in irrevocable trust for the benefit of such Bondholders (whether or not in any accounts created hereby) 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 Defeasance 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, and (c) provisions shall also be made for paying all other sums payable hereunder by the Issuer, then, and in that case the right, title and interest of such Bondholders hereunder and the pledge of the Net Revenues and Residual Revenues, and all other pledges and liens created hereby or pursuant hereto, 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 hereunder and then Outstanding, all balances remaining in any other funds or accounts created by this Ordinance other than moneys held for redemption or payment of the Bonds and to pay all other sums payable by the Issuer hereunder shall be distributed to the Issuer for any lawful purpose; otherwise this Ordinance shall be, continue and remain in full force and effect.

For purposes of determining the amount of interest due and payable with respect to Variable Rate Obligations pursuant to (b) above, the interest on such Variable Rate Obligations shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Rate Obligations having borne interest at less than such maximum rate for any period, the total amount of moneys and Defeasance Securities on deposit with the Paying Agent for the payment of interest on such Variable Rate Obligations is in excess of the total amount which would have been required to be deposited with the Paying Agent on such date in respect of such Variable Rate Obligations in order to satisfy the above provisions, the

Paying Agent shall pay the amount of such excess to the Issuer for use in such manner as required or permitted pursuant to an opinion of Bond Counsel in order not to cause interest on the Bonds (other than Taxable Bonds) or any bonds issued to refund the Bonds to cease to be excludable from gross income for federal income tax purposes.

For purposes of determining the amount of principal, premium, if any, and interest due and payable pursuant to (b) above with respect to Bonds subject to mandatory purchase or redemption by the Issuer at the option of the Registered Owner thereof (“Put Bonds”), as long as a liquidity credit facility remains in place such amount shall be the maximum amount of principal of and premium, if any, and interest on such Put Bonds which could become payable to the Registered Owners of such Put Bonds upon the exercise of any such demand options provided to the registered owners of such Put Bonds. If any portion of the moneys deposited with the Paying Agent for the payment of the principal of and premium, if any, and interest on Put Bonds is not required for such purpose the Paying Agent shall pay the amount of such excess to the Issuer for use in such manner as required or permitted pursuant to an opinion of Bond Counsel in order not to cause interest on the Bonds (other than Taxable Bonds) or any bonds issued to refund the Bonds to cease to be excluded from gross income for federal income tax purposes.

If a portion of a maturity of the Bonds subject to mandatory redemption shall be defeased as provided above, the principal amount of the Bonds so defeased shall be allocated to the mandatory installments designated by the Issuer, or if no such designation is made, such principal amount shall be allocated to mandatory installments in inverse order of maturity.

SECTION 12.3. Tax Covenants. It is the intention of the Issuer and all parties under its control that the interest on the Bonds issued hereunder be and remain excluded from gross income for federal income tax purposes and to this end the Issuer hereby represents to and covenants with each of the Holders of the Bonds issued hereunder that it will comply with the requirements applicable to it contained in Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Code to the extent necessary to preserve the exclusion of interest on the Bonds issued hereunder from gross income for federal income tax purposes. Specifically, without intending to limit in any way the generality of the foregoing, the Issuer covenants and agrees:

(a) to make or cause to be made all necessary determinations and calculations of the amount required to be paid to the United States of America pursuant to Section 148(f) of the Code (the “Rebate Amount”) and required payments of the Rebate Amount;

(b) to set aside sufficient moneys from the Revenues or other legally available moneys of the Issuer, to timely pay the Rebate Amount to the United States of America;

(c) to pay the Rebate Amount to the United States of America at the times and to the extent required pursuant to Section 148(f) of the Code;

(d) to maintain and retain all records pertaining to the Rebate Amount with respect to the Bonds issued hereunder and required payments of the Rebate Amount with respect to the Bonds for at least six years after the final maturity of the Bonds or such other period as shall be necessary to comply with the Code;

(e) to refrain from taking any action that would cause any Bonds or portion thereof issued hereunder to be classified as “private activity bonds” under Section 141(a) of the Code; and

(f) to refrain from taking any action that would cause the Bonds issued hereunder to become arbitrage bonds under Section 148 of the Code.

The Issuer understands that the foregoing covenants impose continuing obligations of the Issuer that will exist as long as the requirements of Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Code are applicable to the Bonds.

Notwithstanding any other provision of this Ordinance, the obligation of the Issuer to pay the Rebate Amount to the United States of America and to comply with the other requirements of this Section 12.3 shall survive the defeasance or payment in full of the Bonds.

SECTION 12.4. Severability. If any one or more of the covenants, agreements or provisions of this Ordinance should be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for

any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separate from the remaining covenants, agreements or provisions of this Ordinance or of the Bonds issued hereunder.

SECTION 12.5. Publication of Bond Ordinance; Peremption. This Ordinance shall be published one time in the official journal of the Issuer. As provided by Article VI, Section 35(B) of the Louisiana Constitution of 1974 and Title 13, Section 5121, *et seq.* of the Louisiana Revised Statutes of 1950, as amended, for thirty (30) days after the date of publication, any person in interest may contest the legality of this Ordinance, any provision of the Bonds, the provisions therein made for the security and payment of the Bonds and the validity of all other provisions and proceeding relating to the authorization and issuance of the Bonds. After the said thirty (30) days, no person may contest the regularity, formality, legality or effectiveness of this Ordinance, any provisions of the Bonds to be issued pursuant hereto, the provisions for the security and payment of the bonds and the validity of all other provisions and proceedings relating to their authorization and issuance, for any cause whatever. Thereafter, it shall be conclusively presumed that the Bonds are legal and that every legal requirement for the issuance of the Bonds has been complied with. No court shall have authority to inquire into any of these matters after the said thirty (30) days.

SECTION 12.6. No Third-Party Beneficiaries. Except as herein or by Supplemental Ordinance otherwise expressly provided, nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon any Person other than the parties hereto and the owners and holders of the Bonds issued under and secured by this Ordinance, any right, remedy or claim, legal or equitable, under or by reason of this Ordinance or any provision hereof, this Ordinance and all its provisions being intended to be and being for the sole and exclusive benefit of the parties hereto and the Owners and Holders from time to time of the Bonds issued hereunder.

SECTION 12.7. Controlling Law; Members of Issuer Not Liable. All covenants, stipulations, obligations and agreements of the Issuer contained in this Ordinance shall be deemed to be covenants, stipulations, obligations and agreements of the Issuer to the full extent authorized and provided by the Constitution and laws of the State of Louisiana. No covenant, stipulation, obligation or agreement contained herein shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member of the Governing Authority, agent or employee of the Issuer in his individual capacity, and neither the members of the Issuer nor any official executing the Bonds shall be liable personally on the Bonds or this Ordinance or shall be subject to any personal liability or accountability by reason of the issuance or the execution by the Issuer or such members thereof.

SECTION 12.8. Repeal of ordinances or resolutions. All ordinances or resolutions, or parts thereof, to extent they are in conflict with this ordinance, are hereby repealed.

SECTION 12.9. Effective Date. This Ordinance shall become effective upon signature of the Lafayette City-Parish President, the elapse of ten (10) days after receipt by the Lafayette City-Parish President without signature or veto, or upon an override of a veto, whichever occurs first.

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**FINANCIAL AND STATISTICAL DATA
RELATIVE TO THE ISSUER AND
THE PARISH OF LAFAYETTE, STATE OF LOUISIANA**

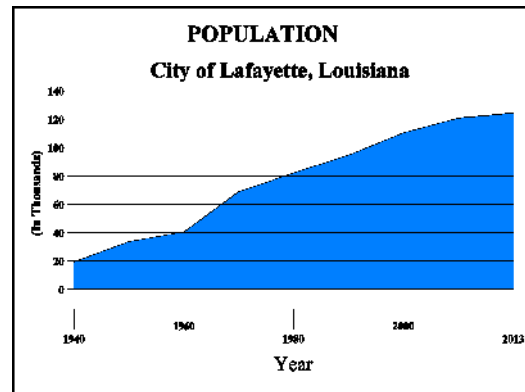
Location and Area of the City

The City of Lafayette, State of Louisiana (the “City” or “Issuer”) is located on the Vermilion River, approximately 30 miles from the Gulf of Mexico. The City is governed by the Lafayette City-Parish Council (the “Governing Authority”) and is the Parish seat of the Parish of Lafayette, State of Louisiana (the “Parish”), which was created on January 17, 1823, and covers a total area of approximately 277 square miles. The area of the City is approximately 51.75 square miles.

Population of the City of Lafayette

<u>Year</u>	<u>Population</u>
1940	19,210
1950	33,541
1960	40,400
1970	68,908
1980	81,961
1990	94,440
2000	110,257
2010	120,623
2013	124,276

Source: U. S. Census Bureau.

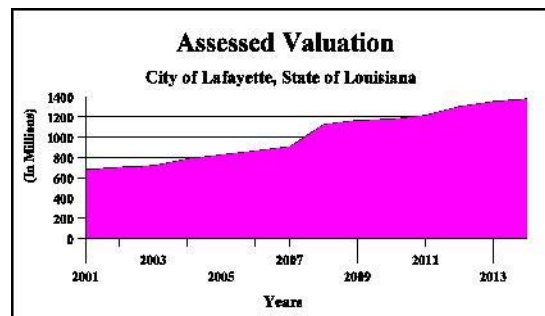


Assessed Value of Taxable Property of the City

The trend in the assessed valuation of the City appears in the following table.

<u>Year</u>	<u>Assessed Value</u>	<u>Year</u>	<u>Assessed Value</u>
2001	\$678,289,181	2008	\$1,126,670,410
2002	702,369,634	2009	1,167,335,011
2003	718,675,774	2010	1,176,713,420
2004	785,936,702	2011	1,217,474,359
2005	826,075,484	2012	1,303,420,762
2006	864,796,608	2013	1,351,910,412
2007	906,310,363	2014	1,378,851,017

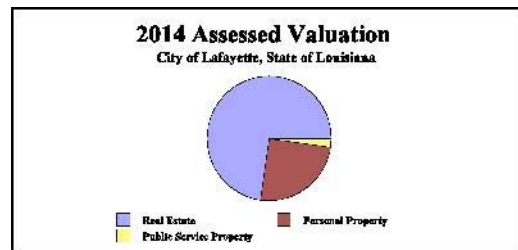
Sources: Louisiana Tax Commission; Lafayette Parish Assessor.



A breakdown of the City’s 2014 assessed valuation by classification of property follows:

<u>Classification of Property</u>	<u>2014 Assessed Valuation</u>
Real Estate	\$1,003,659,698
Personal Property	347,405,935
Public Service Property	27,785,384
Total:	\$1,378,851,017

Source: Lafayette Parish Assessor.



Millage Rates

The recent trend in *ad valorem* tax rates levied within the boundaries of the City follows:

	Millage Rates				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>City of Lafayette</u>					
General	5.42	5.42	5.42	5.42	5.42
Public Roads	1.29	1.29	1.29	1.29	1.29
Playground/Recreation Maint.	1.92	1.92	1.92	1.92	1.92
Public Buildings	1.13	1.13	1.13	1.13	1.13
Police & Fire Depts. Bonds	3.18	3.18	3.18	3.18	3.18
Police Salaries	3.00	3.00	3.00	3.00	3.00
Fire Salaries	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>
Total	17.94	17.94	17.94	17.94	17.94
<u>Parishwide School Taxes</u>					
Schools Regular	4.59	4.59	4.59	4.59	4.59
Special	7.27	7.27	7.27	7.27	7.27
Special School Improvement	5.00	5.00	5.00	5.00	5.00
School 1985 Operation	16.70	16.70	16.70	16.70	16.70
<u>Parish Taxes</u>					
General Alimony	3.05	3.05	3.05	3.05	3.05
Courthouse & Jail Maintenance	2.34	2.34	2.34	2.34	2.34
Library (2003-2012)	2.00	2.00	2.00	--	--
Library (2007-2016)	2.91	2.91	2.91	2.91	2.91
Library (2009-2018)	1.61	1.61	1.61	1.61	1.61
Library (2013-2022)	--	--	--	2.00	2.00
Health Unit Maintenance	0.99	0.99	0.94	--	1.61
Juvenile Detention Maintenance	1.17	1.17	1.17	1.17	1.17
Lafayette Economic Development Authority	1.92	1.92	1.82	1.82	1.82
Assessment District	1.56	1.56	1.56	1.56	1.56
Law Enforcement	16.79	16.79	16.79	16.79	16.79
Airport Regional Parishwide	1.71	1.71	1.71	1.71	1.71
Detention Correctional Facility	2.06	2.06	2.06	2.06	2.06
Road and Bridges	4.17	4.17	4.17	4.17	4.17
Lafayette Parish Bayou Vermilion-Bond & Interest	0.20	0.10	0.10	0.10	0.10
Maintenance	0.75	0.75	0.71	0.75	0.75
Drainage Maintenance	3.34	3.34	3.34	3.34	3.34
Roads/Highways/Bridges	3.00	3.00	3.00	3.00	3.00
Teche-Vermilion Water District	1.26	1.50	1.45	1.45	1.50
Mosquito Abatement & Control	1.50	1.50	1.50	0.50	1.50
<u>Other Parish and District Taxes:</u>					
Parish Tax (Inside Municipalities)	1.52	1.52	1.52	1.52	1.52
Lafayette Center Development District	10.91	10.91	9.60	10.91	10.91

Sources: Louisiana Tax Commission; Lafayette Parish Assessor.

Leading Taxpayers

The ten largest property taxpayers of the City and their 2014 assessed valuations follow.

<u>Name of Taxpayer</u>	<u>Type of Business</u>	<u>2014 Assessed Valuation</u>
1. P H I Inc.	Oil & Gas Support Services	\$ 20,447,814
2. AT&T/Bellsouth	Telecommunications	16,526,039
3. Stuller, Inc.	Manufacturing	15,821,411
4. Frank's Casing Crew	Oil & Gas Support Services	14,009,779
5. Iberiabank	Commercial Banking	13,328,132
6. Schlumberger	Oil & Gas Support Services	13,050,274
7. HCA Regional Health System	General Medical & Surgical Hospitals	11,258,137
8. Walmart/Sams	Warehouse Clubs & Supercenters	10,970,472
9. Halliburton	Oil & Gas Support Services	9,901,213
10. J.P. Morgan Chase	Commercial Banking	9,544,770
		\$134,858,041*

* Approximately 9.78% of the 2014 assessed valuation of the Issuer.
Source: Lafayette Parish Assessor.

SUMMARY DEBT STATEMENT AS OF JUNE 30, 2015

(For additional information, see the Issuer's Comprehensive Annual Financial Report for the Fiscal Year Ended October 31, 2014 included by specific cross-reference as Appendix "F" of this Official Statement)

A. Direct Debt of the City of Lafayette

<u>Type of Obligation</u>	<u>Principal Outstanding</u>
Sales Tax Bonds	\$264,565,000
Utilities Revenue Bonds	237,865,000
Certificates of Indebtedness	4,750,000
Communications System Revenue Bonds	111,450,000
Taxable Limited Tax Bonds	35,500,000

B. Overlapping Debt of the Parish of Lafayette

<u>Type of Obligation</u>	<u>Principal Outstanding</u>
Unlimited <i>Ad Valorem</i> Tax Bonds	\$ 59,080,000

C. Overlapping Debt of the Lafayette Parish School Board

<u>Type of Obligation</u>	<u>Principal Outstanding</u>
Public School Bonds	\$ 34,180,000
Certificates of Indebtedness	5,689,000
Limited Tax Bonds (Taxable QSCB)	21,460,775
Limited Tax Revenue Bonds	28,845,000
LCDA QZAB	327,388

D. Overlapping Debt of the Law Enforcement District of the Parish of Lafayette

<u>Type of Obligation</u>	<u>Principal Outstanding</u>
Limited Tax Revenue Bonds	\$ 19,610,000

E. Overlapping Debt of Lafayette Parish Bayou Vermilion District

<u>Type of Obligation</u>	<u>Principal Outstanding</u>
Unlimited <i>Ad Valorem</i> Tax Bonds	\$ 100,000

F. Underlying Debt of the Lafayette Public Power Authority

<u>Type of Obligation</u>	<u>Principal Outstanding</u>
Electric Revenue Bonds	\$ 90,580,000

G. Partially Underlying Debt of Lafayette Parish Waterworks District North

<u>Type of Obligation</u>	<u>Principal Outstanding</u>
Water Revenue Bonds	\$ 4,707,000

H. Partially Underlying Debt of Lafayette Parish Waterworks District South

<u>Type of Obligation</u>	<u>Principal Outstanding</u>
Water Revenue Bonds	\$ 3,937,000

Short Term Indebtedness

According to the Chief Financial Officer of the Governing Authority, the City has no short term indebtedness, other than normal accounts payable or as otherwise stated in this Official Statement.

Default Record

According to the Chief Financial Officer of the Governing Authority, the City has never defaulted in the payment of its outstanding bonds or obligations.

Bank Balances

The Governing Authority reported the following balances in its various funds as of June 30, 2015*:

<u>General Operating Funds</u>	<u>CASH AND INVESTMENTS</u>
General Fund-City	38,798,316
Property Tax Escrow Fund	24,581
General Fund-Parish	4,783,708
Grants-Federal	(630,824)
Grants-State	(1,220,591)
LA Supreme Court Drug Grant	0
ARC US Probation Outpatient	0
Community Development	(241,682)
Home Programs	(125,321)
Urban Infill Home Program	837,027
Emergency Shelter Grant	(36,029)
HUD-ARRA Fund	0
WIA Grants	(121,513)
HUD Housing Loan Prog	290,260
FTA Planning Grants	(19,604)
FHWA Plan Grants	(128,099)
FHWA I-49 Grant	(94,825)

* Preliminary

FTA Capital	319,166
DOTD Travel Management	(101,162)
Recreation & Parks	(217,194)
Natural History Museum	(57,003)
Municipal Transit System	(241,942)
Heymann Performing Arts Center	215,468
Animal Control Shelter	1,814,757
Traffic Safety	217,293
Acadiana Recovery Center Non-Grant	0
Combined Golf Courses	(84,493)
Urban Development Action	0
State Seized/Forfeited Property	12,145
Fed Narc Seized /Forfeited Property	13,273
Criminal Non-support	(213,078)
Road & Bridge Maintenance	14,299,507
Drainage Maintenance	15,902,154
Correctional Center	995,077
Library Fund	39,926,337
Courthouse Complex	8,815,227
Juvenile Detention Facility	4,278,514
Public Health Unit	975,907
War Memorial building	(24,326)
Criminal Court	(44,498)
Combined Public Health	11,253,223
Coroner	(59,061)
Mosquito Abatement	1,722,572
Justice Department Federal Equitable Sharing Fund	506,120
Court Services Fund	(23,842)
Parking Program	(77,839)
Codes & Permits	1,403,127
Environmental Services	(482,969)
CNG Service Station	34,689
Payroll	5,520,838
Unemployment Compensation	(13,499)
Metro Code Retirement Account	(237)
Group Hospitalization	18,363,015
Hurricane Katrina	115,680
Hurricane Rita	331,383
Hurricane Gustav	(1,160,132)
Hurricane Isaac	(196,711)
Central Printing	(140,253)
Central Vehicle Maintenance	735,099
Total General Operating Funds	<u>\$166,747,740</u>

Debt Service Funds:

1961 City Sales Tax Trust Fund	33
1985 City Sales Tax Trust Fund	0
TIF City Sales Tax Trust Fund-MM101	635,706
TIF City Sales Tax Trust Fund-MM103	542,238
1961 Sales Tax Bond Sinking Fund	5,655,234
1961 Sales Tax Bond Reserve Fund	16,768,954
1985 Sales Tax Bond Sinking Fund	2,118,776

1985 Sales Tax Reserve Fund	12,634,634
Contingency Sinking-Parish	5,358,106
2011 Certificates of Indebt	87,707
2012 Limited Tax Refund	672,812
Consolidated Sewerage Sinking Fund	316,565
Consolidated Paving Districts Sinking Fund	412,749
Total Debt Service Funds	<u>\$ 45,203,513</u>

Construction Funds:

Sales Tax Capital Improvement Fund	40,561,921
2001 Parish General Obligation Bonds	89,394
2010 Parish General Obligation Bonds	8,533,584
1993 Sales Tax Bond Construction	21,538
2000B Sales Tax Bond Construction	1,259
2000A Sales Tax Bond Construction	5
2003D Sales Tax Bond Construction	50,827
2007A Sales Tax Bond Construction	765,601
2007B Sales Tax Bond Construction	830,948
2009A Sales Tax Bond Construction	10,436,199
2009B Sales Tax Bond Construction	14,197,335
2010 Sales Tax Bond Construction	19,598,380
2013 Sales Tax Bond Construction	12,789,542
Total Construction Funds	<u>\$107,876,532</u>

Other:

Firemen Pension & Relief	(25,156)
Police Pension & Relief	(25,581)
Risk Management	<u>321,346</u>
Total Other	<u>\$ 270,610</u>

Utilities System Funds:

Receipts Fund	1,079,583
Operation and Maintenance	8,000,156
Bond & Interest	17,212,146
Capital Additions Fund	83,384,208
Security Deposit Fund	8,348,808
Bond Reserve Fund	23,639,909
2010 Bond Construction Fund	5,035,500
Total Utilities System Funds	<u>\$146,700,310</u>

LPPA Funds:

LPPA Revenue Fund	9,319,266
LPPA Operating Fund	9,216,678
LPPA Fuel Cost Stability Fund	4,500,000
LPPA Bond Reserve Fund	9,678,517
LPPA Reserve & Contingency Fund	5,283,318
LPPA Bond Interest & Principal Fund	2,654,709
LPPA 2012 Bond Construction Fund	4,303,234
Total LPPA Funds	<u>\$ 44,955,722</u>

Communications System Funds:

Receipts Account	90,322
Operating Account	2,426,085

Debt Service Account	3,449,228
2012A Bond Account	46,329
2012B Bond Account	284,331
Capital Additions Account	4,661,949
Security Deposits Account	126,099
Total Communications System Funds	\$ <u>11,084,343</u>
TOTAL ALL FUNDS	\$<u>522,838,769</u>

** Some of the funds listed are dedicated for Parish purposes and others are for City purposes. Source: Lafayette City-Parish Consolidated Government. Figures unaudited.*

Audit Report

The Comprehensive Annual Financial Report (“CAFR”) of the Governing Authority for the Fiscal Year ended October 31, 2014 has been filed with EMMA and is included by specific cross-reference in Appendix “F” hereto. It has been audited by Kolder, Champagne, Slaven & Company, LLC, Certified Public Accountants, and their report, dated as of April 24, 2015, is included therein. The audited financial statements pertaining to the Issuer which are included in this Official Statement have been included in reliance upon said report; however, such Auditors have not consented to inclusion of the financial statements herein and have not performed any additional review procedures related thereto. The Auditors did not perform any procedures relating to any of the information in this Official Statement.

GASB 45

Effective with the Fiscal Year beginning November 1, 2007, the Governing Authority implemented Government Accounting Standards Board Statement Number 45 (“GASB 45”). A summary of the impact of the Governing Authority’s Post Employment Benefit Obligations on the finances of the City is explained in Note 21-Post Retirement Health Care Benefits-of the 2014 Comprehensive Annual Financial Report of the Governing Authority. See page 74 of the CAFR.

As required by GASB Statement No. 45 (“Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions”), the City has determined that the accrued actuarial liability for benefits associated with Other Post Employment Benefits (“OPEB”), as of November 1, 2013 (the most recent actuarial valuation date) was approximately \$24,456,505 for the primary government and \$61,703 for component units. The covered payroll (annual payroll of active employees covered by the plan) was \$107,548,094 for the primary government and \$1,501,058 for the component units, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 22.7% for the primary government and 4.1% for the component units. The valuation was conducted by an independent actuary and amounts determined regarding the funded status of the plan, the accrued liability and the annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future, including future employment, mortality and the healthcare cost trend. More detailed information relating to OPEB, as of November 1, 2013, is contained in the Comprehensive Annual Financial Report of the Governing Authority which can be found on their website at <http://lafayettela.gov/Finance/SiteAssets/Files/Accounting/LCG2014CAFR.pdf>.

ECONOMIC INDICATORS

Per Capita Personal Income

A comprehensive revision of the estimates of Per Capita Personal Income by State was published in November 2014 by the Bureau of Economic Analysis of the U.S. Department of Commerce. The recent trends in revised per capita personal income for Lafayette Parish, Louisiana, and the Nation are indicated in the following table:

	Per Capita Personal Income				
	2009	2010	2011	2012	2013
Lafayette Parish	\$43,058	\$44,935	\$47,851	\$50,942	\$51,656
Louisiana	36,410	37,199	38,501	40,617	41,204
United States	39,379	40,144	42,332	44,200	44,765

Source: U.S. Department of Commerce, Bureau of Economic Analysis. November 20, 2014.

(The personal income level for the United States is derived as the sum of the county estimates; it differs from the national income and product accounts (NIPA) estimate of personal income because by definition, it omits the earnings of Federal civilian and military personnel stationed abroad and others. It can also differ from the NIPA estimate because of different data sources and revision schedules.)

Employment

The Louisiana Workforce Commission has issued revised not seasonally adjusted annual average statistics for various employment areas within Louisiana. The revised not seasonally adjusted annual average figures for Lafayette Parish and the State were reported as follows:

<u>Year</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Parish Rate</u>	<u>State Rate</u>
2008	112,424	108,829	3,595	3.2	4.6
2009	111,381	105,881	5,500	4.9	6.8
2010	113,515	107,007	6,508	5.7	7.4
2011	113,953	107,740	6,213	5.5	7.2
2012	117,230	111,849	5,381	4.6	6.5
2013	120,182	114,846	5,336	4.4	6.2
2014	121,654	115,654	5,998	4.9	6.4

The preliminary figures for Lafayette Parish for May 2015 were reported as follows:

<u>Month</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Parish Rate</u>	<u>State Rate</u>
05/15	124,786	117,527	7,259	5.8	6.6*

The preliminary figures for the Lafayette Metropolitan Statistical Area (“MSA”) for May 2015 were reported as follows:

<u>Month</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>MSA Rate</u>	<u>State Rate</u>
05/15	239,683	224,027	15,656	6.5	6.6*

* Seasonally adjusted.

Source: Louisiana Workforce Commission. June 30, 2015.

The following table shows the composition of the employed work force in the Lafayette MSA:

**Nonfarm Wage and Salary Employment by Major Industry
(Employees in Thousands)**

	Preliminary May 2015	Revised April 2015	May 2014
Mining & Logging	21.6	21.9	23.4
Construction	11.1	11.4	11.5
Manufacturing	20.6	20.3	20.6
Trade, Transportation & Utilities	44.5	44.6	43.9
Information	2.9	2.9	2.9
Financial Activities	12.3	12.4	12.3
Professional and Business Services	22.5	22.4	23.4
Educational and Health Services	29.8	29.6	29.3
Leisure and Hospitality	22.4	22.2	22.3
Other Services	6.8	6.8	6.7
Government	<u>26.5</u>	<u>26.5</u>	<u>26.3</u>
Total	<u>221.0</u>	<u>221.0</u>	<u>222.6</u>

Source: Louisiana Workforce Commission.

The names of several of the largest employers located in Parish of Lafayette are as follows:

	<u>Name of Employer</u>	<u>Type of Business</u>	<u>Approximate No. of Employees</u>
1.	Lafayette Parish School System	Education	4,538
2.	Lafayette General Medical Center	Health Care	2,684
3.	Lafayette Consolidated Government	Public Administration	2,379
4.	Wood Group Production Services	Oil & Gas	2,318
5.	Schlumberger	Oil and Gas	1,988
6.	University of Louisiana-Lafayette	Higher Education	1,956
7.	WalMart Stores Inc.	Retail Trade	1,569
8.	Baker Hughes	Oil & Gas	1,523
9.	Our Lady of Lourdes Reg. Med. Center	Health Care	1,493
10.	WHC Inc	Oil & Gas	1,440

Source: Lafayette City-Parish Consolidated Government.

There can be no assurance that any employer listed will continue to locate in the City or continue employment at the level stated.

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ANNUAL AVERAGE LAFAYETTE PARISH CONCURRENT ECONOMIC INDICATORS, 2010, 2011, 2012, 2013 AND FOURTH QUARTER 2014 (All data not seasonally adjusted.)

LAFAYETTE PARISH					
	2010	2011	2012	2013	2014
EMPLOYMENT					
Total	131,027	133,634	137,564	139,937	143,831
Agriculture, Forestry, Fishing & Hunting	88	84	90	94	89
Mining	14,680	15,069	16,392	15,866	16,201
Utilities	499	506	500	495	460
Construction	5,981	6,061	6,407	6,528	6,271
Manufacturing	8,095	9,053	9,110	9,849	10,168
Wholesale Trade	7,030	7,302	7,352	6,882	7,386
Retail Trade	15,685	16,115	16,267	16,685	17,899
Transportation & Warehousing	3,556	3,486	3,772	3,984	3,884
Information	2,736	2,667	2,557	2,630	2,495
Finance & Insurance	3,075	3,065	3,093	3,139	3,231
Real Estate, Rental & Leasing	4,005	4,272	4,477	4,382	4,190
Professional & Technical Services	7,657	7,744	8,649	8,886	9,003
Management of Companies & Enterprises	2,783	2,760	2,926	2,991	3,144
Administrative & Waste Services	6,142	5,948	5,566	6,363	6,898
Educational Services	7,893	7,894	7,924	7,942	8,277
Health Care & Social Assistance	19,998	20,501	20,683	20,855	20,484
Arts, Entertainment & Recreation	2,071	2,098	2,154	2,153	2,209
Accommodation & Food Services	12,148	12,293	12,816	13,379	14,324
Other Services, except Public Administration	3,112	3,097	3,215	3,201	3,248
Public Administration	3,711	3,543	3,559	3,560	3,625
EARNINGS (\$ in Thousands)					
Total	Annual \$5,847,951	Annual \$6,179,069	Annual \$6,588,106	Annual \$6,749,064	Quarterly \$1,932,026
Agriculture, Forestry, Fishing, and Hunting	2,652	2,619	3,327	4,426	956
Mining	1,234,362	1,305,546	1,451,170	1,389,066	287,315
Utilities	24,389	26,709	26,591	26,390	7,346
Construction	285,038	296,947	314,765	327,843	99,631
Manufacturing	400,999	504,273	508,460	530,805	154,764
Wholesale Trade	377,296	401,572	429,334	408,262	128,852
Retail Trade	396,914	423,154	460,015	463,407	131,939
Transportation & Warehousing	159,272	157,785	175,702	197,767	51,004
Information	111,780	111,399	115,671	118,914	30,847
Finance & Leisure	172,507	178,139	190,872	202,635	57,999
Real Estate, Rental & Leasing	225,556	280,074	290,430	285,239	71,504
Professional & Technical Services	452,200	472,445	543,361	565,916	183,954
Management of Companies & Enterprises	170,878	171,747	201,693	259,201	69,350
Administrative & Waste Services	207,512	205,143	187,917	231,119	66,062
Educational Services	315,302	319,168	320,637	321,588	85,849
Health Care & Social Assistance	812,810	815,086	842,581	872,397	252,428
Arts, Entertainment & Recreation	33,232	33,075	32,335	33,496	9,118
Accommodation & Food Services	194,691	201,022	214,474	231,235	64,791
Other Services, except Public Administration	98,278	101,681	111,315	114,295	32,239
Public Administration	169,441	168,000	165,720	163,666	45,291

Source: Louisiana Workforce Commission.

Banking Facilities

The City is served by the following banks:

Banks

American Bank & Trust Company	Investar Bank
Bank of Sunset & Trust Company	JPMorgan Chase Bank, National Association
Business First Bank	M C Bank & Trust Co.
Capital One, National Association	MidSouth Bank, N.A.
Crescent Bank & Trust	Rayne State Bank & Trust Company
Farmers-Merchants Bank & Trust Company	Regions Bank
First Bank and Trust	St. Landry Bank & Trust Company
First National Bank of Louisiana	St. Martin Bank & Trust Company
Gulf Coast Bank	Tri-Parish Bank
Home Bank	Whitney Bank
IBERIABANK	

GENERAL REMARKS

The City

The City is located in the heart of Acadiana, an eight parish area in the center of southern Louisiana, between New Orleans and Houston. The region was settled in 1763 by exiled Acadians from Nova Scotia. French and Acadian culture, handwork and traditions are very much in evidence in and around the City and both French and English languages are still spoken.

City-Parish Government

On November 2, 1992, the voters of the Parish approved a home-rule charter that merged the governing authorities of the City of Lafayette and the Parish of Lafayette effective June 3, 1996. *There was no change in the corporate status of the City nor any change in the revenues providing the security for the Bonds that are the subject of this Official Statement.*

Section 4-17 of the Lafayette City-Parish Consolidated Government Home Rule Charter (the “Charter”) provides for administrative reorganization whereby the City-Parish President proposes and the City-Parish Consolidated Council (the “Council”) approves various organizational changes. In May 1998, the Council adopted an ordinance providing for the reorganization of certain functions and departments under the Charter.

The Governing Authority of the Lafayette City-Parish Consolidated Government is the Council, consisting of nine members elected from nine single member districts. The Charter further provides that the City-Parish President succeeds to all powers of the Mayor of the City. The names of the incumbent City-Parish President and Council members are listed on the title page to this Official Statement.

Industry, Commerce and Agriculture

The City is the natural economic, commercial, agricultural, retail and cultural center of the region because of its location as the geographic center of Acadiana. The Parish’s location between New Orleans and Houston and its proximity to the largest and richest oilfields in Louisiana and the Gulf of Mexico make the oil industry a factor in the City’s economy. However, the City’s employment has significantly diversified over the years and today mining represents 10% of employment. Also, the City’s economy is largely driven by its position as a major regional trade and retail center serving the southwest region of Louisiana, which includes Lafayette Parish and surrounding areas, with an estimated population of over

878,000 people. A third significant factor in the City's economy is the educational and medical facilities located within its boundaries. There are six acute care hospitals located in the City which serve the entire region, including Lafayette General Hospital, Our Lady of Lourdes Hospital, University Hospital and Clinics, Regional Medical Center of Acadiana, Women's and Children's Hospital and Heart Hospital of Lafayette. The University of Louisiana at Lafayette ("ULL"), the second largest institution of higher education in the State, is located in the City. ULL had a 2014 (Fall Semester) enrollment of approximately 18,796 full-time and part-time students.

The City of Lafayette recently landed on Travel + Leisure list of the top 20 best college towns. The City ranked top five in four categories, including friendliest, cool souvenirs, burgers and local accent. The City also ranked top ten in four additional categories, including cafes, bars, ice cream and fairs.

With its excellent climate and soil, Lafayette Parish is a strong agricultural area in the State. The main crops are soy beans, rice, wheat and corn. Dairy and beef cattle, sheep and hogs are raised extensively throughout the Parish.

Lafayette's unique culture and quality of life draws thousands of visitors to Lafayette. It is well-known for its great food, music, and festivals, along with many historical attractions, museums and art exhibitions. The "Acadian Village" is a replica of a Cajun settlement, with homes and buildings, their furnishings, all reflecting the Cajun living conditions of yore. Vermilionville Living History Museum is a similar tourist attraction located on the beautiful grounds on the banks of Bayou Vermilion and is laid out as a historic village authentically portraying life in Acadiana between 1765 and 1890. Located near Vermilionville is the Acadian Cultural Center belonging to the Jean Lafitte National Park System offering various Cajun and Creole-related topics. Although the City is modern in most respects, there is a strong interest in preserving the flavor and customs of the past. Accordingly, recent history has shown a renewed interest in the Cajun language, Zydeco music, Cajun cuisine and historical sites in the area.

Lafayette is also home to nationally recognized festivals. Festival International de Louisiane is an annual four day free celebration that brings talented artists from francophone countries around the world. French, African, Caribbean, and Hispanic cultures participate via music, dance and craft performances. Festivals Acadiens et Créoles is a weekend festival featuring Cajun, Creole, and Zydeco musicians.

In recent years, the City has positioned itself, through its unique, publicly-owned fiber optic loop, as a technology leader with high-tech infrastructure designed to encourage economic development and improve and reduce costs of telecommunications services to its citizens. An example of this is the \$27 million, 70,000 square foot Louisiana Immersive Technologies Enterprise ("LITE") which is one of very few facilities in the world that combine high performance computing capabilities with advanced visualization.

APPENDIX C

THE UTILITIES BOND ORDINANCE

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GENERAL UTILITIES REVENUE
BOND ORDINANCE NO.0-122-2004

An ordinance of the Lafayette City-Parish Council and the Lafayette Public Utilities Authority authorizing the incurring of debt and issuance from time to time of Utilities Revenue Bonds of the City of Lafayette, State of Louisiana; prescribing the form, providing for the rights of the holders thereof; providing for the payment of said Bonds and the application of the proceeds thereof; and providing for other matters in connection therewith.

SECTION 1. WHEREAS, the City of Lafayette, State of Louisiana (the "Issuer") now owns and operates a utilities system as a single revenue producing public utility, consisting of the waterworks plant and system, electric power and light plant and system and sewer system, as more fully described in Section 1.1 hereof; and

SECTION 2. WHEREAS, the Issuer has outstanding the following described revenue bonds which are payable from a pledge and dedication of the income and revenues of the Utilities System, viz:

<u>Issue</u>	<u>Date of Issue</u>	<u>Principal Outstanding</u>	<u>Maturing Nov. 1, 2004 to Nov. 1,</u>	<u>Authorized by Ordinance Adopted on:</u>
Utilities Revenue Refunding Bonds Series 1993	September 1, 1993	\$6,020,000	2004	September 14, 1993 (supplemented September 23, 1993)
Utilities Revenue Bonds, Series 1996	August 22, 1996	\$13,520,000	2017	May 28, 1996

SECTION 3. WHEREAS, it is recognized that the Issuer entered into a Power Sales Contract dated May 1, 1977, first actually executed June 3, 1977, with the Lafayette Public Power Authority ("LPPA") under which contract the Issuer has agreed to purchase the power and energy from the LPPA's 50% ownership interest in the Rodemacher No. II Plant at Boyce, Louisiana, and the Issuer's payments to LPPA under said contract constitute obligations of the Issuer payable as an operating expense of the Utilities System and such payments shall be made whether or not the Rodemacher No. II Plant is then operable or is operating; and

SECTION 4. WHEREAS, the Power Sales Contract obligates the Issuer to maintain sufficient rates for the commodities and services furnished by its Utilities System to meet its obligations under such contract and pay all other obligations payable from, or constituting a charge or lien on such revenues; and

SECTION 5. WHEREAS, the Issuer will defease or retire the Utilities Revenue Refunding Bonds, Series 1993 or otherwise terminate the pledge of the revenues of the Utilities System to such Bonds (but not the Power Sales Agreement) prior to the delivery of any of the bonds authorized and provided for hereby; and

SECTION 6. WHEREAS, the Louisiana Department of Environmental Quality, the sole owner of the Utilities Revenue Bonds, Series 1996, has consented to the adoption of this Ordinance and has agreed that Parity Debt issued under this Ordinance will be issued on a parity with the Utilities Revenue Bonds, Series 1996 and will become Outstanding Bonds; and

SECTION 7. WHEREAS, the Issuer wishes to provide for the issuance from time to time of its revenue bonds payable from the revenues of the Utilities System; and

SECTION 8. NOW, THEREFORE, BE IT ORDAINED by the Lafayette City-Parish Council, acting as the governing authority of the City of Lafayette, State of Louisiana, and the Lafayette Public Utilities Authority, acting as the governing authority of the Utilities Department, that:

ARTICLE I

DEFINITIONS AND INTERPRETATION

SECTION 1.1. Definitions. The following terms shall have the following meanings unless the context otherwise requires:

"Accreted Values" means, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (the principal amount at its initial offering) plus the interest accrued on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Compounding Date next preceding the date of computation or the date of computation if a Compounding Date, such interest to accrue at a rate not exceeding the maximum rate permitted by law, compounded periodically, plus, with respect to matters related to the payment upon redemption of the Capital Appreciation Bonds, if such date of computation shall not be a Compounding Date, a portion of the difference between the Accreted Value as of the immediately preceding Compounding Date and the Accreted Value as of the immediately succeeding Compounding Date, calculated based on the assumption that Accreted Value accrues during any period in equal daily amounts on the basis of a year of twelve 30-day months.

"Act" shall mean Part XIII, Chapter 4 of Title 39 of the Louisiana Revised Statutes of 1950, as amended, and other statutory and constitutional provisions supplemental thereto.

"Additional Parity Obligations" means any additional *pari passu* obligations which may hereafter be issued pursuant to Section 9.2 hereof on a parity with the Bonds.

"Agent" means a financial institution performing those duties described in Section 10.5.

"Annual Budget" means the annual operating budget of the Utilities System, as amended and supplemented from time to time, prepared by the Issuer for each Fiscal Year.

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

"Bank" means the bank or banks selected by the Issuer which may be the regularly designated fiscal agent bank or banks of the Issuer.

"BMA Municipal Index" means The Bond Market Association Municipal Swap Index as of the most recent date for which such index was published, or such other weekly, high-grade index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or as otherwise designated by The Bond Market Association or any successor thereto; provided, however, that, if such index is no longer produced by Municipal Market Data, Inc. or its successor, then "BMA Municipal Index" shall mean such other reasonably comparable index selected by the Issuer.

"Bond Counsel" means counsel 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 selected by the Issuer.

"Bond" or "Bonds" means any or all of the Utilities Revenue Bonds of the Issuer, issued pursuant to the Ordinance, as the same may be amended from time to time, including the currently outstanding Utilities Revenue Bonds, Series 1996, whether initially delivered or issued in exchange for, upon transfer of, or *in lieu* of any previously issued Bond.

"Bondholders," "Registered Owner," "Holder," and "Owner" means the registered owners (or their authorized representatives) of Obligations issued in registered form and the holders of Obligations issued in bearer form.

"Bond Obligation" means, as of the date of computation, the sum of: (i) the principal amount of all Current Interest Bonds then Outstanding and (ii) the Accreted Value on all Capital Appreciation Bonds then Outstanding.

"Bond Ordinances" means the ordinances authorizing the issuance of the Outstanding Parity Obligations.

"Bond Service Requirement" means for a given Sinking Fund Year, the remainder after subtracting any accrued interest paid by the purchasers of Obligations, and capitalized interest for the Bond Year ending the immediately following November 1 that has been deposited into the Sinking Fund for that purpose from the sum of the principal of and interest and premium, if any, and any owed administrative fee, or other payments on Obligations coming due in such Bond Year.

For purpose of determining the Bond Service Requirement, unless the interest rate is fixed for the duration of the applicable Bond Year, in which case the actual interest rate shall be used, the interest rate on Variable Rate Obligations that are Outstanding at the time of such determination, shall be assumed to be one hundred ten percent (110%) of the average interest rate on such Variable Rate Obligations during the twelve months ending with the month preceding the date of calculation (or such shorter period of time as such Variable Rate Obligations shall have been Outstanding). If such Variable Rate Obligations are not Outstanding on the date of such calculation, the interest rate used to calculate the Bond Service Requirement, if the Obligations are Tax-Exempt Obligations, shall be 110% of the BMA Municipal Index on the date of calculation, and if the Obligations are Taxable Obligations shall be the interest rate on U.S. Treasury Obligation with comparable maturities, plus 50 basis points, on the date of calculation.

If a Series of Variable Rate Obligations is subject to purchase by the Issuer 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.

For all purposes of this Ordinance, if the Issuer has entered into a Qualified Swap with respect to all or a portion of a series of Obligations, interest on such Obligations shall be calculated at (i) the fixed rate or rates of the Qualified Swap if the Issuer has entered into what is generally referred to as a "floating-to-fixed" Qualified Swap (where the Issuer pays a fixed rate and receives a floating rate) or (ii) as provided in paragraph two above of this definition of "Bond Service Requirement", if the Issuer has entered into either what is generally referred to as a "fixed-to-floating" Qualified Swap (where the Issuer pays a variable rate and receives a fixed rate) or a "floating-to-floating" Qualified Swap (where the Issuer pays a variable rate and receives a different variable rate).

For purposes of calculating the Bond Service Requirement with respect to Designated Maturity Obligations, the unamortized principal coming due on the final maturity date thereof that the Issuer reasonably anticipates refinancing, as reflected in the Annual Budget, shall not be included and in lieu thereof, there shall be included in the Bond Service Requirement for the Bond Year in which such final maturity occurs only the principal amount thereof the Issuer reasonably anticipates to become due in such Bond Year, taking into account any such anticipated refinancing of such Designated Maturity Obligations.

For purposes of calculating the Bond Service Requirement with respect to Commercial Paper Obligations, only the interest obligations with respect to such Commercial Paper Obligations and the principal amount of the Commercial Paper Obligations the Issuer reasonably expects to retire and not to pay with the proceeds of roll-over Commercial Paper Obligations in such Bond Year (as reflected in the Annual Budget) shall be included in the calculation of the Bond Service Requirement. The interest rate on the Commercial Paper Obligations shall be assumed for purposes of calculating the Bond Service Requirement, to be equal to the greater of (i) 110% of the Bond Market Association Municipal Swap Index (or if such index is no longer available, such other reasonably comparable index as the Issuer shall designate) or (ii) the actual rate on such Commercial Paper Obligations.

"Bond Year" means the annual period beginning on the second day of November of each year and ending on the first day of November of the following calendar year.

"Business Day" means, except as otherwise provided in a Supplemental Ordinance, a day of the year other than a day on which banks located in New York, New York and the cities in

which the principal offices of the Paying Agent are located are required or authorized to remain closed and on which the New York Stock Exchange is closed.

"Capital Additions Fund" means the fund by that name established in Section 5.1(e) hereof.

"Capital Appreciation Bonds" means Obligations that bear interest which is payable only at maturity or upon redemption prior to maturity in amounts determined by reference to the Accreted Values.

"Capital Costs" means the costs of (i) physical construction of or acquisition of real or personal property or interests therein for any Project, together with incidental costs (including legal, administrative, engineering, consulting and technical services, insurance and financing costs), working capital and reserves deemed necessary or desirable by the Issuer (including but not limited to costs of supplies, fuel, fuel assemblies and components or interests therein), and other costs properly attributable thereto; (ii) all capital improvements or additions, including but not limited to, renewals or replacements of or repairs, additions, improvements, modifications or betterments to or for any Project; (iii) the acquisition of any other real property, capital improvements or additions, or interests therein, deemed necessary or desirable by the Issuer for the conduct of its business; (iv) any other purpose for which bonds, notes or other obligations of the Issuer may be issued under the Act (whether or not also classifiable as a Cost of Operation and Maintenance); and (v) the payment of principal, interest, and redemption, tender or Purchase Price of any (a) Obligations issued by the Issuer for the payment of any of the costs specified above, (b) any Obligations issued to refund such Obligations, or (c) Obligations issued to pay capitalized interest; provided, however, that the term Capital Costs shall not include any costs of the Issuer relating to a Separately Financed Project.

"Chief Financial Officer" means the Associate Chief Administrative Officer-Finance and Management of the Issuer or the successor in function as chief financial officer of the Issuer.

"Chief Operating Officer" means the Director of Utilities or his successor in function as Chief Operating Officer of the Utilities System.

"Clerk" means the City-Parish Council Clerk.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor Federal Internal Revenue Code.

"Commercial Paper Obligations" means all of the Obligations Series or a proportionate maturity thereof with a maturity of less than 271 days so designated by the Issuer by Supplemental Ordinance prior to issuance thereof.

"Compounding Date" means a date for compounding of interest on Capital Appreciation Bonds as shown on a table of Accreted Values for such Capital Appreciation Bonds.

"Consulting Engineer" means a consulting utility engineer or firm of consulting utility engineers with nationally recognized credentials demonstrating skill and experience in the construction and operation of publicly owned electric, water and waste water utility properties.

"Costs of Issuance" means all items of expense, directly or indirectly payable or reimbursable and related to the authorization, sale and issuance of the Bonds, including but not limited to printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any fiduciary, legal fees and charges, fees and charges for the preparation and distribution of a preliminary official statement and official statement, if paid by the Issuer, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of the Bonds, costs and expenses of refunding, premiums for the insurance of the payment of the Bonds, if any, and any other cost, charge or fee paid or payable by the Issuer in connection with the original issuance of any issue of Bonds.

"Cost of Operation and Maintenance" means any operating and maintenance expense as defined in accordance with generally accepted accounting principles in the United States of America, plus any costs and expenses incurred under any Power Sales Contract. Notwithstanding the foregoing, Costs of Operation and Maintenance shall not include (i) any costs and expenses attributable to a Separately Financed Project, (ii) any costs or expenses for new construction or for reconstruction other than restoration of any part of the Utilities System to the condition of serviceability thereof when new, (iii) depreciation costs or (iv) any interest expense on any Obligation.

"Credit Facility" means a line of credit, letter of credit, standby bond purchase agreement, policy of bond insurance, surety bond, guaranty or similar credit or liquidity enhancement device or arrangement providing credit or liquidity support with respect to any Outstanding Obligations or Subordinated Indebtedness, or any agreement relating to reimbursement of advances under any such instrument.

"Current Interest Bonds" means Obligations that bear interest which is payable periodically rather than solely at the maturity of such Obligations.

"Defeasance Securities" means (i) direct non-callable obligations of the United States of America or obligations the timely payment when due of the principal of and interest on which is unconditionally guaranteed by the United States of America, to which the direct obligation or guarantee of the full faith and credit of the United States of America has been pledged, (ii) stripped interest obligations on bonds, notes, debentures and similar obligations issued by the Resolution Funding Corporation, (iii) local government obligations rated AAA by a Rating Agency (iv) local government obligations defeased by securities described in clauses (i), (ii), (iii), (v), (vi) and (vii) hereof, (v) guaranteed investment contracts rated AAA by a Rating Agency, (vi) in the event any Bonds are secured by a Credit Facility, any securities approved by such Credit Facility provider, and (vii) notes, bonds, debentures, mortgages and other evidences of indebtedness, issued or guaranteed at the time of the investment by the United States Postal Service, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Student Loan Marketing Association, the Federal Farm Credit System, or any other United States government sponsored agency; provided that at the time of the investment such agency or its obligations are rated and the agency receives, or its obligations receive, ratings in the highest Rating Category of each of the Rating Agencies that then rates such agency or its obligations. Only clause (i) hereof will define "Defeasance Securities" for purposes of the Utilities Revenue Bonds, Series 1996.

"Designated Maturity Obligations" means all of the Obligations of a Series or a particular maturity thereof, with a maturity longer than 270 days, so designated by the Issuer by Supplemental Ordinance prior to the issuance thereof, for which no mandatory sinking fund redemption requirements have been established.

"Distribution Charge" means any charge or fee in the nature of a stranded cost or similar charge paid by any person other than the Utilities System for use of the facilities of the Utilities System.

"Exposure on Guaranteed Debt" means, with respect to the period of time for which calculated, (i) as to each Guaranteed Debt as to which the Issuer has not been required to make any payments under its guaranty, an amount equal to twenty percent (20%) of the debt service requirement for such period (calculated in the same manner as the Bond Service Requirement) on that Guaranteed Debt, and (ii) as to any Guaranteed Debt as to which the Issuer has been required to make any payments under its guaranty, an amount equal to one hundred percent (100%) of the debt service requirement for such period (calculated in the same manner as the Bond Service Requirement) on that Guaranteed Debt.

"Executive Officers" means, collectively, the City-Parish President, and the Clerk of the Lafayette City-Parish Council and the Chairman of the Lafayette Public Utilities Authority or any officers of the Issuer or its successor designated by Supplemental Ordinance.

"Fiduciary" or **"Fiduciaries"** means any trustee, or Paying Agent, or any or all of them, as may be appropriate.

"Fiscal Year" means the one-year period commencing on November 1 of each year, or such other one-year period as may be designated by the Governing Authority as the fiscal year of the Issuer.

"Fuel Revenues" means retail fuel adjustment charge revenues, as billed under the then-current rate ordinance, and revenues from fuel charges billed to wholesale customers.

"Funds" means the Receipts Fund, Capital Additions Fund, Sinking Fund and Reserve Fund.

"Governing Authority" means the Lafayette City-Parish Council and the Lafayette Public Utilities Authority, or its successor in function, as provided by the Issuer's home rule charter or any successor charter.

"Government Securities" means direct obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America, which may be United States Treasury Obligations such as the State and Local Government Series and may be in book-entry form.

"Guaranteed Debt" means any indebtedness or obligation for money of any Person which the Issuer has guaranteed to pay from the Utilities System on a parity with debt service on the Obligations.

"Impact Fees" means all capital expansion fees, contributions in aid of construction, system improvement fees, or other similar fees and charges, separately imposed by the Issuer as a non-user capacity charge for the proportionate share of the cost of expanding, oversizing, separating or constructing new additions to the Utilities System. "Impact Fees" shall not include connection or hook-up charges or other payments or fees received by the Issuer as reimbursement for the cost of connecting or re-connecting a customer to the Utilities System.

"Interest Payment Date" means May 1 and November 1 of each year, except as otherwise provided in any Supplemental Ordinance.

"Investment Obligations" means any investments or securities then permitted under Louisiana law.

"Issuer" means the City of Lafayette, State of Louisiana.

"Net Revenues" means, for any fiscal year period, the amount of Revenues less the Cost of Operation and Maintenance of the Utilities System.

"Non-Fuel Revenues" means Revenues less Fuel Revenues.

"Obligations" means any obligations, issued in any form of debt, authorized by a Supplemental Ordinance, including but not limited to, Bonds, notes, bond anticipation notes, commercial paper and Guaranteed Debt, which are delivered under this Ordinance, including any Bonds and Parity Contract Obligations but such term shall not include any Subordinated Contract Obligation or Subordinated Indebtedness.

"Operating Fund" means the fund by that name established in Section 5.1(b) hereof.

"Ordinance" means this Ordinance as from time to time amended or supplemented by Supplemental Ordinance.

"**Outstanding**", when used with reference to the Bonds, means, as of any date, all Bonds theretofore issued under the Ordinance, except:

- (a) Bonds theretofore cancelled by the Paying Agent or delivered to the Paying Agent for cancellation;
- (b) Bonds for the payment or redemption of which sufficient cash and/or Defeasance Securities have been deposited with the Paying Agent or an escrow agent in trust for the Owners of such Bonds with the effect specified in the Ordinance, provided that if such Bonds are to be redeemed, irrevocable notice of such redemption has been duly given or provided for pursuant to the Ordinance, to the satisfaction of the Paying Agent, or waived;
- (c) Bonds in exchange for or *in lieu* of which other Bonds have been registered and delivered pursuant to the Ordinance; and
- (d) Bonds alleged to have been mutilated, destroyed, lost, or stolen which have been paid as provided in the Ordinance or by law.

"**Parity Contract Obligation**" means that portion of any rates, fees, charges or payments which the Issuer is contractually obligated to pay to another entity for fuel, energy or power, for the specific purpose of paying principal or interest or both on that entity's obligations directly associated with such contract and payable to such entity regardless of whether fuel, energy or power is delivered or made available for delivery which is secured by a pledge of and lien on the Net Revenues on a parity with the lien created by Section 4.2 hereof to secure the Obligations.

"**Parity Debt**" means any Parity Contract Obligation, Parity Reimbursement Obligation, Parity Swap Obligation or Guaranteed Debt; provided, however, that for purposes of the definition of the term "Bond Service Requirement," Parity Debt shall with respect to Guaranteed Debt include only Exposure on Guaranteed Debt. For purposes of Section 9.2 of this Ordinance, any Parity Debt shall specify, to the extent applicable, the interest and principal components of, or the scheduled payments corresponding to interest under, such Parity Debt.

"**Parity Reimbursement Obligation**" has the meaning provided in Section 9.4(d) hereof.

"**Parity Swap Obligation**" means the obligation to pay any amount under a Qualified Swap calculated as interest on a notional amount (but excluding any termination payments and payments of any other fees, expenses, indemnification or other obligations to a counterparty), that is secured by a pledge of, and a lien on, the Net Revenues on a parity with the lien created by Section 4.2 to secure the Obligations.

"**Paying Agent**" means the Issuer or any Authorized Depository designated by the Issuer to (i) serve as a Paying Agent or place of payment for the Obligations issued hereunder which shall have agreed to arrange for the timely payment of the principal of interest on and redemption premium, if any, with respect to the Obligations to the registered owners thereof, from funds made available therefor by the Issuer, and any successors designated pursuant to this Ordinance and (ii) maintain the registration books for the Obligations of any Series issued hereunder or to perform other duties with respect to registering the transfer of Obligations.

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

"**Power Sales Contract**" means (i) the Power Sales Contract dated May 1, 1977 executed by and between the Issuer and the Lafayette Public Power Authority or (ii) any other contract for fuel, energy, water, sewer or power designated in writing by the Issuer as a Cost of Operation and Maintenance.

"Principal Payment Date" means November 1 of each year.

"Project" means any project, facility, system, equipment, or material related to or necessary or desirable in connection with the Utilities System, whether owned jointly or singly by the Issuer, including any output in which the Issuer has an interest, heretofore or hereafter authorized by the Act; provided, however, that the term "Project" shall not include any Separately Financed Project.

"Purchase Price" means, with respect to any Obligation, 100% of the principal amount thereof plus accrued interest, if any, plus in the case of an Obligation subject to mandatory tender for purchase on a date when such Obligation is also subject to optional redemption at a premium, an amount equal to the premium that would be payable on such Obligation if redeemed on such date.

"Qualified Independent Consultant" means any one or more qualified and recognized independent consultants or firm of consultants (which may include, without limitation, independent accountants and engineers), having favorable repute, skill and experience with respect to the acts and duties required of a Qualified Independent Consultant by a particular section or sections of this Ordinance, as shall from time to time be retained by the Issuer for the purposes hereof. It may be the Consulting Engineer described in Article VIII.

"Qualified Swap" means, to the extent from time to time permitted by law, with respect to Obligations, any financial arrangement (i) which is entered into by the Issuer with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; an interest rate, forward rate or future rate swap (such swap may be based on an amount equal either to the principal amount of such Obligations of the Issuer as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Obligations); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, entered into by the Issuer for the purpose of moderating interest rate fluctuations or otherwise, and (iii) which has been designated in writing by the Issuer as a Qualified Swap with respect to such Obligations.

"Qualified Swap Provider" means an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims-paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims-paying ability, are rated either (i) at least as high as the third highest Rating Category of each nationally recognized securities Rating Agency then maintaining a rating for the Qualified Swap Provider, but in no event lower than any Rating Category designated by each such Rating Agency for the Obligations subject to such Qualified Swap, or (ii) any such lower Rating Categories which each such Rating Agency indicates in writing to the Issuer will not, by itself, result in a reduction or withdrawal of its rating on the Outstanding Obligations subject to such Qualified Swap that is in effect prior to entering into such Qualified Swap.

"Rate Stabilization Account" means the account set out in Section 5.1(e).

"Rating Agency" means each nationally recognized securities rating agency then maintaining a rating on the Obligations at the request of the Issuer.

"Rating Category" means one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

"Record Date" means, except as otherwise provided in a Supplemental Ordinance, with respect to an Interest Payment Date, the fifteenth day of the calendar month next preceding such Interest Payment Date, whether or not such day is a Business Day.

"Redemption Price" means, when used with respect to an Obligation, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the Ordinance.

"Reimbursement Obligation" has the meaning provided in Section 9.4(d) hereof.

"Reserve Fund" means the Fund by that name established in Section 5.1 hereof.

"Reserve Product" means a policy of bond insurance, a surety bond or a letter of credit or other credit facility used in lieu of a cash deposit in the Reserve Fund meeting the terms and conditions of Section 5.1 hereof.

"Reserve Product Provider" means a bond insurance provider or a bank or other financial institution providing a Reserve Product, whose bond insurance policies insuring, or whose letters of credit, surety bonds or other credit facilities securing, the payment, when due, of the principal of, premium, if any, and interest on bond issues by public entities, at the time such Reserve Product is obtained, result in such issues being rated in one of the two highest full rating categories by each of the Rating Agencies; provided, however, that nothing herein shall require the Issuer to obtain a rating on any Bonds issued under this Ordinance.

"Reserve Requirement" means, with respect to each series of Obligations, the amount, if any, set forth as the Reserve Requirement in the Supplemental Ordinance authorizing any series of Obligations.

"Reserve Secured Bonds" means a Series of Bonds for which the Supplemental Ordinance related to such Series provide that the payment of the principal, premium, if any, and interest on the bonds of such Series shall be secured by amounts on deposit and investments held in a designated account in the Reserve Fund.

"Revenues" means (i) all rates, fees, charges, income, rents and receipts derived by the Issuer from or attributable to the ownership and operation of the Utilities System, including all revenues attributable to the Utilities System or to the payment of the costs thereof received by the Issuer under any contracts for the sale of power, energy, transmission or other use of the services, facilities or products of the Utilities System or any part thereof or any contractual arrangement with respect to the use of the Utilities System or any portion thereof or the services, output, facilities, capacity or products of the Utilities System, (ii) the proceeds of any insurance covering business interruption loss relating to the Utilities System, (iii) interest received on the investment or reinvestment of any moneys held hereunder required to be deposited or kept in the Receipts Fund, (iv) payments received by the Issuer under a Qualified Swap, and (v) funds received from a Rate Stabilization Account; provided, however, that "Revenues" shall not include revenues from a Separately Financed Project or Impact Fees or revenues deposited in a Rate Stabilization Account.

"Separately Financed Project" has the meaning provided in Section 9.3 hereof.

"Series" means any portion of the Obligations of an issue authenticated and delivered in a single transaction, payable from an identical source of revenue and identified pursuant to a Supplemental Ordinance authorizing such Obligations as a separate Series of Obligations, regardless of variations in maturity, interest rate, redemption requirements or other provisions, and any Obligations thereafter authenticated and delivered in lieu of or in substitution of a Series of Obligations issued pursuant to this Ordinance.

"Series 2004 Bonds" means the Bonds issued by the first Supplemental Ordinance, in an amount not exceeding Two Hundred Million Dollars (\$200,000,000).

"Sinking Fund Year" means the year commencing on November 1st and ending on October 31st of the following year.

"State" means the State of Louisiana.

"Subordinated Contract Obligation" means any payment obligation (other than a payment obligation constituting Parity Debt or Subordinated Indebtedness) arising under (a) any Credit Facility which has been designated in writing by the Issuer as constituting a "Subordinated Contract Obligation," (b) any Qualified Swap which has been designated in writing by the Issuer as constituting a "Subordinated Contract Obligation," and (c) any other contract, agreement or other obligation authorized by ordinance or resolution of the Issuer and designated in writing by the Issuer as constituting a "Subordinated Contract Obligation." Each Subordinated Contract Obligation shall be payable from the Net Revenues subject and subordinate to the payments to be made with respect to the Obligations and Parity Debt, and shall be secured by a lien on and pledge of the Net Revenues junior and inferior to the lien on and pledge of the Net Revenues herein created for the payment of the Obligations and Parity Debt.

"Subordinated Indebtedness" means any bond, note or other indebtedness authorized by ordinance or resolution of the Issuer and designated in such ordinance or resolution by the Issuer as constituting "Subordinated Indebtedness," which shall be payable from the Net Revenues subject and subordinate to the payments to be made with respect to the Obligations and Parity Debt, and which shall be secured by a lien on and pledge of the Net Revenues junior and inferior to the lien on and pledge of the Net Revenues herein created for the payment of the Obligations and Parity Debt.

"Supplemental Ordinance" means any ordinance or resolution supplemental to or amendatory of this Ordinance, enacted or adopted by the Issuer in accordance with Article III hereof.

"Taxable Obligations" means any Obligations which are not Tax-Exempt Obligations.

"Tax-Exempt Obligations" means any Obligations the interest on which is intended by the Issuer to be generally excluded from gross income for federal income tax purposes.

"Trustee" means a financial institution serving in the capacity described in Section 10.2.

"Utilities System" means the revenue producing public utilities system of the Issuer consisting of the combined waterworks plants and system, the electric power and light plant and systems, and sewer system, including specifically all properties of every nature owned, leased or operated by the Issuer and used or useful in the operation of its complete waterworks plants and system, electric power and light plants and system and sewer systems, as said plants and systems now exist and as they may be improved, extended or supplemented from any source including the proceeds of bonds, and including all real estate, personal and intangible properties, contracts, franchises, leases and choses in action, and including any right to use the capacity from any facilities or services thereof, and all properties now or hereafter operated by the Issuer under lease or agreement with any other individual, joint venture, partnership or corporation, public or private, as a part of the Utilities System, whether lying within or without the boundaries of the Issuer. Upon compliance with the requirements of Section 7.12 hereof, the term "Utilities System" may include any other utility-related services or functions, as the Issuer shall determine by subsequent ordinance or resolution. The Utilities System shall not include any Separately Financed Project.

"Variable Rate Obligations" means Obligations issued with a variable, adjustable, convertible or other similar interest rate which is not fixed in percentage for the remaining term thereof.

SECTION 1.2. Interpretation. In the Ordinance, unless the context otherwise requires, (a) words importing the singular include the plural and vice versa, (b) words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders and (c) the title of the offices used in this Ordinance shall be deemed to include any other title by which such offices shall be known under any subsequently adopted charter.

ARTICLE II

INSTRUMENT TO CONSTITUTE CONTRACT

SECTION 2.1. Instrument to Constitute Contract. In consideration of the Obligations authorized to be issued hereunder by those who shall hold the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the Issuer and the Bondholders. The covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Bondholders, and all Obligations shall be of equal rank and without preference, priority or distinction over any other thereof, except as expressly provided herein.

ARTICLE III

AUTHORIZATION, DESCRIPTION, FORM AND TERMS OF OBLIGATIONS

SECTION 3.1. Description of Obligations. Obligations may be issued from time to time in accordance with the terms of this Ordinance. The Obligations authorized hereunder may be issued in one or more Series that may be delivered from time to time. The Obligations may be issued as Tax-Exempt Obligations, as Taxable Obligations, as obligations that convert from Taxable Obligations to Tax-Exempt Obligations, as fixed rate Obligations, as Variable Rate Obligations, as Capital Appreciation Bonds, as Current Interest Bonds, as Designated Maturity Obligations and/or as Commercial Paper Obligations. The Issuer shall by Supplemental Ordinance authorize each Series of Obligations and shall specify the following:

- (a) the authorized principal amount of such Series, the purpose or purposes for which such Obligations are issued;
- (b) the date and terms of maturity or maturities of the Obligations;
- (c) whether such Obligations are Designated Maturity Obligations or Commercial Paper Obligations;
- (d) the interest rate or rates of the Obligations or the method for determining such interest rate or rates, which may include variable, adjustable, convertible, auction reset or other rates, original issue discounts, Capital Appreciation Bonds and zero interest rate Obligations.
- (e) the authorized denominations (or, with respect to Capital Appreciation Bonds, the value at maturity) of each Series of Obligations;
- (f) numbering and lettering of such Obligations;
- (g) the Paying Agent and place or places of payment of such Obligations;
- (h) the redemption prices for such Obligations and any terms of redemption not inconsistent with the provisions of this Ordinance, which may include mandatory redemptions which may or may not be at the election of the Holder or Registered Owner thereof;
- (i) any terms permitting or requiring the tender of such Obligations by the Owner thereof for purchase;
- (j) the use of the proceeds of such Series of Obligations not inconsistent with this Ordinance;
- (k) the forms of such Obligations; and

(l) any other terms or provisions applicable to the Obligations of such Series, not inconsistent with the provisions of this Ordinance or the Act.

All of the foregoing may be added by Supplemental Ordinance adopted or enacted at any time and from time to time prior to the issuance of such Series of Obligations.

Except as otherwise provided by Supplemental Ordinance, all Obligations hereunder shall be in registered form. All Obligations issued hereunder shall be in substantially the form provided by the Supplemental Ordinance authorizing the issuance of such Obligations; shall, unless otherwise provided by Supplemental Ordinance, be payable in lawful money of the United States of America and shall bear interest from their date paid by check or draft of the Paying Agent mailed to the Registered Owner thereof. Principal of and interest and redemption premiums, if any, on Capital Appreciation Bonds, and principal of and redemption premiums, if any, on Current Interest Bonds shall be payable by check or draft at maturity or earlier redemption thereof upon presentation and surrender of such Obligations to the Paying Agent. In addition, notwithstanding the foregoing, if and to the extent permitted by applicable law, the Issuer shall establish a system of registration and may issue thereunder certificated registered public obligations (represented by instruments) or uncertificated registered public obligations (not represented by instruments) commonly known as book-entry obligations, combinations thereof, or such other obligations as may then be permitted by law. The Issuer shall appoint such registrars, transfer agents, depositories, or other agents as may be necessary to cause the registration, registration of transfer and reissuance of the Obligations within a commercially reasonable time according to the then current industry standards and to cause the timely payment of interest, principal and premiums payable with respect to the Obligations. If the Issuer adopts a system for the issuance of uncertificated registered public obligations, it may permit thereunder the conversion, at the option of a Holder of any Obligation then outstanding, of a certificated registered public obligation to an uncertificated registered public obligation, and the reconversion of the same.

The registration of the Obligations issued in registered form may be transferred upon the registration books therefor upon delivery to the Paying Agent, accompanied by a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Paying Agent, duly executed by the Registered Owner of such Obligations or by his attorney-in-fact or legal representative, containing written instructions as to the details of transfer of such Obligations, along with the social security number or federal employer identification number of such transferee. In all cases of a transfer of registered Obligations, the Paying Agent shall at the earliest practical time in accordance with the provisions of this Ordinance enter the transfer of ownership in the registration books for the Obligations and (unless uncertificated registration shall be requested and the Issuer has a registration system that will accommodate uncertificated registration) shall deliver in the name of the new transferee or transferees a new fully-registered Obligation or Obligations of the same Series, maturity and of authorized denomination or denominations for the same aggregate principal amount and payable from the same sources of funds. The Paying Agent or the Issuer may charge the Registered Owners of such Obligations for the registration of every such transfer of such Obligations an amount sufficient to reimburse it for any tax, fee or any other governmental charge required to be paid, except for any such governmental charge imposed by the Issuer, with respect to the registration of such transfer, and may require that such amounts be paid before any such new Obligations shall be delivered.

Except as otherwise provided in the Supplemental Ordinance, if any date for payment of the principal of, premium, if any, or interest on any Obligation is not a Business Day, then the date for such payment shall be the next succeeding Business Day, and payment on such day shall have the same force and effect as if made on the nominal date of payment.

With respect to any Series of Obligations, the Issuer may, by Supplemental Ordinance enacted or adopted prior to the issuance of such Series of Obligations, reserve or exercise the right to sell, assign or transfer rights to call Obligations of such Series for mandatory purchase.

Unless otherwise provided by Supplemental Ordinance adopted prior to the issuance of the applicable Series of Obligations, a purchase of Obligations by or through a remarketing agent, trustee, auction agent, credit facility provider or the Issuer pursuant to an optional or mandatory

tender shall not be deemed a redemption of such Obligations and will not be deemed to extinguish or discharge the indebtedness evidenced by such Obligations. Any Obligations purchased by or on behalf of the Issuer pursuant to an optional or mandatory tender shall be purchased with the intent that the indebtedness evidenced by such Obligations shall not be extinguished or discharged; such indebtedness shall not be extinguished or discharged and such Obligations shall remain outstanding hereunder unless and until such Obligations are delivered to the paying agent therefor for cancellation.

SECTION 3.2. Execution of Obligations. Unless otherwise provided by Supplemental Ordinance, the Obligations shall be executed in the name of the Issuer as provided in the Charter of the Issuer and the seal of the Issuer shall be imprinted, reproduced or lithographed on the Obligations, attested to and countersigned as provided in the Charter of the Issuer. There may be such additional signatures and attestations as may be determined by the Issuer. The signatures of the officers of the Issuer on the Obligations may be by facsimile, but one such officer shall sign his manual signature on the Obligations unless the Issuer appoints an authenticating agent, registrar, transfer agent or trustee who shall cause one of its duly authorized officers to manually execute the Obligations. If any officer whose signature appears on the Obligations ceases to hold office before the delivery of the Obligations, his signature shall nevertheless be valid and sufficient for all purposes. In addition, any Obligation may bear the signature of, or may be signed by, such persons as at the actual time of execution of such Obligation shall be the proper officers to sign such Obligation although at the date of such Obligation or the date of delivery thereof such persons may not have been such officers.

SECTION 3.3. Obligations Mutilated, Destroyed, Stolen or Lost. If any Obligation is mutilated, destroyed, stolen or lost, the Issuer or its agent may, in its discretion (i) deliver a duplicate replacement Obligation, or (ii) pay an Obligation that has matured or is about to mature. A mutilated Obligation shall be surrendered to and cancelled by the Chief Financial Officer or the duly authorized agent of the Issuer. The Bondholder must furnish the Issuer or its agent proof of ownership of any destroyed, stolen or lost Obligation; post satisfactory indemnity; comply with any reasonable conditions the Issuer or its agent may prescribe; and pay the Issuer's and/or its agent's reasonable expenses.

Any such duplicate Obligation shall constitute an original contractual obligation on the part of the Issuer whether or not the destroyed, stolen, or lost Obligation be at any time found by anyone, and such duplicate Obligation shall be entitled to equal and proportionate benefits and rights as to lien on, and source of and security for payment from, the funds pledged to the payment of the Obligation so mutilated, destroyed, stolen or lost.

SECTION 3.4. Provisions for Redemption. Each Series of Obligations may be subject to redemption prior to maturity at such times and in such manner as may be established by Supplemental Ordinance of the Issuer adopted with respect to any Series of Obligations on or before the time of delivery of those Obligations. Unless otherwise provided by Supplemental Ordinance with respect to a Series of Obligations, notice of redemption shall be sent at least thirty (30) days prior to the redemption date (i) be filed with the paying agent, and (ii) be mailed, postage prepaid, to all Registered Owners of Bonds to be redeemed at their address as they appear of record on the books of the Paying Agent as of forty-five (45) days prior to the date fixed for redemption, unless otherwise provided by Supplemental Ordinance. Interest shall cease to accrue on any Bond duly called for prior redemption on the redemption date, if payment thereof has been duly provided. The privilege of transfer or exchange of any of the Bonds so called for redemption is suspended for a period commencing 15 calendar days preceding the mailing of the notice of redemption and ending on the date fixed for redemption. Failure to mail any such notice to a registered owner of an Obligation, or any defect therein, shall not affect the validity of the proceedings for redemption of any Obligation or portion thereof with respect to which no failure or defect occurred.

SECTION 3.5. Effect of Notice of Redemption. Notice having been given in the manner and under the conditions hereinabove required, the Obligations or portions of Obligations 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 Obligations or portions of Obligations on such date. On the date so designated for redemption, moneys for payment of the

redemption price being held in separate accounts by the Paying Agent, an escrow agent or any Authorized Depository, in trust for the registered owners of the Obligations or portions thereof to be redeemed, all as provided in this Ordinance, interest on the Obligations or portions of Obligations so called for redemption shall cease to accrue, such Obligations and portions of Obligations shall cease to be entitled to any lien, benefit or security under this Ordinance, and the registered owners of such Obligations or portions of Obligations shall have no right in respect thereof except to receive payment of the redemption price thereof and, to the extent provided in Section 3.1 of this Article, to receive Obligations for any unredeemed portions of the Obligations. Notwithstanding anything to the contrary in the Ordinance, with respect to any notice of optional redemption of Obligations, unless upon the giving of such notice such Obligations or portions thereof shall be deemed to have been paid within the meaning hereof, such notice shall state that such redemption shall be conditioned upon the receipt by the Paying Agent on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Obligations or portions thereof to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Issuer shall not be required to redeem such Obligations or portions thereof. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Paying Agent shall within five (5) days thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

SECTION 3.6. Redemption of Portion of Registered Obligations. In case part but not all of an outstanding fully-registered obligation shall be selected for redemption, the Registered Owners thereof shall present and surrender such obligation to its designated Paying Agent (or if no such Paying Agent is designated, to the Issuer) for payment of the principal amount thereof and premium, if any, so called for redemption, and the Issuer shall execute and deliver to or upon the order of such Registered Owner, without charge therefor, for the unredeemed balance of the principal amount of the obligation so surrendered, an obligation or obligations fully-registered as to principal and interest.

SECTION 3.7. Application of Proceeds. Except as otherwise provided hereby, the proceeds, including accrued interest and premium, if any, received from the sale of the Obligations of any Series shall be applied by the Issuer simultaneously with the delivery of such Obligations in accordance with the provisions of a Supplemental Ordinance of the Issuer enacted or adopted at or before the delivery of such Series of Obligations, in conformity with this Ordinance.

SECTION 3.8. Temporary Obligations. Pending the preparation of definitive Obligations, the Issuer may execute and deliver temporary Obligations. Temporary Obligations shall be issuable as registered Obligations without coupons, of any authorized denomination, and substantially in the form of the definitive Obligations but with such omissions, insertions, and variations as may be appropriate for temporary Obligations, all as may be determined by the Issuer. Temporary Obligations may contain such reference to any provisions of this Ordinance as may be appropriate. Every temporary obligation shall be executed and authenticated upon the same conditions and in substantially the same manner, and with like effect, as the definitive Obligations. As promptly as practicable the Issuer shall execute and shall furnish definitive Obligations and thereupon temporary Obligations may be surrendered in exchange for definitive Obligations without charge at the principal office of the Paying Agent, and the Paying Agent shall authenticate and deliver in exchange for such temporary Obligations a like aggregate principal amount of definitive Obligations of authorized denominations. Until so exchanged, the temporary Obligations shall be entitled to the same benefits under this Ordinance as definitive Obligations.

ARTICLE IV

SOURCE OF PAYMENT OF OBLIGATIONS; SPECIAL OBLIGATIONS OF THE ISSUER

SECTION 4.1. Obligations Not to be Indebtedness of the Issuer. The Obligations shall not be or constitute general obligations or indebtedness of the Issuer within the meaning of the Constitution of Louisiana, but shall be payable solely from and secured by a lien upon and a pledge

of the Net Revenues of the Utilities System, in the manner and to the extent herein provided. No Bondholder shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer or taxation in any form on any real or personal property to pay such Obligations or the interest thereon, nor shall any Bondholder be entitled to payment of such principal and interest from any other funds of the Issuer other than Net Revenues in the manner and to the extent herein provided.

SECTION 4.2. Pledge of Net Revenues. The payment of the principal of, premium, if any, and interest on the Obligations shall be secured forthwith equally and ratably by an irrevocable lien on the Net Revenues, all in the manner and to the extent provided herein, prior and superior to all other liens or encumbrances on the Net Revenues, except as otherwise provided herein, and the Issuer does hereby irrevocably pledge the Net Revenues to the payment of the principal of, premium, if any, and interest on the Obligations.

ARTICLE V

CREATION OF FUNDS AND ACCOUNTS

SECTION 5.1. Creation of Funds and Accounts. There are hereby created and established the "Receipts Fund," the "Operating Fund," the "Sinking Fund," the "Reserve Fund" and the "Capital Additions Fund". There may be created and established in the Operating Fund and the Capital Additions Fund one or more separate accounts or subaccounts as determined by the Issuer from time to time to be necessary or convenient. The Operating Fund, the Reserve Fund and the Capital Additions Fund and all accounts and subaccounts therein shall constitute trust funds for the purposes herein provided, shall be delivered to and held by the Chief Financial Officer (or an Authorized Depository designated by the Chief Financial Officer), who shall act as trustee of such funds for the purposes hereof, shall, except as otherwise provided herein, be subject to a lien and charge in favor of the Bondholders and used only as herein provided. The described trust obligation shall extend only to the Issuer's obligation to hold such funds for the benefit of Bondholders, but does not impose a trust obligation on any Authorized Depository.

Moneys currently deposited in funds for the Bonds, other than the Series 2004 Bonds, will be transferred to the Funds that provide a similar function. Accordingly, moneys in a current sinking fund established for the Utilities Revenue Bonds, Series 1996 will be transferred to the Sinking Fund. Similarly, moneys in a reserve fund will be transferred to the Reserve Fund, as will moneys in a capital additions fund be transferred to the Capital Additions Fund.

All accounts referenced in the Ordinance means separate accounting, not necessarily separate bank accounts.

(a) Receipts Fund. Revenues, except (i) income received from the sale of capital assets and charges between divisions of the Utilities System, and (ii) proceeds from the issuance of Obligations shall be deposited daily as the same may be collected in a separate and special bank account known and designated as the "Receipts Fund", established and maintained with the Bank, or may be deposited in a fund with other moneys of the City and/or Parish in a Bank provided separate accounting is maintained at all times under the title of "Receipts Fund" and referred to hereinafter as the "Receipts Fund".

(b) Operating Fund. Out of the Receipts Fund, there shall be transferred to or set aside in an "Operating Fund," from time to time as needed during each Sinking Fund Year amounts sufficient to provide for the payment of Costs of Operation and Maintenance.

(c) Sinking Fund. After meeting the requirements of 5.1(b) above, the moneys in the Receipts Fund shall be used for the establishment and maintenance with the Bank of a "Utilities Revenue Bond Sinking Fund" (the "Sinking Fund") sufficient in amount to pay promptly and fully the principal of, premium, if any, and the interest on the Obligations herein authorized including any Additional Parity Obligations issued hereafter in the manner provided herein, as they severally become due and payable whether by maturity or mandatory call, by transferring as needed from the Receipts Fund to the Sinking Fund. Arrangements with the Paying Agent shall be made as will assure, to the amount of money in the Sinking Fund, prompt payment for principal and interest on

the Obligations payable from the Sinking Fund. Appropriate amounts shall also be placed in the Sinking Fund to allow for the payment of the charges of the Paying Agent. On or before the day before the Interest Payment Date, the Issuer will deposit with the Paying Agent sufficient funds to make payment of the principal and/or interest owed on the obligations, as of that Interest Payment Date.

A Supplemental Ordinance may provide for additional amounts to be deposited into the Sinking Fund.

(d) Reserve Fund. After meeting the requirements of 5.1(c), the moneys in the Receipts Fund shall next be used to satisfy the Reserve Requirements for Reserve Secured Bonds. The Reserve Fund will be segregated into one or more accounts that are created for various Series of Reserve Secured Bonds.

Except as set forth in a Supplemental Ordinance, amounts on deposit in each account of the Reserve Fund may be used solely for the purpose of curing deficiencies in the Sinking Fund for the payment when due of the principal of, premium, if any, and interest on the Reserve Secured Bonds for which such account was created. If funds on deposit in each Reserve Fund account exceed the account Reserve Requirement for the applicable Reserve Secured Bonds, the excess cash shall be deposited into the Sinking Fund to the extent moneys from the Receipts Fund are unavailable to meet current Bond Service Requirements and otherwise to the Capital Additions Fund, provided however that upon refunding of any Reserve Secured Bonds such excess may be applied to pay or redeem the Reserve Secured Bonds to be refunded.

Within the Reserve Fund there may be created separate accounts to secure the payment of various issues of Reserve Secured Bonds, each with varying Reserve Requirements. Any issue of Reserve Secured Bonds may utilize an existing Reserve Fund account, provided in doing so, the Reserve Requirement of the prior issue is met and satisfied.

If at any time the Issuer is required to fund a Reserve Fund account, or to increase the amount required to be maintained in the Reserve Fund account pursuant to the preceding paragraph, the amount, or increase in the amount, as applicable, required to satisfy such Reserve Requirement may be funded in up to twelve substantially equal consecutive monthly deposits commencing not later than the month following the occurrence of deficiency.

Each Reserve Requirement, in whole or in part, may be funded with cash or Investment Obligations, or one or more Reserve Products, or a combination thereof. Any such Reserve Product must provide for payment on any interest or principal payment date (provided adequate notice is given) on which a deficiency exists (or is expected to exist) in moneys held hereunder for payment of the principal of or interest on the Obligations due on such date which cannot be cured by funds in any other fund or account held pursuant to this Ordinance and available for such purpose, and shall name the Paying Agent as the beneficiary thereof. Each Reserve Product must be rated in the highest rating category by each Rating Agency. If a disbursement is made from a Reserve Product as provided above, the Issuer shall be obligated to reinstate the maximum limits of such Reserve Product on or before the close of the month following such disbursement from the first Revenues available pursuant to this Section or to replace such Reserve Product by depositing into the Reserve Fund pursuant to such sections, funds in the maximum amount originally available under such Reserve Product, plus amounts necessary to reimburse the Reserve Product Provider for previous disbursements under such Reserve Product, or a combination thereof. For purposes of this Section, amounts necessary to satisfy such reimbursement obligations of the Issuer to the Reserve Product Provider shall be deemed to be required deposits to the Reserve Fund, but shall be applied to satisfy the obligations to the Reserve Product Provider.

If the Reserve Requirement is funded in whole or in part with cash or Investment Obligations and no event of default shall have occurred and be continuing hereunder, the Issuer may at any time in its discretion, substitute a Reserve Product meeting the requirements of this Ordinance for the cash and Investment Obligations in the Reserve Fund and the Issuer may then withdraw such cash and Investment Obligations from the Reserve Fund and deposit them to the credit of the Operating Fund so long as (i) the same does not adversely affect any rating by a Rating Agency then

in effect with respect to the Obligations, or any Series thereof, and (ii) the Issuer obtains an opinion of Bond Counsel to the effect that such actions will not, in and of themselves, adversely affect the exclusion from gross income of interest on the Obligations (if not Taxable Obligations) for federal income tax purposes.

Cash on deposit in any Reserve Fund account shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any Reserve Product in such account. If more than one Reserve Product is deposited in the Reserve Fund account, drawings thereunder shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

Moneys in reserve in connection with the Utilities Revenue Bonds, Series 1996 shall be retained in a Reserve Fund account until a date one year before the final retirement of such bonds.

Any Supplemental Ordinance may require a greater Reserve Requirement or no Reserve Requirement for any issue or series of obligations of or other obligations on behalf of Issuer with respect to the Reserve Fund.

(e) Capital Additions Fund. After meeting the requirements in 5.1(d), the moneys in the Receipts Fund shall next be deposited in the Capital Additions Fund, which moneys in the Capital Additions Fund shall next be used for the following purposes:

(i) When amounts are deposited in the Capital Additions Fund to pay the capitalized cost of interest on Obligations of the Issuer, the Issuer shall pay from the Capital Additions Fund to the Paying Agent, on or before the date or dates on which interest on such Obligations becomes due and payable, an amount equal to such interest.

(ii) Notwithstanding the above provisions of this Section, amounts in the Capital Additions Fund must be applied to the payment of principal and Redemption Price of and interest on the Obligations and the payment of Parity Debt, on a parity basis, when due at any time that moneys are not available therefor.

(iii) There shall also be deposited in said fund all Impact Fees.

(iv) Not later than one hundred twenty (120) days following the close of each Fiscal Year the Issuer will receive from the Capital Additions Fund, if and to the extent that the money in such Fund makes possible such payment under the restrictions hereinafter contained, a payment *in lieu* of taxes, the amount of which shall be determined as follows:

- (A) There shall be set aside in each Fiscal Year for the purpose of paying Capital Costs an amount equal to seven and one-half percent (7-1/2%) of the total Non-Fuel Revenues into the Receipts Fund for such Fiscal Year.
- (B) If the balance of the amount so paid into the Capital Additions Fund in any Fiscal Year, after there has been deducted from the amount so paid seven and one-half percent (7-1/2%) of the total Non-Fuel Revenues into the Receipts Fund as above provided, is equal or less than twelve percent (12%) of the Receipts Fund deposits for such Fiscal Year, all of such balance shall be paid to the Issuer; however, if such balance is more than twelve percent (12%) of the Receipts Fund deposits for such Year, then the Issuer shall be paid an amount equal to twelve percent (12%) of said Receipts Fund deposits.
- (C) The remaining moneys in the Capital Additions Fund may be used for (i) paying Capital Costs or for the creation and maintenance of a Rate Stabilization Account, which may be used for making payments into the Receipts Fund to provide for temporary losses of revenue, such

payments to be made for such time and in such amounts as may be determined by the Issuer and shall be considered as Revenue as defined herein, (ii) the payment of Subordinated Indebtedness and Subordinated Contract Obligations, (iii) the purchase of Outstanding Obligations, or (iv) making any payment or investment for any lawful purpose.

ARTICLE VI

DEPOSITORIES OF MONEYS, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

SECTION 6.1. 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 Issuer in the funds and accounts created or maintained under the provisions of this Ordinance shall be held in trust and applied only in accordance with the provisions of this Ordinance.

All funds or other property which at any time may be owned or held in the possession of or deposited with the Issuer pursuant to this Ordinance shall be continuously secured, for the benefit of the Issuer and the Bondholders, either (a) by lodging with an Authorized Depository, as custodian, collateral security consisting of obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (b) in such other manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds.

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

SECTION 6.2. Investment of Moneys. Moneys held for the credit of the Funds established hereunder shall be invested and reinvested by the Issuer in Investment Obligations. Such investments or reinvestments shall mature or become available not later than the respective dates, as estimated by the Issuer, that the moneys held for the credit of said Funds will be needed for the purposes of such Funds.

Obligations so purchased as an investment of moneys in any such Fund shall be deemed at all times to be a part of such Fund, and shall at all times, for the purposes of this Ordinance, be valued at the amortized cost of such investments.

Except as otherwise expressly provided herein or as provided by subsequent resolution or ordinance, all income and profits derived from the investment of moneys in the Funds shall be deposited in the Receipts Fund and used for the purposes specified for the Receipts Fund, except that all income and profits derived from the investment of moneys in the Reserve Fund shall be retained therein until the Reserve Fund is fully funded and then shall be deposited in the Receipts Fund.

All such investments relating to Tax Exempt Obligations shall be made in compliance with covenants in Supplemental Ordinances relating to the Internal Revenue Code of 1986, as amended.

ARTICLE VII

GENERAL COVENANTS OF THE ISSUER

SECTION 7.1. Operation Covenant. The Issuer hereby covenants to operate the Utilities System in a business like manner and, in consultation with the Consulting Engineers, to operate the Utilities System in such manner in order to insure the continued availability of Net Revenues to pay all costs required by this Ordinance. The Issuer covenants to adequately maintain

and improve the Utilities System and to employ the necessary staff and employees, as required by industry practice and as necessary to properly operate and protect the Utilities System.

SECTION 7.2. Maintenance of Utilities System; Disposition. The Issuer will maintain the Utilities System and all parts thereof in good condition and will operate the same in an efficient and economical manner, making such expenditures for such equipment, maintenance and repairs and for renewals and replacements thereof as may be proper for its economical operation and maintenance, provided, however, that nothing herein shall be construed to prevent the Issuer from ceasing to operate or maintain, or from leasing or disposing of any portion or component of the Utilities System if, in the judgment of the Issuer, (i) it is advisable to lease, dispose of, or not operate and maintain the same, and (ii) the lease, disposition or failure to maintain or operate such component or portion of the Utilities System will not prevent the Issuer from meeting the requirements of Sections 5.1 and 7.7 hereof. Notwithstanding anything in the foregoing to the contrary, the sale-leaseback or lease-leaseback of any portion or component of the Utilities System or any similar contractual arrangements the effect of which is that the Issuer continues to retain as part of the Revenues, the Revenues from such portion or component of the Utilities System, shall not constitute a lease or disposition thereof for purposes of this Section.

SECTION 7.3. No Competitive Facilities. The Issuer shall not hereafter construct, acquire or operate any plants, structures, facilities or properties which will provide like services of the Utilities System in the Issuer and the areas currently served by the respective systems in competition with and not as part of the Utilities System unless such construction, acquisition or operation, in the judgment of the Issuer, does not materially impair the ability of the Issuer to comply with Section 5.1. Unless prohibited by any applicable law or regulation, the Issuer shall not voluntarily grant a franchise to any entity to construct or operate any competing facility providing the same services provided by the Utilities System. In the event the Issuer is required by law to allow use of its transmission line to any other electric provider, the Issuer, if permitted by law, shall charge a Distribution Charge.

SECTION 7.4. Obligation to Connect Sewerage Users. Acting in the exercise of its police powers, the Issuer will take all actions necessary to require every owner, tenant or occupant of each lot or parcel of land in the Issuer which abuts upon a street or other public way containing a sewer line and upon which lot or parcel a building shall have been constructed for residential, commercial or industrial use, to connect such building with the Utilities System and to cease to use any other method for the disposal of sewage, sewerage water or other polluting matter. All such connections shall be made in accordance with rules and regulations to be adopted from time to time by the Governing Authority, which rules and regulations may provide for an inspection charge to assure the proper making of such connection.

SECTION 7.5. No Free Service. The Issuer will not permit free water, electricity or sewerage service to be supplied by the Utilities System to the Issuer or any department thereof or to any person, firm or corporation, public or private, or to any public agency or instrumentality.

SECTION 7.6. Operating Budget. Before the first day of each Fiscal Year the Governing Body shall prepare, approve and adopt in the manner prescribed by law, and may amend from time to time as provided by law, a detailed budget of the Revenues, Bond Service Requirement (including the anticipated amortization of Designated Maturity Obligations and Commercial Paper Obligations), and Cost of Operation and Maintenance for the next succeeding Fiscal Year. Copies of its annual budgets and all authorizations for increases in the Cost of Operation and Maintenance shall be available for inspection at the offices of the Issuer and shall be mailed to any Bondholder requesting the same.

SECTION 7.7. Rate Covenant.

(a) So long as any Obligations remain Outstanding, the Issuer will fix, charge and collect, or cause to be fixed, charged and collected, subject to applicable requirements or restrictions imposed by law, such rates, rentals, fees and charges for the use of and for the services and products provided by the Utilities System as are expected to be sufficient in each Sinking Fund Year to produce Revenues, in an amount, at least equal to the sum of (i) one hundred percent (100%) of the

Costs of Operation and Maintenance for such Sinking Fund Year, (ii) one hundred percent (100%) of the Bond Service Requirement for such Sinking Fund Year, (iii) one hundred percent (100%) of the amounts payable with respect to Subordinated Indebtedness and Subordinated Contract Obligations in such Sinking Fund Year, (iv) one hundred percent (100%) of the amount required to maintain the Reserve Fund in accordance with Section 5.1 hereof, and any additional amount required to make all other payments required to be made.

(b) Failure by the Issuer to comply with the preceding paragraph of this Section in any Fiscal Year shall not constitute an event of default as described in Section 10.1 hereof so long as the Issuer shall, no later than sixty (60) days after discovering such non-compliance and in all events no later than sixty (60) days of receipt by the Issuer of audited financial statements delivered pursuant to Section 7.9 hereof which statements show such noncompliance, retain a Qualified Independent Consultant for the purpose of reviewing the Utilities System fees, rates, rents, charges and surcharges and shall implement the recommendations of such Qualified Independent Consultant with respect to such fees, rates, rents, charges and surcharges filed by the Qualified Independent Consultant with the Issuer in a written report or certificate, and such failure shall not be an event of default even though the Qualified Independent Consultant shall be of the opinion, as set forth in such report or certificate, that it would be impracticable at the time to charge such fees, rates, rents, charges and surcharges for the Utilities System as would provide funds sufficient to comply with the requirements of the preceding paragraph so long as the Issuer imposes such schedule of fees, rates, rents, charges and surcharges as in the opinion of such Qualified Independent Consultant will allow the Issuer to as nearly as then practicable comply with such requirements and the Issuer shall again be in compliance within the preceding paragraph of this Section no later than twelve calendar months after its discovery of such non-compliance. The Issuer shall provide notice of its failure to comply with the preceding paragraph of this Section to all then existing Nationally Recognized Municipal Securities Information Repositories no later than thirty (30) days after engaging the services of a Qualified Independent Consultant pursuant to the requirements of the preceding sentence and shall provide a copy of the report or certificate of the Qualified Independent Consultant to any Owner who shall request the same in writing. Furthermore, the Issuer shall provide a copy of the report or certificate of the Qualified Independent Consultant to the Rating Agencies within thirty (30) days after receipt of same.

SECTION 7.8. Books and Records. The Issuer shall keep separately identifiable financial books, records, accounts and data concerning the operation of the Utilities System and the receipt and disbursement of Revenues, and any Bondholder shall have the right at all reasonable times to inspect the same.

SECTION 7.9. Reports and Annual Audits. The Issuer shall require that an annual audit of the accounts and records with respect to the Utilities System be completed as soon as reasonably practicable after the end of each Fiscal Year by a qualified independent certified public accountant. Such audit shall be conducted in accordance with generally accepted auditing standards as applied to governments and shall include a statement by such auditors that no default on the part of the Issuer of any covenant or obligation hereunder has been disclosed by reason of such audit, or, alternatively, specifying in reasonable detail the nature of such default.

SECTION 7.10. Insurance and Condemnation Awards. The Issuer will carry adequate fire, windstorm, explosion/and other hazard insurance on the components of the Utilities System that are subject to loss through fire, windstorm, hurricane, cyclone, explosion or other hazards; adequate public liability insurance; other insurance of the kinds/and amounts normally carried in the operation of similar enterprises; and in time of war, such insurance as may be available at reasonable cost against loss or damage by the risks and hazards of war in an amount or amounts equal to the fair market value of the Utilities System. The Issuer may, upon appropriate authorization by its Governing Body, self-insure against such risks on a sound actuarial basis. Any such insurance shall be carried for the benefit of the Issuer and, to the extent herein provided, the Bondholders. All proceeds received from property damage or destruction insurance and all proceeds received from the condemnation of the Utilities System or any part thereof are hereby pledged by the Issuer as security for the Obligations, and thereafter shall be deposited at the option of the Issuer but subject to the limitations hereinafter described either (i) into the Capital Additions Fund, in which case, such proceeds shall be held in the Capital Additions Fund and used to remedy the loss,

damage or taking for which such proceeds are received, either by repairing the damaged property or replacing the destroyed or taken property, as soon as practicable after the receipt of such proceeds, or (ii) into the Sinking Fund for the purpose of purchasing or redeeming Obligations.

SECTION 7.11. Enforcement of Collections. The Issuer will diligently enforce and collect the fees, rates, rentals and other charges for the use of the products, services and facilities of the Utilities System. The Issuer will not take any action that will impair or adversely affect its rights to impose, collect and receive the Revenues as herein provided, or impair or adversely affect in any manner the pledge of the Revenues made herein or the rights of the Bondholders.

SECTION 7.12. Additions to Utilities System. The Issuer may add to the Utilities System any facilities or equipment purchased, acquired or constructed for the purpose of improving or renovating any element of the then-existing Utilities System. In addition, the Issuer may add to the Utilities System any facilities or equipment for the provision of utility-related services other than those provided by the then existing Utilities System so long as, (i) if any Tax-Exempt Obligations are Outstanding hereunder, the Issuer shall have received an opinion of Bond Counsel that the addition to the Utilities System will not, in and of itself, cause the interest on such Tax-Exempt Obligations not to be excludable from gross income of the Holders thereof for federal income tax purposes, (ii) if the Revenues anticipated by the Issuer to be derived from such addition in its first full Fiscal Year of operations are equal to or greater than ten percent (10%) of the total Revenues derived by the Utilities System in the most recent Fiscal Year of the Issuer preceding the adding of such addition to the Utilities System for which audited financial statements are available, or if the Cost of Operation and Maintenance anticipated by the Issuer to be incurred in connection with such addition in its first full Fiscal Year of operation are equal to or greater than ten percent (10%) of the total Cost of Operation and Maintenance incurred by the Utilities System in the most recent Fiscal Year preceding the adding of such addition to the Utilities System for which audited financial statements are available, prior to making such addition to the Utilities System the Issuer shall have obtained a written report of a Qualified Independent Consultant to the effect that within its first five (5) full years of operation, the annual additional Revenues generated by such addition in any one Fiscal Year of such first five (5) full years will exceed the annual additional Costs of Operation and Maintenance allocable to such additions in such Fiscal Year, and (iii) within ninety (90) days after adding such addition to the Utilities System the Issuer shall have provided written notice of same to each Rating Agency.

ARTICLE VIII

CONSULTING ENGINEER

SECTION 8.1. Consulting Engineer. The Issuer shall retain a Consulting Engineer for the purpose of providing the Issuer immediate and continuous counsel and advise regarding the Utilities System. It shall be the further duty of the Consulting Engineer to advise the Issuer in its appointment of a Chief Operating Officer for the Utilities System and the Issuer agrees that it will not appoint anyone as Chief Operating Officer who has not been approved by the Consulting Engineer.

SECTION 8.2. Comprehensive Annual Report. The Consulting Engineer shall prepare within one hundred eighty (180) days after the close of each Fiscal Year a comprehensive report, which comprehensive report shall contain therein or be accompanied by a certified copy of an audit of such year's business prepared by the certified public accountant chosen by the Issuer, and in addition thereto, shall report upon the operations of the Utilities System during the preceding year, the maintenance of the properties, the efficiency of the management of the property, the proper and adequate keeping of books of account and record, the adherence to budget and budgetary control provisions, the adherence to all the provisions of the Ordinance, and all other things having a bearing upon the efficient and profitable operations of the Utilities System, and shall include whatever criticism of any phase of the operation of the Utilities System the Consulting Engineer may deem proper, and such recommendation as to changes in operation and the making of repairs, renewals, replacements, extensions, betterments and improvements as the Consulting Engineer may deem proper including recommended changes in organization, pay scales and risk management practices. Copies of such report shall be placed on file with the Chief Operating Officer and shall be open to

inspection by any Owners of any of the Bonds. Such report shall also contain the Consulting Engineer's recommendations as to personnel practices and policy and his analysis of the ability of the Utilities System to function in the present and forecasted environments.

SECTION 8.3. Recommendation as to Rate Revision. It shall further be the duty of the Consulting Engineer to advise the Issuer as to any revisions of rates and charges, and the Issuer agrees to make no downward revisions in its rates and charges for services (except fuel adjustment charges) which are not approved by the Consulting Engineer.

ARTICLE IX

ISSUANCE OF ADDITIONAL OBLIGATIONS

SECTION 9.1. Creation of Liens, Issuance of Subordinated Indebtedness, Subordinated Contract Obligations and Debt. The Issuer shall not issue any bonds or other evidences of indebtedness or incur obligations, other than the Obligations and Parity Debt as provided herein, secured by a pledge of the Net Revenues and shall not create or cause to be created any lien or charge on the Net Revenues except to the extent provided in Section 3.1; provided, however, that the Issuer may, at any time, or from time to time, incur Subordinated Indebtedness or enter into Subordinated Contract Obligations payable out of, and which may be secured by a pledge of, such amounts as may from time to time be available for the purpose of the payment thereof in accordance with Section 5.1(e) hereof and such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge of Net Revenues created by this Ordinance as security for payment of the Obligations and provided further, however, that nothing contained in this Ordinance shall prevent the Issuer from issuing (i) bonds, notes, or other obligations or evidences of indebtedness under another and separate resolution or ordinance to finance a Separately Financed Project; or (ii) other bonds, notes, or other obligations or evidences of indebtedness under another and separate resolution or ordinance payable from, among other sources, those moneys withdrawn by the Issuer from the Capital Additions Fund.

SECTION 9.2. Issuance of Parity Obligations. Except as otherwise provided in this section, no Obligations may be issued under this Ordinance, other than Series 2004 Bonds, unless the Issuer shall have first complied with the requirements of this Section. Additional Obligations may be issued from time to time hereunder for any lawful purpose of the Issuer in connection with the Utilities System.

(1) Any Obligations, or any part thereof, may be refunded and the refunding Obligations so issued shall enjoy complete equality of lien with the Obligations which are not refunded, if there be any, and the refunding Obligations shall continue to enjoy whatever priority of lien over subsequent issues as may have been enjoyed by the Obligations refunded.

(2) Additional Obligations, other than refunding described in subparagraph (1) above, may be issued from time to time under this Ordinance upon compliance with the following conditions:

(a) the Issuer shall have enacted a Supplemental Ordinance authorizing such Obligations and providing for the terms thereof as contemplated herein and reciting that all of the covenants contained herein will be fully applicable to such Obligations and otherwise complying with the provisions of Section 3.1;

(b) the City-Parish President of the Issuer shall certify in writing that, upon the delivery of such Obligations, the issuer will not be in default in the performance of the terms and provisions of this Ordinance or of any of the Obligations;

(c) the (i) City-Parish President of the Issuer shall certify in writing that the Net Revenues of the Utilities System, as shown on the then-most recent available audited financial statements of the Utilities System equal or exceed the Bond Service Requirement for the same audited period for all Outstanding Obligations and (ii) a Certificate from the Consulting Engineer certifying that the Net Revenues of the Utilities System equal or exceed the Bond Service

Requirement for all Outstanding Bonds, Parity Debt and additional Obligations proposed to be issued for the first three complete Bond Years during which the additional Obligations shall be outstanding; and

(d) the Governing Authority shall have received an opinion or opinions from the Bond Counsel to the effect that (i) the Issuer has the right and power under the Act to enact this Ordinance and this Ordinance has been duly and lawfully enacted by the issuer, is in full force and effect and is valid and binding upon the Issuer and is enforceable in accordance with its terms and no other authorization of this Ordinance is required, (ii) this Ordinance creates a valid lien upon and pledge of the Net Revenues, (iii) the Obligations are valid and binding limited obligations of the Issuer, enforceable in accordance with their terms and this Ordinance and have been duly and validly authorized and issued in accordance with the Act and this Ordinance, and (iv) the Issuer has the full lawful power and authority to issue the Obligations for the purposes for which they are authorized.

In calculating Net Revenues of the Utilities System for purposes of clause (c) above, the City-Parish President may, at his or her option, adjust the amount of Net Revenues shown on the most recent available audited financial statements of the Utilities System in the following respects:

(i) If, prior to the issuance of the additional Obligations or incurrence of Parity Debt, the Issuer shall have increased the rates, fees, rentals or other charges for services of the Utilities System, the Net Revenues may be adjusted to show the Net Revenues that would have been derived from the Utilities System if such increased rates, fees, rentals or other charges had been in effect for the full Fiscal Year covered by such audited financial statements;

(ii) If the Issuer shall have acquired or shall have contracted to acquire all or part of any privately or publicly owned utility system which is to be added to the Utilities System and the cost of which is to be paid, in whole or in part, from proceeds of the proposed additional Obligations, then the Net Revenues shall be increased by adding thereto the Net Revenues that would have been derived if such addition to the Utilities System had been included in the Utilities System for the full Fiscal Year covered by such audited financial statements; and

(iii) If the Issuer, in connection with the issuance of the additional Obligations or incurrence of Parity Debt, shall enter into a contract (with a duration or term not less than the final maturity of such additional Obligations) with any public or private entity whereby the Issuer agrees to furnish services of the Utilities System to such entity, then the Net Revenues shown on the audited financial statements shall be increased by the estimated amount which such public or private entity has agreed to pay in one Fiscal Year for the furnishing of such services, after deducting therefrom the cost of operation, maintenance, repair, renewal and replacement allocable to providing such services.

(e) Obligations issued and Parity Debt incurred pursuant to the terms and conditions of this Section shall be deemed on a parity with all Obligations and Parity Debt then Outstanding, and all of the covenants and other provisions of this Ordinance shall be for the equal benefit, protection and security of the holders of any Obligations originally authorized and issued and Parity Debt incurred pursuant to this Ordinance and the holders of any Obligations and Parity Debt evidencing additional obligations subsequently created within the limitations of and in compliance with this Section.

Notwithstanding anything contained in Section 9.2 to the contrary, the above provisions shall not be applicable to Parity Reimbursement Obligations and Parity Swap Obligations incurred with respect to Obligations which met the conditions of this Section 9.2 upon their issuance or incurrence.

SECTION 9.3. Separately Financed Project. Nothing in this Ordinance shall prevent the Issuer from authorizing and issuing bonds, notes, or other obligations or evidences of indebtedness, other than Obligations, for any project authorized by the Act, or from financing or otherwise providing for any such project from other available funds (such project being referred to herein as a "Separately Financed Project"), if the debt service on such bonds, notes, or other obligations or evidences of indebtedness, and the issuer's share of any operating expenses related

to such Separately Financed Project, are payable solely from the revenues or other income derived from the ownership or operation of such Separately Financed Project, from other available funds of the Issuer not constituting part of the Revenues or from other funds withdrawn by the Issuer from the Capital Additions Fund.

SECTION 9.4. Credit Facilities; Qualified Swaps and Other Similar Arrangements:

Parity Debt

(a) The Issuer may include such provisions in a Supplemental Ordinance authorizing the issuance of a Series of Obligations secured by a Credit Facility as the Issuer deems appropriate, and no such provisions shall be deemed to constitute an amendment to this Ordinance requiring action under Article XI hereof, including:

(1) So long as a Credit Facility providing security (but not liquidity) is in full force and effect, and payment on the Credit Facility is not in default, then, in all such events, the issuer of the Credit Facility shall be deemed to be the sole Bondholder of the Outstanding Obligations the payment of which such Credit Facility secures when the approval, consent or action of the Bondholders for such Obligations is required or may be exercised under this Ordinance. The rights of the issuer of a Credit Facility under this clause (1) may not be assigned or delegated by the issuer of such Credit Facility without the written consent of the Issuer.

(2) In the event that the principal, sinking fund installments, if any, and Redemption Price, if applicable, and interest due on any Outstanding Obligations shall be paid under the provisions of a Credit Facility, all covenants, agreements and other obligations of the Issuer to the Bondholders of such Obligations shall continue to exist and such issuer of the Credit Facility shall be subrogated to the rights of such Bondholders in accordance with the terms of such Credit Facility.

(b) In addition, such Supplemental Ordinance may establish such provisions as are necessary (i) to comply with the provisions of each such Credit Facility, (ii) to provide relevant information to the issuer of the Credit Facility, (iii) to provide a mechanism for paying principal installments and interest on Obligations secured by the Credit Facility, and (iv) to make provision for any events of default or for additional or improved security required by the issuer of a Credit Facility.

(c) In connection therewith the Issuer may enter into such agreements with the issuer of such Credit Facility providing for, inter alia: (i) the payment of fees and expenses to such issuer for the issuance of such Credit Facility, (ii) the terms and conditions of such Credit Facility and the Obligations affected thereby, and (iii) the security, if any, to be provided for the issuance of such Credit Facility.

(d) The Issuer may secure such Credit Facility by an agreement providing for the purchase of the Obligations secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Issuer in the applicable Supplemental Ordinance. The Issuer may also in an agreement with the issuer of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility (together with interest thereon, the "Reimbursement Obligation"); provided, however, that no Reimbursement Obligation shall be created for purposes of this Ordinance, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related Obligation, may be secured by a pledge of, and a lien on, the Net Revenues on a parity with the lien created by Section 4.2 to secure the Obligations (a "Parity Reimbursement Obligation"), but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Obligations, without acceleration, or may constitute a Subordinated Contract Obligation, as determined by the Issuer. Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Obligations, which payments shall be Subordinated Contract Obligations.

(e) Any such Credit Facility shall be for the benefit of and secure such Obligations or portion thereof as specified in the applicable Supplemental Ordinance.

(f) In connection with the issuance of any Obligations or at any time thereafter so long as Obligations remain Outstanding, the Issuer may, to the extent from time to time permitted pursuant to law, enter into Qualified Swaps. The Issuer's obligation to pay any amount under any Qualified Swap may constitute a Parity Swap Obligation, or may constitute a Subordinated Contract Obligation, as determined by the Issuer. Parity Swap Obligations shall not include any payments of any termination or other fees, expenses, indemnification or other obligations to a counterparty to a Qualified Swap, which payments shall be Subordinated Contract Obligations.

(g) The Issuer's obligation to pay that portion of any rates, fees, charges or payments which the Issuer is contractually obligated to pay to another entity for fuel, energy or power, for the specific purpose of meeting principal or interest or both on that entity's obligations directly associated with such contract and payable to such entity regardless of whether fuel or energy is delivered or made available for delivery, may be secured by a pledge of, and lien on, the Net Revenues on a parity with the lien created by Section 4.2 to secure the Obligations (a "Parity Contract Obligation"), or may constitute a Subordinated Contract Obligation or Cost of Operations and Maintenance, as determined by the Issuer.

ARTICLE X

EVENTS OF DEFAULT; REMEDIES

SECTION 10.1. Events of Default. Each of the following events is hereby declared an "event of default," that is to say if:

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

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

(c) the Issuer shall for any reason be rendered incapable of fulfilling its obligations hereunder to the extent that the payment of or security for the Obligations would be materially adversely affected, and such conditions shall continue unremedied for a period of thirty (30) days after the Issuer becomes aware of such conditions; or

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

(e) any proceedings shall be instituted, with the consent or acquiescence of the Issuer, for the purpose of effecting a compromise between the Issuer 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 the Revenues; or

(f) the entry of a final judgment or judgments for the payment of money against the Issuer as a result of the ownership, operation or control of the Utilities System or which subjects any of the funds pledged hereunder to a lien for the payment thereof in contravention of the provisions of this Ordinance for which there does not exist adequate insurance, reserves or appropriate bonds for the timely payment thereof, and any such judgment shall not be discharged within ninety (90) days from the entry thereof or an appeal shall not be taken therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, in such

manner as to stay the execution of or levy under such judgment, order, decree or process or the enforcement thereof; or

(g) the Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Obligations or in this Ordinance on the part of the Issuer to be performed, and such default shall continue for sixty (60) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer by the Registered Owners of not less than twenty-five percent (25%) of the Bond Obligation; notwithstanding the foregoing, however, an event of default shall not be deemed to have occurred under this paragraph if the default of the Issuer can not be cured within sixty (60) days of such notice but can be cured within a reasonable period of time and the Issuer in good faith institutes curative action within such sixty-day period and diligently pursues such action until the default has been corrected.

Notwithstanding the foregoing, with respect to the events described in clauses (c) and (g), the Issuer shall not be deemed in default hereunder if such default can be cured within a reasonable period of time and if the Issuer in good faith institutes appropriate curative action and diligently pursues such action until the default has been corrected.

SECTION 10.2. Enforcement of Remedies. Upon the happening and continuance of any event of default specified in Section 10.1, then and in every such case the Owners of not less than twenty-five percent (25%) of the Bond Obligation may appoint any state bank, national bank, trust company or national banking association qualified to transact business in Louisiana to serve as trustee for the benefit of the Holders of all Obligations then outstanding (the "Trustee"). Notice of such appointment, together with evidence of the requisite signatures of the Holders of twenty-five percent (25%) of the Bond Obligation and the trust instrument under which the Trustee shall have agreed to serve shall be filed with the Issuer and the Trustee and notice of such appointment shall be published in THE BOND BUYER or a financial journal of general circulation in the City of New York, New York and mailed to the Registered Owners of the Obligations; provided, however, that if all Obligations then Outstanding are in registered form, no newspaper publication shall be required. After the appointment of a Trustee hereunder, no further Trustees may be appointed; however, the Holders of a majority of the Bond Obligation may remove the Trustee initially appointed and appoint one or more successors at any time. If the default for which the Trustee was appointed is cured or waived pursuant to this Article, 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 twenty-five percent (25%) of the Bond Obligation shall proceed to protect and enforce the rights of the Bondholders under the laws of the State of Louisiana, including the Act, and under this 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 herein or in aid of execution of any power herein 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.

In the enforcement of any remedy against the Issuer under this Ordinance the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Issuer for principal, premium, if any, and interest or otherwise under any provisions of this Ordinance or of such Obligations and unpaid, with interest on overdue payments of principal and, to the extent permitted by law, on interest at the rate or rates of interest specified in such Obligations, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Obligations, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce any judgment or decree against the Issuer, but solely as provided herein and in such Obligations, for any portion of such amounts remaining unpaid and interest, costs and expenses as above provided, and to collect (but solely from moneys in the Receipts Fund, and any other moneys available for such purpose) in any manner provided by law, the moneys adjudged or decreed to be payable.

SECTION 10.3. 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 Issuer, the Trustee and Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

SECTION 10.4. Directions to Trustee as to Remedial Proceedings. Anything in this Ordinance to the contrary notwithstanding, the Holders of a majority of the Bond Obligation 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 hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of this 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.

SECTION 10.5. Pro Rata Application of Funds. Anything in this Ordinance to the contrary notwithstanding, if at any time the moneys in the Operating Fund, as the case may be, shall not be sufficient to pay the principal (or Accreted Values with respect to the Capital Appreciation Bonds) of or the interest on the Obligations as the same become due and payable, such moneys, together with any moneys then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in this Article or otherwise, shall be applied as follows:

(a) Unless the principal of all the Obligations and Parity Debt shall have become due and payable, all such moneys shall be applied (1) to the payment of all installments of interest then due on the Obligations and the interest component of Parity Debt then due, in the order of the maturity of the installments of such interest, to the persons entitled thereto, ratably, without any discrimination or preference, and (2) to the payment of all installments of principal of Obligations and Parity Debt then due.

(b) If the principal of all the Obligations and Parity Debt shall have become due and payable, all such moneys shall be applied to the payment of the principal, premium, if any, and interest (or Accreted Values with respect to Capital Appreciation Bonds) then due and unpaid upon the Obligations and Parity Debt, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Obligation or Parity Debt over any other Obligation or Parity Debt, ratably, according to the amounts due, respectively, for principal and interest (or Accreted Values with respect to Capital Appreciation Bonds), to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Obligations and Parity Debt.

Whenever moneys are to be applied by a trustee or paying agent appointed by the Issuer (the "Agent"), pursuant to the provisions of this Section, such moneys shall be applied by the Agent at such times, and from time to time, as the Agent in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future; the setting aside of such moneys, in trust for the proper purpose, shall constitute proper application; and the Agent shall incur no liability whatsoever to the Issuer, to any Bondholder or owner of Parity Debt or to any other person for any delay in applying any such moneys, so long as reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of this Ordinance as may be applicable at the time of application. Whenever the Agent shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an interest payment date unless the Issuer shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue and the Accreted Value of Capital Appreciation Bonds shall cease to accrete. The Agent shall give such notice as it may deem appropriate of the fixing of any such date, and shall not be required to make payment to the owner of any Obligation unless such Obligation shall be presented to the Agent for appropriate endorsement or for cancellation if fully paid.

SECTION 10.6. 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 obligation hereunder or for any other remedy hereunder unless such Bondholder previously shall have given to the Issuer written notice of the event of default on account of which suit, action or proceeding is to be taken, and unless the Holders of not less than twenty-five percent (25%) of the Bond Obligation shall have made written request of the Issuer after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Issuer a reasonable opportunity either to proceed to exercise the powers hereinabove granted or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Issuer 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 Issuer shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Issuer, to be conditions precedent to the execution of the powers and trusts of this Ordinance or for any other remedy hereunder. It is understood and intended that no one or more Owners of the Obligations hereunder secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Ordinance, or to enforce any right hereunder, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein 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 this Ordinance to the rights and remedies herein provided.

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

SECTION 10.7. Appointment of a Receiver. Upon the happening and continuance of an event of default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders under this Ordinance, the Trustee shall be entitled, as a matter of right, without regard to the solvency of the Issuer, to the appointment of a receiver or receivers of the Utilities System, pending such proceedings, with such powers as the court making such appointments shall confer, whether or not the Revenues, the Net Revenues and other funds pledged hereunder shall be deemed sufficient ultimately to satisfy the Obligations outstanding hereunder.

ARTICLE XI

MISCELLANEOUS PROVISIONS

SECTION 11.1. Modification or Amendment.

A. No modification or amendment of this Ordinance, or of any Supplemental Ordinance, materially adverse to the Bondholders may be made without the consent in writing of the Owners of not less than a majority of the Bond Obligation, unless otherwise provided by Supplemental Ordinance, and no modification or amendment shall permit a change (a) in the maturity of any of the Obligations or a reduction in the rate of interest thereon, (b) in the amount of the principal obligation of any Obligation, (c) that would affect the unconditional obligation of the Issuer to collect and hold the Revenues as herein provided, or provide for the receipt and disbursement of such Revenues as herein provided, or (d) that would reduce such percentage of Owners of the Bond Obligation, required above, for such modifications or amendments, without the consent of all of the Bondholders. For the purpose of Bondholders' voting rights or consents, the Obligations, if any, owned by or held for the account of the Issuer, directly or indirectly, shall not be counted. Notwithstanding the foregoing, and so long as the same shall not result in the interest on Obligations other than Taxable Obligations Outstanding hereunder being included in gross income of the holders thereof for federal income tax purposes, the Issuer may, without the consent of the Bondholders, enter into such supplemental ordinances or resolutions (which supplemental ordinances or resolutions shall thereafter form a part hereof):

(i) To cure any ambiguity, inconsistency or formal defect or omission in this Ordinance or in any Supplemental Ordinance, or

(ii) 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, or

(iii) To provide for the sale, authentication and of additional Obligations or refunding Obligations and the disposition of the proceeds from the sale thereof, in the manner and to the extent authorized herein, or

(iv) To modify, amend or supplement this Ordinance or any ordinance or resolution supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Obligations for sale under the securities laws of any of the states of the United States of America, and, if the Issuer so determines, to add to this Ordinance or any ordinance or resolution supplemental hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute, or

(v) To provide for the issuance of coupon Obligations or certificated or uncertificated registered public obligations, or

(vi) To provide for changes suggested by a nationally recognized securities rating agency as necessary to secure or maintain the rating on the Obligations, or

(vii) To subject to the terms of this Ordinance any additional funds, securities or properties, or

(viii) To make any other change or modification of the terms hereof which, in the reasonable judgment of the Issuer is not prejudicial to the rights or interests of the Holders of the Obligations hereunder.

B. Notwithstanding any provision set forth above, any bond insurer of any Obligations or Parity Debt may vote on behalf of all Bondholders of all such Obligations or Parity Debt.

C. Notice of any amendments or modifications of this Ordinance shall be given by the Issuer to the Rating Agencies then rating any Obligations Outstanding hereunder.

SECTION 11.2. Defeasance and Release of Ordinance. If, at any time after the date of issuance of the Obligations, (a) all Obligations secured hereby, or any Series thereof, or maturity or portion of a maturity within a Series, shall have become due and payable in accordance with their terms or otherwise as provided in this Ordinance, or shall have been duly called for redemption, or the Issuer gives the Paying Agent irrevocable instructions directing the payment of the principal of, premium, if any, and interest on such Obligations at maturity or at any earlier redemption date scheduled by the Issuer, or any combination thereof, (b) the whole amount of the principal, premium, if any, and the interest so due and payable upon all of such Obligations then outstanding, at maturity or upon redemption, shall be paid, or sufficient moneys shall be held by the Paying Agent, an escrow agent or any Authorized Depository, in irrevocable trust for the benefit of such Bondholders (whether or not in any accounts created hereby) 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 Defeasance 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 Obligations at the maturity thereof or the date upon which such Obligations are to be called for redemption prior to maturity, and (c) provisions shall also be made for paying all other sums payable hereunder by the Issuer, then and in that case the right, title and interest of such Bondholders hereunder and the pledge of and lien on the Revenues, and the Net Revenues and all other pledges and liens created hereby or pursuant hereto, with respect to such Bondholders shall thereupon cease, determine and become void, and if such conditions have been satisfied with respect

to all Obligations issued hereunder and then Outstanding, all balances remaining in any other funds or accounts created by this Ordinance other than moneys held for redemption or payment of Obligations and to pay all other sums payable by the Issuer hereunder shall be distributed to the Issuer for any lawful purpose; otherwise this Ordinance shall be, continue and remain in full force and effect.

For purposes of determining the amount of interest due and payable with respect to Variable Rate Obligations pursuant to (b) above, the interest on such Variable Rate Obligations shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Rate Obligations having borne interest at less than such maximum rate for any period, the total amount of moneys and Defeasance Securities on deposit with the Paying Agent for the payment of interest on such Variable Rate Obligations is in excess of the total amount which would have been required to be deposited with the Paying Agent on such date in respect of such Variable Rate Obligations in order to satisfy the above provisions, the Paying Agent shall pay the amount of such excess to the Issuer for use in such manner as required or permitted pursuant to an opinion of Bond Counsel in order not to cause interest on the Obligations (other than Taxable Bonds) or any bonds issued to refund the Obligations to cease to be excludable from gross income for federal income tax purposes.

For purposes of determining the amount of principal, premium, if any, and interest due and payable pursuant to (b) above with respect to Obligations subject to mandatory purchase or redemption by the Issuer at the option of the Registered Owner thereof ("Put Bonds"), as long as a liquidity credit facility remains in place such amount shall be the maximum amount of principal of and premium, if any, and interest on such Put Bonds which could become payable to the Registered Owners of such Put Bonds upon the exercise of any such demand options provided to the registered owners of such Put Bonds. If any portion of the moneys deposited with the Paying Agent for the payment of the principal of and premium, if any, and interest on Put Bonds is not required for such purpose the Paying Agent shall pay the amount of such excess to the Issuer for use in such manner as required or permitted pursuant to an opinion of Bond Counsel in order not to cause interest on the Obligations (other than Taxable Bonds) or any bonds issued to refund the Obligations to cease to be excluded from gross income for federal income tax purposes.

If a portion of a maturity of a series of Obligations subject to mandatory sinking fund redemption shall be defeased as provided above, the principal amount of the Obligations so defeased shall be allocated to the mandatory sinking fund installments designated by the Issuer, or if no such designation is made, such principal amount shall be allocated to mandatory sinking fund installments in inverse order of maturity.

SECTION 11.3. Tax Covenants. It is the intention of the Issuer and all parties under its control that the interest on the Obligations issued hereunder that are not Taxable Obligations be and remain excluded from gross income for federal income tax purposes and to this end the Issuer hereby represents to and covenants with each of the Holders of the Obligations issued hereunder that are not Taxable Bonds that it will comply with the requirements applicable to it contained in Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Code to the extent necessary to preserve the exclusion of interest on the Obligations issued hereunder that are not Taxable Obligations from gross income for federal income tax purposes. Specifically, without intending to limit in any way the generality of the foregoing, the Issuer covenants and agrees:

- (1) to make or cause to be made all necessary determinations and calculations of the amount required to be paid to the United States of America pursuant to Section 148(f) of the Code (the "Rebate Amount") and required payments of the Rebate Amount;
- (2) to set aside sufficient moneys from the Revenues or other legally available funds of the Issuer, to timely pay the Rebate Amount to the United States of America;
- (3) to pay the Rebate Amount to the United States of America at the times and to the extent required pursuant to Section 148(f) of the Code;

(4) to maintain and retain all records' pertaining to the Rebate Amount with respect to the Obligations that are not Taxable Obligations issued hereunder and required payments of the Rebate Amount with respect to the Obligations that are not Taxable Obligations for at least six years after the final maturity of the Obligations that are not Taxable Obligations or such other period as shall be necessary to comply with the Code;

(5) to refrain from taking any action that would cause any Obligations or any Series or portion thereof issued hereunder, other than Taxable Obligations and bonds issued with the intent that they shall constitute "private activity bonds" under Section 141(a) of the Code, to be classified as "private activity bonds" under Section 141(a) of the Code; and

(6) to refrain from taking any action that would cause the Obligations that are not Taxable Obligations issued hereunder to become arbitrage bonds under Section 148 of the Code.

The Issuer understands that the foregoing covenants impose continuing obligations of the Issuer that will exist as long as the requirements of Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Code are applicable to the Obligations.

Notwithstanding any other provision of this Ordinance, including, in particular Section 11.3 hereof, the obligation of the Issuer to pay the Rebate Amount to the United States of America and to comply with the other requirements of this Section 11.4 shall survive the defeasance or payment in full of the Obligations that are not Taxable Obligations.

SECTION 11.4. Severability. If any one or more of the covenants, agreements or provisions of this Ordinance should be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separate from the remaining covenants, agreements or provisions of this Ordinance or of the Obligations issued hereunder.

SECTION 11.5. No Third-Party Beneficiaries. Except as herein or by Supplemental Ordinance otherwise expressly provided, nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the parties hereto and the owners and holders of the Obligations issued under and secured by this Ordinance, any right, remedy or claim, legal or equitable, under or by reason of this Ordinance or any provision hereof, this Ordinance and all its provisions being intended to be and being for the sole and exclusive benefit of the parties hereto and the Owners and Holders from time to time of the Obligations issued hereunder.

SECTION 11.6. Controlling Law; Members of Issuer Not Liable. All covenants, stipulations, obligations and agreements of the Issuer contained in this Ordinance shall be deemed to be covenants, stipulations, obligations and agreements of the Issuer to the full extent (authorized by the Act and provided by the Constitution and laws of the State of Louisiana). No covenant, stipulation, obligation or agreement contained herein shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member of the Governing Authority, agent or employee of the Issuer in his individual capacity, and neither the members of the Issuer nor any official executing the Obligations shall be liable personally on the Obligations or this Ordinance or shall be subject to any personal liability or accountability by reason of the issuance or the execution by the Issuer or such members thereof.

SECTION 11.7. Repeal of ordinances or resolutions. All ordinances or resolutions, or parts thereof, to extent they are in conflict with this ordinance, are hereby repealed.

SECTION 11.8. Effective Date. This ordinance shall become effective upon signature of the Lafayette City-Parish President, the elapse of ten (10) days after receipt by the Lafayette City-Parish President without signature or veto, or upon an override of a veto, whichever occurs first.

DISPOSITION OF ORDINANCE NO. O-122-2004

1. This ordinance was introduced: Final disposition by Council:
June 1, 2004 June 29, 2004
YEAS: Bourgeois, Benjamin, YEAS: Badeaux, Bourgeois, Williams
Broussard, Conque, Mouton Benjamin, Broussard, Conque
Menard Mouton, Stevenson, Menard
NAYS: None NAYS: None
ABSENT: Badeaux, Williams, Stevenson ABSENT: None
RECUSED/ABSTAINED: None RECUSED/ABSTAINED: None
LPUA: YEAS: Benjamin, Conque, Mouton NAYS: None
ABSENT: Williams, Stevenson RECUSED/ABSTAINED: None

AMENDMENT: see reverse side for LPUA vote of 6-29-2004

2. Notice of Public Hearing: This ordinance was published by Title and Notice of Public Hearing was published in the Advertiser on June 4, 2004
3. This ordinance was presented to the President for his approval on July 1, 2004 at 9:30 o'clock P.m.

Thomas R. Beaus
CLERK OF THE COUNCIL

4. Disposition by President:

I hereby:

- A. Approve this ordinance, the 01 day of JULY, 2004, at 12:30 o'clock P.m.
- B. Veto this ordinance, the _____ day of _____, 2004, at _____ o'clock _____m., veto message is attached.
- C. Line item veto certain items this _____ day of _____, 2004 at _____ o'clock _____m., veto message is attached.

Thomas R. Beaus
PRESIDENT

5. Returned to Council office ~~with~~ without veto message on July 1, 2004, at 4:50 o'clock P.m.
6. Reconsideration by Council (if vetoed):

On _____, 2004, the Council did/refused to adopt this ordinance after the President's veto.

Thomas R. Beaus
CLERK OF THE COUNCIL

7. Full Publication:

Full publication of this ordinance was made in the Advertiser on July 7, 2004.

NOTE: If no approval nor veto of President appears, and ten days have elapsed since this ordinance was presented to him for action, same has been automatically approved.

LPVA VOTE: YEAS: Williams, Benjamin, Conque, Mouton, Stevenson
NAYS: None
ABSENT: None
RECUSED/ABSTAINED: None

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APPENDIX D

CONSULTING ENGINEER'S REPORT

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CONSULTING ENGINEER'S REPORT

**2015 LAFAYETTE COMMUNICATIONS SYSTEM
REVENUE REFUNDING BOND FINANCING**



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CONSULTING ENGINEER’S REPORT

**2015 LAFAYETTE COMMUNICATIONS SYSTEM
REVENUE REFUNDING BOND FINANCING**

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CONSULTING ENGINEER’S REPORT
2015 LAFAYETTE COMMUNICATIONS SYSTEM
REVENUE REFUNDING BOND FINANCING

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July 23, 2015

Lafayette City-Parish Council
Lafayette Public Utilities Authority
Lafayette Utilities System
1314 Walker Road
Lafayette, LA 70506

**Subject: Consulting Engineer's Report
Communications System Revenue Refunding Bonds, Series 2015
Lafayette Utilities System**

Ladies and Gentleman:

INTRODUCTION

NewGen Strategies and Solutions, LLC ("NewGen" or "Consulting Engineer") presents this report ("Report") of our financial and technical due diligence related to the City of Lafayette, Louisiana's ("City") proposal to refinance all of its outstanding Communications System Revenue Bonds, Series 2007 ("Series 2007 Bonds"). The refunding of \$96,855,000 aggregate principal amount of Series 2007 Bonds through the issuance by the City of \$92,755,000 of its Communications System Revenue Refunding Bonds, Series 2015 ("Series 2015 Bonds") is expected to reduce the total Communications System debt service payments by approximately \$3,481,471 over the term of the Series 2015 Bonds. During the first two years of the refinancing, \$3,429,734 of this savings will occur.

Lafayette City-Parish Consolidated Government (referred to as "Lafayette Consolidated Government" or "LCG") governs the City and the Parish of Lafayette (the "Parish"). LCG includes a President and nine City-Parish Council members (the "Council"), elected by the Parish to four-year terms of office.

In addition to being the governing authority of the City and Parish, the Council is also the governing authority of the Lafayette Public Power Authority ("LPPA"). LPPA is a political subdivision specifically created to finance electric generating facilities in order to provide power to the City's Electric System. LPPA then provides the output of these generating facilities by way of wholesale power sales to the Utilities Department, also known as Lafayette Utilities System (collectively defined as "LUS").

The City is the owner of the LUS Electric System (including generation, transmission, and distribution facilities), the Water System (including supply, treatment, transmission, distribution, and storage facilities), and the Wastewater System (including wastewater collection and treatment facilities) (collectively, the "Utilities System"), as well as the Communications System. Upon consolidation of the City and Parish governing authorities into LCG, it was specifically recognized that the Home Rule Charter (the "Charter") should accommodate for the governing of LUS, which is a City utility system. As a result, the Charter created the Lafayette Public Utilities Authority ("LPUA") as the governing authority of the Utilities Department. The Charter further provides that Council members whose districts include 60 percent or more of citizens residing within City boundaries also serve as LPUA members.

The President and Chief Administrative Officer supervise all LCG department, office, and agency administration, except as may otherwise be provided by the Charter. Certain LCG departments are involved in LUS' day-to-day management and operation. The Communications System consists of a separate Communications Services Enterprise Fund with a distinct set of accounts, funds, and bond pledge. Utilities System revenue bonds finance the Electric System, Water System, and Wastewater System, while the Communications System revenue bonds finance the Communications System.

The Communications System offers an array of services in the competitive market including fiber leases, wholesale broadband, and retail customer services. In the retail market, the Communications System offers "triple play" services. "Triple play" is a common term in the industry that refers to cable television ("CATV"), Internet, and telephone services. The system is comprised of a 125-mile fiber backbone system with direct connections to national, major Tier 1 broadband providers.

The Series 2015 Bonds

LCG proposes to issue the Series 2015 Bonds in the amount of \$92,755,000. These bonds are expressly for the purpose of refinancing all of the outstanding Series 2007 Bonds. The Series 2015 Bonds expected sources and uses are described below.

**Table 1
Sources and Uses of the Series 2015 Bonds (Preliminary)**

<u>Sources of Funds</u>	<u>Amount</u>
Par Amount of Bonds	\$92,755,000
Reoffering Premium	11,360,857
Transfers from Prior Issue Debt Service Funds	<u>4,771,579</u>
Total Sources	\$108,887,436
 <u>Uses of Funds</u>	
Costs of Issuance	\$1,606,427
Deposit to Net Cash Escrow Fund	<u>107,281,009</u>
Total Uses	\$108,887,436

Source: Raymond James & Associates, Inc.

Structure, Organization, and Management

Lafayette Consolidated Government

The Lafayette Parish electorate and the City adopted the Charter to consolidate the City and Parish governmental functions. The Charter also defined the new LCG departmental structure. LCG manages and operates the Utilities System and Communications System through its departmental structure. The Utilities Department is primarily responsible for the Utilities and Communications Systems management and operations; however, other LCG departments provide vital functions to LUS operations, including the Office of Finance and Management, the Department of Information Services and Technology, and the Legal Department. The City owns the Utilities and Communications Systems' assets. LCG operates on a fiscal year ("FY"), beginning November 1 and ending on October 31 of the following year.

Figure 1, below, shows the City of Lafayette, Louisiana’s Utilities System and Communications System organizational structure.

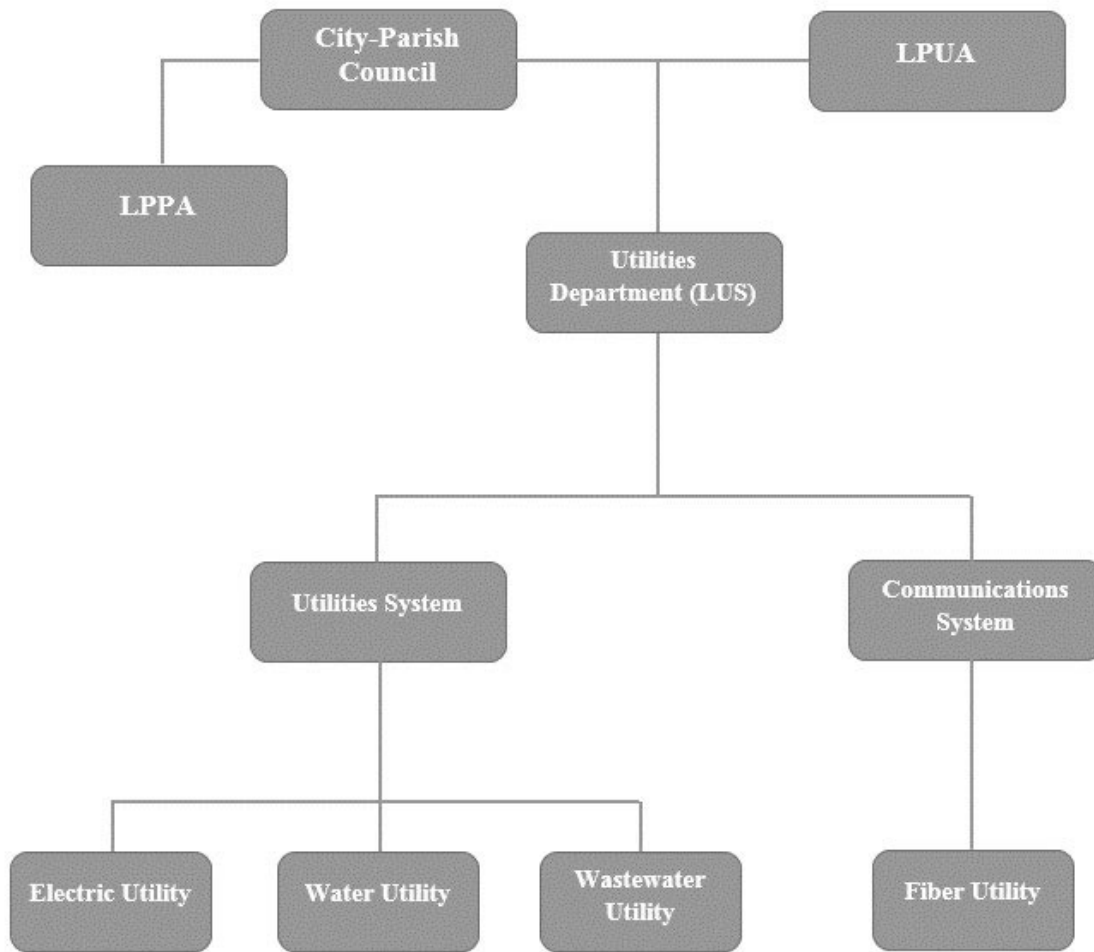


Figure 1
City of Lafayette, Louisiana
Utilities’ Organizational Chart

Communications System

The Utilities Director is responsible for the Communications System operations and management. Communications System employees and facilities are organized separately from other LUS utility operations; however, several services such as engineering, accounting, billing, and reporting functions are shared among the Communications System and Utilities Systems. In accordance with the requirement to maintain separate Utilities System and Communications System funds, all costs associated with these services are accounted for separately.

The Communications System includes approximately 60 employees, reporting to the following four divisions: Operations, Warehouse, Business Support Services, and Engineering, as shown below.

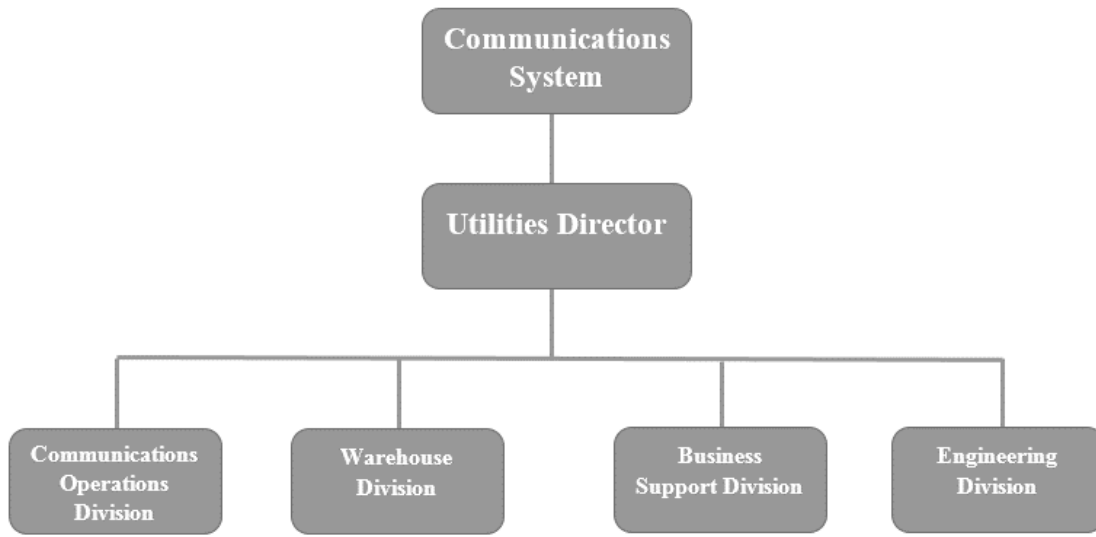


Figure 2
Communications System Organizational Chart

Utilities System

The City-Parish President appoints the Utilities Director, subject to LPUA’s approval. In addition to the appointment and approval, there are certain further requirements for appointment of a Utilities Director in current or future bond resolutions and covenants.

As a department of LCG, LUS is managed and operated in accordance with current bond resolution and covenant conditions. Of critical importance is the “Flow of Funds,” which specifies how to treat revenues and related margins resulting from LUS operations. Available margins, once operation and maintenance (“O&M”) expenses have been paid, are first required to meet debt service obligations, then a formula is applied to determine amounts for capital improvements and replacements funding, and the payment amount to the LCG General Fund as in lieu of taxes (“ILOT”). LPUA determines rates, approves the LUS budget, and issues debt as approved by the President and Council.

The Utilities Director oversees management and operations of LUS, consistent with the provision of services to LUS from other LCG departments mentioned above. The Charter specifies the Utilities Director’s duties to manage the following:

1. Production and distribution of electricity;
2. Water production, treatment, and distribution;
3. Sewerage collection, treatment, and disposal;
4. Utility engineering services;
5. Supervision of contract construction work for the Utilities System;
6. Maintaining utility equipment in cooperation with the central garage;
7. Reading of utility meters; and
8. Other such activities as may be directed by the City-Parish President as necessary or incidental to the operation of the Utilities System.

The current Utilities Director is Mr. Terry Huval. Mr. Huval graduated from the University of Louisiana at Lafayette with a B.S. in Electrical Engineering, and was appointed as Utilities Director in December 1994. Eight LUS functional areas report to the Utilities Director. These functional areas include the following divisions: Support Services, Customer Service, Environmental Compliance, Power Production, Electric Operations, Water Operations, Wastewater Operations, and Engineering, as shown below.

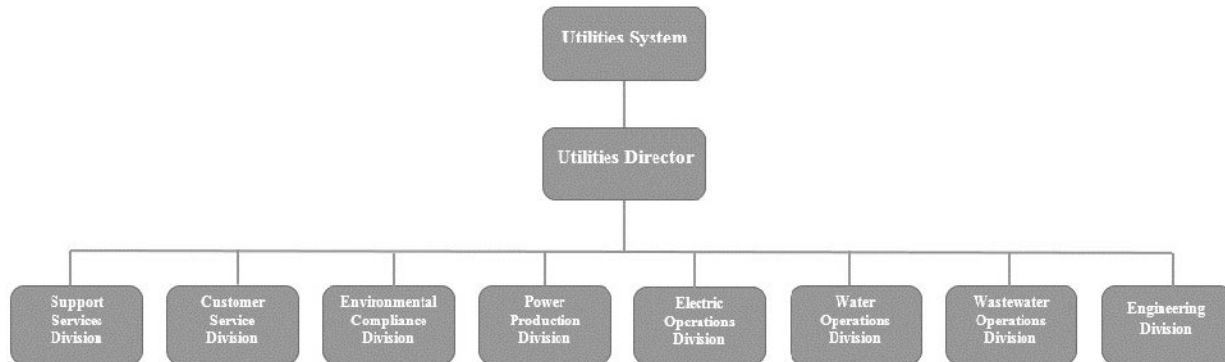


Figure 3
Utilities System Organizational Chart

Service Territory

The Utilities System serves electric, water, and wastewater customers primarily within the City limits. The Utilities System also serves certain electric, water, and wastewater customers residing in the Parish but outside the City limits. As of the end of FY 2014, LUS served approximately 65,000 Electric customers, 55,000 Water customers, and 43,000 Wastewater customers. As of the end of FY 2014, the Communications System served approximately 38 wholesale customers and 16,300 retail customers with CATV, Internet, or telephone, or some combination of the three services. Currently, Communications System services are offered only within the City limits, with the exception of services to school systems outside of the City, but within the Parish.

LUS entered into an agreement with the local rural electric cooperative, Southwest Louisiana Electric Membership Corporation (“SLEMCO”), defining an “area of influence” surrounding the City limits in which LUS may acquire SLEMCO customers and serve new electric customers. The agreement defines the number of acquirable customers and specifies the payment for acquired customers.

LUS serves retail water customers inside and outside the City limits while providing wholesale water for other Parish water distribution companies.

LUS serves wastewater customers inside and outside the City limits. In addition, LUS serves packaged wastewater treatment systems outside the City limits.

FINDINGS AND RECOMMENDATIONS

NewGen was engaged to perform operational, technical, and financial due diligence services related to the issuance of the Series 2015 Bonds. This includes preparation of this Report on NewGen’s analyses, findings, recommendations, and conclusions. In performance of these services, NewGen assessed the operational, technical, and financial condition of the Utilities and Communications Systems.

In preparation of this Report, NewGen relied on information provided by LCG, LUS, LPPA, and Raymond James & Associates, Inc. (the “Underwriter”). NewGen supplemented this information with physical observations of LUS’ properties and facilities in addition to interviews with LUS management and staff, and LCG and Cleco Corporation (“Cleco”) personnel. NewGen’s field investigations and staff interviews, conducted in early February 2015, together with financial and performance metrics, provided the basis for our findings and conclusions. The totality of the analyses, findings, and conclusions allows us to offer our opinions regarding the current financial

integrity of the Utilities and Communications Systems as a whole, and forecast the future financial condition for 10 years. NewGen’s analyses and financial forecasts provide the basis of our opinions.

Based upon our information and assumptions relied upon, as included in this Report, NewGen is of the opinion:

1. Based on our visual observation and review of the Utilities System and Communications Systems (the “Systems”), NewGen finds the Systems to be in generally good condition and properly maintained in accordance with prudent utility and industry practices.
2. Projected revenues from the Utilities System are sufficient to meet all financial obligations including operating expenses, debt service, capital improvements, ILOT payments, and required reserves.
3. The Communications System operates in a highly competitive market, and faces significant business risks associated with pricing, customer turnover, market penetration, and technological obsolescence. In this competitive environment, the Communications System has increased its customer base and market penetration, demonstrating its ability to operate successfully in a competitive industry.
4. At the current customer level, the Communications System generates sufficient revenues to meet O&M expense, annual debt service, capital improvements, inter-utility loan payments, imputed taxes, and all other financial obligations. Given that a majority of Communications System costs are fixed and do not vary when new customers are added to the system, revenues associated with customer growth above current levels will further improve the Communications System’s ability to meet future debt service obligations.
5. The Communications System has and may utilize inter-utility loans from the Utilities System to fund some of its capital improvement program (“CIP”). The Communications System has made all inter-utility-loan payments as scheduled and is expected to over the projected period of November 1, 2014 through October 31, 2024 (“Projected Period”). Inter-utility loans represent a small component of Communications System total cost and do not have a material adverse effect on the Utilities System’s ability to meet debt service obligations.
6. Utilities System Residual Balance Available for Communications Debt Service (as defined in the General Bond Ordinance) is sufficient to meet Communications System debt service if a Credit Event were to occur. Comparing the projected Utilities System Residual Balance Available for Communications Debt Service with annual Communications System debt service obligations achieves a coverage ratio of 3.3 to 7.4 over the period 2015 through 2024.

COMMUNICATIONS SYSTEM

Communications System Description

The LUS Communications System operates a 100 percent fiber optic system that provides CATV, Internet, and telephone services to residential and business customers within the City limits. These services are in competition with regional and national data and communications providers including Cox Communications, AT&T, Dish, and DirecTV.

The fiber optic system began with bulk fiber serving the Electric System supervisory control and data acquisition (“SCADA”) system, transmission line protection systems, and LUS facilities in 1998. Further expansion offered communications and data services to governmental and educational facilities, and retail data, telephone and CATV services to the general public. The first public customers began receiving services in February 2009. The Communications System backbone includes multiple 10-gigabit circuits deployed in multiple loops for greater redundancy that span the entire City and connect with the national fiber backbone through contracts with

multiple providers. The backbone 10-gigabit fibers are a fixed cost for LUS with data bursts above the 10-gigabit level leading to additional variable costs.

In preparation for providing retail communications services, the Communications System purchased the fiber optic system from the Utilities System in 2007. The Communications System utilized inter-utility loans from the Utilities System to fund the purchase of the fiber system assets, startup costs, and operating costs. The Communications System repayment of the loans will continue through 2033. The repayment of the Utilities System loan is subordinate to the Communications System debt service payments. The fiber optic system is built for substantial penetration within the City with available capacity to handle the full potential market of customers and services.

The number of Communications System customers is projected to increase between 2.2 percent to 6.4 percent per year through 2024. The customer projections shown below include consideration for customer churn. Customer churn is a market characteristic experienced by communications service providers including LUS and its competitors. Table 2 shows the historical and projected Communications System average numbers of customers.

LUS' marketing activities focus primarily on a subset of residential electric customers that are largely comprised of single-family homes receiving electric service inside the City limits. Customers meeting this profile enable LUS to provide communication services with minimal additional cost. For the purposes of understanding the Communications System's share of the LUS target market, NewGen compared the Communications System customer projections with a subset of LUS Electric System residential customers.

Table 2
Communications System
Historical and Projected Retail Market Share

<u>Year</u>	<u>Number of Customer Accounts ⁽¹⁾</u>	<u>Increase in Customer Accounts (%)</u>	<u>Market Potential ⁽²⁾</u>	<u>LUS Target Market ⁽³⁾</u>	<u>Increase in LUS Target Market</u>	<u>LUS Target Market Share</u>
Historical						
2010	7,761	--	50,974	46,121	--	16.8%
2011	11,417	47.1%	51,602	46,689	1.2%	24.5%
2012	13,747	20.4%	52,012	47,060	0.8%	29.2%
2013	15,126	10.0%	52,478	47,481	0.9%	31.9%
2014	16,270	7.6%	53,017	47,969	1.0%	33.9%
Projected						
2015	16,626	2.2%	53,900	48,768	1.7%	34.1%
2016	17,686 ⁽⁴⁾	6.4%	54,732	49,521	1.5%	35.7%
2017	18,386	4.0%	55,503	50,218	1.4%	36.6%
2018	19,113	4.0%	56,209	50,857	1.3%	37.6%
2019	19,869	4.0%	56,866	51,452	1.2%	38.6%
2020	20,656	4.0%	57,484	52,011	1.1%	39.7%
2021	21,371	3.5%	58,072	52,543	1.0%	40.7%
2022	22,110	3.5%	58,602	53,022	0.9%	41.7%
2023	22,876	3.5%	59,086	53,460	0.8%	42.8%
2024	23,668	3.5%	59,537	53,868	0.8%	43.9%
Average Growth	4.0%					

Source: LUS provided years 2010–2014, audited.

- (1) Communications customer projections include retail customers with CATV, Internet, and telephone or some combination of the three services. The number of customers reflects the customers at the end of the FY. The retail customer projection takes into consideration that the Communications System began serving customers in 2007 as a new market entrant. As shown in Table 2, historical percentage growth in customers has been significant because the Communications System was new to the market. The projection assumes that percentage increases in annual growth will gradually decline as LUS market presence matures and market penetration reflects levels that consider the presence of several competitors.
- (2) Projection includes all LUS residential electric customers inside the City limits. See Utilities System discussion for more information.
- (3) Target market excludes apartments and other multifamily dwellings.
- (4) LUS plans to expand the service territory to include new housing developments, which contributes to increased growth rates for customers. This expansion will be funded with the savings from the refunding.

Service Offerings

The Communications System offers the following residential retail services to customers.

Residential Cable Television / Video Services

- Basic Package with 22 channels
- Expanded Basic with 87 + channels
- Digital Access with 187 digital channels
- Digital Plus with 261 digital channels
- Additional equipment and service options include digital video recorder (“DVR”), video on demand, pay-per-view, and set top boxes.

Residential Internet Service

- 3 megabits per second (“Mbps”)
- 25 x 25 – 25 Mbps
- 80 x 80 – 80 Mbps
- 1,000 x 1,000 – 1,000 Mbps

Residential Telephone Service

- Basic Line – basic digital telephone service line with paid long distance calling; packages and features are sold separately
- Basic Feature Package – basic calling features
- Premium Feature Package – basic service, plus voicemail and caller identification
- Unlimited Long Distance – offered as a separate service to add to the above services

In addition to the residential retail communications services, the Communications System offers business communications services. Internet service sales exhibit the highest growth for the Communications System, while CATV service exhibits lower growth, and telephone service sales are slowly declining. CATV growth levels and the decline in telephone service sales align with national market trends. It is difficult to directly compare specific CATV, Internet, and telephone service offerings across all competitors in the market as each competitor bundles packages, services, and offerings differently. Historically, LUS communications services have been competitive. As shown in Table 2, LUS’ service market share is increasing.

LUS also provides current subscribers with “Hub City Wi-Fi” services in the home or at limited events within the City. LUS is currently considering a broader public area wireless service offering, where “Hub City Wi-Fi” is offered to LUS Fiber customers (requiring a login to access) for free and may charge a small fee to non-customers. A broader roll-out of wireless services are anticipated within the next year.

New customer installations, including set top boxes and fiber to home connections, cost approximately \$1,300 each. As is typical within the industry, the installation costs are rolled into the monthly rates for each of the service packages. Expansion of the system into new subdivision developments is constrained by the need to have sufficient market share to justify the additional main fiber feeder construction costs.

Capital Improvement Program

The Communications System five-year CIP is reviewed, updated, and budgeted annually. General life expectancy of incoming connections and distribution (e.g. head-end) is three to five years, at which time replacement or upgrade may be warranted. Some of the existing Communications System equipment has been in service over seven years and is scheduled for upgrade and replacement. Table 3 shows the Communications System CIP.

Table 3
Communications System
Capital Improvement Program

<u>Project Description</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Customer Installations	\$1,883,127	\$2,566,235	\$1,445,296	\$1,445,296	\$1,445,296
Customer Premise Equipment	1,980,146	2,697,134	1,518,707	1,518,707	1,518,707
Customer Service Drops	277,487	377,961	212,823	212,823	212,823
Headend Equipment and Upgrades	324,000	324,000	324,000	324,000	324,000
Hut Equipment and Upgrades	202,500	202,500	202,500	202,500	202,500
Network Equipment and Upgrades	260,000	260,000	260,000	260,000	260,000
Outside Plant Extensions	240,000	240,000	240,000	240,000	240,000
Special Equipment	<u>98,000</u>	<u>98,000</u>	<u>98,000</u>	<u>98,000</u>	<u>98,000</u>
Total ⁽¹⁾	\$5,265,260	\$6,765,830	\$4,301,326	\$4,301,326	\$4,301,326

Source: LUS. 2016 Proposed Budget with modifications.

(1) Funded from Communications Systems operations. Shown in 2015 dollars.

The timing of capital projects are continually evaluated based on priority given changing circumstances; therefore, projects identified in the early years of the five-year program reflect a higher degree of certainty. All projects identified in the Communications System capital program are expected to be funded with cash available from Communications Systems operations.

Operations and Related Performance

The Communications System was recently recognized as one of seven cities having the fastest home Internet in the world¹. LUS shares this distinction with Seoul, South Korea, Hong Kong, China, Tokyo, Japan, Chattanooga, Tennessee and Kansas City, Kansas and Kansas City, Missouri based on Internet data upload and down load speeds. LUS' 1-gigabit fiber home service offers equal upload and download speeds with its fiber equipment connecting directly to the home.

As a normal course of business, service outages do occur. Since the inception of the Communications System, LUS has a history of successfully restoring service in a timely manner when outages do occur. Successful outage management requires the proactive periodic replacement and upgrade of equipment. Overall, the Communications System performance remains highly reliable with limited outages for customers. LUS Communications System customers regularly give LUS high marks for reliability, bucking the negative reliability trend of its competitors.

¹ Open Technology Institute's report "2014 Speed Leaders for Home Broadband."

Regulatory Structure and Environment

The Communications System must adhere to the Local Government Fair Competition Act (the “Act”) in Louisiana. The Act requires, among other provisions, that LUS must operate the Communications System in a manner that does not discriminate against competing providers of the same service, and it may not grant any undue or unreasonable preference to itself or any private provider of covered services. Further, LUS may not cross-subsidize its covered services with tax dollars, income from other local government or utility services, below-market rate loans from the local government or any other means. Under the Act, covered services of LUS include telecommunications services, advanced services (Internet) and cable television services.

Pursuant to the Act, LUS is also subject to certain rules and audit requirements of the Louisiana Public Service Commission (“LPSC”). In particular, pursuant to the Act, the LPSC has enacted Cost Allocation and Affiliate Transaction Rules (“LPSC Rules”), and has responsibility and authority for compliance thereof by LUS. LUS is required by the LPSC Rules to file a certification with the LPSC on an annual basis, signed under oath, stating that it is complying with the Act and the LPSC Rules. In addition, the LPSC Rules require LUS to have performed on an annual basis an attest engagement audit by an independent certified public accountant that expresses an opinion that the systems, processes, and procedures applied by LUS comply with the Act and the LPSC Rules. LUS obtains and files such attest audit reports with the LPSC annually for each FY of its operations, including to-date for FY 2009-2013. In addition, pursuant to the LPSC Rules, the LPSC has conducted separate audits of LUS’ compliance with the LPSC Rules for each of the FY 2008-2012. The most recent audit by the LPSC for 2011-2012, was approved by the LPSC in February 2015, and found no instances of non-compliance with the LPSC Rules. After 2014, LUS is no longer required to file the annual audit.

Separate from the requirements of the Act and LPSC Rules, the LPSC has some jurisdiction over the telecommunication rates of LUS but it does not have jurisdiction over LUS’ rates for advanced services (Internet) and cable television services.

The Federal Communications Commission (“FCC”) recently ruled and reclassified broadband Internet access services under Title II of the Communications Act. The FCC will regulate certain aspects of broadband Internet services across the country, in particular the ability of broadband providers (e.g. AT&T, Cox Communications) to slow or block competitors services and/or charge fees to content providers to deliver content at faster speeds. This broadband regulation is commonly referred to as “Net Neutrality.” While the FCC has ruled on Net Neutrality, several participants will likely begin litigation over the ruling and application of Title II. It may take years before the FCC’s ruling has direct effects on services or the actions of broadband providers.

Given the design and operation of the Communications System, there are limited environmental compliance issues. The Communications System fiber is installed on LUS’ overhead electric poles and in underground ducts co-located within the underground electric distribution system, avoiding additional right-of-way requirements or construction and land use related issues.

Contracts

The Communications System contracts with multiple service providers to connect to the national fiber backbone. The Communications System maintains several wholesale contracts with major carriers, Internet service providers (“ISP”), and application service providers that provide bandwidth, Internet, and telephone services on a retail basis to medium and large business customers. Wholesale customer contracts currently account for approximately 10 percent (\$3.2 million) of the annual Communications System revenues.

Competition and Benchmarking

The CATV and Internet services markets within the City are competitive. National telecommunications firms such as Cox Communications, AT&T, Dish, and DirecTV each offer services within the City limits. Recent merger and acquisition trends in the telecommunications industry may affect the local competitors. Comcast announced the acquisition of Time Warner in February 2014, while AT&T announced its acquisition of DirecTV in May 2014. As of the date of this report, Comcast withdrew its acquisition of Time Warner due to federal government concerns about competition. The AT&T acquisition of DirecTV is currently awaiting the approval of the FCC and the Department of Justice. Some of the competitors (AT&T/DirecTV and Dish) also have access to and own wireless spectrum, which may further increase competition for telecommunications services within the City. The

recent FCC ruling regarding Net Neutrality may also affect the merger and acquisition trends in the industry, as well as the currently pending acquisition.

LUS' high Internet speeds are a tangible competitive advantage. LUS typically stays in step with the competition in offering other services to the market. Providing quality service offerings to customers is a top priority business objective of LUS. For example, in response to the FCC's new definition of high speed Internet download speeds at 25 Mbps or greater, LUS recently increased their standard high-speed data package from 20 Mbps to 25 Mbps. LUS increased the charge for this higher speed, basic package by \$2 per month.

Current communications services rates are stable, with increases for CATV or video generally driven by programming and content costs. LUS' content pricing continues to improve since attaining membership in the National Cable Television Cooperative ("NCTC") in December 2011. A recent increase in telephone rates was the first since the service began in 2009.

LUS offers comparable and competitively priced higher-end CATV packages within the City. Internet service is extremely competitive, based on the equally fast download and upload speeds offered by the Communications System. Competitors offer a slower download speed and significantly reduced upload speed (typically 10 to 20 percent of download speeds). The Communications System also offers customers a unique feature that enables peer-to-peer connections within the City limits with excellent data exchange speeds. Currently competitors cannot offer this feature. Telephone service is competitive but difficult to compare directly with competitor's packages.

Table 4 below summarizes and compares LUS and competitor's Internet service offerings within the City. The comparison illustrates LUS' competitive advantage of faster download and upload speeds available at lower prices than competitors.

Table 4
Competitive Internet Service Offerings

<u>Provider</u>	<u>Service Offerings (Upload and Download Speeds)</u>		
LUS Fiber	25 Mbps ⁽¹⁾ (Sym) ⁽²⁾	80 Mbps (Sym)	1000 Mbps (Sym)
Price	\$35.95	\$44.95	\$69.95
Cox	15 X 2 ⁽³⁾ Mbps	50 X 5 Mbps	150 X 20 Mbps
Price	\$52.99	\$66.99	\$99.99
AT&T	6 X 1 Mbps	24 X 3 Mbps	45 X 6 Mbps
Price	\$52.00	\$72.00	\$82.00

Source: LUS

(1) Mbps is millions of bits (Megabits) per second.

(2) Sym is symmetrical, or equal, upload and download speeds.

(3) Cox and AT&T services are identified first by the download speeds, then upload (e.g. 15 x 2 represents up to 15 Mbps download and 2 Mbps upload).

Historical Financial Performance

Within NewGen's Report, financial performance is summarized on a Cash Basis. Cash Basis means that non-cash expenses, such as depreciation are excluded from calculations, but other cash expenses, such as principal payments associated with debt service are included. Since municipally owned utilities are primarily concerned with accumulating sufficient cash balances to meet operating expenses, debt service, capital improvements, and other obligations, the financial results are presented in this manner.

Since its inception in 2009, the Communications System has exhibited steady growth and improved operating margins as summarized in Table 5.

Table 5
Communications System
Historical Debt Service Coverage

Year	Operating Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenues Available for Debt Service	Debt Service ⁽³⁾	Debt Service Coverage Ratio
2010	\$9,834,931	\$10,332,371	(\$497,440)	\$5,494,331	(0.1)
2011	16,752,258	14,756,174	1,996,085	8,684,331	0.2
2012	23,372,570	15,742,660	7,629,909	8,686,731	0.9
2013	26,844,315	17,191,066	9,653,248	8,683,931	1.1
2014	\$31,641,423	\$17,591,848	\$14,049,575	\$9,434,060	1.5

Source: LUS, audited.

- (1) Includes interest income and other miscellaneous income.
- (2) Includes O&M expenses; other expenses include customer service, and administrative and general costs. Excludes depreciation. Operating expenses do not include ILOT or Imputed Tax, inter-utility loan payments to LUS, external loan payments, and other miscellaneous expenses.
- (3) Debt service includes the Series 2007 Bonds and Communications System Revenue Bonds Series 2012 ("Series 2012 Bonds").

Projected Operating Results

This section contains forward looking financial statements based on LUS' current expectations and projections about future events and financial trends regarding the Communications System. Projections as contained herein reflect estimates of what might occur in the future based on the information available as of the date of this Report. NewGen cannot predict the future or guarantee future Communications System financial performance. To the extent that assumptions used in these projections vary from those actually observed, financial performance as presented herein will vary from actual performance. NewGen relied upon a 10-year projection prepared by LUS for the Projected Period. LUS provided actual historical data for the FY 2010 through FY 2014.

Information and Assumptions Relied Upon

The projected operating results for the Communications System rely upon the following information and assumptions gathered in the course of NewGen’s review.

1. NewGen assumed LUS will continue to operate, maintain, and upgrade head-end facilities and other important supporting Communications System infrastructure to ensure reliable and technologically competitive service offerings to customers.
2. NewGen assumed LUS will hire and maintain competent personnel. If needed, LUS will provide training to personnel to ensure the safety and reliability of the Communications System.
3. NewGen assumed LUS will maintain and renew any required permits or approvals.
4. NewGen assumed standard operating procedures for LUS and NewGen did not include the effects of any event outside of LUS’ control, including force majeure.
5. Communications System financial and operating information was provided by LUS, LCG, interviews with LUS and LCG staff, and visual observations of the Communications System facilities. Data provided by LUS and LCG includes historical financial and operating data for years 2010–2014, projected financial and operating data for years 2015–2024, and the 2016 Proposed Budget. Raymond James & Associates, Inc. provided the bond market analysis.
6. NewGen relied upon the March 2015 Blue Chip Economic Indicator projection of Gross Domestic Product (“GDP”) for the escalation of O&M expenses. The GDP was assumed to be 2.1 percent throughout the Projected Period.
7. NewGen relied upon LCG’s projected interest rates for short- and long-term investments.
8. The debt schedules were provided by Raymond James & Associates, Inc. The estimates of the Series 2015 Bonds including the principal amount of \$92,755,000, the first principal payment being November 1, 2016.

Important Assumptions Impacting Communications System Projected Operating Results

Although there are many variables that influence the Communications System’s projected operating results, a few key variables have an important influence on the financial integrity of the system. These variables are:

- Customer growth and market share
- Service offering pricing
- Cost of goods sold
- Capital re-investment of the system

Customer growth and service offering pricing heavily influence System’s projected revenues. Cost of goods sold predominantly consists of programming and content costs associated with service offerings. Capital re-investment of the system ensures that the system will remain well maintained, reliable, and competitive in the marketplace.

Other important Communications System costs include other operating expenses not associated with the cost of goods sold and debt service requirements. Although these costs are important and substantial to the Communications System, they are relatively fixed and do not vary significantly as new customers are added to the system. As a result, growth in the Communications System Gross Operating Margin (revenues less cost of goods sold) directly impacts the Communications System debt service coverage and net margins.

Revenue Projection

Since the Communications System inception in 2009, the system has successfully added customers and increased market share within the LUS service territory. The sale of CATV, Internet, and telephone services to retail and wholesale customers directly relates to the Communications System revenues. As shown previously in Table 2, projected operating results reflect average annual customer growth of 4.0 percent over the 2015–2024 period. The growth assumption results in target market share from the current 34 percent to approximately 44 percent in 2024. Revenue per customer reflects a blend of CATV, Internet, and telephone services as described earlier in this Report. Retail service pricing levels are projected to be adjusted periodically in consideration of the cost of goods sold and other rising costs. LUS pricing practices reflect an opportunistic approach where the development of new or higher value service offerings and competitor price increases provide LUS the ability to adjust rates if warranted. LUS' pricing strategy is to offer comparable or higher quality services at a lower price than the competition.

Additionally, the projected number of wholesale customers will decrease from 38 to 37 customers in 2017, with an incremental increase in wholesale revenues from \$3.2 million in 2015 to \$3.4 million in 2024.

As a result of these assumptions, Table 6 summarizes Communications System projected revenues.

Table 6
Communications System
Projected Operating Revenues

<u>Year</u>	<u>Number of Retail Customer Accounts</u> ⁽¹⁾	<u>Wholesale Customer Accounts</u> ⁽²⁾	<u>Retail Revenue</u>	<u>Wholesale Revenue</u> ⁽²⁾	<u>Other Revenue</u> ⁽³⁾	<u>Total Operating Revenues</u> ⁽⁴⁾
2015	16,626	38	\$30,287,648	\$3,167,698	\$171,510	\$33,626,856
2016	17,686	38	32,091,352	3,240,555	206,172	35,538,079
2017	18,386	37	34,017,316	2,938,337	248,149	37,203,803
2018	19,113	37	35,734,895	3,005,920	256,209	38,997,023
2019	19,869	37	37,542,639	3,075,055	309,540	40,927,234
2020	20,656	37	39,335,857	3,136,558	358,096	42,830,511
2021	21,371	37	41,181,470	3,199,291	390,746	44,771,507
2022	22,110	37	43,084,432	3,263,276	405,731	46,753,439
2023	22,876	37	45,092,158	3,328,539	430,431	48,851,129
2024	23,668	37	\$47,210,446	\$3,395,108	\$450,013	\$51,055,567
Average Growth	4.0%					

Source: LUS

- (1) The retail customer projection takes into consideration that the Communications System began serving customers in 2007 as a new market entrant. As shown in Table 2, historical percentage growth in customers has been significant because the Communications System was new to the market. The projection assumes that percentage increases in annual growth will gradually decline as LUS market presence matures and market penetration reflects levels that consider the presence of several competitors.
- (2) An existing wholesale customer contract will expire in 2017 and will not be renewed.
- (3) Includes interest income and other miscellaneous income.
- (4) Retail service pricing levels are projected to be adjusted periodically in consideration of the cost of goods sold and other rising costs.

Expense Projection

The expense projection includes the cost of goods sold, maintenance of plant, administrative and general (“A&G”) expense, and other miscellaneous expenses. The projected cost of goods sold assumes the 2014 cost per customer (adjusted for inflation) multiplied by the projected number of customers. Other expenses have been escalated at 2.1 percent annually over the period 2015–2024.

As a result of these assumptions, Table 7 summarizes projected expenses.

Table 7
Communications System
Projected Operating Expenses

<u>Year</u>	<u>Cost of Goods Sold</u> ⁽¹⁾	<u>O&M and Other Expenses</u> ⁽²⁾	<u>Total Operating Expenses</u>
2015	\$6,736,552	\$10,833,189	\$17,569,741
2016	7,033,131	11,060,686	18,093,817
2017	7,353,908	11,292,960	18,646,868
2018	7,687,591	11,530,112	19,217,703
2019	8,032,767	11,772,245	19,805,012
2020	8,390,299	12,019,462	20,409,761
2021	8,762,495	12,271,871	21,034,365
2022	9,151,300	12,529,580	21,680,880
2023	9,557,459	12,792,701	22,350,160
2024	\$9,981,745	\$13,061,348	\$23,043,092

Source: LUS

- (1) Cost of Goods Sold predominantly consists of programming and content costs associated with service offerings.
- (2) Includes O&M expenses; other expenses include customer service, and A&G costs. Excludes depreciation. Operating expenses do not include ILOT, inter-utility loan payments to LUS, external loan payments, and other miscellaneous expenses.

Debt Service

The proposed Series 2015 Bonds will refund all of the outstanding Series 2007 Bonds. Table 8 shows the projected net revenues for debt service, which exceeds the required debt service coverage ratio of 1.0.

Table 8
Communications System
Projected Debt Service Coverage

<u>Year</u>	<u>Operating Revenues</u> ⁽¹⁾	<u>Operating Expenses</u> ⁽²⁾	<u>Net Revenues Available for Debt Service</u>	<u>Debt Service</u> ⁽³⁾	<u>Debt Service Coverage Ratio</u>
2015	\$33,626,856	\$17,569,741	\$16,057,115	\$3,694,822	4.3
2016	35,538,079	18,093,817	17,444,262	6,967,279	2.5
2017	37,203,803	18,646,868	18,556,934	9,432,079	2.0
2018	38,997,023	19,217,703	19,779,320	9,429,079	2.1
2019	40,927,234	19,805,012	21,122,223	9,425,579	2.2
2020	42,830,511	20,409,761	22,420,750	9,431,079	2.4
2021	44,771,507	21,034,365	23,737,142	9,429,579	2.5
2022	46,753,439	21,680,880	25,072,559	10,590,829	2.4
2023	48,851,129	22,350,160	26,500,969	10,597,279	2.5
2024	\$51,055,567	\$23,043,092	\$28,012,474	\$10,600,810	2.6

Source: LUS

- (1) Operating revenues include interest income and other miscellaneous revenues.
- (2) Includes O&M expenses; other expenses include customer service, and A&G costs. Excludes depreciation. Operating expenses do not include ILOT or Imputed Tax, inter-utility loan payments to LUS, external loan payments, and other miscellaneous expenses.
- (3) The debt service represents the Series 2012 Bonds and Series 2015 Bonds. 2015 includes a portion of the Series 2007 Bonds debt service. The debt service reflects payments to be made on parity and the Series 2015 Bonds after the closing of the Series 2015 Bonds. The debt service does not reflect the contributions to the Debt Service Sinking Fund for the Series 2007 Bonds equal to \$4,771,579.

Table 9 shows the annual savings in debt service expected as a result of the Series 2015 Bonds refunding of the Series 2007 Bonds.

**Table 9
Communications System
Savings from the Refunding**

<u>FY Ending October 31st</u>	<u>Series 2007 Bonds Debt Service</u>	<u>Estimated Series 2015 Bonds Debt Service ^(1,2)</u>	<u>Estimated Debt Service Savings</u>
2015	\$1,447,040 ⁽³⁾	\$482,106	\$964,934
2016	8,683,950	6,219,150	2,464,800
2017	8,686,169	8,683,950	2,219
2018	8,682,831	8,680,950	1,881
2019	8,681,831	8,677,450	4,381
2020	8,685,081	8,682,950	2,131
2021	8,684,919	8,681,450	3,469
2022	8,681,631	8,677,700	3,931
2023	8,684,256	8,681,200	3,056
2024	8,684,719	8,680,950	3,769
2025	8,686,238	8,681,450	4,788
2026	8,682,300	8,677,750	4,550
2027	8,681,825	8,679,000	2,825
2028	8,682,288	8,679,000	3,288
2029	8,685,850	8,682,000	3,850
2030	8,684,725	8,682,000	2,725
2031	<u>8,683,125</u>	<u>8,678,250</u>	<u>4,875</u>
Total	\$140,388,777	\$136,907,306	\$3,481,471

Source: Raymond James & Associates, Inc.

- (1) The principal of the Series 2015 Bonds matures on each November 1, one day following the close of the respective FYs listed.
- (2) Estimated debt service is shown based on payment due date. LUS is required to escrow 1/12th of the next principal payment and 1/6th of the next interest payment that affects cash flow and is reflected in the projected operating results.
- (3) Amount represents a portion of the Series 2007 Bonds debt service due November 1, 2015. Amount represents 2 of the 6 months of interest and 2 of the 12 months of principal sinking fund deposits for the November 1, 2015 payment. The debt service does not reflect the contributions to the Debt Service Sinking Fund for the Series 2007 Bonds equal to \$4,771,579.

The Series 2015 Bonds improve the Communications System debt service coverage in 2015 and 2016.

Other Expenses

Other expense items include the Communications System’s ILOT, Imputed Tax obligations, repayment of inter-utility loans from the Utilities System, Operating Account reserve obligations, and other miscellaneous expenses.

Pursuant to terms of a regulatory settlement, the Communications System must pay an Imputed Tax. The Imputed Tax is equivalent to paying state and local sales tax, property tax, franchise tax, and income tax. This

Imputed Tax calculation is performed annually and can be paid to either the Utilities System or the LCG General Fund. In 2013, LCG reviewed the Imputed Tax calculation and corrected an error in the computation, which reduced the Imputed Tax obligation of the Communications System for the FYs 2009 through 2012. This correction is reflected in the historical Communications System Imputed Tax obligations included in this Report. LCG did not restate historical financial and operating statements as a result of this correction. Thus far, Imputed Tax payments have only been paid to LUS. As the Communications System improves operating margins, the Communications System will be able to pay ILOT to the LCG General Fund. Once ILOT payments are made to the LCG General Fund, the corresponding Imputed Tax obligation is reduced on a dollar-by-dollar basis.

The Communications System's ILOT calculation provides for an ILOT payment up to 12 percent of revenues less the cost of goods sold. However, all or a portion of this payment is made subject to a test. The ILOT test ensures that the Communications System retains sufficient cash to meet capital obligations. The test requires that the ILOT payment be no greater than 12 percent of revenues less the cost of goods sold, or the cash balance available after the payment of operating expenses and debt service less 7.5 percent of the revenues less the cost of goods sold. The Communications System tax requirement cannot be less than that required by the Imputed Tax calculation.

On July 7, 2015, a proposed ordinance that would revise the ILOT calculation was introduced to the Council. At the introduction, the Council voted unanimously to accept the ordinance. This ordinance recognizes that the Communications System operates in a competitive environment and the current ILOT calculation is a greater expense than Imputed Tax. LUS expects the ordinance to be approved on July 21, 2015. With the approval of this ordinance, the Communications System will be required to pay an ILOT amount equal to Imputed Taxes. The Imputed Tax payment will be made to LUS and the City for years 2016 through 2020 as prescribed in the ordinance. According to LUS staff, 100 percent of Imputed Tax payments will go to the City after 2020.

As of the date of this Report, the ordinance has not been approved by the Council. If the ordinance would be passed, the Communications System's cumulative projected ILOT payment to the City over the period 2016 through 2024 would be reduced from approximately \$36 million to approximately \$13 million resulting in \$23 million of savings over the nine year period. The reduced financial obligation would increase cash available for Communication System's capital improvement projects and reserves thereby reducing pressure to raise rates in the future and helping to maintain a level playing field with competitors. The \$13 million projected Communication System's Imputed Tax obligation would be divided between the City and LUS from 2016 through 2020. Similar to the Communications System, the portion of Imputed Tax payments to LUS will increase cash available for electric, water, and wastewater capital improvement projects and reserves thereby reducing pressure on future rate increases in the Utilities Systems.

The Communications System utilized internal Utilities System loans to fund the fiber system assets purchase, startup costs, imputed taxes, and operating costs. The Communications System loans repayment will continue through 2033.

Table 10 summarizes the Communications System Other Expenses.

Table 10
Communications System
Projected Other Expenses

<u>Year</u>	<u>Inter-Utility Loan Repayment ⁽¹⁾</u>	<u>ILOT and/or Imputed Tax ⁽²⁾</u>	<u>Miscellaneous¹</u>	<u>Total Other Expenses</u>
2015	\$1,933,505	\$1,379,979	\$113,614	\$3,427,098
2016	1,001,003	3,226,836	116,000	4,343,839
2017	1,339,820	3,420,594	118,436	4,878,849
2018	1,535,135	3,581,987	120,923	5,238,046
2019	1,705,320	3,757,132	123,462	5,585,914
2020	1,814,455	3,947,336	126,055	5,887,847
2021	2,410,578	4,132,825	128,702	6,672,105
2022	2,422,635	4,321,081	131,405	6,875,121
2023	2,435,174	4,512,257	134,165	7,081,596
2024	\$2,448,215	\$4,715,240	\$136,982	\$7,300,438

Source: LUS

- (1) The Communications System utilized inter-utility loans from the Utilities System to fund the purchase of the fiber system assets, startup costs, imputed taxes and operating costs. The 2015 payment of \$1,933,505 represents the 2014 and 2015 inter-utility loan obligation. The 2014 payment was delayed due to a loan restructuring.
- (2) The 2015 payment reflects the Imputed Tax obligation for FY 2014. Beginning in year 2015, the Communications System meets the ILOT test and begins making ILOT payments to the City. On July 7, 2015, a proposed ordinance was introduced to the Council, accepted by the Council, and is expected to be adopted on July 21, 2015. The proposed ordinance would revise the ILOT calculation to be equal to Imputed Taxes. This ordinance would result in decreased Other Expenses as compared to the above table.

Capital Improvement Program

The CIP includes the ongoing cost of customer installations, head-end, hut, network equipment and upgrades, and other miscellaneous items. Capital improvement projects are based on the capital plan submitted to LCG with the 2016 Proposed Budget and LUS projections.

As a result of these assumptions, Table 11 projects the Communications System capital expenditures. Table 3 is the Communications System five-year CIP.

Table 11
Communications System
Projected Capital Improvement Program

<u>Year</u>	<u>Total Capital Program ⁽¹⁾</u>
2015	\$4,301,326
2016	5,265,260
2017	6,907,912
2018	4,483,879
2019	4,578,040
2020	4,674,179
2021	7,446,988
2022	6,782,093
2023	7,763,046
2024	\$9,756,434

Source: 2016 Proposed Budget with modifications and LUS

(1) Amounts shown in Table 3 reflect 2015 dollars;
amounts shown in Table 11 are in nominal dollars.

Cash Available

Cash available reflects remaining funds available to the Communications System once all other credit obligations of the Communications System are satisfied. For the Communications System, LUS has established a financial objective that requires a minimum cash balance of \$2,250,000 to be held in an Operating Account. The Operating Account maintains a cash reserve to meet system O&M expense requirements. Once O&M expense and debt service obligations are met by LUS, accumulated cash balances are held in a Capital Additions Fund and are applicable to capital projects or other lawful uses. The Projected Period assumes that there are sufficient cash balances in the Capital Additions Fund to meet the entire Communications System CIP obligation.

Table 12 includes projected accumulated cash balances after the payment of capital projects.

Table 12
Communications System
Projected Cash Available Balance

Year	Operating Account - Available Cash Balance (Unrestricted) ⁽¹⁾	Capital Additions Fund - Available Cash Balance (Unrestricted) ⁽²⁾	Total Available Cash Balance (Unrestricted) ⁽³⁾
2015	\$2,250,000	\$4,393,418	\$6,643,418
2016	2,250,000	5,261,303	7,511,303
2017	2,250,000	2,599,397	4,849,397
2018	2,250,000	3,227,714	5,477,714
2019	2,250,000	4,760,403	7,010,403
2020	2,250,000	7,188,049	9,438,049
2021	2,250,000	7,376,518	9,626,518
2022	2,250,000	8,201,035	10,451,035
2023	2,250,000	9,260,084	11,510,084
2024	\$2,250,000	\$9,614,876	\$11,864,876

Source: LUS

(1) The Communications System has an Operating Account goal of \$2,250,000 beginning November 2014.

(2) The cash available represents the balance of annual cash margins from operations.

(3) The 2015 Total Available Cash Balance is net of \$4.8 million accumulated in the sinking fund for the Series 2007 Bonds. This amount will be applied to the outstanding balance of the Series 2007 Bonds as described in Table 1.

Credit Event

If a Credit Event (e.g. Communications System inability to make debt service payments) occurs, bond covenants require that the Utilities System meet the credit obligation of the Communications System with funds available in the Utilities System Capital Additions Fund. Table 13 shows the Utilities System annual debt service coverage ratio assuming a Credit Event. The Utilities System has a debt service coverage ratio requirement of 1.0.

Table 13
Utilities System
Projected Debt Service Coverage from Residual Revenues

<u>Year</u>	<u>Utilities System Net Revenues Available for Debt Service</u>	<u>Utilities System Debt Service ⁽¹⁾</u>	<u>Capital Additions Account, Minimum Capital Requirement ⁽²⁾</u>	<u>Net Revenues Available for Communications Debt Service</u>	<u>Communications Debt Service ⁽³⁾</u>	<u>Debt Service Coverage Ratio from Residual Revenues</u>
2015	\$60,954,026	\$22,924,293	\$10,858,180	\$27,171,554	\$3,694,822	7.4
2016	58,865,619	22,925,238	10,929,921	25,010,460	6,967,279	3.6
2017	66,083,210	24,049,623	11,315,284	30,718,302	9,432,079	3.3
2018	72,085,476	24,648,474	11,616,770	35,820,232	9,429,079	3.8
2019	72,810,399	24,886,590	11,799,661	36,124,149	9,425,579	3.8
2020	74,196,362	25,241,947	11,978,383	36,976,032	9,431,079	3.9
2021	78,199,107	25,466,195	12,340,178	40,392,734	9,429,579	4.3
2022	83,976,311	25,797,624	12,519,102	45,659,585	10,590,829	4.3
2023	84,701,556	26,206,950	12,707,310	45,787,296	10,597,279	4.3
2024	\$85,274,450	\$26,796,165	\$12,899,453	\$45,578,832	\$10,600,810	4.3

Source: NewGen and LUS

- (1) Debt service includes the Series 2010 Bonds, Series 2012 Bonds, 1996 LDEQ debt, and future bond issues in years 2017, 2019, 2021, 2023, and 2025.
- (2) The bond ordinance requires a minimum amount equal to 7.5 percent of the Adjusted Revenue deposits into the Receipts Account for the purposes of paying capital costs.
- (3) The debt service represents the Series 2012 Bonds and Series 2015 Bonds. Year 2015 includes a portion of the Series 2007 Bonds debt service.

The detailed Communications System Projected Period results with footnotes may be found in Exhibit D-1 of this Report.

UTILITIES SYSTEM

The Utilities System operates Electric, Water, and Wastewater Systems. LUS serves customers primarily within the City limits. Each utility provides services to certain customers outside of the City limits and wholesale customers. As of the end of FY 2014, LUS served 65,262 electric customers, 54,637 water customers, and 43,068 wastewater customers, respectively. Combined LUS' customer growth since 2010 is stable at 0.6 percent to 1.3 percent per year. Customer growth projections are 1.1 to 1.3 percent annually. Table 14 includes the historical and projected customers served by each utility.

Table 14
Utilities System
Historical and Projected Number of Customers

<u>Year</u>	<u>Electric</u> ⁽¹⁾	<u>Water</u> ⁽²⁾	<u>Wastewater</u> ⁽³⁾
Historical			
2010	62,746	51,960	41,522
2011	63,531	52,749	41,928
2012	63,911	53,088	42,049
2013	64,496	53,926	42,586
2014	65,262	54,637	43,068
Projected			
2015	66,263	55,331	43,550
2016	67,210	56,034	44,036
2017	68,098	56,748	44,528
2018	68,922	57,463	45,026
2019	69,699	58,197	45,529
2020	70,438	58,941	46,038
2021	71,148	59,696	46,553
2022	71,801	60,462	47,073
2023	72,409	61,238	47,599
2024	72,985	62,026	48,131
Average Growth (2015–2024)	1.1%	1.3%	1.1%

Source: LUS provided years 2010–2014, audited.

(1) Electric System projections based on Load Forecast for LUS developed by Burns & McDonnell.

(2) Water System projections based on historical customer growth.

(3) Wastewater System projections based on historical customer growth.

LUS generated a total of \$248,410,288 of cash revenues in FY 2014 comprised of \$201,891,247 from electric services, \$17,783,466 from water services, and \$28,735,575 from wastewater services. FY 2014 revenues were approximately 5.9 percent higher than 2013, with the electric revenues 7.3 percent higher and water revenues 1.3 percent higher than the previous year. Wastewater revenues declined by 0.5 percent from the previous year. Table 15 includes historical and projected revenues for each utility service.

Table 15
Utilities System
Historical and Projected Revenues

<u>Year</u>	<u>Electric Operating Revenues</u> ⁽¹⁾	<u>Water Operating Revenues</u> ⁽²⁾	<u>Wastewater Operating Revenues</u> ⁽³⁾	<u>Total Operating Revenues</u> ⁽⁴⁾
Historical				
2010	\$174,395,446	\$15,665,708	\$24,499,460	\$214,560,614
2011	190,901,871	18,662,652	29,878,197	239,442,720
2012	174,890,121	17,803,423	29,313,577	222,007,121
2013	188,071,217	17,559,754	28,893,980	234,524,951
2014	\$201,891,247	\$17,783,466	\$28,735,575	\$248,410,288
Projected				
2015	\$194,103,115	\$18,611,827	\$29,632,641	\$242,347,582
2016	189,850,658	18,886,982	29,995,752	238,733,391
2017	197,139,351	20,658,364	31,636,966	249,434,681
2018	206,755,545	21,763,140	33,020,282	261,538,968
2019	215,576,769	22,093,561	33,430,302	271,100,632
2020	225,670,040	22,435,797	33,798,175	281,904,012
2021	233,240,455	23,878,618	35,560,356	292,679,429
2022	247,035,930	24,219,914	35,953,696	307,209,539
2023	254,626,768	24,571,647	36,341,417	315,539,832
2024	\$262,334,566	\$24,922,940	\$36,753,480	\$324,010,986

Source: LUS provided years 2010–2014, audited.

- (1) Electric Total Operating Revenues include revenue from base rates, fuel adjustments charges, interest income, and other miscellaneous revenues.
- (2) Water Total Operating Revenues include revenue from rates, interest income and other miscellaneous revenues.
- (3) Wastewater Total Operating Revenues include revenue from rates, interest income, and other miscellaneous revenues.
- (4) Operating Revenues do not reflect corrections made to the Communications System Imputed Tax transfers for years 2009 through 2012. Utilities System and Communications System Income Statements were not restated over this period as a result of these corrections. Rather a prior period adjustment was made to the 2013 balance sheets included in the Financial and Operating Statements for both the Communications and Utilities Systems.

The Electric System operates power generation, transmission, distribution, and customer assets. LPPA wholesale sales provide the largest portion of LUS’ power generation capacity. LPPA owns 50 percent of a 523 megawatt (“MW”) coal-fired generating station located at the Brame Energy Center near Boyce, Louisiana known as Rodemacher Unit 2. The Water System includes raw water treatment plants, distribution system, and customer assets. The Wastewater System includes sewage treatment plants, collection piping, and customer assets. The Wastewater System five-year CIP is significant and represents 41 percent of the total CIP. Table 16 shows the five-year projected Utilities System CIP as contained in the 2016 Proposed Budget.

Table 16
Utilities System
Projected Capital Improvement Program

<u>Utility</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Electric ⁽¹⁾					
Acquisitions	\$100,000	\$0	\$3,000,000	\$0	\$0
Production	1,115,000	460,000	310,000	110,000	110,000
Distribution	445,000	210,000	1,657,000	810,000	110,000
Substation	910,000	2,360,000	9,510,000	7,960,000	360,000
Transmission	10,000	585,000	1,895,000	1,010,000	3,070,000
General Plant	<u>935,000</u>	<u>1,335,000</u>	<u>2,210,000</u>	<u>110,000</u>	<u>110,000</u>
Total Electric	\$3,515,000	\$4,950,000	\$18,582,000	\$10,000,000	\$3,760,000
Water					
Production	\$810,000	\$1,690,000	\$5,085,000	\$60,000	\$60,000
Distribution	<u>2,040,000</u>	<u>1,605,000</u>	<u>460,000</u>	<u>1,110,000</u>	<u>610,000</u>
Total Water	\$2,850,000	\$3,295,000	\$5,545,000	\$1,170,000	\$670,000
Wastewater					
Treatment	\$760,000	\$12,085,000	\$15,785,000	\$6,460,000	\$1,210,000
Collection	<u>5,610,000</u>	<u>4,150,000</u>	<u>1,635,000</u>	<u>4,025,000</u>	<u>735,000</u>
Total Wastewater	\$6,370,000	\$16,235,000	\$17,420,000	\$10,485,000	\$1,945,000
Total Capital Program	\$12,735,000	\$24,480,000	\$41,547,000	\$21,655,000	\$6,375,000

Source: 2016 Proposed Budget. Amounts are in 2015 dollars.

(1) Does not include LPPA Rodemacher Unit 2 capital improvement program.

Descriptions of the electric, water, and wastewater utilities are included below. Each description includes details regarding customer sales or consumption, facilities, operations, regulatory impacts, and competitive benchmarking of services.

Electric System Description

LUS operates an Electric System providing reliable power and electricity to more than 65,000 customers. The Electric System consists of power generation, transmission, substation, distribution, and customer facilities within and outside its service territory.

Electric System retail sales increased 2.4 percent between 2013 and 2014. Future retail sales are projected to increase by approximately 1.6 to 1.9 percent per year through 2024.

In June 2013, LUS joined the Midcontinent Independent System Operator (“MISO”), initially receiving Reliability Coordinator services. In December 2013, LUS became a full market participant as a Local Balancing Authority, with The Energy Authority (“TEA”) designated to handle day-ahead schedules. Since becoming

a MISO participant, LUS now generates power for and purchases power from the MISO market. MISO membership requires LUS to modify the methods and processes the utility uses to purchase and sell power. LUS purchases power to meet load from the power market on an hourly basis. Simultaneously, LUS economically dispatches generation assets into the market creating wholesale power sales. As a result of these changes, LUS reports the combined transaction as net purchased power (e.g. total market purchases less total market sales); therefore, wholesale sales projections are to be zero in the Projected Period as shown in Table 17. Further discussions of MISO and the impact on Electric System operations can be found under Electric System Description-Operations and Related Performance in this Report.

Table 17
Electric System
Historical and Projected Retail and Wholesale Sales

<u>Year</u>	<u>Retail Sales (MWh) ⁽¹⁾</u>	<u>Wholesale Sales (MWh) ⁽²⁾</u>	<u>Total Sales (MWh)</u>
Historical			
2010	2,020,173	151,215	2,171,388
2011	2,024,762	230,531	2,255,293
2012	1,970,448	132,272	2,102,720
2013	1,979,136	37,151	2,016,287
2014	2,027,115	1,014,675	3,041,789
Projected			
2015	2,060,020	0	2,060,020
2016	2,096,835	0	2,096,835
2017	2,135,526	0	2,135,526
2018	2,175,749	0	2,175,749
2019	2,217,209	0	2,217,209
2020	2,259,417	0	2,259,417
2021	2,302,575	0	2,302,575
2022	2,346,496	0	2,346,496
2023	2,391,110	0	2,391,110
2024	2,436,438	0	2,436,438

Source: LUS provided years 2010–2014, audited.

- (1) Electric System projections based on Load Forecast for LUS developed by Burns & McDonnell.
- (2) Wholesale sales reduce the total amount of MISO purchased power, after 2014, date of LUS entry into MISO.

As shown in Table 18, retail sales by customer class as of October 31, 2014 indicate that residential and commercial customers represent approximately 91 percent of Electric System sales. LUS' commercial customer base is diverse, as no single customer represents more than 3 percent of LUS retail revenues.

Table 18
Electric System
Customer Class Statistics as of October 31, 2014

<u>Customer Class</u>	<u>Number of Customers</u>	<u>Percent of Total</u>	<u>Sales (kWh)</u>	<u>Percent of Total</u>
Residential	53,017	81.2%	825,112,483	40.7%
Residential – Outside the City	867	1.3%	15,428,425	0.8%
Commercial without Demand – Small	7,545	11.6%	200,174,063	9.9%
Commercial Small and Large – Outside the City	176	0.3%	16,876,910	0.8%
Commercial with Demand – Large	1,252	1.9%	792,813,917	39.1%
Private Security Lighting	1,725	2.6%	6,783,880	0.3%
Street Lighting	1	0.0%	17,459,091	0.9%
Schools and Churches	416	0.6%	54,991,894	2.7%
Schools and Churches – Outside the City	2	0.0%	883,200	0.0%
Municipal	4	0.0%	2,981	0.0%
University of Louisiana – Lafayette	89	0.1%	62,550,950	3.1%
Interdepartmental	<u>170</u>	<u>0.3%</u>	<u>34,036,871</u>	<u>1.7%</u>
Total	65,262	100.0%	2,027,114,665	100.0%

Source: LUS October 2014 Financial and Operating Statements, audited.

Production

The Electric System peak demand occurs in the summer and 2015 projections are approximately 487 MW. The 2014 summer peak was 460 MW due to cool summer temperatures. LUS directly operates three power generation plants. LPPA owns the LUS interest in a fourth power generation plant.

LUS generates electricity with three natural gas-fired generating plants located within the Parish, and with the LPPA owned coal-fired generating plant located approximately 100 miles northwest of Lafayette near Boyce, Louisiana. LPPA holds a 50 percent ownership in the coal-fired generating plant, which is operated by Cleco. This generation is sold into the MISO market.

Doc Bonin Plant

The Doc Bonin Plant consists of three natural gas-fired generating units. Each unit includes a conventional utility boiler, steam turbine generator, and the necessary auxiliary equipment. A dedicated mechanical draft cooling tower provides heat rejection for each unit. The LUS Water System provides makeup water for the cooling tower and supplies the plant's water treatment system for boiler water.

Unit 1 began commercial operation in 1964 and has a nameplate capacity of 54 MW. The Unit 1 boiler is a conventional utility boiler, manufactured by Babcock & Wilcox, capable of providing steam at 1,250 pounds per square inch ("psi") to the Westinghouse non-reheat, tandem compound bottom exhaust steam turbine. Unit 1 interconnects to the LUS transmission system at 69 kilovolt ("kV").

Unit 2 began commercial operation in 1970 and has a nameplate capacity of 100 MW. The Unit 2 boiler is a conventional utility boiler, manufactured by Combustion Engineering, capable of providing steam at 1,800 psi to the General Electric tandem compound, bottom exhaust steam turbine. Unit 2 interconnects to the LUS transmission system at 69 kV.

Unit 3 began commercial operation in 1976 and has a nameplate capacity of 187 MW. The Unit 3 boiler is a conventional boiler manufactured by Babcock & Wilcox capable of providing steam at 1,800 psi on the General Electric tandem compound, bottom exhaust steam turbine. Unit 3 interconnects to the transmission system at 138 kV.

All of the Doc Bonin Plant units are currently unavailable and not offered into the MISO market through June 29, 2017 under the terms of a Suspended Operations Agreement, which began on June 29, 2014. These units are economically suspended and could be available for emergency power generation after approximately two months of preparation. As economic conditions change in MISO, LUS will reevaluate the utilization of the Doc Bonin Plant in the utility's overall power supply portfolio.

T. J. Labbé Plant

The T. J. Labbé Plant began operation in 2005 and consists of two natural gas-fired 48 MW General Electric model LM6000PC SPRINT combustion turbine generators ("CTG"). Installation of three 50 percent gas compressors occurred to boost the incoming natural gas delivery pressure to the required levels. LUS and T. J. Labbé Plant staff indicated that the compressors are not currently required to operate, as the natural gas supplier's delivery pressure is higher than the CTG's design inlet pressure. Pressure regulators reduce the delivery pressure to the required inlet levels at the CTG. The CTGs are capable of starting and reaching base load generation levels within 10 minutes. The plant is staffed 24-hours per day, seven days a week. While the plant is staffed full-time, the Doc Bonin Plant staff is capable of CTG remote startup. The T. J. Labbé Plant is connected to the LUS transmission system at 230 kV. The plant also includes a 600-kilowatt ("kW") emergency generator for black start capability.

The LM6000 CTG is an aero-derivative natural gas turbine that is commonly used in the power generation industry. In the electric utility industry, the first LM6000 CTG was introduced in 1991 and began commercial operations in 1992. The two LM6000 CTGs are equipped with supplemental inlet air cooling and compressor intercooling using a proprietary GE SPRay-INTERcooled system called "SPRINT." This system allows the CTGs to optimize output over a wide range of ambient conditions. Each CTG system includes a chilled water system for inlet air cooling. Each combustion turbine package includes a gas turbine generator, unit enclosures, support structures, an air inlet system, an exhaust outlet, lube oil systems, a fire protection system, a control system, a water wash system, drawings, data, manuals, and a training package.

Hargis-Hébert Plant

The Hargis-Hébert Plant began commercial operation in 2006 and is nearly identical to the T. J. Labbé Plant with two natural gas-fired 48 MW General Electric model LM6000PC SPRINT CTGs (see LM6000PC SPRINT details above). Natural gas compressors are not installed at the Hargis-Hébert Plant because the incoming natural gas delivery pressure is greater than the than CTG's design inlet pressure. The Hargis-Hébert Plant CTGs have the additional capability of providing voltage support to the transmission grid through a specially designed clutch system that was originally installed on each of the CTGs allowing the gas turbine to be shut down and uncoupled from the generator while the generator remains synchronized to the grid to supply or absorb reactive power. The CTGs are capable of starting and reaching base load generation levels within 10 minutes. As with the T. J. Labbé Plant, the Hargis-Hébert Plant is staffed full-time, but is capable of remote startup and monitoring from the Doc Bonin Plant. The Hargis-Hébert Plant connects to the LUS transmission system at 69 kV. The plant has a 600 kW emergency generator for black start capability.

Rodemacher Unit 2

Rodemacher Unit 2 is a 523 MW coal-fired generating station located at the Brame Energy Center near Boyce, Louisiana. Cleco operates the unit, which is jointly owned by LPPA (50 percent), Cleco (30 percent), and Louisiana Energy and Power Authority ("LEPA") (20 percent). The unit began commercial operation in 1982.

LPPA is a political subdivision of the State of Louisiana and was created in 1976 for the purpose of providing power supply associated with Rodemacher Unit 2 to LUS via a "take or pay" wholesale power agreement. LUS pays for 100 percent of LPPA costs of operation. LPPA was created by and is governed by the Council.

Major equipment includes a Foster Wheeler conventional pulverized coal steam boiler, with a steam rating of 3,800,000 pounds per hour at 2,500 pounds per square inch gauge ("psig") and a main steam and reheat

temperature of 1,005 degrees Fahrenheit (“°F”), and a General Electric reheat steam turbine generator with bottom exhaust. Lake Rodemacher supplies the cooling water for the steam turbine condenser and plant. Lake Rodemacher is a man-made lake located within the boundaries of the 6,000-acre Brame Energy Center site. An electrostatic precipitator, with a 99.5 percent efficiency rating when burning coal, is utilized for flyash removal. The addition of a Selective Non-Catalytic Reduction (“SNCR”) System with urea injection improved nitrogen oxide (“NO_x”) control in 2013.

To comply with the United States Environmental Protection Agency (“U.S. EPA”) Mercury and Air Toxic Standard (“MATS”) requirements, the plant recently completed installation of a dry absorbent injection system for acid gas control; a fabric filter baghouse for metallic particulate control; and induced-draft (“ID”) booster fans. As of the date of this report, all of the new equipment and systems are functioning properly. The results of contract guarantee testing indicates that the equipment is operating as per design to meet the MATS requirements. On June 29, 2015, the Supreme Court of the United States effectively remanded the U.S. EPA’s MATS requirements to the District of Columbia Circuit Court. The Supreme Court’s decision did not prohibit the U.S. EPA from regulating mercury emissions; however, it does require the U.S. EPA to consider costs for those plants yet to meet the MATS requirements. At this time, it is not known when the U.S. EPA will complete and apply the revised MATS rules to those plants not currently in compliance. In effect, the Supreme Court ruling provides an additional extension for those plants yet to comply with MATS. The Supreme Court’s ruling on MATS does not apply to, and has no effect on Rodemacher Unit 2, as it has completed an upgrade and meets MATS requirements.

Arch Coal Sales Inc. supplies coal, primarily sourced from the Powder River Basin in Wyoming. LPPA owns two unit trains that deliver the coal to the plant from Wyoming. Cleco coordinates the deliveries in conjunction with their unit trains.

Rodemacher Unit 2 coal combustion residue (e.g. flyash and bottom ash) is removed on a regular basis from the site by truck and sold for beneficial reuse. On December 8, 2014, U.S. EPA finalized the Coal Combustion Residue Rule. The final rule classifies coal ash as solid waste rather than hazardous waste. Classifying coal residue as a solid waste eliminates potential increased disposal costs associated with special handling, transportation, and disposal requirements for hazardous waste. As a result of the latest U.S. EPA ruling, Rodemacher Unit 2 continues marketing and selling their coal ash for beneficial use.

As of June 2, 2014, the U.S. EPA, through the Clean Air Act, proposed the Clean Power Plan to regulate greenhouse gas emission associated with electric utility generation. The implementation and financial impacts of the Clean Power Plan are evolving and currently unknown. Currently, all operating expenses associated with environmental compliance are included in the Electric System Fuel Charge (“FC”) and passed through to customers. Historically, bonds funded major capital expenditures associated with environmental compliance.

Fuel Supply

Natural Gas

Natural gas for the Doc Bonin, T. J. Labbé, and Hargis-Hébert Plants is provided under a base contract between Atmos Energy Marketing, LLC and TEA, acting on the behalf of LUS. The latest Transaction Confirmation #6, for a Firm Supply of up to 20,000 million British Thermal Units (“MMBtu”) per day, establishes monthly and daily rates based on Henry Hub indices, plus six cents (\$0.06 per MMBtu), plus Gulf South Pipelines current transmission tariff, plus taxes or assessments.

A 10-mile long, 10-inch gas supply line, owned by LUS that connects to the Texas Gas Transmission Corporation and the Columbia Gulf Transmission Company pipeline supplies natural gas to the Doc Bonin Plant.

An expansion pipeline that is approximately one-half mile long and is connected to the 10-inch gas supply line serving the Doc Bonin Plant supplies natural gas to the T. J. Labbé Plant.

An interconnection to the east-west Gulf South Pipeline Company, LP system located between Louisiana Highway 89 and Commission Boulevard supplies natural gas to the Hargis-Hébert Plant. Gulf South operates and maintains the 10-inch lateral that terminates at the metering station located on the Hargis-Hébert Plant property.

Coal for Rodemacher Unit 2

Coal from the Powder River Basin in Wyoming is the predominant fuel used at Rodemacher Unit 2 and supplied by Arch Coal Sales Inc. LPPA owns two unit trains that deliver coal to the plant from Wyoming. Cleco coordinates the deliveries in conjunction with their unit trains. Coal price adjustments are based on sulfur content in the coal and the heating value (British Thermal Units per pound (“Btu/lb”)) of the delivered coal.

An annual physical observation of the coal inventory is performed based on an aerial photographic survey and density measurements. Adjustments to the inventory book values are made as a result of the survey.

Transmission and Distribution

The Electric System includes 45 miles of transmission lines and more than 900 miles of distribution lines. Transmission facilities operate at 230 kV, 138 kV, and 69 kV, with interconnections with Entergy (230 kV, 138 kV) and Cleco (230 kV, 69 kV). Transmission substation facilities are at 230 kV, 138 kV, and 69 kV. The 230 kV transmission system includes 16 miles of line with interconnections to Cleco and Entergy. The 138 kV system equipment at the Doc Bonin Plant Substation connects to Entergy, as well as autotransformers to the 230 kV and 69 kV busses. The 69 kV transmission system consists of 28 miles of line. Fourteen distribution substations serve the 80 feeders on the LUS 13.8 kV distribution system, with more than 900 miles of primary distribution line split nearly evenly between overhead and underground lines.

Existing transmission circuits are on a range of structure types including wood poles and steel towers. Typical new transmission circuits will use galvanized steel poles.

More than 900 miles of distribution include overhead and underground lines (13.8 kV). Overhead distribution poles are primarily creosote-treated southern yellow pine, along with steel or concrete poles, with light-duty steel poles for corners or areas where guying is not possible.

All distribution facilities serving new subdivisions and commercial developments are underground. New underground cable is typically aluminum. All underground cable is installed in conduit with the exception of segments purchased from the local cooperative utility, SLEMCO. LUS is not aggressively pursuing conversion of overhead to underground facilities due to the significant costs incurred for the conversion.

The transmission and distribution systems utilize dedicated fiber optic cables for secure communication and protection. The operations center via the fiber system is connected to the distribution capacitor bank controls and recloser controls.

Customer Service

LUS customer service operations include customer service representatives, meter reading, and billing. Historically, LUS has a strong record of collecting accounts receivables and has a low uncollectible accounts ratio of 0.3 percent.

LUS completed the implementation of an Advanced Metering Infrastructure (“AMI”) for its electric customers. It is also piloting a new project utilizing the existing Elster AMI to determine how customers may interact in real time with the Electric System. This pilot includes the ability to monitor electricity consumption and possibly controlling loads at peak system periods (e.g. summer afternoons). New features being implemented will allow customers to be able to monitor their usage on a real-time basis, and will allow LUS to quickly detect power outages on a customer-by-customer basis, along with the ability to advise customers of the status of the power restoration efforts.

Testing of the top ten commercial customer meters occurs annually, while new meters are spot checked upon receipt.

Capital Improvement Program

The Electric System five-year CIP is reviewed, updated, and budgeted annually. During the 2016 budget process, LUS reevaluated the timing of projects and deferred certain capital expenditures contained within the

five-year period. To address north side City growth, the City eventually needs a substation, but the substation was deferred.

Operations and Related Performance

LUS became a MISO full Market Participant in December 2013. MISO provides reliability and wholesale market grid operation for interconnected utilities in the Midwest region of the U.S. LUS is a Local Balancing Authority within the MISO Balancing Authority footprint.

Transmission congestion issues negatively affected LUS operations in past years, including requirements to run a portion of the T. J. Labbé Plant and Hargis-Hébert Plant combustion turbines without market-competitive reimbursement. The completion of a significant transmission project with Cleco and Entergy in 2012, as well as the transition to MISO control and scheduling in December 2013 effectively eliminated transmission congestion issues to date, including curtailments and reduced requirements to run local generation.

TEA is registered as LUS' Market Participant in MISO and was instrumental in easing the transition and successful integration into MISO. LUS evaluates and approves TEA's strategies for energy market participation, as well as provides feedback on how the selected strategies worked compared to alternative strategies.

As LUS joined MISO, it modified the methods and processes by which the Utility purchases and sells power. In collaboration with TEA, LUS purchases power to meet load from the power market on an hourly basis. Simultaneously, LUS economically dispatches generation assets into the market creating wholesale power sales for LUS. As a result of these changes, LUS reports the combined transaction as net purchased power (total market purchases less total market sales); therefore, wholesale sales are projected to be zero.

The effect of MISO membership with the ability purchase from, and sell to, the MISO integrated market, combined with the transmission system improvements mentioned above, has resulted in an improved economic and over-all power supply situation for LUS. In addition, LUS enjoys operational benefits resulting from MISO dispatch of its local generation, and is provided flexibility in the dispatch of LPPA's Rodemacher capacity.

Each division within the Electric System has a safety representative and full support from upper management. The Departmental Accident Review Committee evaluates all incidents to report on causes and measures to improve safety. LUS adopted the American Public Power Association ("APPA") Safety Manual, and a new fall arrest safety program will commence beginning in March 2015.

The distribution system Dispatch Center addresses customer calls, dispatches, and tracks crews. The Dispatch Center utilizes an Elster AMI system as the primary means for detecting and tracking outages, supplemented with customer call tracking. The outage management system ("OMS") tracks outage locations over time to prioritize maintenance/replacement work and determine system reliability indices.

Regulatory and Environmental Compliance Issues

The Utilities System is subject to continuing environmental regulation. Federal, state, and local standards and procedures, which regulate the impact of the Utilities System on the environment, are subject to change. Consequently, there is no assurance that the facilities owned or under contract to the Utilities System will remain subject to regulations that are currently in effect or will always be in compliance with future regulations governing the protection of the environment. The State of Louisiana (the "State") through the Louisiana Department of Environmental Quality ("LDEQ") establishes standards of performance and requires permits for the generating units of the Utilities System as well as Rodemacher Unit 2 in which the Utilities System has an ownership interest. In addition, the LDEQ has been delegated authority over and implements certain programs established by the U.S. EPA.

The Utilities System facilities are in material compliance with applicable environmental regulations and key environmental permits, approvals and consent orders.

The Electric System's most recent North American Electric Reliability Corporation ("NERC") audit in the fall of 2014 was successful and did not indicate any violations of applicable NERC standards. Southwest Power Pool ("SPP") is LUS' compliance enforcement authority.

Within the last three years, LUS created a separate electric environmental and compliance division. Individual personnel are assigned to 1) NERC compliance; 2) spills, spill prevention control and countermeasure plans, and remediation; and 3) air quality. Compliance staff education and training takes place as standards are updated/created; and the staff participates in NERC reliability conferences.

LUS environmental and NERC compliance staff store all official documentation on Microsoft SharePoint, a web-based document management system. Testing and maintenance records and other documentation required by NERC are uploaded by Subject Matter Experts (“SMEs”) for routine compliance requirements and regular internal and external audits. LUS utilizes third-party engineering consultants to assist with compliance understanding of all requirements and standards, when necessary.

LUS has established Policies, Guideline, and Procedures (“PGPs”) that comply with testing and maintenance requirements set forth by NERC standards. LUS policy is for SMEs to perform periodic review of the PGPs in order to keep the testing and maintenance practices in line with changing standards.

Clean Air Interstate Rule and Cross State Air Pollution Rule

In July 2011, the EPA finalized the CSAPR to replace the existing Clean Air Interstate Rule (“CAIR”). In August 2012, the United States (“U.S.”) Court of Appeals for the District of Columbia Circuit invalidated CSAPR. On April 29, 2014, the U.S Supreme Court reversed the Court of Appeals, upholding all aspects of the rule that had resulted in the Court of Appeals’ invalidation. The Supreme Court remanded CSAPR to the Court of Appeals for further proceedings. On November 21, 2014, the EPA issued an interim final rule amending the CSAPR compliance deadlines to align with the October 23, 2014 ruling that granted EPA’s motion to lift the stay of CSAPR and delay its deadlines for three years. The interim final rule provides that the compliance with CSAPR Phase 1 emissions budgets are now required in 2015 and 2016 and compliance with Phase 2 will be required in 2017 and beyond.

Under CSAPR, each facility is assigned an allocation of NO_x (tons), which may be emitted during the Ozone Season (May – September). In the event that the facility exceeds the limit during the Ozone Season, additional allowances may be withdrawn from the owner’s banked allowances or allowances may be purchased. As of December 31, 2014, the quantity of banked CAIR allowances was 722 of which 483 are allocated to LPPA. The 2015 CSAPR NO_x Allocation for the Rodemacher Unit 2 is 1,102 tons.

The impact of CSAPR on the Utilities System is not expected to be significant for the Bonin, Hargis-Hébert, and T. J. Labbé generating facilities because the current proposed allowance allocations are roughly equivalent to the recent emissions at all of the Utilities System natural gas generating plants. Similarly, CSAPR is not expected to impact operations at Rodemacher Unit 2 as the allocation is equivalent to recent emissions history and improved performance from the SNCR installation.

Rodemacher Unit 2 Environmental Issues

Acid Rain Program

The U.S. EPA issued a Title IV permit, which addresses the Acid Rain Program provisions of the Clean Air Act as applicable to Rodemacher Unit 2. The Acid Rain Program established (1) a trading system for SO₂ allowances, which are allocated to each facility, and (2) NO_x emission limits for coal-fired units.

Each SO₂ allowance is equal to one ton of SO₂ emissions. If the facility emits more than the allocated SO₂ allowances it may purchase additional allowances in the established market or may transfer allowances from another of the Owner’s facilities. Emission allowances may be banked, transferred, purchased, or sold. The Rodemacher Unit 2 receives an annual allocation of 18,212 SO₂ allowances (tons). LPPA’s share of the total SO₂ allocation is based on its ownership interest in the facility. Rodemacher Unit 2’s historical SO₂ emission levels have been below permitted levels.

Mercury and Air Toxics Standard

On February 16, 2012, the EPA issued the final ruling titled *National Emission Standards for Hazardous Air Pollutants from Coal- and Oil-fired Electric Utility Steam Generating Units and Standards of*

Performance for Fossil-Fuel-Fired Electric Utility, Industrial-Commercial-Institutional, and Small Industrial-Commercial-Institutional Steam Generating Units, commonly referred to as MATS. To comply with the MATS requirements, Rodemacher Unit 2 has completed the installation of a dry absorbent injection system for acid gas control; a fabric filter baghouse for metallic particulate control; and ID Booster Fans. As of the date of this report, all of the new equipment and systems are functioning properly. The results of contract guarantee testing indicates that the equipment is operating as per design to meet the MATS requirements. As discussed previously, the U.S. Supreme Court remanded MATS requirements to the District of Columbia District Court. This effectively provides an additional extension for plants not yet compliant with MATS. The ruling has no material effect on Rodemacher Unit 2.

Emission control additions at Rodemacher Unit 2 have been installed for compliance with CSAPR and MATS. Utilities System's share of the capital cost for installation of these controls is \$74 million. These estimated costs are not included in the Utilities System Capital Improvement Plan as capital improvements for LPPA owned assets are not included in the Utilities System CIP. To date, these costs have been funded within LPPA.

Coal Combustion Residue

Rodemacher Unit 2 coal combustion residue (e.g. flyash and bottom ash) is removed on a regular basis from the site by truck and sold for beneficial reuse. On December 19, 2014, U.S. EPA finalized the Coal Combustion Residue Rule and it was published on April 17, 2015 in the Federal Register. The rule will become effective 180 days after publication in the Federal Register. The final rule classifies coal ash as solid waste rather than hazardous waste. Classifying coal residue as a solid waste eliminates potential increased disposal costs associated with special handling, transportation, and disposal requirements for hazardous waste. As a result of the latest U.S. EPA ruling, Rodemacher Unit 2 continues marketing and selling their coal ash for beneficial use.

Potential Future Regulatory Requirements

--National Ambient Air Quality Standards

The Clean Air Act requires U.S. EPA to set National Ambient Air Quality Standards ("NAAQS") to protect the public health and the environment. Ambient air quality monitoring and air dispersion models are used to monitor air quality in a region or predict concentrations of pollutants for a given area. When pollution exceeds an allowable air quality standard, an area may be designated as a "Nonattainment Area," which typically requires emissions reductions from sources within the region and more restrictive permit limits for new sources. Rapides Parish and the surrounding region in Northern Louisiana is currently designated as "Attainment" for all criteria pollutants. Therefore, the more stringent nonattainment area regulations do not apply to Rodemacher Unit 2 under the current NAAQS.

In addition to implementing the NAAQS, EPA must also periodically update the standards to keep pace with new developments in health and science. Standards for NO_x (1-hour), PM_{2.5}, SO₂ (1-hour), and ozone have all been updated within the past five years, and Rapides Parish continues to meet the standards. If future updates to the NAAQS result in a nonattainment area designation, LDEQ would evaluate emission sources in the region and emissions reductions at Rodemacher Unit 2 could be required.

--New Source Performance Standards

On January 8, 2014, U.S. EPA proposed a New Source Performance Standard ("NSPS") designed to reduce carbon pollution from new power plants. These regulations, which only apply to new facilities, would limit coal fired power plant CO₂ emissions to 1,100 lb/MWh (gross). Traditional coal fired power plants cannot meet this limit without some form of CO₂ abatement, such as carbon capture and sequestration. Existing plants that commenced construction per the definition at 40 Code of Federal Regulations ("CFR") Subpart 60 prior to January 8, 2014 are not subject to the rule. Rodemacher Unit 2 commenced construction prior to January 8, 2014, and as such, is not subject to the rule.

--Clean Power Plan Emission Guidelines

On June 2, 2014, U.S. EPA proposed the Clean Power Plan: CO₂ emission guidelines for existing power plants. Those regulations are expected to be finalized by June 2015 and each state would work with U.S. EPA to submit an implementation plan by June 2016 to incorporate the CO₂ guidelines for existing power plants. States

would also have the option for a one or two year extension to submit their state plans. Clean Air Act Section 111(d) is the basis for the regulation of carbon emissions from existing power generation facilities. Under Section 111(d), state standards for existing sources must reflect the level of emissions performance achievable through the application of the best system of emission reduction (“BSER”), but states have significant flexibility in the design of their plans.

The June 2014 proposal has two main elements: (1) state-specific emission rate-based CO₂ goals and (2) guidelines for the development, submission, and implementation of state plans. U.S. EPA suggests four “Building Blocks” that states may utilize to achieve their state-specific emission targets:

1. Efficiency improvements at coal fired power plants
2. Increased generation from natural gas combined cycle plants along with decreased generation from coal and oil fired facilities
3. Increased generation from renewable and other low- or zero-carbon sources
4. Increased demand-side energy efficiency

States may choose to develop plans using all four approaches or none of U.S. EPA’s suggestions. The proposed rule does suggest that existing coal-fired units can achieve an average six percent heat rate improvement to reduce greenhouse gas emissions as part of the first building block. Ultimately, the proposal does not prescribe how a state should meet its goal. The proposal provides up to two or three years for submission of final plans and up to 15-years for full implementation of all emission reduction measures after the proposal is finalized to achieve the final targets by 2030. State programs may include heat rate targets, trading programs, maintenance requirements, or other measures. The implementation and financial impacts of the Clean Power Plan are evolving and currently unknown.

Contracts

In addition to interconnection agreements for transmission services, fuel supply arrangements mentioned above, and LUS’ membership in MISO as a market participant, LUS maintains a number of contracts and agreements important to its day-to-day utility operations. Among the day-to-day operations contracts are agreements relating to maintenance of key equipment, testing services, customer acquisitions, and certain analysis functions. All contracts are in place or are expected to be renewed with sufficient duration to meet the requirements of the Electric System over the projected period.

Competition and Benchmarking

LUS’ residential electric rates have historically been among the lowest in the state and surrounding region. LPUA approves rates and charges for the Electric System. Current electric rates are described in the LCG Code of Ordinances, Article III – Rates and Charges, Division 1 – Generally and Division 2 – Electricity. The Electric System rate structure includes base rates and a monthly FC (Schedule FC). The monthly FC continues on a month-to-month basis until which time the Utilities Director determines that eligible costs warrant an adjustment to the current charge.

The following tables compare the average residential and commercial rates for the majority electric providers in the region.

Table 19
Electric System
Residential Rate Comparison

<u>Utility</u>	<u>Average \$/kWh ⁽¹⁾</u>
SWEPCO ⁽²⁾	\$0.0962
LUS	\$0.0982
Entergy ⁽³⁾	\$0.0985
Cleco	\$0.1217

Source: LUS

(1) Based upon 1,000 kWh per month consumption.

(2) Southwestern Electric Power Company ("SWEPCO").

(3) Average of Entergy Louisiana, Gulf States, and New Orleans.

Table 20
Electric System
Commercial Rate Comparison

<u>Utility</u>	<u>Average \$/kWh ⁽¹⁾</u>
SWEPCO	\$0.0798
Entergy ⁽²⁾	\$0.0853
LUS	\$0.0930
Cleco	\$0.0962

Source: NewGen

(1) Based upon an average customer of 131 kW demand and 48,144 kWh per month.

(2) Average of Entergy Louisiana, Gulf States, and New Orleans.

Historical Financial Performance

Table 21 summarizes the Electric System historical performance.

Table 21
Electric System
Historical Debt Service Coverage

<u>Year</u>	<u>Operating Revenues</u> ⁽¹⁾	<u>Operating Expenses</u> ⁽²⁾	<u>Net Revenues Available for Debt Service</u>	<u>Debt Service</u> ⁽³⁾	<u>Debt Service Coverage Ratio</u>
2010	\$174,395,446	\$147,335,463	\$27,059,983	\$8,102,527	3.3
2011	190,901,871	153,771,698	37,130,173	9,985,087	3.7
2012	174,890,121	137,884,929	37,005,192	10,740,043	3.4
2013	188,071,217	140,161,855	47,909,362	16,497,762	2.9
2014	\$201,891,247	\$147,087,876	\$54,803,370	\$16,852,621	3.3

Source: LUS, audited.

- (1) Includes interest income and other miscellaneous income.
- (2) O&M and other expenses include customer service, and A&G costs. Operating expenses do not include ILOT, normal capital and special equipment, and other miscellaneous expenses.
- (3) Debt service includes the Utilities Revenue Bonds, Series 2004 ("Series 2004 Bonds"), Series 2010 Bonds, and Series 2012 Bonds. The increase in debt service in 2013 reflects the amortization schedule of outstanding debt.

Water System Description

LUS provides potable water to approximately 55,000 residential, commercial, industrial, and wholesale customers. LUS' responsibilities include raw water supply, water treatment, transmission, and distribution of finished potable water, metering, and sales. LUS obtains all of its raw water supply needs from the Chicot aquifer. The Water System includes two water treatment facilities, 20 wells, elevated and ground treated water storage, and 1,087 miles of distribution piping.

Total Water System sales increased 0.6 percent between 2013 and 2014, primarily driven by an increase in wholesale water sales. Retail water volume sales are projected to increase at 1.1 percent per year while wholesale water volume sales are projected to increase at 2.5 percent per year. Table 22 shows historical and projected Water System volume sales.

Table 22
Water System
Historical and Projected Retail and Wholesale Sales

Year	Retail Sales (1,000 gallons) ⁽¹⁾	Wholesale Sales (1,000 gallons) ⁽²⁾	Total Sales (1,000 gallons)
Historical			
2010	5,599,380	1,834,034	7,433,414
2011	5,826,291	1,846,090	7,672,381
2012	5,743,099	1,858,479	7,601,578
2013	5,494,648	1,893,375	7,388,023
2014	5,426,408	2,004,355	7,430,763
Projected			
2015	5,691,195	2,053,850	7,745,046
2016	5,754,803	2,104,568	7,859,370
2017	5,819,121	2,156,537	7,975,658
2018 ⁽³⁾	5,884,158	1,948,893	7,833,051
2019	5,949,922	1,997,018	7,946,940
2020	6,016,421	2,046,332	8,062,753
2021	6,083,663	2,096,864	8,180,527
2022	6,151,657	2,148,644	8,300,300
2023	6,220,410	2,201,702	8,422,112
2024	6,289,932	2,256,070	8,546,003

Source: LUS provided years 2010–2014, audited.

(1) Retail Sales Projections based on customer growth and historical usage per customer.

(2) Wholesale Sales Projections based on customer growth and historical usage per customer.

(3) The decrease in Wholesale Sales reflects discontinued service to a wholesale customer.

Water Supply

The sole LUS’ raw water supply source is the Chicot aquifer, a confined aquifer that supplies water for public water systems (14 percent); aquaculture (17 percent); irrigation (58 percent); and industry, power generation, and other uses (11 percent). The Chicot aquifer is designated as a “sole-source” aquifer for all or parts of 15 parishes in Louisiana and parts of Texas. The U.S. EPA designated the Chicot aquifer as a sole source, thus, special consideration for federal permitting of projects that could adversely affect it are required.

Studies conducted by the LDEQ indicate that the water quality of the Chicot aquifer generally does not exceed the maximum contaminant levels (“MCL”) for pollutants listed in the federal primary drinking water standards. A multi-step purification process treats the Chicot raw water supply at the water treatment facilities, which are monitored 24-hours a day by LUS operators, and certified by Louisiana Department of Health and Hospitals (“LA DHH”) to ensure that all water delivered to its customers is safe to drink, and is of acceptable secondary quality.

Water Treatment and Production

The Water System includes two water treatment facilities (the South and North Water Treatment Plants) and 20 additional wells situated throughout the Parish to provide raw water for treatment and supplemental volume and pressure to the system. The South Water Plant (“SWP”) has a capacity of 24 million gallons per

day (“MGD”) and the North Water Plant (“NWP”) has a capacity of 21.5 MGD. Both the NWP and SWP use coagulation, sedimentation, and filtration to remove iron and manganese with lime-softening for hardness reduction and hypochlorite for finished water disinfection.

Water Well Nos. 24 and 26, located at the Gloria Switch remote site, provide supplemental volume and pressure to the northern end of the distribution system. A ground storage tank stores finished water and delivers it to the system with high-service pumps. Water Well Nos. 23 and 25, located at the Commission Boulevard remote site, provide additional volume and pressure to the wholesale users on the southern end of the distribution system including a 2.0 million gallon (“MG”) ground storage tank and high service pumps that are used to improve pressure conditions at the outer limits of the distribution system. Water Well Nos. 23 and 25 have a high amount of naturally occurring ammonia, and LUS purchased approximately eight acres adjacent to this site for the construction of ammonia removal facilities. Design and construction of these additional facilities is included in the LUS five-year CIP.

On-site backup electric generation facilities provide the water production facilities adequate backup to sustain an acceptable level of water production in the event of power failures or other catastrophic events. The SWP is equipped with full power generation capacity capable of maintaining full production output, while the NWP is equipped sufficiently to provide approximately 60 percent production output.

Water Distribution and Storage

Treated water storage totals approximately 15.25 MG. This includes 4.3 MG of elevated storage and 10.95 MG of ground storage, including finished water and booster pumping station clear wells. LUS is currently evaluating the need for additional water storage facilities on the north end of the distribution system to provide operational flexibility and support growth.

The water distribution system consists of 1,087 miles of pipe. As the geographical service area and customer base increased over the past several years, the amount and size of transmission and distribution lines have not correspondingly increased. Current capacity and water pressure in the system is adequate. However, the past lack of distribution piping investment may become a limiting factor in the ability of LUS to provide sufficient water volume and pressure to meet the demands from future residential and commercial development. LUS plans to address these future limitations and meet future capacity and pressure needs by constructing additional transmission improvements outlined in the CIP. These distribution improvements range from \$260,000 to \$2,405,000 per year beginning in FY 2015.

Capital Improvement Program

The Water System five-year CIP is reviewed, updated, and budgeted annually. The 2016 Proposed Budget includes a water CIP that totals \$13.5 million of which the largest capital projects include the installation of pressure filters and building rehabilitation at water treatment facilities. These projects represent approximately \$4.0 million of the five-year total.

Operations and Related Performance

Although the two water plants are each capable of producing over 20 MGD of treated water, the total amount of water delivered to customers is constrained by the distribution system limitations of maintaining acceptable pressure and sustained chlorine residual. LUS operates the two treatment plants for baseload water treatment capacity with each plant producing an average of 10 to 12 MGD. The remote wells supplement the flow at the extremities of the system to improve the pressure and capacity limitations on the distribution system. In 2014, the system average-day demand was 20.0 MGD, with a peak-day demand of 26.6 MGD. As peak-day demand reaches 30 MGD, additional water storage and distribution infrastructure improvements will be required to maintain adequate pressure throughout the distribution system.

The lost and not accounted for water in 2014 increased from 7.49 percent of total treated water in 2013 to 8.96 percent in 2014. The amount of lost and unaccounted for water is within the range of acceptable industry standards. The recent increase in unaccounted-for water is primarily due to the increase in line flushing. Responding to insurance requirements, the fire department has increased line flushing for hydrants. In addition, the recent LA DHH Emergency Rule to protect water systems from the effects of the deadly amoeba *Naegleria fowleri* resulted

in significant increases in flushing to maintain 0.5 milligram/liter (“mg/l”) of free or total chlorine to all extremities of the distribution system.

Regulatory and Environmental Compliance and Issues

LUS reports that the Water Treatment Plants and supplemental wells are currently in compliance with all operating permits, and meet all applicable drinking water standards of the Safe Drinking Water Act. The NWP permit to discharge wastewater associated with the treatment of potable water is current and effective through July 1, 2015, at which point it is automatically renewed. The SWP permit to discharge wastewater from the treatment of potable water, stormwater, and sanitary wastewater is current and effective through November 1, 2019.

In November 2013, a new LA DHH Emergency Rule for distribution systems went in to effect requiring all publicly owned water systems to maintain a minimum 0.5 mg/l chlorine residual in the piping distribution system. This requirement is based solely on the presence of the deadly *Naegleria fowleri* amoeba, which was detected in two water systems within the state of Louisiana.

Contracts

In addition to the Water System within the City limits, LUS operates and maintains water distribution facilities outside the City limits as a wholesale provider. Wholesale services are provided in accordance with contracts between LCG and the district customers. LCG has six wholesale contracts serving seven specific customers, including two water districts and five neighboring water systems or cities. These six wholesale contracts include Water District North, Water District South, the City of Scott, the City of Broussard, Milton Water System, and the Town of Youngsville. These wholesale customers represented 27 percent of the total water volume and 24 percent of the retail and wholesale water sales in 2014. Each of the contracts is a long-term contract between 25 and 40 years in length. The first two contracts are set to expire in 2020 and 2022, with none of the remaining four contracts set to expire before 2032.

As of June 2015, one wholesale customer is pursuing an alternate water source and intends to self-produce all water needs by 2018. What the contract is set to expire in July 2020, we have removed this customer from our wholesale projections beginning in 2018.

Competition and Benchmarking

LUS’ residential water rates have historically been among the lowest in the state and surrounding region. LPUA approves rates and charges for the Water System. Current water rates are described in the LCG Code of Ordinances, Article III – Rates and Charges, Division 1 – Generally and Division 3 – Water.

The following tables compare the average residential and commercial rates for selected water utilities in the region.

**Table 23
Water System
Residential Rate Comparison**

<u>Utility</u>	<u>Average \$/1,000 gallon ⁽¹⁾</u>
LUS	\$2.20
Morgan City	2.78
Shreveport	3.84
Baton Rouge	3.94
New Orleans	\$5.44

Source: LUS

(1) Assumes monthly water consumption of 7,000 gallons per month.

Table 24
Water System
Commercial Rate Comparison

<u>Utility</u>	<u>Average \$/1,000 gallon ⁽¹⁾</u>
LUS	\$2.50
Morgan City	2.61
Shreveport	3.52
Baton Rouge	3.88
New Orleans	\$6.05

Source: NewGen

(1) Assumes monthly consumption of 30,000 gallons and a 2" meter.

Historical Financial Performance

Table 25 summarizes the Water System historical performance.

Table 25
Water System
Historical Debt Service Coverage

<u>Year</u>	<u>Operating Revenues ⁽¹⁾</u>	<u>Operating Expenses ⁽²⁾</u>	<u>Net Revenues Available for Debt Service</u>	<u>Debt Service ⁽³⁾</u>	<u>Debt Service Coverage Ratio</u>
2010	\$15,665,708	\$10,885,922	\$4,779,786	\$171,896	27.8
2011	18,662,652	11,783,706	6,878,946	1,030,394	6.7
2012	17,803,423	12,136,044	5,667,379	1,160,387	4.9
2013	17,559,754	11,948,312	5,611,442	1,802,140	3.1
2014	\$17,783,466	\$12,950,319	\$4,833,147	\$1,809,191	2.7

Source: LUS audited.

(1) Includes interest income and other miscellaneous income.

(2) O&M and other expenses include customer service, and A&G costs. Operating expenses do not include ILOT normal capital and special equipment, and other miscellaneous expenses.

(3) Debt service includes the Series 2004 Bonds, Series 2010 Bonds, and Series 2012 Bonds.

Wastewater System Description

LUS provides wastewater services to approximately 43,000 customers. The LUS wastewater system is comprised of a wastewater collection system, four main wastewater treatment plants at various locations throughout the City, and waste sludge management and disposal facilities. The total combined permitted treatment capacity for the four main plants is 18.5 MGD. In addition to the main LUS Wastewater System, LUS integrates small, community-type package wastewater treatment plants into the LUS Wastewater System.

Wastewater System collection volumes declined in 2014 by 4.4 percent from 2013 collection volumes. Collection volumes in 2014 are consistent with observed collection volumes over the 2010–2013 historical period.

Future Wastewater System collection volumes are projected to increase at 1.1 percent per year. Table 26 shows historical and projected Wastewater System collection volumes.

Table 26
Wastewater System
Historical and Projected Retail
Collection

<u>Year</u>	<u>Total Retail Collection</u> <u>(1,000 gallons) ⁽¹⁾</u>
Historical	
2010	5,715,794
2011	5,190,182
2012	5,448,397
2013	5,730,473
2014	5,476,065
Projected	
2015	5,680,064
2016	5,743,547
2017	5,807,740
2018	5,872,649
2019	5,938,285
2020	6,004,654
2021	6,071,764
2022	6,139,625
2023	6,208,244
2024	6,277,630

Source: LUS provided years 2010–2014, audited.

(1) Retail collection volumes based on customer growth and historical collection per customer.

Wastewater Treatment

The four main wastewater treatment plants include the South Sewage Treatment Plant (“SSTP”), the East Sewage Treatment Plant (“ESTP”), the Ambassador Caffery Treatment Plant (“ACTP”), and the Northeast Treatment Plant (“NETP”). The SSTP and ESTP are activated sludge facilities with a permitted capacity of 7.0 MGD and 4.0 MGD, respectively. The ACTP is a 6.5 MGD treatment plant that was originally constructed with rotating biological contactors (“RBC”) and an oxidation ditch, but the Sequencing Batch Reactors (“SBR”) has since replaced the RBC process. LUS finds the SBR system to be extremely efficient and flexible by easily processing varying flow ranges. The NETP is an oxidation ditch treatment facility with a 1.5 MGD permitted capacity

LUS recently purchased land surrounding the existing SSTP site for future construction of additional retention and treatment facilities to serve growth in the system and the potential addition of packaged plants in the area. The planned expansion will increase the capacity of the SSTP from 7.0 MGD to a total capacity of 12.0 MGD.

Wastewater Collection

The collection system consists of 556 miles of gravity sewer collector pipes and interceptors, 11,937 sanitary sewer manholes, 164 sanitary sewer lift stations, and 81 miles of sewer force mains. Due to the flat terrain and relatively shallow ground water conditions of the area, the collection system consists of gravity sewer and pump stations with force mains.

LUS also assimilates small, community-type package wastewater treatment plants into the Wastewater System. These package plants are increasingly utilized to serve subdivisions and rural areas that are not

currently in the LUS service area. LUS' Wastewater System infrastructure includes O&M of five package wastewater treatment plants, with two additional packaged plants likely added by the end of 2015 and three expected in 2016. LUS anticipates that the capacity of the existing Wastewater System is sufficient to integrate up to approximately 15 package plants. Future SSTP and wastewater system expansions will provide additional packaged plant integration capacity.

Capital Improvement Program

The Wastewater System five-year CIP is reviewed, updated, and budgeted annually. The five-year CIP totals \$52.5 million. The largest capital projects are the SSTP plant expansion, and SSTP odor control and sludge handling improvements, which represent approximately \$27.3 million of this amount.

Operations and Related Performance

In 2014, the average daily wastewater volume treated by the four plants was 15.0 MGD. The average operating volumes treated by the four plants is less than each plant's permitted capacity except ACTP. ACTP's average wastewater flow is at its permitted level of 6.0 MGD. While the flows are at the permitted level, the SBR system at ACTP is capable of treating up to 9 MGD as a peak or maximum flow. At times, the ACTP treats wastewater flows above its permitted levels in times of emergency operations or diversions to replace or repair other plant or collection system infrastructure. This situation occurred six times in 2014. These infrequent periods of flows exceeding ACTP's permitted levels are within the plant's treatment capacity limits and do not inhibit or negatively impact the Wastewater System's operations. It is not uncommon for wastewater utilities to occasionally exceed permitted discharge limits for brief periods of time during such events as emergency operations, accommodating repairs and replacements in the system, or during excessive precipitation events.

LUS disposes of biosolids, the sludge byproduct of water and wastewater treatment plant operation, to privately owned farmland disposal sites leased by LUS. Each of the leased locations is an active farming operation. LUS is required to accommodate their farming activities such as crop and livestock rotation, and access to farming operations during inclement weather. This arrangement makes it necessary for LUS to secure more acreage than is actually required for actual biosolids disposal. LUS currently leases approximately 2,700 acres for sludge disposal, with year-to-year leases that each include a 30-day notice end-of-lease clause.

LUS has evaluated purchasing and owning land to dispose of the biosolids to eliminate the reliance on the multiple active farm leases, which could be cancelled with 30-days' notice. As LUS currently treats biosolids to Class B sludge, disposal requires approximately 300 acres of land. While potential land has been identified, LUS has not yet pursued the purchase of a 300-acre site.

Regulatory and Environmental Compliance and Issues

LUS' environmental compliance and testing staff provide direct environmental compliance support for the Wastewater System. The State of Louisiana certifies the testing lab to run the majority of the tests necessary for potable water quality reports and wastewater discharge monitoring reports ("DMR"). All wastewater systems in Louisiana are required to file an annual Municipal Water Pollution Prevention ("MWPP") audit report for each facility operated. These reports, among other things, compare the design hydraulic and biological treatment capacity of each plant with the actual conditions to identify plant design capacity exceedances. In 2014, LUS exceeded the design flow capacity at ACTP six times and exceeded the biological loading at the SSTP once. A portion of the six flow exceedances at ACTP was due to temporary diversion of wastewater from the SSTP to ACTP to facilitate construction improvements to the collection system. Once completed, the diversion will cease and all flows will return to SSTP.

The Clean Water Act of 1972 ("CWA") requires all states to participate in the National Pollutant Discharge Elimination System ("NPDES"), and to file DMR's regarding wastewater quality at the point of discharge or introduction into the environment. The Vermilion River is considered oxygen deficient; therefore, LUS must comply with the limitations established for the release of carbonaceous biological oxygen demand ("CBOD") and ammonia nitrogen ("NH₃") into the river. Discharge permits are issued to LUS for each operating unit by the LDEQ that reflect the total maximum daily loading ("TMDL") standards set for the Vermilion River in 2003.

All LUS wastewater treatment plants were re-permitted in November 2014. The 2014 DMR's for the various treatment plants and operating units indicate all operating units were in compliance with NPDES discharge

limits, no notices of violation of effluent limits were received, LUS is current with all fees and report submittals, and there were no public complaints received in 2014. LUS biosolids disposal operations are permitted under LDEQ Biosolids/Sewage Sludge Land farming/Beneficial Reuse Permit No. LASS021025.

Several potential future environmental regulatory issues may affect LUS wastewater operations. The U.S. EPA is currently evaluating whether dental amalgam from dentist offices should be considered a categorical discharge or remain managed by best management practices (“BMP”). If dentist office discharges are classified as categorical then LUS will likely require one or two additional environmental compliance staff to work exclusively in the area of testing and reporting on the many dental offices within its service territory. Changes to pre-treatment regulations regarding metal finishing businesses may also require additional personnel and resources.

Contracts

LUS is currently under contract for wastewater O&M for the Grossie Avenue area. This area includes a small number of customers served by a separately owned wastewater collection system. This agreement was made in 1995 via a U.S. Department of Housing and Urban Development grant. The ESTP treats the flows from approximately 50 customers. The 40-year agreement expires in August 2035.

Competition and Benchmarking

LUS’ residential wastewater rates have historically been among the highest in the state and surrounding region. LPUA approves rates and charges for the Wastewater System. Current wastewater rates are described in the LCG Code of Ordinances, Article III – Rates and Charges, Division1 – Generally and Division 4 – Sewage Disposal Service.

The following tables compare the average residential and commercial rates for selected wastewater utilities in the region.

**Table 27
Wastewater System
Residential Rate Comparison**

<u>Utility</u>	<u>Average \$/1,000 gallon ⁽¹⁾</u>
Morgan City	\$2.78
Baton Rouge	5.24
Shreveport	6.34
LUS	6.45
New Orleans	\$7.00

Source: LUS

(1) Assumes monthly water consumption of 7,000 gallons per month.

Table 28
Wastewater System
Commercial Rate Comparison

<u>Utility</u>	<u>Average \$/1,000 gallon ⁽¹⁾</u>
Baton Rouge	\$25.44
Morgan City	33.36
LUS	74.38
Shreveport	78.49
New Orleans	\$98.12

Source: NewGen

(1) Assumes monthly consumption of 30,000 gallons and a 2" meter.

Historical Financial Performance

Table 29 summarizes the Electric System historical performance.

Table 29
Wastewater System
Historical Debt Service Coverage

<u>Year</u>	<u>Operating Revenues ⁽¹⁾</u>	<u>Operating Expenses ⁽²⁾</u>	<u>Net Revenues Available for Debt Service</u>	<u>Debt Service ⁽³⁾</u>	<u>Debt Service Coverage Ratio</u>
2010	\$24,499,460	\$14,781,373	\$9,718,088	\$2,447,615	4.0
2011	29,878,197	15,285,320	14,592,877	3,229,747	4.5
2012	29,313,577	16,144,199	13,169,378	3,411,437	3.9
2013	28,893,980	16,305,244	12,588,736	4,617,384	2.7
2014	\$28,735,575	\$17,428,365	\$11,307,211	\$4,672,103	2.4

Source: LUS audited.

(1) Includes interest income and other miscellaneous income.

(2) O&M and other expenses include customer service, and A&G costs. Operating expenses do not include ILOT normal capital and special equipment, and other miscellaneous expenses.

(3) Debt service includes the 1996 LDEQ debt, Series 2004 Bonds, Series 2010 Bonds, and Series 2012 Bonds.

Projected Operating Results

This section contains forward looking financial statements based on NewGen's current expectations and projections about future events and financial trends regarding the Utilities Systems. Projections as contained herein reflect estimates of what might occur in the future based on the information available to us as of the date of this Report. NewGen cannot predict the future or guarantee future financial performance of the Utilities Systems. To the extent that assumptions used in these projections vary from those actually observed, financial performance as presented herein will vary from actual performance. NewGen prepared a 10-year projection of financial and operating data for each of the Electric, Water, and Wastewater Systems. Projections are based on NewGen's review of historical operating results, the approved 2016 Proposed Budget, visual observations of the Utilities System assets, and other assumptions and considerations as listed in the Report. The projections prepared by NewGen are for the Projected Period of November 1, 2014 through October 31, 2024. LUS provided actual historical data for the FY 2010 through FY 2014.

Information and Assumptions Relied Upon

The projected operating results for the Utilities System rely upon the following information and assumptions gathered in the course of NewGen's review.

1. NewGen assumed LUS will operate and maintain the Utilities System following prudent utility practices. Prudent utility practices means practices, methods, and acts that would be expected to accomplish the desired results in a workmanlike manner consistent with applicable laws and other government requirements and reliability, safety, and environmental protection.
2. NewGen assumed LUS will hire and maintain competent personnel. If needed, LUS will provide training to personnel to ensure the safety and reliability of the utility.
3. NewGen assumed LUS will maintain and renew any required permits or approvals related to the utility including power, water, and wastewater treatment plants and sites.
4. NewGen assumed there will not be further regulation of LUS facilities that require major capital expenditures for LUS to be in compliance.
5. NewGen assumed the Rodemacher Unit 2, Hargis Hebert Plant, and T. J. Labbé Plant will be maintained and operated in good condition throughout the Projected Period.
6. NewGen assumed the water treatment plants, wells, and system will be maintained and operated in good condition throughout the Projected Period.
7. NewGen assumed the wastewater treatment plants and system will be maintained and operated in good condition throughout the Projected Period.
8. NewGen assumed that all existing contracts will be honored.
9. NewGen assumed standard operating procedure for LUS and did not include the effects of any event outside of LUS' control including force majeure.
10. NewGen assumed LUS will have adequate coal, natural gas, and water supply for operation of the power plants.
11. NewGen assumed LUS will have adequate water supply from the Chicot aquifer to meet the customers' needs.
12. NewGen assumed that LUS will be a market participant in MISO including providing capacity and meeting all other operational and financial requirements.
13. NewGen assumed adequate transmission access in MISO to buy and sell power as needed.
14. Utilities System financial and operating data was provided by LUS, LCG, LPPA, interviews with LUS, LCG, and Cleco staff, and visual observations of the Utilities System facilities. Data provided by LUS, LCG, LPPA, and Cleco includes historical financial and operating data for years 2010–2014, 2016 Proposed Budget, and an LPPA Operating and Capital Budget. Raymond James & Associates, Inc. provided the bond market analysis.
15. For MISO market purchases and sales, NewGen relied upon a MISO hourly price forecast developed by Ventyx in the fall of 2014. Using this forecast, assumptions pertaining to the dispatch of LUS' generating units were developed. These assumptions were the basis for projecting LUS fuel costs associated with Rodemacher Unit 2, T. J. Labbé, and Hargis Hebert generating plants. The structure of LUS electric rates enable the direct pass through of MISO power supply costs to customers.

16. Future costs associated with emissions or potential environmental compliance have not been included in the projected operating results. The implementation and financial impacts of the Clean Power Plan are evolving and currently unknown. All operating expenses associated with environmental compliance are included in the Electric System FC rate and passed through to customers.
17. The Projected Period does not include any capital or debt associated with compliance with the Clean Power Plan.
18. NewGen relied upon the most recent semi-annual Blue Chip Economic Indicator projection of GDP, dated March 2015. The GDP was used to escalate O&M expenses and capital. Per the Blue Chip forecast, the GDP is projected to be 2.1 percent over the Projected Period.
19. NewGen relied upon LCG's projected interest rates for short-term and long-term investments.
20. Projected coupon rates associated with future Utilities System bonds were based on the Bloomberg Municipal Bond Index and adjusted using the Blue Chip forecast of the 10-year U.S. Treasury Department Bond. NewGen assumed that future bond terms are 30 years with levelized annual debt service.

Important Assumptions Impacting Utilities System Projected Operating Results

Although there are many variables that influence Utilities System projected operating results, a few key variables have an important influence on the financial integrity of the systems. These variables include growth in:

- Electric and water sales
- Adequacy of rates and rate structure
- Capital additions and improvements associated with the Utilities Systems

Sustained growth in electric and water sales reduces the frequency of rate increases and provides an increasing revenue stream. The Electric System rate structure includes base rates and a monthly FC (Schedule FC). The monthly FC continues on a month-to-month basis until which time the Utilities Director determines that eligible costs warrant an adjustment to the current charge. Schedule FC passes fuel, purchased power, and other eligible costs directly to customers. This mechanism protects LUS from the financial risk associated with unforeseen and potentially detrimental volatility in power costs that may be associated with the MISO market.

The Utilities System is capital intensive. Each system must be maintained and expanded to meet customer growth and increasing demands. This ensures a high level of reliability.

Revenue Projection

Historically, electric and water sales have shown steady growth as described earlier in this Report. Projected operating results assume that electric sales will grow at an average annual rate of approximate 1.9 percent over the Projected Period. Water retail sales project growth at an average annual rate of approximate 1.1 percent, and wholesale sales project growth at an average annual rate of approximate 2.5 percent over the Projected Period with the exception of discontinued service to a wholesale water customer. Wastewater sales are a function of water retail sales.

The revenue projection assumes periodic rate increases as indicated in Tables 30, 31, and 32. Rate increases are required to meet system operating costs, debt service coverage, capital planning requirements, the ILOT test, and minimum cash reserve requirements.

As a result of these assumptions, Tables 30, 31, and 32 summarize Electric, Water, and Wastewater System revenue projections.

Table 30
Electric System
Projected Electric Retail Sales and Revenue Forecast

<u>Year</u>	<u>Retail Sales (MWh)⁽¹⁾</u>	<u>Retail Sales: Base Rate Revenue⁽²⁾</u>	<u>Retail Sales: FC Revenue</u>	<u>Other Revenue</u>	<u>Total Operating Revenues</u>	<u>Electric Base Rate Increase</u>
2015	2,060,020	\$93,874,883	\$95,708,548	\$4,519,685	\$194,103,115	0%
2016	2,096,835	95,205,487	91,212,311	3,432,859	189,850,658	0%
2017	2,135,526	96,569,136	96,696,618	3,873,598	197,139,351	0%
2018	2,175,749	97,972,013	104,697,030	4,086,502	206,755,545	0%
2019	2,217,209	99,407,559	111,836,039	4,333,171	215,576,769	0%
2020	2,259,417	100,860,099	120,268,774	4,541,167	225,670,040	0%
2021	2,302,575	102,341,790	126,181,118	4,717,547	233,240,455	0%
2022	2,346,496	103,853,780	138,325,964	4,856,186	247,035,930	0%
2023	2,391,110	105,388,288	144,183,938	5,054,542	254,626,768	0%
2024	2,436,438	\$106,947,122	\$150,133,317	\$5,254,128	\$262,334,566	0%

Source: NewGen and LUS

(1) Electric System projections based on Load Forecast for LUS developed by Burns and McDonnell.

(2) Base Rate Revenue projections reflect revenue from customer, energy, and demand charges by customer class.

The FC, as shown in Table 30, includes the following items: MISO market purchases less market sales, transmission associated with purchased power, LPPA fuel and fuel handling costs, LPPA rail car debt service, LPPA MATS debt service, LPPA MATS O&M, LPPA reagents, LUS fuel costs, hydro purchased power contract, capacity contract, and TEA costs.

Table 31
Water System
Projected Retail and Wholesale Sales and Revenues Forecast

<u>Year</u>	<u>Retail Sales (1,000 gallons)⁽¹⁾</u>	<u>Wholesale Sales (1,000 gallons)⁽²⁾</u>	<u>Retail Sales Revenue</u>	<u>Wholesale Sales Revenue</u>	<u>Other Revenue</u>	<u>Total Operating Revenues</u>	<u>Water Retail and Wholesale Rate Increase</u>
2015	5,691,195	2,053,850	\$13,772,693	\$4,272,008	\$567,126	\$18,611,827	0%
2016	5,754,803	2,104,568	13,926,622	4,377,501	582,859	18,886,982	0%
2017	5,819,121	2,156,537	15,187,905	4,852,209	618,249	20,658,364	8%
2018	5,884,158	1,948,893	16,416,800	4,696,832	649,508	21,763,140	7%
2019	5,949,922	1,997,018	16,600,282	4,812,814	680,465	22,093,561	0%
2020	6,016,421	2,046,332	16,785,814	4,931,661	718,322	22,435,797	0%
2021	6,083,663	2,096,864	17,825,132	5,305,066	748,419	23,878,618	5%
2022	6,151,657	2,148,644	18,024,354	5,436,069	759,491	24,219,914	0%
2023	6,220,410	2,201,702	18,225,802	5,570,306	775,539	24,571,647	0%
2024	6,289,932	2,256,070	\$18,429,501	\$5,707,858	\$785,581	\$24,922,940	0%

Source: NewGen and LUS

(1) Retail Sales Projections based on customer growth and historical usage per customers.

(2) The decrease in Wholesale Sales reflects discontinued service to a wholesale customer.

Table 32
Wastewater System
Projected Retail Sales and Revenue Forecast

<u>Year</u>	<u>Retail Sales (1,000 gallons)⁽¹⁾</u>	<u>Retail Sales Revenue</u>	<u>Other Revenue</u>	<u>Total Operating Revenue</u>	<u>Wastewater Rate Increase</u>
2015	5,680,064	\$29,195,531	\$437,110	\$29,632,641	0%
2016	5,743,547	29,521,833	473,919	29,995,752	0%
2017	5,807,740	31,071,407	565,559	31,636,966	4%
2018	5,872,649	32,358,298	661,984	33,020,282	3%
2019	5,938,285	32,719,949	710,353	33,430,302	0%
2020	6,004,654	33,085,641	712,534	33,798,175	0%
2021	6,071,764	34,791,209	769,147	35,560,356	4%
2022	6,139,625	35,180,051	773,645	35,953,696	0%
2023	6,208,244	35,573,238	768,179	36,341,417	0%
2024	6,277,630	\$35,970,820	\$782,659	\$36,753,480	0%

Source: NewGen and LUS

(1) Retail Sales Projections based on customer growth and historical usage per customers.

Table 33 summarizes the combined revenues of the Electric, Water, and Wastewater Systems.

Table 33
Utilities System
Operating Revenues

<u>Year</u>	<u>Total Operating Revenue ⁽¹⁾</u>
2015	\$242,347,582
2016	238,733,391
2017	249,434,681
2018	261,538,968
2019	271,100,632
2020	281,904,012
2021	292,679,429
2022	307,209,539
2023	315,539,832
2024	\$324,010,986

(1) Total Operating Revenues include revenue from base rates, fuel adjustments charges, interest income, and other miscellaneous revenues.

Expense Projection

The Utilities System’s single largest expense is related to electric purchased power and the power generation function. The projection of purchased power expenses is based on a MISO power market forecast developed by Ventyx. Using this forecast, assumptions pertaining to the dispatch of LUS’ generating units were developed. These assumptions were the basis for projecting LUS fuel costs associated with the Rodemacher Unit 2, T. J. Labbé, and Hargis Hebert Plants. Electric System production expenses include LPPA costs.

The structure of LUS electric rates and Schedule FC enable the direct pass through of MISO power supply costs, eligible LPPA costs, and other eligible costs and credits to customers. The Utilities Director may adjust Schedule FC monthly to ensure that the charge adequately recovers eligible costs as closely as possible. LPPA fuel, certain O&M expenses, debt service associated with MATS upgrades, and debt service associated with rail cars are included in the FC calculation. Over the Projected Period, approximately 85 percent of LPPA debt service is passed through Schedule FC. LUS Electric System base rates recover the remaining LPPA debt service obligation.

Other Electric System operating expenses include transmission, distribution, customer, and A&G expenses.

Water System operating expenses include production, distribution, customer, and A&G expenses. Water production is the largest expense for the Water System. Wastewater System operating expenses include treatment, collection, customer, and A&G. Wastewater treatment is the largest expense for the Wastewater System.

As a result of these assumptions, Tables 34, 35, and 36 summarize the Electric, Water, and Wastewater Systems' expense projections.

Table 34
Electric System
Projected Operating Expenses

<u>Year</u>	<u>Production</u>	<u>Transmission</u>	<u>Distribution</u>	<u>Customer Accounts Service & Sales</u>	<u>Administrative & General</u>	<u>Total Operating Expenses</u> ⁽¹⁾
2015	\$116,898,381	\$6,778,195	\$11,274,549	\$2,879,709	\$11,777,608	\$149,608,442
2016	113,426,926	7,535,212	11,511,315	2,953,776	12,024,938	147,452,167
2017	115,431,904	7,695,898	11,753,052	3,030,078	12,277,461	150,188,395
2018	120,116,643	7,860,033	11,999,866	3,108,696	12,535,288	155,620,527
2019	127,414,710	8,027,690	12,251,864	3,189,714	12,798,529	163,682,506
2020	135,252,083	8,198,946	12,509,153	3,273,220	13,067,298	172,300,700
2021	141,549,767	7,263,159	12,771,845	3,359,306	13,341,712	178,285,788
2022	154,097,982	1,982,308	13,040,054	3,448,067	13,621,887	186,190,298
2023	160,204,617	2,026,859	13,313,895	3,539,603	13,907,947	192,992,921
2024	\$166,570,181	\$2,072,433	\$13,593,487	\$3,634,018	\$14,200,014	\$200,070,132

Source: NewGen and LUS

(1) Does not include debt service, ILOT, normal capital and special equipment, or other expenses.

Table 35
Water System
Projected Operating Expenses

<u>Year</u>	<u>Production</u>	<u>Distribution</u>	<u>Customer Accounting, Collecting Service and Information</u>	<u>Administrative & General</u>	<u>Total Operating Expenses</u> ⁽¹⁾
2015	\$5,161,276	\$2,363,835	\$1,110,263	\$4,578,480	\$13,213,854
2016	5,296,260	2,416,031	1,137,087	4,674,628	13,524,006
2017	5,462,357	2,469,406	1,164,649	4,772,795	13,869,207
2018	5,531,513	2,523,988	1,192,974	4,873,024	14,121,498
2019	5,706,837	2,579,804	1,222,087	4,975,357	14,484,085
2020	5,890,676	2,636,883	1,252,015	5,079,840	14,859,413
2021	6,073,678	2,695,255	1,282,784	5,186,516	15,238,233
2022	6,277,845	2,754,950	1,314,423	5,295,433	15,642,651
2023	6,472,342	2,815,999	1,346,962	5,406,637	16,041,940
2024	\$6,673,263	\$2,878,433	\$1,380,431	\$5,520,177	\$16,452,304

Source: NewGen and LUS

(1) Does not include debt service, ILOT, normal capital and special equipment, or other expenses.

**Table 36
Wastewater System
Historical and Projected Operating Expenses**

<u>Year</u>	<u>Treatment</u>	<u>Collection</u>	<u>Customer Accounting, Collecting, Service and Information</u>	<u>Administrative & General</u>	<u>Total Operating Expenses ⁽¹⁾</u>
2015	\$6,940,551	\$3,928,574	\$1,190,530	\$5,608,165	\$17,667,820
2016	7,056,676	3,987,629	1,220,355	5,725,937	17,990,597
2017	7,219,276	4,079,613	1,251,046	5,846,181	18,396,117
2018	7,395,422	4,181,072	1,282,636	5,968,951	18,828,081
2019	7,570,570	4,281,413	1,315,155	6,094,299	19,261,438
2020	7,754,123	4,387,696	1,348,636	6,222,279	19,712,734
2021	7,929,956	4,487,320	1,383,113	6,352,947	20,153,337
2022	8,134,960	4,609,620	1,418,622	6,486,359	20,649,562
2023	8,316,826	4,712,437	1,455,200	6,622,573	21,107,036
2024	\$8,502,450	\$4,817,250	\$1,492,886	\$6,761,647	\$21,574,233

Source: NewGen and LUS

(1) Does not include debt service, ILOT, normal capital and special equipment, or other expenses.

Debt Service

Utilities System debt service includes the Series 1996 LDEQ debt, Series 2010 Bonds, and Series 2012 Bonds. New debt service includes bond issues in years 2017, 2019, 2021, 2023, and 2025. Projected operating results assume future bond issues to meet Utilities System capital requirements. Table 37 shows projected debt service for the Utilities System and the associated debt service coverage ratio. The debt service coverage ratio exceeds the minimum requirement of 1.0.

Table 37
Utilities System
Historical and Projected Debt Service Coverage

<u>Year</u>	<u>Operating Revenues</u> ⁽¹⁾	<u>Operating Expenses</u>	<u>Net Revenues Available for Debt Service</u>	<u>Debt Service</u> ⁽²⁾	<u>Debt Service Coverage Ratio</u>
Historical					
2010	\$214,560,614	\$173,002,757	\$41,557,857	\$10,722,038	3.9
2011	239,442,720	180,840,724	58,601,996	14,245,228	4.1
2012	222,007,121	166,165,173	55,841,948	15,311,868	3.6
2013	234,524,951	168,415,411	66,109,540	22,917,286	2.9
2014	\$248,410,288	\$177,466,560	\$70,943,728	\$23,333,915	3.0
Projected					
2015	\$242,347,582	\$180,490,116	\$61,857,467	\$22,924,293	2.7
2016	238,733,391	178,966,770	59,766,622	22,925,238	2.6
2017	249,434,681	182,453,718	66,980,962	24,049,623	2.8
2018	261,538,968	188,570,106	72,968,861	24,648,474	3.0
2019	271,100,632	197,428,029	73,672,603	24,886,590	3.0
2020	281,904,012	206,872,847	75,031,164	25,241,947	3.0
2021	292,679,429	213,677,358	79,002,071	25,466,195	3.1
2022	307,209,539	222,482,512	84,727,027	25,797,624	3.3
2023	315,539,832	230,141,897	85,397,935	26,206,950	3.3
2024	\$324,010,986	\$238,096,668	\$85,914,318	\$26,796,165	3.2

Source: NewGen and LUS

- (1) Operating Revenues do not reflect corrections made to the Communications System Imputed Tax transfers for years 2009 through 2012. Utilities System and Communications System Income Statements were not restated over this period as a result of these corrections. Rather a prior period adjustment was made to the 2013 balance sheets included in the Financial and Operating Statements for both the Communications and Utilities Systems.
- (2) Debt service includes the existing 1996 LDEQ debt, the Series 2010 Bonds and Series 2012 Bonds. New debt service includes bond issues in years 2017, 2019, 2021, 2023, and 2025.

Other Expenses

Other expense items include ILOT, normal capital, special equipment, and other miscellaneous expenses. Normal capital and special equipment expenses are projected based on historical data.

The Utilities System ILOT calculation provides for an ILOT payment up to 12 percent of Non-fuel Revenues. The Non-fuel Revenues are the Gross Receipts less fuel costs and other miscellaneous items. To be eligible to make the ILOT payment, the Utilities System must first pass an ILOT Test. The ILOT test ensures that the Utilities System retains sufficient cash to meet capital obligations. If cash available after payment of operating expenses and debt service, less 7.5 percent of the Non-fuel Revenues, is greater than 12 percent of the Non-fuel Revenues, the Utilities System passes the test and makes the ILOT payment to the City. Should the Utilities System fail the ILOT test, the Utilities System pays the cash available after debt service less 7.5 percent of the Non-fuel Revenues.

Tables 38, 39, and 40 summarize Utilities System Other Expenses.

**Table 38
Electric System
Other Expenses**

<u>Year</u>	<u>ILOT</u>	<u>Normal Capital & Special Equipment</u>	<u>Other Expenses (Revenues)</u>	<u>Total Other Expenses</u>
2015	\$16,991,682	\$5,832,340	(\$928,051)	\$21,895,971
2016	16,701,526	6,039,976	(936,583)	21,804,919
2017	16,737,996	6,248,237	(956,251)	22,029,982
2018	16,954,928	6,456,693	(976,333)	22,435,289
2019	17,147,818	6,666,548	(996,836)	22,817,530
2020	17,349,595	6,878,733	(1,017,769)	23,210,559
2021	17,548,243	7,093,982	(1,039,142)	23,603,083
2022	17,748,552	7,309,397	(1,060,964)	23,996,985
2023	17,944,365	7,526,125	(1,083,245)	24,387,246
2024	\$18,154,338	\$7,745,290	(\$1,105,993)	\$24,793,635

Source: NewGen and LUS

**Table 39
Water System
Other Expenses**

<u>Year</u>	<u>ILOT</u>	<u>Normal Capital & Special Equipment</u>	<u>Other Expenses (Revenues)</u>	<u>Total Other Expenses</u>
2015	\$2,177,366	\$2,187,900	(\$137,365)	\$4,227,901
2016	2,098,315	1,482,394	(139,349)	3,441,361
2017	2,132,060	1,532,795	(142,275)	3,522,580
2018	2,333,716	1,584,726	(145,263)	3,773,179
2019	2,456,104	1,638,663	(148,313)	3,946,454
2020	2,496,595	1,694,468	(151,428)	4,039,635
2021	2,538,546	1,752,205	(154,608)	4,136,143
2022	2,704,372	1,811,945	(157,855)	4,358,462
2023	2,746,300	1,873,756	(161,169)	4,458,886
2024	\$2,789,529	\$1,937,714	(\$164,554)	\$4,562,689

Source: NewGen and LUS

Table 40
Wastewater System
Other Expenses

<u>Year</u>	<u>ILOT</u>	<u>Normal Capital & Special Equipment</u>	<u>Other Expenses (Revenues) ⁽¹⁾</u>	<u>Total Other Expenses</u>
2015	\$3,678,446	\$2,265,500	(\$127,181)	\$5,816,765
2016	3,573,247	1,448,611	(128,646)	4,893,212
2017	3,617,818	1,495,562	(131,347)	4,982,032
2018	3,815,811	1,544,035	(134,106)	5,225,741
2019	3,982,909	1,594,079	(136,922)	5,440,066
2020	4,033,267	1,645,745	(139,797)	5,539,215
2021	4,078,625	1,699,085	(142,733)	5,634,977
2022	4,291,360	1,754,154	(145,730)	5,899,784
2023	4,339,898	1,811,009	(148,791)	6,002,116
2024	\$4,387,829	\$1,869,705	(\$151,915)	\$6,105,619

Source: NewGen and LUS

(1) The last debt service for the 1996 LDEQ debt is in November of 2017. NewGen assumed the debt service reserve fund would make the last debt service payments.

Capital Improvement Program

During the Projected Period, the Utilities System CIP reflects capital projects designed to upgrade, renew, and expand the system to meet customer growth requirements. Table 41 represents the Utilities System CIP. Over the 10-year Projected Period, approximately 69 percent of the Utilities System CIP is funded from cash available in the Capital Additions Fund and 31 percent from new debt.

Table 41
Utilities System
Projected Capital Improvement Program ⁽¹⁾

<u>Year</u>	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total Capital Program ⁽²⁾</u>
2015	\$8,130,000	\$1,785,000	\$4,555,000	\$14,470,000
2016	3,515,000	2,850,000	6,370,000	12,735,000
2017	5,053,950	3,364,195	16,575,935	24,994,080
2018	19,370,639	5,780,335	18,159,322	43,310,296
2019	10,643,323	1,245,269	11,159,524	23,048,115
2020	4,085,929	728,078	2,113,599	6,927,606
2021	13,314,043	2,219,007	7,211,773	22,744,824
2022	13,593,638	2,265,606	7,363,221	23,222,465
2023	13,879,104	2,313,184	7,517,848	23,710,137
2024	\$14,170,566	\$2,361,761	\$7,675,723	\$24,208,049

Source: NewGen and LUS

(1) Amounts are in nominal dollars.

(2) The projected operating results assume the CIP is partially funded by deposits of \$41,000,000, \$8,000,000, \$7,500,000, \$13,000,000, and \$7,500,000 in years 2017, 2019, 2021, 2023, and 2025 respectively from bond issues.

Bond Reserve Fund and Cash Available

Cash available reflects remaining funds available to the Utilities System once all other credit obligations of the Utilities System are satisfied. For the Utilities System, LUS has established a financial objective that requires a minimum cash balance of \$8,000,000 to be held in an Operation and Maintenance Fund. The Operation and Maintenance Fund resides in the Operating Fund providing a cash reserve to meet system O&M expense requirements. Once O&M expense and debt service obligations are met by LUS, accumulated cash balances are held in a Capital Additions Fund and are applicable to capital projects or other lawful uses. The Projected Period assumes that capital additions for the Utilities System will be paid with a combination of cash balances available in the Capital Additions Fund and new debt.

As a result of these assumptions, Table 42 shows projected Utilities System fund balances are projected.

**Table 42
Utilities System
Projected Reserves and Cash Available Balance**

<u>Year</u>	<u>Reserve Fund - Bond Reserve Fund Balance (Restricted) ⁽¹⁾</u>	<u>Operating Fund - Operation and Maintenance Fund – Available Cash Balance (Unrestricted) ⁽²⁾</u>	<u>Capital Additions Fund – Available Cash Balance (Unrestricted) ⁽³⁾</u>	<u>Total Available Cash Balance (Unrestricted)</u>
2015	\$23,639,911	\$8,000,000	\$20,575,350	\$28,575,350
2016	23,639,911	8,000,000	14,642,242	22,642,242
2017	25,064,474	8,000,000	23,893,825	31,893,825
2018	25,064,474	8,000,000	18,538,646	26,538,646
2019	25,659,597	8,000,000	20,135,347	28,135,347
2020	25,659,597	8,000,000	31,881,240	39,881,240
2021	26,217,524	8,000,000	39,087,555	47,087,555
2022	26,217,524	8,000,000	42,690,722	50,690,722
2023	27,214,565	8,000,000	54,384,272	62,384,272
2024	\$27,214,565	\$8,000,000	\$59,400,031	\$67,400,031

(1) A Bond Reserve Fund is required for the existing 1996 LDEQ debt, the Series 2010 Bonds, and Series 2012 Bonds per the bond ordinance. Projected bond issues in years 2017, 2019, 2021, 2023, and 2025 will also require bond reserve deposits per the bond ordinance, which are assumed to be funded with bond monies.

(2) The Operation and Maintenance Fund goal for the Utilities System is \$8,000,000.

(3) The cash available represents the balance of annual cash margins from operations.

The complete Utilities System Projected Operating Results with detailed footnotes can be found in Exhibit D-2 at the end of this Report.

The information and analyses presented herein are representative of information made available to NewGen Strategies and Solutions, LLC as of the date of this Report. NewGen's analyses, conclusions, and opinions relied on independent review of information provided to us by others in the form of audits, reports, budgets, projections, and interviews as disclosed in this Report. NewGen has not independently verified the accuracy of information provided and have assumed that information provided is accurate and representative of the financial and operating condition of the Utilities and Communications Systems.

Respectfully submitted,

NewGen Strategies and Solutions, LLC

Exhibit D-1 Communications System Historical and Projected Operating Results

	2010	2011	2012	2013	2014
Operating Revenues					
Retail ⁽¹⁾	\$6,057,983	\$13,607,449	\$20,678,636	\$24,059,121	\$28,317,202
Wholesale ⁽²⁾	3,267,615	3,094,302	3,086,417	3,000,432	3,167,698
Other ⁽³⁾	509,333	50,507	(392,484)	(215,239)	156,524
Total Operating Revenues	\$9,834,931	\$16,752,258	\$23,372,570	\$26,844,315	\$31,641,423
Operating Expenses					
Cost of Goods Sold ⁽⁴⁾	\$2,292,585	\$4,600,346	\$6,100,877	\$6,660,707	\$6,981,477
Other Operating Expenses ⁽⁵⁾	8,039,786	10,155,828	9,641,783	10,530,359	10,610,371
Total Operating Expenses	\$10,332,371	\$14,756,174	\$15,742,660	\$17,191,066	\$17,591,848
Net Revenues for Debt Service	(\$497,440)	\$1,996,085	\$7,629,909	\$9,653,248	\$14,049,575
Debt Service					
Existing ⁽⁶⁾	\$5,494,331	\$8,684,331	\$8,686,731	\$8,683,931	\$9,434,060
Proposed ⁽⁷⁾	0	0	0	0	0
Total Debt Service	\$5,494,331	\$8,684,331	\$8,686,731	\$8,683,931	\$9,434,060
Debt Service Coverage ⁽⁸⁾	(0.1)	0.2	0.9	1.1	1.5
Balance After Debt Service	(\$5,991,771)	(\$6,688,246)	(\$1,056,822)	\$969,317	\$4,615,515
Other Income (Expenditures)					
Miscellaneous ⁽⁹⁾	(\$84,308)	(\$50)	(\$278,627)	(\$131,663)	\$2,467,154
Inter-Utility Loan Repayment ⁽¹⁰⁾	(847,379)	(443,465)	0	0	(588,262)
Imputed Tax & ILOT ⁽¹¹⁾	0	0	0	0	(1,061,385)
Total Other Income (Expenditures)	(\$931,687)	(\$443,515)	(\$278,627)	(\$131,663)	\$817,507
Balance Available for Capital	(\$6,923,458)	(\$7,131,761)	(\$1,335,450)	\$837,654	\$5,433,023

Exhibit D-1 Communications System Historical and Projected Operating Results

	2015	2016	2017	2018	2019
Operating Revenues					
Retail ⁽¹⁾	30,287,648	32,091,352	34,017,316	35,734,895	37,542,639
Wholesale ⁽²⁾	3,167,698	3,240,555	2,938,337	3,005,920	3,075,055
Other ⁽³⁾	171,510	206,172	248,149	256,209	309,540
Total Operating Revenues	33,626,856	35,538,079	37,203,803	38,997,023	40,927,234
Operating Expenses					
Cost of Goods Sold ⁽⁴⁾	\$6,736,552	\$7,033,131	\$7,353,908	\$7,687,591	\$8,032,767
Other Operating Expenses ⁽⁵⁾	10,833,189	11,060,686	11,292,960	11,530,112	11,772,245
Total Operating Expenses	\$17,569,741	\$18,093,817	\$18,646,868	\$19,217,703	\$19,805,012
Net Revenues for Debt Service	\$16,057,115	\$17,444,262	\$18,556,934	\$19,779,320	\$21,122,223
Debt Service					
Existing ⁽⁶⁾	\$3,211,748	\$748,129	\$748,129	\$748,129	\$748,129
Proposed ⁽⁷⁾	483,075	6,219,150	8,683,950	8,680,950	8,677,450
Total Debt Service	\$3,694,822	\$6,967,279	\$9,432,079	\$9,429,079	\$9,425,579
Debt Service Coverage ⁽⁸⁾	4.3	2.5	2.0	2.1	2.2
Balance After Debt Service	\$12,362,293	\$10,476,983	\$9,124,856	\$10,350,242	\$11,696,644
Other Income (Expenditures)					
Miscellaneous ⁽⁹⁾	(\$113,614)	(\$116,000)	(\$118,436)	(\$120,923)	(\$123,462)
Inter-Utility Loan Repayment ⁽¹⁰⁾	(1,933,505)	(1,001,003)	(1,339,820)	(1,535,135)	(1,705,320)
Imputed Tax & ILOT ⁽¹¹⁾	(1,379,979)	(3,226,836)	(3,420,594)	(3,581,987)	(3,757,132)
Total Other Income (Expenditures)	(\$3,427,098)	(\$4,343,839)	(\$4,878,849)	(\$5,238,046)	(\$5,585,914)
Balance Available for Capital	\$8,935,194 ⁽¹²⁾	\$6,133,144	\$4,246,006	\$5,112,196	\$6,110,729

Exhibit D-1 Communications System Historical and Projected Operating Results

	2020	2021	2022	2023	2024
Operating Revenues					
Retail ⁽¹⁾	\$39,335,857	\$41,181,470	\$43,084,432	\$45,092,158	\$47,210,446
Wholesale ⁽²⁾	3,136,558	3,199,291	3,263,276	3,328,539	3,395,108
Other ⁽³⁾	358,096	390,746	405,731	430,431	450,013
Total Operating Revenues	\$42,830,511	\$44,771,507	\$46,753,439	\$48,851,129	\$51,055,567
Operating Expenses					
Cost of Goods Sold ⁽⁴⁾	\$8,390,299	\$8,762,495	\$9,151,300	\$9,557,459	\$9,981,745
Other Operating Expenses ⁽⁵⁾	12,019,462	12,271,871	12,529,580	12,792,701	13,061,348
Total Operating Expenses	\$20,409,761	\$21,034,365	\$21,680,880	\$22,350,160	\$23,043,092
Net Revenues for Debt Service	\$22,420,750	\$23,737,142	\$25,072,559	\$26,500,969	\$28,012,474
Debt Service					
Existing ⁽⁶⁾	\$748,129	\$748,129	\$1,913,129	\$1,916,079	\$1,919,860
Proposed ⁽⁷⁾	8,682,950	8,681,450	8,677,700	8,681,200	8,680,950
Total Debt Service	\$9,431,079	\$9,429,579	\$10,590,829	\$10,597,279	\$10,600,810
Debt Service Coverage ⁽⁸⁾	2.4	2.5	2.4	2.5	2.6
Balance After Debt Service	\$12,989,671	\$14,307,563	\$14,481,730	\$15,903,690	\$17,411,664
Other Income (Expenditures)					
Miscellaneous ⁽⁹⁾	(\$126,055)	(\$128,702)	(\$131,405)	(\$134,165)	(\$136,982)
Inter-Utility Loan Repayment ⁽¹⁰⁾	(1,814,455)	(2,410,578)	(2,422,635)	(2,435,174)	(2,448,215)
Imputed Tax & ILOT ⁽¹¹⁾	(3,947,336)	(4,132,825)	(4,321,081)	(4,512,257)	(4,715,240)
Total Other Income (Expenditures)	(\$5,887,847)	(\$6,672,105)	(\$6,875,121)	(\$7,081,596)	(\$7,300,438)
Balance Available for Capital	\$7,101,824	\$7,635,458	\$7,606,609	\$8,822,095	\$10,111,227

Footnotes to Exhibit D-1

- (1) Retail Revenues for years 2010 through 2014 are based on the Communications System Financial and Operating Statements. The retail revenues include revenues from CATV, Internet, and telephone services. For years 2015 through 2024, the revenues are calculated annually by the type of service provided and incorporate future rate increases.
- (2) Wholesale Revenues for years 2010 through 2014 are based on the Communications System Financial and Operating Statements. For years 2015 through 2024, the revenues are calculated annually and incorporate future rate increases.
- (3) Other Revenues for years 2010 through 2014 are based on the Communications System Financial and Operating Statements. Other revenues include Interest Income and Miscellaneous Operating Revenues. For years 2015 through 2024, the Interest Income is calculated based on reserve fund and cash balances using a short-term interest rate. The Miscellaneous Operating Revenues are based on historical data and escalated at inflation.
- (4) Cost of Goods Sold Expenses include the programming and content costs associated with service offerings. For years 2015 through 2024 the cost of goods sold are adjusted based on the growth in number of customers and escalated based on historical increases in costs.
- (5) Other Expenses include O&M and related expenses. Other Expenses include customer service and A&G costs. Operating Expenses do not include ILOT, Imputed Tax, inter-utility loan payments to LUS, and other miscellaneous expenses.
- (6) Existing Debt Service includes the Series 2007 Bonds and Series 2012 Bonds.
- (7) Proposed Debt Service includes the Series 2015 Bonds, which will refund the Series 2007 Bonds.
- (8) Debt Service Coverage is the Net Revenues for Debt Service divided by the Total Debt Service.
- (9) Miscellaneous Other Income (Expenditures) for years 2010 through 2014 are based on the Communications System Financial and Operating Statements. For years 2015 through 2024, the expenses are based on historical information and escalated at inflation.
- (10) Inter-utility loan repayment based on a schedule provided by LCG. Payments continue through 2033. The inter-utility loan repayment includes loans for the fiber backbone, start-up costs, 2010 through 2012 Imputed Taxes, and a 2011 operating loan. The inter-utility loan was refinanced in 2011 to provide for a more consistent pay-out term and to reduce the interest rate. Loan interest payments for a portion of 2011 and all of years 2012 and 2013 were capitalized and included in the 2011 restructured loan. In 2013, the loan balance was reduced to correct prior years' Imputed Tax calculation errors. Additional information is available in the Lafayette, Louisiana Comprehensive Annual Financial Report for year ending October 31, 2013. The 2015 payment of \$1,933,505 represents the 2014 and 2015 inter-utility loan obligation. The 2014 payment was delayed due to a loan restructuring.
- (11) Imputed Tax for years 2010 through 2014 are based on data provided by LCG. The Imputed Tax and ILOT obligation for a given year is paid in the following year. For years 2010 through 2012, the Imputed Tax obligation was included in the inter-utility loan described in footnote 10. In 2013, the Communications System had an Imputed Tax obligation of \$1,061,385, which was paid in 2014. Historical Imputed Tax amounts reflect LCG's correction of the Imputed Tax formula (see Communications System Other Expenses). For years 2016 through 2024, the Communications System is projected to pay ILOT to the City based on the formula provided for in the Bond Ordinance. A proposed ordinance has been introduced to the City Council and is up for adoption on July 21, 2015.

The proposed ordinance would revise the ILOT calculation to be equal to Imputed Taxes, which results in lower Other Expenses.

- (12) Balance Available for Capital: In 2015, the Balance Available for Capital includes \$4.8 million accumulated in the sinking fund for the Series 2007 Bonds. This amount will be applied to the outstanding balance of the Series 2007 Bonds as shown in Table 1.

Exhibit D-2 Utilities System Historical and Projected Operating Results

	2010	2011	2012	2013	2014
Operating Revenues					
Electric - Retail - Base Rate ⁽¹⁾	\$80,680,077	\$90,791,982	\$88,556,974	\$88,860,207	\$91,749,309
Electric - Retail - Fuel Charge ⁽²⁾	83,750,043	87,783,625	76,824,304	93,158,373	105,375,603
Electric - Wholesale ⁽³⁾	3,952,181	6,145,005	4,462,303	932,096	160,062
Electric - Other ⁽⁴⁾	6,013,145	6,181,259	5,046,540	5,120,541	4,606,272
Water - Retail ⁽⁵⁾	12,076,955	13,856,966	13,491,838	13,370,347	13,119,010
Water - Wholesale ⁽⁶⁾	3,030,138	4,241,593	3,690,835	3,425,414	4,164,275
Water - Other ⁽⁷⁾	558,615	564,094	620,750	763,993	500,181
Wastewater - Retail ⁽⁸⁾	23,982,152	29,326,976	28,861,669	28,382,562	28,316,395
Wastewater - Other ⁽⁹⁾	517,308	551,221	451,908	511,418	419,180
Total Operating Revenues	\$214,560,614	\$239,442,720	\$222,007,121	\$234,524,951	\$248,410,288
Operating Expenses					
Electric Direct ⁽¹⁰⁾	\$135,733,989	\$141,073,540	\$123,420,218	\$126,031,633	\$132,159,231
Water Direct ⁽¹¹⁾	6,413,046	6,633,823	6,581,911	6,628,144	7,303,913
Wastewater Direct ⁽¹²⁾	9,071,342	9,238,115	9,306,699	9,836,488	10,693,690
Customer Related ⁽¹³⁾	5,106,107	4,910,551	5,821,855	5,311,176	5,053,499
Administrative & General ⁽¹⁴⁾	16,678,273	18,984,694	21,034,489	20,607,971	22,256,227
Total Operating Expenses	\$173,002,757	\$180,840,724	\$166,165,173	\$168,415,411	\$177,466,560
Net Revenues for Debt Service	\$41,557,857	\$58,601,996	\$55,841,948	\$66,109,540	\$70,943,728
Debt Service					
Existing ⁽¹⁵⁾	\$10,722,038	\$14,245,228	\$15,311,868	\$22,917,286	\$23,333,915
Future ⁽¹⁶⁾	0	0	0	0	0
Total Debt Service	\$10,722,038	\$14,245,228	\$15,311,868	\$22,917,286	\$23,333,915
Debt Service Coverage ⁽¹⁷⁾	3.9	4.1	3.6	2.9	3.0
Balance After Debt Service	\$30,835,820	\$44,356,769	\$40,530,081	\$43,192,254	\$47,609,813
Other Income (Expenditures)					
Miscellaneous ⁽¹⁸⁾	\$324,750	\$1,278,762	\$7,858,906	\$3,353,861	\$1,145,515
In Lieu of Tax Payment ⁽¹⁹⁾	(19,462,860)	(19,199,649)	(21,596,096)	(22,131,617)	(22,073,833)
Normal Capital & Special Equipment ⁽²⁰⁾	(5,581,263)	(4,870,753)	(3,375,806)	(7,926,987)	(7,975,639)
Total Other Income (Expenditures)	(\$24,719,374)	(\$22,791,640)	(\$17,112,997)	(\$26,704,743)	(\$28,903,957)
Balance Available for Capital	\$6,116,446	\$21,565,129	\$23,417,084	\$16,487,511	\$18,705,856

Exhibit D-2 Utilities System Historical and Projected Operating Results

	2015	2016	2017	2018	2019
Operating Revenues					
Electric - Retail - Base Rate ⁽¹⁾	\$93,874,883	\$95,205,487	\$96,569,136	\$97,972,013	\$99,407,559
Electric - Retail - Fuel Charge ⁽²⁾	95,708,548	91,212,311	96,696,618	104,697,030	111,836,039
Electric - Wholesale ⁽³⁾	0	0	0	0	0
Electric - Other ⁽⁴⁾	4,519,685	3,432,859	3,873,598	4,086,502	4,333,171
Water - Retail ⁽⁵⁾	13,772,693	13,926,622	15,187,905	16,416,800	16,600,282
Water - Wholesale ⁽⁶⁾	4,272,008	4,377,501	4,852,209	4,696,832	4,812,814
Water - Other ⁽⁷⁾	567,126	582,859	618,249	649,508	680,465
Wastewater - Retail ⁽⁸⁾	29,195,531	29,521,833	31,071,407	32,358,298	32,719,949
Wastewater - Other ⁽⁹⁾	437,110	473,919	565,559	661,984	710,353
Total Operating Revenues	\$242,347,582	\$238,733,391	\$249,434,681	\$261,538,968	\$271,100,632
Operating Expenses					
Electric Direct ⁽¹⁰⁾	\$134,951,124	\$132,473,453	\$134,880,855	\$139,976,543	\$147,694,263
Water Direct ⁽¹¹⁾	7,525,111	7,712,291	7,931,764	8,055,501	8,286,641
Wastewater Direct ⁽¹²⁾	10,869,125	11,044,306	11,298,889	11,576,494	11,851,984
Customer Related ⁽¹³⁾	5,180,503	5,311,218	5,445,773	5,584,306	5,726,956
Administrative & General ⁽¹⁴⁾	21,964,253	22,425,502	22,896,438	23,377,263	23,868,185
Total Operating Expenses	\$180,490,116	\$178,966,770	\$182,453,718	\$188,570,106	\$197,428,029
Net Revenues for Debt Service	\$61,857,467	\$59,766,622	\$66,980,962	\$72,968,861	\$73,672,603
Debt Service					
Existing ⁽¹⁵⁾	\$22,924,293	\$22,925,238	\$22,928,798	\$21,737,325	\$21,739,175
Future ⁽¹⁶⁾	0	0	1,120,826	2,911,149	3,147,415
Total Debt Service	\$22,924,293	\$22,925,238	\$24,049,623	\$24,648,474	\$24,886,590
Debt Service Coverage ⁽¹⁷⁾	2.7	2.6	2.8	3.0	3.0
Balance After Debt Service	\$38,933,174	\$36,841,384	\$42,931,339	\$48,320,387	\$48,786,013
Other Income (Expenditures)					
Miscellaneous ⁽¹⁸⁾	\$1,192,596	\$1,204,577	\$2,716,459	\$1,255,701	\$1,282,071
In Lieu of Tax Payment ⁽¹⁹⁾	(22,847,494)	(22,373,088)	(22,487,874)	(23,104,455)	(23,586,832)
Normal Capital & Special Equipment ⁽²⁰⁾	(10,285,740)	(8,970,981)	(9,276,594)	(9,585,454)	(9,899,289)
Total Other Income (Expenditures)	(\$31,940,638)	(\$30,139,492)	(\$29,048,008)	(\$31,434,208)	(\$32,204,051)
Balance Available for Capital	\$6,992,536	\$6,701,892	\$13,883,331	\$16,886,179	\$16,581,962

Exhibit D-2 Utilities System Historical and Projected Operating Results

	2020	2021	2022	2023	2024
Operating Revenues					
Electric - Retail - Base Rate ⁽¹⁾	\$100,860,099	\$102,341,790	\$103,853,780	\$105,388,288	\$106,947,122
Electric - Retail - Fuel Charge ⁽²⁾	120,268,774	126,181,118	138,325,964	144,183,938	150,133,317
Electric - Wholesale ⁽³⁾	0	0	0	0	0
Electric - Other ⁽⁴⁾	4,541,167	4,717,547	4,856,186	5,054,542	5,254,128
Water - Retail ⁽⁵⁾	16,785,814	17,825,132	18,024,354	18,225,802	18,429,501
Water - Wholesale ⁽⁶⁾	4,931,661	5,305,066	5,436,069	5,570,306	5,707,858
Water - Other ⁽⁷⁾	718,322	748,419	759,491	775,539	785,581
Wastewater - Retail ⁽⁸⁾	33,085,641	34,791,209	35,180,051	35,573,238	35,970,820
Wastewater - Other ⁽⁹⁾	712,534	769,147	773,645	768,179	782,659
Total Operating Revenues	\$281,904,012	\$292,679,429	\$307,209,539	\$315,539,832	\$324,010,986
Operating Expenses					
Electric Direct ⁽¹⁰⁾	\$155,960,182	\$161,584,770	\$169,120,344	\$175,545,371	\$182,236,100
Water Direct ⁽¹¹⁾	8,527,559	8,768,933	9,032,795	9,288,340	9,551,696
Wastewater Direct ⁽¹²⁾	12,141,819	12,417,276	12,744,581	13,029,263	13,319,700
Customer Related ⁽¹³⁾	5,873,871	6,025,203	6,181,113	6,341,765	6,507,334
Administrative & General ⁽¹⁴⁾	24,369,417	24,881,175	25,403,680	25,937,157	26,481,837
Total Operating Expenses	\$206,872,847	\$213,677,358	\$222,482,512	\$230,141,897	\$238,096,668
Net Revenues for Debt Service	\$75,031,164	\$79,002,071	\$84,727,027	\$85,397,935	\$85,914,318
Debt Service					
Existing ⁽¹⁵⁾	\$21,735,675	\$21,738,425	\$21,733,425	\$21,739,675	\$21,734,925
Future ⁽¹⁶⁾	3,506,272	3,727,770	4,064,199	4,467,275	5,061,240
Total Debt Service	\$25,241,947	\$25,466,195	\$25,797,624	\$26,206,950	\$26,796,165
Debt Service Coverage ⁽¹⁷⁾	3.0	3.1	3.3	3.3	3.2
Balance After Debt Service	\$49,789,218	\$53,535,875	\$58,929,403	\$59,190,985	\$59,118,153
Other Income (Expenditures)					
Miscellaneous ⁽¹⁸⁾	\$1,308,994	\$1,336,483	\$1,364,549	\$1,393,205	\$1,422,462
In Lieu of Tax Payment ⁽¹⁹⁾	(23,879,458)	(24,165,413)	(24,744,284)	(25,030,563)	(25,331,696)
Normal Capital & Special Equipment ⁽²⁰⁾	(10,218,945)	(10,545,273)	(10,875,496)	(11,210,890)	(11,552,709)
Total Other Income (Expenditures)	(\$32,789,409)	(\$33,374,203)	(\$34,255,231)	(\$34,848,248)	(\$35,461,943)
Balance Available for Capital	\$16,999,809	\$20,161,673	\$24,674,172	\$24,342,736	\$23,656,211

Footnotes to Exhibit D-2

- (1) Electric Retail Base Rate Revenues for years 2010 through 2014 are based on the LUS Financial and Operating Statements. For years 2015 through 2024, the revenues are calculated monthly by customer class and incorporate future base rate increases.
- (2) Electric Retail Fuel Charge Revenues for years 2010 through 2014 are based on the LUS Financial and Operating Statements. For years 2015 through 2024, the FC was calculated based on the applicable expenses divided by the kWh sales. The expenses that flow through the FC include: MISO market purchases less market sales, transmission associated with purchased power, LPPA fuel and fuel handling costs, LPPA rail car debt service, LPPA MATS debt service, LPPA MATS O&M, LPPA reagents, LUS fuel costs, hydro purchased power contract, capacity contract and TEA costs
- (3) Electric Wholesale Revenues for years 2010 through 2014 are based on the LUS Financial and Operating Statements. For years 2015 through 2024, the wholesale sales into the MISO market are netted from the MISO purchases and included in the calculation of the FC.
- (4) Electric Other Revenues for years 2010 through 2014 are based on the LUS Financial and Operating Statements. Electric Other Revenues include Interest Income and Miscellaneous Operating Revenues. For years 2015 through 2024, the Interest Income is calculated based on reserve fund and cash balances using a short-term interest rate. The Interest Income includes Communications System inter-utility loan interest payments. Miscellaneous Operating Revenues include Imputed Tax payments from the Communications System. Miscellaneous Operating Revenues decrease in year 2016 as there are no further Imputed Tax payments from the Communications System. Beginning in 2016, the Communications System pays ILOT to the City. For years 2015 through 2024, the remaining Miscellaneous Operating Revenues are projected based on historical data and system growth.
- (5) Water Retail Revenues for years 2010 through 2014 are based on the LUS Financial and Operating Statements. For years 2015 through 2024, the revenues are projected based on the historical revenue per 1,000 gallons for the retail customers and system growth. The rates incorporate future rate increases.
- (6) Water Wholesale Revenues for years 2010 through 2014 are based on the LUS Financial and Operating Statements. With the exception of discontinued service to a wholesale customer in 2018, for years 2015 through 2024, the wholesale sales are projected based on average historical customer growth. The usage per customer is held constant and based on average historical usage. The rates incorporate future rate increases.
- (7) Water Other Revenues for years 2010 through 2014 are based on the LUS Financial and Operating Statements. Other revenues include Interest Income and Miscellaneous Operating Revenues. For years 2015 through 2024, the Interest Income is calculated based on reserve fund and cash balances using a short-term interest rate. The Miscellaneous Operating Revenues are escalated at inflation.
- (8) Wastewater Retail Revenues for years 2010 through 2014 are based on the LUS Financial and Operating Statements. For years 2015 through 2024, the revenues are calculated based on the revenue per 1,000 gallons for the retail customers and system growth. The rates incorporate future rate increases.
- (9) Wastewater Other Revenues for years 2010 through 2014 are based on the LUS Financial and Operating Statements. For years 2015 through 2024, the revenues are projected based on historical data. Other revenues include Interest Income and Miscellaneous Operating Revenues.

- (10) Electric Direct Expenses include production, transmission, and distribution expenses. For years 2010 through 2014, the expenses are based on the LUS Financial and Operating Statements. For years 2015 through 2024, the expenses are escalated at inflation, adjusted for growth in the system and existing contracts, and based on projected fuel costs and MISO market costs.
- (11) Water Direct Expenses include production and distribution expenses. For years 2010 through 2014, the expenses are based on the LUS Financial and Operating Statements. For years 2015 through 2024, the expenses are escalated at inflation and adjusted for growth in the system.
- (12) Wastewater Direct Expenses include treatment and collection expenses. For years 2010 through 2014, the expenses are based on the LUS Financial and Operating Statements. For years 2015 through 2024, the expenses are escalated at inflation and adjusted for growth in the system.
- (13) Customer Related Expenses for years 2010 through 2014 are based on the LUS Financial and Operating Statements. For years 2015 through 2024, the expenses are escalated at inflation.
- (14) Administrative & General Expenses for years 2010 through 2014 are based on the LUS Financial and Operating Statements. For years 2015 through 2024, the expenses are escalated at inflation.
- (15) Existing Debt Service includes the Series 2004, Series 2010, and Series 2012 Bonds.
- (16) Future Debt Service includes the following debt issues: \$44.6 million in 2017, \$8.7 million in 2019, \$8.2 million in 2021, \$14.2 million in 2023, and \$8.2 million in 2025.
- (17) Debt Service Coverage is the Net Revenues for Debt Service divided by the Total Debt Service.
- (18) Miscellaneous Other Income (Expenditures) for years 2010 through 2014 are based on the LUS Financial and Operating Statements. For years 2015 through 2024, the expenses are based on historical information and escalated at inflation.
- (19) Payment in Lieu of Tax for years 2010 through 2014 are based on the LUS Financial and Operating Statements. For years 2015 through 2024, the payment is calculated based on the formula provided for in the Bond Ordinance.
- (20) Normal Capital and Special Equipment for years 2010 through 2014 are based on the LUS Financial and Operating Statements. For years 2015 through 2024, the expenses are projected based on historical information and escalated at inflation.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Lafayette, State of Louisiana (the “Issuer”), in connection with the issuance of \$91,600,000 of Communications System Revenue Refunding Bonds, Series 2015 (the “Bonds”). The Bonds are being issued pursuant to Ordinance No. O-053-2006, adopted on March 21, 2006, which supplemented, amended, and restated in its entirety Ordinance No. O-230-2005, adopted on September 6, 2005, as further supplemented, including as supplemented by the Third Supplemental Bond Ordinance adopted on March 24, 2015 and supplemented on August 4, 2015 (collectively, the “Ordinance”), and are described in that certain Official Statement dated July 23, 2015 (the “Official Statement”), which contains certain information concerning the Issuer, the revenues securing the Bonds and certain financial and other information relating thereto. The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the 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.

“**Bondholders**” shall mean both the owners and beneficial owners of any of the Bonds.

“**Communications System**” shall mean the Issuer’s local communications network that offers telephone, cable television, high-speed Internet access, and other communications and information services.

“**Dissemination Agent**” shall mean the Issuer’s Chief Administrative Officer or any successor Dissemination Agent designated by the Issuer.

“**EMMA**” means the Electronic Municipal Market Access system for municipal securities disclosure or any other single dissemination agent or conduit required, designated or permitted by the SEC.

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

“**MSRB**” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended or any other entity designated or authorized by the SEC to receive reports pursuant to Rule 15c2-12.

“Participating Underwriter” shall mean the original purchasers of the Bonds required to comply with the Rule in connection with an offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Utilities System” shall mean the Issuer’s (1) Electric System (including generation, transmission and distribution facilities); (2) Water System (including supply, treatment, transmission, distribution and storage facilities); and (3) Wastewater System (including wastewater collection and treatment facilities).

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than May 1 of each year, commencing May 1, 2016, provide to EMMA an Annual Report which is consistent with the requirements set forth below. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as set forth below; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to EMMA an Annual Report by the date required in (a) above, the Issuer shall send a notice to EMMA in substantially the form attached as Exhibit B.

(c) The Dissemination Agent shall file a report with the Issuer certifying that the Annual Report has been provided to EMMA pursuant to this Disclosure Certificate; provided, however, that no such report shall be required if the Chief Administrative Officer shall be serving as the Dissemination Agent.

Section 4. Content of Annual Reports. (a) The Issuer’s Annual Report shall contain or incorporate by reference the following:

- (1) Audited financial statements for the preceding fiscal year;
- (2) Basis of accounting used by the Issuer in reporting its financial statements. The Issuer follows GAAP principles and mandated Louisiana statutory accounting requirements as in effect from time to time. In the event of any material change in such requirements, the impact of such changes will be described in the Annual Report of the year such change occurs;
- (3) The Annual Engineering Report required to be prepared by the Ordinance, which Report shall include the financial, statistical and operational data under the headings “THE COMMUNICATIONS SYSTEM,” “OPERATING REVENUES AND EXPENSES,” “DEBT SERVICE COVERAGE CALCULATION,” “THE UTILITIES SYSTEM,” and APPENDIX B – “FINANCIAL AND STATISTICAL DATA RELATIVE TO THE CITY AND PARISH OF LAFAYETTE, LOUISIANA” in the Official Statement of the Issuer dated July 23, 2015.
- (4) Material litigation related to any of the foregoing; together with
- (5) Such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and

operating data concerning, and in judging the financial condition of the Communications System and the Utilities System.

(b) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document incorporated by reference is deemed a final official statement, it shall be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Listed Events. (a) This section shall govern the giving of notices of the occurrence of any of the following Listed Events. Notice of any of the Listed Event provided below shall be made in a timely manner not in excess of ten business days, to MSRB through its EMMA System, with respect to the Bonds:

1. principal and interest payment delinquencies on the Bonds;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, notices of proposed issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. modifications to rights of the Bondholders, if material;
8. bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the securities, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or similar event of the Issuer; which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or

governmental authority having supervision or jurisdiction over substantially all of the assets or business of the 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; and
14. appointment of a successor or additional trustee or the change of name of a trustee, if material.

In addition, the Issuer will undertake, for the Bondholders, to provide to the MSRB through EMMA in a timely manner, notice of any failure by the Issuer to provide the Issuer Information and annual financial statements by the date required in the Issuer's undertaking described in Section 4 above.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would constitute material information for Bondholders, provided, that any event under (a) (1), (3), (4), (8), (9), (11), (12) and (13) above will always be deemed to be material.

(c) After the Issuer determines that a Listed Event is material, the Issuer shall file a notice of such occurrence with the MSRB and EMMA. Notwithstanding the foregoing, notice of Listed Events described above in (a) (8) and (9) need not be given under this paragraph (c) any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds pursuant to the Ordinance.

Section 6. 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.

Section 7. 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.

Section 8. 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, if:

(ii) The amendment or waiver is 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 type of business conducted;

(iii) This Disclosure Certificate, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iv) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined either by an opinion of a nationally recognized bond counsel or by approving vote of the holders of the Bonds pursuant to the terms of the Ordinance at the time of the amendment.

In the event of any such amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report relating to the Issuer 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 change of accounting principles, on the presentation) of financial information or operating date being presented by or in respect of the Issuer.

Section 9. 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 Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Bondholder may take such actions as may be necessary and appropriate, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Ordinance, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Bondholders from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2015

CITY OF LAFAYETTE, STATE OF LOUISIANA

By: _____

EXHIBIT A
to Continuing Disclosure Certificate

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Lafayette, State of Louisiana
Name of Bond Issue: \$91,600,000 Communications System Refunding Revenue
Bonds, Series 2015
Date of Issuance: _____, 2015

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report as required by Section 3 of the Continuing Disclosure Certificate dated _____, 2015. The Issuer anticipates that its Annual Report will be filed by _____.

Date: _____

CITY OF LAFAYETTE, STATE OF
LOUISIANA

By: _____

APPENDIX F

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED OCTOBER 31, 2014

The Lafayette City-Parish Consolidated Government Comprehensive Annual Financial Report for the Fiscal Year Ended October 31, 2014 has been filed with EMMA and is included by specific cross-reference in this Official Statement. It can be found and accessed at <http://emma.msrb.org/>. For convenience, a copy of this document can also be found on the Issuer's website (<http://lafayettela.gov/Finance/SiteAssets/Files/Accounting/LCG2014CAFR.pdf>). No statement on the Issuer's website is included by specific cross-reference herein.

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APPENDIX G

FORM OF LEGAL OPINION

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Upon delivery of the Series 2015 Bonds in definitive form, Foley & Judell, L.L.P., New Orleans, Louisiana, Bond Counsel to the Issuer, proposes to render its final approving opinion in substantially the following form:

[Date of Delivery]

Honorable Lafayette City-Parish Council
City of Lafayette
Lafayette, Louisiana

\$91,600,000
COMMUNICATIONS SYSTEM REVENUE REFUNDING BONDS,
SERIES 2015
CITY OF LAFAYETTE, STATE OF LOUISIANA

We have acted as bond counsel to the City of Lafayette, State of Louisiana (the "Issuer"), in connection with the issuance of the captioned bonds (the "Bonds"). The Bonds are issued in fully registered form, are dated, bear interest at the rates, and mature on the dates and in the principal amounts and are subject to redemption as set forth in the Bond Ordinance (hereinafter defined).

The Bonds have been issued pursuant to an ordinance adopted by the Issuer's governing authority on September 6, 2005, as amended and restated on March 21, 2006, as supplemented on March 24, 2015 and August 4, 2015, and supplemented on August 4, 2015 (collectively, the "Bond Ordinance"), for the purpose of refunding the Issuer's outstanding Communications System Revenue Bonds, Series 2007, maturing on November 1 in the years 2015 through 2024, inclusive, November 1, 2027 and November 1, 2031 (the "Refunded Bonds"), and paying the costs of issuance of the Bonds, under the authority of Chapter 14-A, Title 39 of the Louisiana Revised Statutes of 1950, as amended (the "Act"), and other constitutional and statutory authority.

In accordance with the Bond Ordinance, the Issuer has entered into a Defeasance and Escrow Deposit Agreement (the "Escrow Agreement") with The Bank of New York Mellon Trust Company, N.A., in the City of Baton Rouge, Louisiana (the "Escrow Agent"), pursuant to which a portion of the proceeds of the Bonds, along with other available money, has been deposited in trust with the Escrow Agent for the purpose of providing moneys to pay the principal of and interest on the Refunded Bonds as the same mature and become due or are redeemed. Irrevocable provision has been made in the Bond Ordinance for the call for redemption of the Refunded Bonds.

We have examined the provisions of the Constitution and statutes of the State of Louisiana, a certified transcript of the proceedings of the governing authority of the Issuer relating to the issuance of the Bonds, and such other documents, proofs and matters of law as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the representations 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.

On the basis of the foregoing examinations, we are of the opinion, as of the date hereof and under existing law, that:

1. Said proceedings, documents and proofs show lawful authority for the issuance of the Bonds pursuant to said Constitution and statutes and the Bond Ordinance.

2. The Bonds have been duly executed and delivered and are legal and binding special obligations of the Issuer, payable solely from and secured by an irrevocable pledge of the Net Revenues of the Communications System and second, to the amount necessary, from a secondary or subordinate pledge of the Revenues of the Utilities System, all as provided in the Bond Ordinance. The Bonds do not constitute an indebtedness or pledge of the general credit of the State of Louisiana, the Issuer, the Lafayette City-Parish Consolidated Government, the City of Lafayette, Louisiana, or any other political subdivision of the State of Louisiana within the meaning of any constitutional or statutory limitation of indebtedness.

3. The Bonds have been issued on a complete parity in all respects with the (i) Communications Systems Revenue Bonds, Series 2012A, maturing on November 1 of the years 2022 through 2028, inclusive, and November 1, 2031, and (ii) Communications Systems Revenue Bonds, Series 2012B, maturing on November 1 of the years 2022 through 2028, inclusive, and November 1, 2031, (collectively, the "Outstanding Parity Bonds"), rank equally with and enjoy complete parity of lien with the Outstanding Parity Bonds on the revenues, and the lien of the owners of the Bonds and the owners of the Outstanding Parity Bonds on the revenues will be prior and superior to the lien on such revenues of any obligations hereafter issued and payable therefrom except *pari passu* additional obligations hereafter issued within the terms, limitations and restrictions contained in the Bond Ordinance and the ordinance authorizing the issuance of the Outstanding Parity Bonds.

4. The Bond Ordinance has been duly adopted by the Issuer and constitutes a valid and enforceable obligation of the Issuer.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining adjusted current earnings.

6. The Escrow Agreement has been duly authorized, executed and delivered by, and constitutes a legal, valid and binding obligation of the Issuer.

7. Pursuant to the Act, the Bonds and the income therefrom are exempt from all taxation by the State of Louisiana or any political subdivision thereof.

In rendering the opinion expressed in numbered paragraph 5 above, we have relied on representations of the Issuer with respect to questions of fact material to our opinion without undertaking to verify same by independent investigation, and have assumed continuing compliance with covenants in the Bond Ordinance pertaining to those sections of the Internal Revenue Code of 1986, as amended, which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. In the event that such representations are determined to be inaccurate or incomplete or the Issuer fails to

comply with the foregoing covenants in the Bond Ordinance, interest on the Bonds could become included in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the Bond Ordinance may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and that their enforceability may also be subject to the exercise of the sovereign police powers of the State of Louisiana, or its governmental bodies, and the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

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SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: \$ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
31 West 52nd Street, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/90)

