THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THIS ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

NEW ISSUE – FULL BOOK ENTRY

RATINGS: S&P: "AA"
Fitch: "AA"
(See "RATINGS")

In the opinion of Kutak Rock LLP, Bond Counsel, assuming continuing compliance with certain requirements described herein, under laws, regulations, rulings and judicial decisions existing as of the date hereof, interest on the 2015 Bonds is not includable in gross income for federal income tax purposes. Such interest is also exempt from all present State of Nebraska personal income taxes. In the opinion of Bond Counsel, interest on the 2015 Bonds does not constitute an item of tax preference for purposes of determining the federal alternative minimum tax for individuals and corporations. See "TAX MATTERS" herein for a discussion of additional federal and State of Nebraska tax law considerations.

THE CITY OF LINCOLN, NEBRASKA

$167,800,000
Lincoln Electric System
Revenue and Refunding Bonds
Series 2015A

Dated: Date of delivery (March 31, 2015) **Due: As set forth on the inside cover**

The Series 2015A Bonds (collectively, the "2015 Bonds") are issuable as fully registered securities and, when initially issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the 2015 Bonds. Purchases of beneficial ownership interests in the 2015 Bonds will be made in book-entry form only, in $5,000 principal amounts or integral multiples thereof. Beneficial Owners of the 2015 Bonds will not receive physical delivery of bond certificates evidencing their ownership interest in the 2015 Bonds so long as DTC or a successor securities depository acts as the securities depository with respect to the 2015 Bonds. So long as DTC or its nominee is the registered owner of the 2015 Bonds, payments of the principal or redemption price of, and interest on the 2015 Bonds will be made directly to DTC. Disbursements of such payments to DTC Participants are the responsibility of DTC and disbursements of such payments to Beneficial Owners are the responsibility of DTC Participants. See "DESCRIPTION OF THE 2015 BONDS—Book-Entry System" herein. Union Bank and Trust Company is Registrar and Paying Agent for the 2015 Bonds under the Ordinance.

The 2015 Bonds will be dated their date of issue. The 2015 Bonds will bear interest at the rates shown on the inside cover, payable each March 1 and September 1, commencing on September 1, 2015.

Certain of the 2015 Bonds are subject to optional and mandatory redemption prior to maturity as more fully described herein.

The obligation of the City of Lincoln, Nebraska (the "City") to pay the principal or redemption price of and interest on the 2015 Bonds is a limited obligation of the City, payable exclusively from and secured by a pledge of the Revenues of the Lincoln Electric System, all as more fully described herein. See "SECURITY FOR THE 2015 BONDS" herein.

The 2015 Bonds are not obligations of the State of Nebraska or any of its political subdivisions, other than the City, and neither the faith and credit nor the taxing power of the State of Nebraska or any political subdivision thereof, including the City, is pledged for the payment of the 2015 Bonds.

MATURITIES, AMOUNTS, RATES AND PRICES OR YIELD – See Inside Cover

The 2015 Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Kutak Rock LLP, Omaha, Nebraska, Bond Counsel. Certain legal matters will be passed on for the City by the Lincoln City Attorney, for the Lincoln Electric System by its General Counsel, and for the Underwriters by Nixon Peabody LLP, Counsel to the Underwriters. Public Financial Management is serving as Financial Advisor to the Lincoln Electric System in connection with the issuance of the 2015 Bonds. It is expected that the 2015 Bonds will be available for delivery to DTC in New York, New York on or about March 31, 2015.

J.P. MORGAN

BofA MERRILL LYNCH **BARCLAYS**
US BANCORP **WELLS FARGO SECURITIES**

The date of this Official Statement is March 11, 2015.

MATURITY SCHEDULE

$167,800,000
THE CITY OF LINCOLN, NEBRASKA
LINCOLN ELECTRIC SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2015A

$127,090,000 Serial Bonds

Due September 1	Principal Amount	Rate	Yield	Price	CUSIP[1]
2019	$ 3,075,000	4.000%	1.450%	110.870%	534272 C23
2019	5,540,000	5.000	1.450	115.133	534272 E54
2020	28,615,000	5.000	1.680	117.119	534272 E47
2021	700,000	4.000	1.870	112.821	534272 C31
2022	730,000	4.000	2.130	112.765	534272 C49
2023	765,000	4.000	2.290	113.021	534272 C56
2024	795,000	4.000	2.410	113.322	534272 C64
2025	100,000	4.000	2.530	113.385	534272 C72
2025	730,000	5.000	2.530	122.491	534272 E62
2026	870,000	5.000	2.630[2]	121.469	534272 C80
2027	925,000	5.000	2.770[2]	120.056	534272 C98
2028	970,000	3.000	3.120	98.691	534272 D22
2029	4,510,000	3.000	3.190	97.816	534272 D30
2030	4,735,000	5.000	2.940[2]	118.366	534272 D48
2031	5,030,000	5.000	3.000[2]	117.776	534272 D55
2032	5,345,000	5.000	3.060[2]	117.190	534272 D63
2033	14,880,000	5.000	3.080[2]	116.995	534272 D71
2034	19,485,000	5.000	3.120[2]	116.607	534272 D89
2035	7,500,000	5.000	3.170[2]	116.124	534272 D97
2036	21,790,000	3.500	3.680[2]	97.346	534272 E21

$40,710,000 Term Bonds

Due September 1	Principal Amount	Rate	Yield	Price	CUSIP[1]
2040	$40,710,000	4.000%	3.720%[2]	102.397%	534272 E39

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[1] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data contained herein is provided by CUSIP Global Services, managed by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. Financial Services LLC on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitution for the CUSIP. Neither LES nor the Underwriters take any responsibility for the accuracy of CUSIP numbers herein, which substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the City, LES or the Underwriters and are included solely for the convenience of the registered owners of the applicable 2015 Bonds. None of the City, LES or the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable 2015 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2015 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities) of the 2015 Bonds.

[2] Priced to first optional call date.

THE CITY OF LINCOLN, NEBRASKA

CITY ADMINISTRATION

CHRIS BEUTLER	Mayor
STEVE HUBKA	Interim Finance Director

LINCOLN ELECTRIC SYSTEM

ADMINISTRATIVE BOARD

JERRY HUDGINS	Chair
MARILYN MCNABB	Vice Chair
DAN HARSHMAN	Secretary
ANN BLEED	Member
VICKI HUFF	Member
W. DON NELSON	Member
SARAH PEETZ	Member
ELIZABETH RAETZ	Member
LAYNE SUP	Member

MANAGEMENT

KEVIN G. WAILES	Administrator and CEO
LAURA L. KAPUSTKA	Vice President and Chief Financial Officer
DOUGLAS D. BANTAM	Chief Operating Officer
SHELLEY R. SAHLING-ZART	Vice President and General Counsel
PAUL A. CRIST	Vice President and Chief Technology Officer
JASON L. FORTIK	Vice President-Power Supply
LISA R. HALE	Vice President-Customer Services
PATRICIA A. OWEN	Vice President-Corporate Services
DANNY L. PUDENZ	Vice President-Energy Delivery

BOND COUNSEL

Kutak Rock LLP
Omaha, Nebraska

FINANCIAL ADVISOR

Public Financial Management
Philadelphia, Pennsylvania

UNDERWRITERS' COUNSEL

Nixon Peabody LLP
New York, New York

REGARDING USE OF THIS OFFICIAL STATEMENT

AUTHORIZED INFORMATION AND REPRESENTATIONS

No dealer, broker, sales representative or other person has been authorized by the City of Lincoln, Nebraska (the "City"), the Lincoln Electric System ("LES") or the Underwriters to give any information or to make any representations, 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. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2015 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the 2015 Bonds. The information set forth herein has been obtained from the City, LES and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters. The Underwriters have provided the following sentence for inclusion in this Official Statement: "The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their 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 circumstance, create any implication that there has been no change in the affairs of the City or LES since the date hereof.

REGISTRATION EXEMPTION

The Series 2015 Bonds have not been registered with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon an exemption therefrom. In making an investment decision, investors must rely upon their own examination of the City or LES, the facilities and services, and the terms of the offering, including the merits and risks involved. No federal or state securities commission or regulatory authority has recommended the Series 2015 Bonds. Moreover, none of the foregoing authorities has confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the federal securities laws, including statements regarding, among other things, anticipated trends, future liquidity requirements and capital resources. When used in this Official Statement, the words "project," "estimate," "intend," "expect," "anticipate," "plan" and similar expressions are intended to identify forward-looking statements. These forward-looking statements are based largely on LES's expectations and are subject to a number of risks and uncertainties, certain of which are beyond the control of the City and LES. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Prospective investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The forward-looking statements have neither been reviewed nor reported on by any third party. Neither LES nor any other party plans to issue any updates or revisions to those forward-looking statements if or when the expectations or events, conditions or circumstances upon which such statements are based occur or do not occur.

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OFFICIAL STATEMENT

THE CITY OF LINCOLN, NEBRASKA

$167,800,000
Lincoln Electric System
Revenue and Refunding Bonds
Series 2015A

INTRODUCTION

This Official Statement (which includes the cover page hereof and the Appendices attached hereto) is furnished by The City of Lincoln, Nebraska (the "City"), a municipal corporation existing pursuant to its home rule charter (the "Charter") and under the laws of the State of Nebraska (the "State"), to provide information concerning: (a) the City; (b) the City's electric system (which is hereinafter referred to as the "Lincoln Electric System," "LES" or the "System" and which is defined in the General Ordinance described below to include all property and assets of the City used for or pertaining to the generation, transmission, distribution and sale of electric power and energy); and (c) the City's $167,800,000 aggregate principal amount of Lincoln Electric System Revenue and Refunding Bonds, Series 2015A (collectively, the "2015 Bonds").

The 2015 Bonds are being issued pursuant to Sections 15-244 and 18-1803 to 18-1805, inclusive, Revised Statutes of Nebraska, as amended, and Article IX, Section 44 of the Charter, and a bond ordinance passed by the Lincoln City Council ("Council") on July 23, 2001 (Ordinance No. 17879, the "General Ordinance"), as supplemented by a series ordinance passed by Council on February 9, 2015 (Ordinance No. 20154, the "2015 Ordinance"). The General Ordinance as amended and supplemented from time to time, including, but not limited to, the 2015 Ordinance, is herein referred to as the "Ordinance." Capitalized terms used herein, which are not otherwise defined, shall have the respective definitions set forth in the Ordinance. See "APPENDIX C: SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE—Definitions."

The City will, following the closing and issuance of the 2015 Bonds and the defeasance of the outstanding Bonds of the City contemplated to be refunded by the 2015 Bonds, have the following parity bonds (in addition to the 2015 Bonds) outstanding under the Ordinance (the "Outstanding Bonds"): (a) $2,930,000 aggregate principal amount of its Lincoln Electric System Revenue and Refunding Bonds, Series 2003 (the "2003 Bonds"), (b) $38,780,000 aggregate principal amount of its Lincoln Electric System Revenue Bonds, Series 2007A (the "2007A Bonds"), (c) $102,995,000 aggregate principal amount of its Lincoln Electric System Revenue Refunding Bonds, Series 2007B (the "2007B Bonds" and, collectively, with the 2007A Bonds, the "2007 Bonds"), (d) $252,520,000 aggregate principal amount of its Lincoln Electric System Revenue and Refunding Bonds, Series 2012 (the "2012 Bonds") and (e) $75,525,000 aggregate principal amount of its Lincoln Electric System Revenue and Refunding Bonds, Series 2013 (the "2013 Bonds"). The Series 2015 Bonds will be issued on a parity with the Outstanding Bonds under the Ordinance.

The General Ordinance provides for the issuance by the City from time to time of Lincoln Electric System Revenue Bonds (including bonds, notes or other obligations or other evidences of indebtedness, as the case may be, as provided in the General Ordinance, the "Bonds") (a) to finance properties and assets, and interests in properties and assets, real and personal and tangible and intangible (i) for the generation, transmission, distribution and sale of electric power and energy or (ii) such other activities and transactions as the LES Administrative Board (the "Board") and the City shall from time to time determine and (b) to refund outstanding bonds issued under the Ordinance. Pursuant to the Ordinance, the Bonds are payable from and secured by a pledge of the revenues of LES and certain other moneys as described herein, subject to a prior charge on such revenues for the costs of operation and maintenance of LES, including all administration expenses, variable costs of operation and maintenance incurred for power supply facilities (including LES' ownership interest in electric plants and properties co-owned with others), variable costs associated with power purchase contracts and, in certain circumstances, fixed power supply costs of LES. Additional Bonds or Parity Obligations (as defined in the Ordinance and which, except as provided in the Ordinance, will be on a parity with the 2015 Bonds) may be issued from time to time upon the approval of the Mayor and City Council under the terms and conditions set forth in the Ordinance.

This Official Statement includes summaries of the terms of the 2015 Bonds, the Ordinance and certain contracts and other arrangements relating to LES. The summaries of and references to all documents, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each such summary and reference is qualified in its entirety by references to each such document, report or instrument, copies of which may be obtained, upon request, from Lincoln Electric System, 1040 "O" Street, Lincoln, Nebraska 68508, Attention: Chief Financial Officer. Email inquiries should be addressed to lkapustka@les.com, or call 402-475-4211.

DESCRIPTION OF PROJECT

The proceeds of the 2015 Bonds will be used to fund the refunding plan described below, to reimburse LES for prior capital improvements, to fund a deposit into the 2015 Debt Service Reserve Fund and pay certain costs and expenses relating to the issuance of the 2015 Bonds.

REFUNDING PLAN

A portion of the proceeds of the 2015 Bonds, together with other available funds, will be used for the payment and redemption of $61,815,000 principal amount of LES' outstanding Lincoln Electric System Revenue Bonds, Series 2007A and $37,815,000 principal amount of LES' outstanding Lincoln Electric System Revenue Bonds, Series 2007B (such refunded bonds, as more specifically set forth in Appendix G, collectively, the "Refunded Bonds").

On the date of issuance of the 2015 Bonds, a portion of the net proceeds thereof, together with certain other funds released from accounts related to the Refunded Bonds will be deposited into an escrow account (the "Escrow Account") to be held under an Escrow Agreement, dated as of the date of issue of the 2015 Bonds (the "Escrow Agreement") between the City and Union Bank and Trust Company (in such capacity, the "Escrow Agent"). Such deposit will be used to purchase on such date of issuance direct obligations of the United States of America (the "Government Securities") which will be held in the Escrow Account. The Government Securities will mature on such dates and in such amounts as shall provide funds which, together with other funds in the Escrow Account, will be sufficient to pay when due the maturing principal of and interest on the Refunded Bonds through their respective redemption dates and to redeem on the respective redemption dates all of the then outstanding Refunded Bonds. The Refunded Bonds will be called for redemption on September 1, 2016 at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest thereon to the redemption date. Upon funding of the escrow and delivery of irrevocable instructions to the paying agent for the Refunded Bonds to call the Refunded Bonds for redemption, the Refunded Bonds will be defeased and no longer be outstanding under or secured by the General Ordinance.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the 2015 Bonds. Accrued interest, if any, received upon the delivery of the 2015 Bonds will be deposited into the Bond Fund.

Sources of Funds:	
Par Amount of 2015 Bonds	$167,800,000.00
Original Issue Premium, Net of Discount	16,952,456.95
Releases from Refunded Bond Funds	373,835.52
Total Sources of Funds	$185,126,292.47
Uses of Funds:	
Deposit to Escrow Fund	$105,635,118.53
Deposit to Construction Fund	75,000,000.00
Deposit to Debt Service Reserve Fund	3,763,191.10
Costs of Issuance(1)	727,982.84
Total Uses of Funds	$185,126,292.47

(1)Includes underwriting discount and rating agency, Trustee and legal fees and other expenses related to the issuance of the 2015 Bonds.

DESCRIPTION OF THE 2015 BONDS

General

The 2015 Bonds will be issued in the aggregate principal amount of $167,800,000 and will consist of serial and term bonds as set forth on the inside cover of this Official Statement. The 2015 Bonds will be issued in book-entry form only.

The 2015 Bonds will be dated as of their date of issue, will bear interest from that date payable on each March 1 and September 1, beginning September 1, 2015, and will mature on September 1 in the years and the principal amounts, and bear interest at the respective rates, as set forth on the inside cover of this Official Statement. Interest will be paid to the owner of each 2015 Bond as shown in the records of the Registrar on the 15th day of the month immediately preceding such Interest Payment Date. The 2015 Bonds will be issued in minimum denominations of $5,000 or any integral multiple thereof.

Union Bank and Trust Company has been appointed as Registrar and Paying Agent for the 2015 Bonds (in such capacity, the "Paying Agent").

Interchangeability and Transfer

The 2015 Bonds, upon surrender thereof to the Registrar, with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or his or her duly authorized attorney, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of 2015 Bonds in registered form of the same series, maturity and of any other authorized denomination.

In all cases in which the privilege of exchanging or transferring the 2015 Bonds is exercised, the City shall execute and the Registrar shall deliver the 2015 Bonds in accordance with the Ordinance. For every such exchange or transfer of 2015 Bonds, the Registrar shall require the payment by the registered owner requesting such transfer or exchange of any tax or other governmental charges payable with respect thereto.

No exchange or transfer of any 2015 Bond shall be required to be made during the 15 days next preceding before the date of selection of 2015 Bonds for redemption, or of any 2015 Bond or portion of a 2015 Bond so selected for redemption.

Sinking Fund Redemption of Term Bonds

The 2015 Bonds maturing on September 1 in the year 2040 are subject to redemption prior to maturity in part by lot by operation of a mandatory sinking fund on September 1 in each of the following years and in the following principal amounts at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption. Selection of any 2015 Bonds maturing September 1, 2040, or portions thereof shall be in the sole discretion of the Registrar.

Year (September 1)	Principal Amount
2038	$13,040,000
2039	13,565,000
2040†	14,105,000

†Maturity

Optional Redemption

The 2015 Bonds maturing on or after September 1, 2026, shall be subject to redemption prior to maturity at the option of the City, in whole or in part in such principal amounts and from such maturity or maturities as the City, in its discretion, shall select, and by lot within a maturity if less than a full maturity is redeemed, on any Business Day on or after September 1, 2025 at redemption prices equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption.

Selection of Bonds for Redemption

If less than all 2015 Bonds are to be redeemed, the maturities of 2015 Bonds to be redeemed may be selected by the City. If the City does not select the maturities to be redeemed, the 2015 Bonds will be redeemed in inverse order of maturity. The particular 2015 Bonds or portions of 2015 Bonds to be redeemed shall be selected at random by the Registrar in such manner as the Registrar in its discretion may deem fair and appropriate.

Notice of Redemption

If the City elects to redeem 2015 Bonds, the Registrar shall give notice of such redemption to the registered owners of the 2015 Bonds called for redemption, certain securities depositories and one or more information services. Such notice shall be given by first class mail to the registered owners of the

2015 Bonds designated for redemption at their addresses appearing on the bond registration books, not less than 30 days prior to the redemption date. The actual receipt by the registered owner of any 2015 Bond, the securities depositories and one or more information services of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice or any defects in such notice shall not affect the sufficiency of the proceedings for the redemption of 2015 Bonds.

Notice of redemption having been given, the 2015 Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the applicable redemption price, plus interest accrued and unpaid to the redemption date and, if presentation and surrender thereof are required by the Ordinance, upon presentation and surrender thereof at the office specified in such notice of such 2015 Bonds or portions thereof and shall be paid at the redemption price, plus interest accrued and unpaid to the redemption date. If there shall be designated for redemption a portion of a 2015 Bond, if presentation and surrender thereof are required, the City shall execute and the Registrar shall authenticate and deliver, upon the surrender of such 2015 Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the 2015 Bond so surrendered, a 2015 Bond of like maturity in any authorized denomination. If, on the redemption date, moneys for the redemption of all the 2015 Bonds or portions thereof to be redeemed, together with interest to the redemption date, shall be available therefor and if notice of redemption shall have been given as provided, then, from and after the redemption date, interest on the 2015 Bonds or portion thereof called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the redemption date, such 2015 Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

For so long as the book-entry system is in effect with respect to the 2015 Bonds, the Registrar will mail notices of redemption to DTC or its nominee or its successor and, if less than all of the 2015 Bonds of a maturity are to be redeemed, DTC or its successor and DTC Participants and Indirect Participants will determine the particular ownership interests of 2015 Bonds of such maturity to be redeemed. Any failure of DTC or its successor or a DTC Participant or Indirect Participant to do so, or to notify a Beneficial Owner of a 2015 Bond of any redemption will not affect the sufficiency or the validity of the redemption of 2015 Bonds. See "DESCRIPTION OF THE 2015 BONDS—Book-Entry System." The City, LES, the Registrar, the Paying Agent and the Underwriters cannot make any assurance that DTC, the DTC Participants or the Indirect Participants will distribute such redemption notices to the Beneficial Owners of the 2015 Bonds, or that they will do so on a timely basis.

Book-Entry System

General. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2015 Bonds. The ownership of one fully registered 2015 Bond for each maturity, as set forth on the inside cover of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as the nominee for DTC. Ownership interests in the 2015 Bonds will be available to purchasers only through a book-entry system maintained by DTC (the "Book-Entry System"). A description of DTC, the Book-Entry System and definitions of initially capitalized terms used herein are found in "APPENDIX E: BOOK-ENTRY SYSTEM."

Risk Factors. Beneficial Owners of the 2015 Bonds may experience some delay in their receipt of distributions of the principal or redemption price of and interest on the 2015 Bonds because such distributions will be forwarded by the Registrar to DTC, credited by DTC to its Direct Participants, and then credited to the accounts of the Beneficial Owners either directly or indirectly through Indirect Participants.

Because transactions in the 2015 Bonds can only be effected through DTC, DTC Participants and certain banks, the ability of a Beneficial Owner to pledge 2015 Bonds to persons or entities that do not participate in the Book-Entry System, or otherwise to take actions in respect of such 2015 Bonds, may be limited due to the lack of physical certificates. Beneficial Owners will not be recognized by the Registrar as registered owners for purposes of the Ordinance, and Beneficial Owners will be permitted to exercise the rights of registered owners only indirectly through DTC and DTC Participants.

SECURITY FOR THE 2015 BONDS

The Pledge and Security Interest Under the Ordinance

The 2015 Bonds, together with the Outstanding Bonds and all other series of Bonds hereafter issued pursuant to the Ordinance, will be payable on a parity basis from and secured by a pledge of and security interest in (1) the Net Revenues of the System and (2) certain Funds established by the Ordinance (including the Electric Revenue Fund and the Bond Fund), subject to the provisions of the Ordinance permitting the application thereof for the purposes and on the terms and conditions set forth in the Ordinance. For a description of the Funds established under the Ordinance and other provisions of the Ordinance, see "APPENDIX C: SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE."

A 2015 Debt Service Reserve Fund has been established for the 2015 Bonds, into which an amount equal to the Reserve Requirement for the 2015 Bonds will be deposited. The "Reserve Requirement" with respect to the 2015 Bonds, on any date of computation, is an amount equal to the highest six (6) months' interest on the 2015 Bonds outstanding on such date, as such amount may be reduced at the discretion of LES as the 2015 Bonds are amortized and the requirement is correspondingly reduced. On the date of issue of the 2015 Bonds, the "Reserve Requirement" is $3,763,191.10. For a more complete description of the provisions relating to the 2015 Debt Service Fund, see "APPENDIX C: SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE—2015 Debt Service Reserve Fund."

Pursuant to the General Ordinance, the Bonds of any series hereafter issued are not required to be additionally secured by amounts on deposit in any Debt Service Reserve Fund. The City, however, may provide, at its option, in the Series Ordinance authorizing the Bonds of any series hereafter issued that the Bonds of such series will be additionally secured by amounts on deposit in any Debt Service Reserve Fund to be designated therefor.

The Bonds will be payable solely from the Net Revenues and the other funds, assets and security described in the Ordinance, and neither the State nor any political subdivision thereof (other than the City) shall be obligated to pay the principal or redemption price thereof or interest thereon and neither the faith and credit nor the taxing power of the State or any political subdivision thereof (including the City) is pledged to the payment of the principal or redemption price of or interest on the Bonds. No registered owner of any Bond or receiver or trustee in connection with the payment of the Bonds shall have any right to compel the State or any political subdivision thereof (including the City) to exercise its appropriation or taxing powers.

Rate Covenant and Coverage Under the Ordinance

The City and the Board have agreed under the Ordinance to fix, establish, maintain, and collect such rates, charges and fees for electric power and energy and services furnished by the Electric System and to the extent legally permissible, revise such rates, charges and fees to produce Revenues each Fiscal Year sufficient (a) to pay all Operation and Maintenance Expenses, (b) to produce Net Revenues equal to an amount sufficient to pay the annual debt service due and payable in such Fiscal Year of the then Outstanding Bonds and Parity Obligations; and (c) to pay after deducting the amounts determined in (a) and (b) above, all other financial obligations of the Electric System reasonably anticipated to be paid from Revenues. See “APPENDIX C: SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE—Covenant as to Rates, Fees and Other Charges.”

The City may also issue subordinate indebtedness.

Limits on Additional Debt

The City may issue additional Bonds or Parity Obligations provided (a) the Net Revenues for the Fiscal Year immediately preceding the Fiscal Year in which such additional Bonds or Parity Obligations are issued are not less than 100% of the average annual Debt Service on all Bonds and Parity Obligations to be Outstanding upon the issuance of such additional Bonds or Parity Obligations, (b) neither the City nor LES shall be in default under the terms of the Ordinance and (c) the issuance of such additional Bonds or Parity Obligations shall not cause either the City or LES to be in default under the terms of the Ordinance.

OUTSTANDING BONDS AND NOTES

Bonds Outstanding Under the Ordinance

After the issuance of the 2015 Bonds and the application of a portion of the proceeds thereof to redeem or defease the Refunded Bonds to be so defeased the following Bonds will be outstanding:

Description	Final Maturity	Outstanding Amount
2003 Bonds	September 1, 2021	$2,930,000
2007A Bonds	September 1, 2037	$38,780,000
2007B Bonds	September 1, 2019	$102,995,000
2012 Bonds	September 1, 2037	$252,520,000
2013 Bonds	September 1, 2025	$75,525,000
2015 Bonds	September 1, 2040	$167,800,000

Commercial Paper Notes

In addition to the Bonds, LES maintains a commercial paper program. The payment of the Commercial Paper Notes is subordinate to the payment of the principal of, and interest on, the outstanding Bonds. LES has $95,500,000 in Commercial Paper Notes outstanding as of the date hereof.

LES is presently authorized to issue up to $150,000,000 aggregate principal amount in Commercial Paper Notes. In addition, LES has entered into a Revolving Credit Agreement dated as of August 1, 2012 with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (“BTMU”), acting through its New York branch (the “Revolving Credit Agreement”). The BTMU Revolving Credit Agreement terminates on August 28, 2015, unless earlier terminated in accordance with its terms. The BTMU Revolving Credit Agreement obligates BTMU to fund advances to LES in accordance with the terms of the BTMU Revolving Credit Agreement in an aggregate amount not to exceed $150,000,000. Such advances, if requested and made, are available solely for the purpose of paying maturing principal of the Commercial Paper Notes. LES' obligation to repay such advances and the interest thereon is subordinate to the payment of the principal of, and interest on, the Outstanding Bonds. As of the date hereof, there are no advances outstanding under the BTMU Revolving Credit Agreement.

Revolving Credit Agreement

LES has also entered into a Revolving Credit Agreement with Wells Fargo Bank, National Association ("Wells") dated as of December 18, 2014 (the "Wells Revolving Credit Agreement"). The Wells Revolving Credit Agreement permits LES to draw up to $50,000,000 on a floating rate basis. The Wells Revolving Credit Agreement terminates, unless extended in accordance with its terms, on December 17, 2017. LES' obligation to repay advances and the interest thereon under the Wells Revolving Credit Agreement is subordinate to the payment of the principal of, and interest on, the Outstanding Bonds as well as LES' Commercial Paper Notes and LES' obligations under the BTMU Revolving Credit Agreement. Pursuant to the Wells Revolving Credit Agreement LES may direct Wells to issue letters of credit securing obligations of LES. LES has directed Wells to issue a letter of credit in the amount of approximately $5,000,000 in connection with LES' obligations to the Southwest Power Pool. As of the date hereof, there are no advances outstanding under the Wells Revolving Credit Agreement.

BOND DEBT SERVICE SCHEDULE

Set forth below is a schedule of the debt service requirements for the six months ending September 1, 2015 and for each full year thereafter (after giving effect to the refunding of the 2007A Bonds and the 2007B Bonds) for the 2003 Bonds, 2007A Bonds, 2007B Bonds, 2012 Bonds, 2013 Bonds and 2015 Bonds. Amounts listed below do not include Commercial Paper Notes.

Period Ending	Series 2015A	Series 2013	Series 2012	Series 2007A	Series 2007B	Series 2003	Aggregate Debt Service
9/1/2015	$ 3,139,458	$ 1,419,946	$16,487,228	$ 868,488	$11,874,875	$1,847,363	$35,637,357
9/1/2016	7,484,800	2,839,893	10,595,656	1,736,975	28,484,750	54,625	51,196,699
9/1/2017	7,484,800	2,839,893	10,595,656	1,736,975	28,484,750	54,625	51,196,699
9/1/2018	7,484,800	2,839,893	10,595,656	1,736,975	28,485,250	54,625	51,197,199
9/1/2019	16,099,800	2,839,893	10,595,656	1,736,975	19,598,250	54,625	50,925,199
9/1/2020	35,699,800	2,839,893	10,595,656	1,736,975	–	54,625	50,926,949
9/1/2021	6,354,050	17,579,893	24,050,656	1,736,975	–	1,204,625	50,926,199
9/1/2022	6,356,050	17,577,893	25,258,106	1,736,975	–	–	50,929,024
9/1/2023	6,361,850	17,574,143	25,255,606	1,736,975	–	–	50,928,574
9/1/2024	6,361,250	17,570,528	25,258,306	1,736,975	–	–	50,927,059
9/1/2025	6,364,450	12,775,128	25,254,556	1,736,975	–	–	46,131,109
9/1/2026	6,363,950	–	25,255,481	1,736,975	–	–	33,356,406
9/1/2027	6,375,450	–	25,256,731	1,736,975	–	–	33,369,156
9/1/2028	6,374,200	–	25,256,531	1,736,975	–	–	33,367,706
9/1/2029	9,885,100	–	21,750,031	1,736,975	–	–	33,372,106
9/1/2030	9,974,800	–	21,680,813	1,736,975	–	–	33,392,588
9/1/2031	10,033,050	–	21,610,969	1,736,975	–	–	33,380,994
9/1/2032	10,096,550	–	21,538,494	1,736,975	–	–	33,372,019
9/1/2033	19,364,300	–	6,928,969	1,736,975	–	–	28,030,244
9/1/2034	23,225,300	–	6,927,575	1,736,975	–	–	31,889,850
9/1/2035	10,266,050	–	6,928,181	8,236,975	–	–	25,431,206
9/1/2036	24,181,050	–	6,925,038	6,092,600	–	–	37,198,688
9/1/2037	1,628,400	–	6,927,644	28,883,800	–	–	37,439,844
9/1/2038	14,668,400	–	–	–	–	–	14,668,400
9/1/2039	14,671,800	–	–	–	–	–	14,671,800
9/1/2040	14,669,200	–	–	–	–	–	14,669,200
Total	$290,968,708	$98,696,991	$391,529,197	$77,084,388	$116,927,875	$3,325,113	$978,532,271

CITY OF LINCOLN

Lincoln, the capital of Nebraska (the "City"), is located in southeastern Nebraska near the center of population of the State. The City is a municipal corporation and a city of the primary class under Nebraska law. It operates under a home rule Charter and has an elected full-time chief executive ("Mayor") and elected legislative body ("City Council"). The City's government has a broad range of responsibilities, including operation and maintenance of electric, water, and sanitary sewer systems. The Charter grants the City power to purchase, construct and otherwise acquire, own, maintain and operate public utility plants, property and facilities within and without the limits of the City. The administration of City government operates under the direction of the Mayor by administrative departments.

The City's general obligation indebtedness carries an "Aaa" rating from Moody's and an "AAA" rating from Standard & Poor's. The 2015 Bonds are not general obligation indebtedness of the City.

The City is authorized under the Constitution and laws of the State and its home rule Charter to issue revenue bonds. The Interim Finance Director is appointed by the Mayor with the approval of the City Council. Among other duties imposed by the City Charter, the Interim Finance Director is responsible for the issuance and sale of bonds, for depositing the proceeds therefrom and for other acts relating to bonds. Selected demographic information with respect to the City and the LES service area is included in Appendix A to this Official Statement.

LINCOLN ELECTRIC SYSTEM

Note: 2014 amounts are based on unaudited financial statements. LES expects the 2014 audit report to be publically available on the Electronic Municipal Market Access (EMMA) web-site on or about March 27, 2015.

Organization

Since 1913, the City has owned and operated at least a partial electric system. In 1966, the City purchased the properties serving the City from Consumers Public Power District and combined them with City property to form Lincoln Electric System. In 1971, following a referendum, the Administrative Board for LES was created. It is responsible for day-to-day administration of the electric system. The City, through the City Council, retains the right to approve rates, the annual budget, debt financing for LES capital requirements, and the Administrator and CEO. Historically, such approvals have been granted by the City Council based on the actions approved and recommended by LES management and the LES Administrative Board.

Service Area

The LES service area includes the corporate area of the City and an area outside the City's corporate limits. The service area covers approximately 200 square miles, of which approximately 91 square miles are within the City limits. Approximately 4% of LES' customers are located outside the City's corporate limits. To the extent that the corporate limits of the City are expanded in the future, Nebraska law provides that the service area of LES may likewise be expanded. The LES service area is totally surrounded by Norris Public Power District. LES and Norris have an agreement providing a mechanism for orderly expansion of the LES service area as the City expands. LES holds an exclusive franchise to serve customers within its service area. Nebraska law contains certain provisions pertaining to the rights of municipalities within the State to acquire the electric distribution systems associated with providing service to residents of the municipality. The City of Waverly, with a population of approximately 3,500, is located within the LES service area and has been served by LES under a franchise agreement since 1986. A renewal agreement with an initial term of ten years, plus an automatic renewal provision calling for continued five year extension until terminated by either party providing notice to the other was put in place November 1, 2006. LES' financial results would not be materially adversely affected by the loss of the Waverly energy sales and revenues.

LES served 133,285 retail customers as of December 31, 2014, of which 87% were residential, 12% were commercial and industrial and the balance, approximately 1%, was governmental and other.

The total number of customers increased 0.4% in 2010, 0.6% in 2011, 1.1% in 2012, 0.9% in 2013 and 1.1% in 2014.

Administration

The LES Administrative Board consists of nine members who are appointed by the Mayor of Lincoln and confirmed by the Lincoln City Council. Each Board member is eligible for three successive terms of three years each and must be a ratepayer of LES. The present members and their occupations are:

Member	Term Expires December	Occupation
Jerry Hudgins Chair	2015	Professor and Department Chair of Electrical Engineering University of Nebraska–Lincoln
Marilyn McNabb Vice Chair	2015	Retired
Dan Harshman Secretary	2017	Controller Molex
Ann Bleed	2016	President, Ann Bleed and Associates, Inc.
Vicki Huff	2015	Retired
Sarah Peetz	2017	Vice President for Community Outreach, Lincoln Community Foundation
W. Don Nelson	2017	Retired
Elizabeth Raetz	2016	Vice President of Nursing St. Elizabeth Regional Medical Center
Layne Sup	2016	CEO, Binary Net and Infinite Systems

The executive team of LES, their areas of responsibility and their utility related experience are described below.

Administrator & CEO – Kevin G. Wailes has held this position since July 2010. The Administrator & CEO has full authority within approved budgets and policies of LES, as directed by the Administrative Board, to administer, manage, plan and direct the operations of LES. Prior to joining LES, Mr. Wailes served as General Manager of Your Own Utilities, the municipal electric utility serving Tallahassee, Florida. Mr. Wailes joined the City of Tallahassee in May of 1987 as the Assistant Director – Electric Utility, and was named General Manager of the Electric Utility in October of 1995. Prior to joining the City of Tallahassee, Mr. Wailes served as Superintendent of the Lamar Utilities Board, a Colorado municipal electric utility from 1981 to 1987. Mr. Wailes holds a Bachelor of Electrical Engineering from Colorado State University. Among many utility-related positions, he has served on the

Board of Directors and as President of the Colorado Association of Municipal Utilities, Chairman of the Executive Board of the Florida Electric Power Coordinating Group, a member of the Board of Directors of the Florida Reliability Coordinating Council, including two years as Chairman, Chairman of the Southern/Florida Reliability Agreement Executive Council, and a member of the Board of Directors, previously as Secretary Treasurer and as President, of the Florida Municipal Electric Association. Mr. Wailes currently serves as Vice Chair of the Electricity Sub-Sector Coordinating Council, President of the Nebraska Power Association and on the Boards of Directors of the American Public Power Association and the Lincoln Chamber of Commerce.

Vice President and Chief Financial Officer – Laura L. Kapustka has held this position since November 2010. Prior to that, Ms. Kapustka was employed by Omaha Public Power District for over 25 years. Ms. Kapustka has a Bachelor of Science degree in Business Administration and a Masters in Business Administration from the University of Nebraska at Omaha. She also has a risk management designation from the Insurance Institute of America. Ms. Kapustka's responsibilities include: accounting and financial reporting, debt management, financial forecasting, corporate budgeting, risk and insurance management, portfolio management, management oversight of retail rate programs, load forecasting, revenue forecasting, and market research. Ms. Kapustka serves as a board member for the Nebraska Utility Corporation.

Chief Operating Officer – Douglas D. Bantam has held this position since June 2009. Mr. Bantam previously acted as Vice President of Power Supply and previously held positions at LES as Chief Engineer of Generation Engineering, Supervising Engineer and Senior Engineer in Generation Engineering. Prior to that, Mr. Bantam had been employed by Burns and McDonnell Engineering. Mr. Bantam has been employed by LES for 36 years, has a Bachelor of Science in Electrical Engineering from the University of Nebraska-Lincoln and is a Registered Professional Engineer. Mr. Bantam provides management oversight of four operating divisions, which include Power Supply, Energy Delivery, Corporate Services and Customer Services. He also serves as a board member for the Nebraska Utility Corporation and Administrator of the District Energy Corporation.

Vice President and General Counsel - Shelley R. Sahling-Zart has held this position since August 2011. Prior to her current position, she acted as vice president and assistant counsel. Ms. Sahling-Zart has been employed by LES for 26 years, holds a Bachelor of Arts degree in Political Science from Doane College and Juris Doctorate from the University of Nebraska-Lincoln College of Law. She is a member of the American Bar Association and Nebraska State Bar Association. Ms. Sahling-Zart previously served two terms on the Board of Directors for the American Public Power Association. She is also serving a second three-year term on the federal Surface Transportation Board's Rail-Shipper Transportation Advisory Council. Ms. Sahling-Zart is responsible for legal affairs, government relations, strategic planning, customer and corporate communications and records, and corporate policy analysis.

Vice President and Chief Technology Officer – Paul A. Crist has held this position since May 2013. Prior to that, Mr. Crist was Substation Director/Manager, Manager of Communication and Protection Design, System Control Supervisor, System Protection Supervisor, and System Protection Engineer. He has worked for LES since April 1990. Mr. Crist holds a Bachelor of Science Degree in Electrical Engineering and a Masters of Business Administration from the University of Nebraska-Lincoln. He is also a Registered Professional Electrical Engineer in Nebraska. He has been active in the University of Nebraska Electrical Engineering External Advisory Board and has represented the American Public Power Association on the development of the electricity subsector cyber security Risk Management Process guideline in collaboration with the Department of Energy, the National Institute of Standards and Technology and the North American Electric Reliability Corporation ("NERC"). He is currently an acting chairperson of the NERC Critical Infrastructure Protection Committee Compliance and Enforcement Input Working Group. His duties include the oversight of all operational and enterprise technology systems at LES. Mr. Crist's responsibilities include the systems that operate and monitor the Bulk Electric System, Cyber Security, the Enterprise Resource Planning System, and the Geographic Information Systems.

Vice President of Customer Services – Lisa R. Hale has been Vice President of Customer Services since October 2012. Prior to that, she was employed at Metropolitan Utilities District in Omaha, Nebraska for 23 years. Ms. Hale has a Bachelor of Science degree in Business Administration and a Masters in Business Administration from Creighton University. Her duties include managing customer relationships, customer billing and payment, collection of delinquent accounts, maintaining metering infrastructure, as well as the Sustainable Energy Program and other energy efficiency programs.

Vice President of Corporate Services – Patricia A. Owen has held this position since August 2014. Prior to her current position, Ms. Owen was employed by the Mayor of the City of Lincoln, Nebraska as Deputy Chief of Staff overseeing Public Works and Utilities, Human Resources, Lincoln-Lancaster County Health Department, Planning, Lincoln Fire & Rescue, Lincoln Police/911 Emergency Services, Building and Safety and Aging Services. Ms. Owen holds a Master's degree in Public Administration from the University of Nebraska-Omaha and a Bachelor of Arts degree in Organizational Management from Concordia University. Ms. Owen's responsibilities include oversight of corporate facilities, procurement, human resources, training, wellness, safety, physical security and transportation.

Vice President of Power Supply – Jason L. Fortik has held this position since September 2011. Mr. Fortik has worked at LES since May 1995, most recently serving as Manager of Resource and Transmission Planning in the Power Supply Division. He also has held several engineering positions in both the Power Supply and Energy Delivery Divisions at LES. Mr. Fortik earned a Bachelor of Science degree in electrical engineering from the University of Nebraska-Lincoln and is a Registered Professional Engineer. He also holds a Master's degree in Business Administration from the University of Nebraska-Lincoln, a Bachelor of Technology degree in industrial supervision from Peru State College, and an Associate of Applied Science degree in electrical technology from Southeast Community College. His duties include oversight of generating resource planning, transmission planning and the related Southwest Power Pool interactions, energy marketing functions, natural gas procurement, environmental compliance, generation operations and maintenance, and generation projects engineering.

Vice President of Energy Delivery - Danny L. Pudenz has been Vice President of Energy Delivery since May 2008 and previously held positions at LES as Vice President of Engineering Services and Manager of Operations. Mr. Pudenz has been employed at LES for 37 years, has a Bachelor of Science in Civil Engineering from Iowa State University and is a Registered Professional Engineer. His duties include oversight of planning, budgeting, design, construction, operations, property management and maintenance of the transmission, substation and distribution systems.

Employee Relations and Benefit Programs

LES has approximately 500 employees. It maintains competitive compensation and fringe benefit programs and supports continuing education and training. The overall turnover rate for the past three years has been approximately 6.1% annually. Approximately 152 employees in the trades and crafts, meter reading, and credit representatives' categories are represented by local bargaining units of the International Brotherhood of Electrical Workers (IBEW) Local 1536. LES' existing one-year contract with the trades and crafts and credit representative union employees expired December 31, 2014. LES and the IBEW have reached a three-year agreement which has been approved by IBEW management and was approved by the LES Administrative Board on February 20, 2015. The contract with the meter reader unit will expire April 30, 2016.

LES has a defined contribution retirement plan covering all employees upon hire. The total retirement contribution, including the employee contribution but net of employee forfeitures, was $6,281,200 and $6,394,546 for the years ended December 31, 2013 and 2014, respectively. LES' contribution is equal to 200% of the employees' contributions up to 5% of compensation for employees hired at LES prior to January 1, 2011. The contributory rate for employees hired after that date is equal to 100% of the employee contribution, up to 10%. Vesting of LES contributions is a stepped vesting schedule, with employees being fully vested after three years. Employee forfeitures are used to reduce employer contributions. Vested benefits are fully funded.

LES has no post retirement benefit program liability.

Payments in Lieu of Taxes

The City Charter requires that 5% of the total gross revenues received from the sale of electricity within the City's corporate limits and any incorporated city or village within which LES sells electricity at retail shall be paid annually in-lieu-of taxes and divided among the City and certain other local political subdivisions of the State. The amount of any such annual payment is reduced to the extent of other payments in-lieu-of taxes required to be made by LES with respect to its property or operations. Upon the adoption of a charter amendment in 1996, payments in lieu of tax are made after debt service on all current and future series of Bonds issued pursuant to the Ordinance.

Pursuant to a Waverly Franchise Agreement ("Franchise Agreement"), LES pays to the City of Waverly 5% of the total gross revenues received from the sale of electricity within the City of Waverly corporate limits. The current Franchise Agreement was effective November 1, 2006 with a term of ten years. After the initial term, the Franchise Agreement shall automatically be renewed for five-year terms unless notice is given by either party at least 18 months in advance of the expiration of the initial term or any subsequent term.

In 2014, $12.4 million of LES' revenues were accrued pursuant to this provision of the City Charter and the Franchise Agreement, a 2.1% increase from 2013 resulting from higher retail sales and rate increases. Of this 2014 amount the City will receive 16.9%, Lancaster County will receive 15.0%, Lincoln Public School District will receive 65.7% and the City of Waverly will receive 2.6%. The estimated amount for 2015 is $12.7 million. Over the past 48 years, including the described 2014 payments that will be made in April 2015, LES has paid $247.9 million in lieu of taxes.

City Dividend for Utility Ownership

Effective September 1, 2011, LES began collecting a City Dividend for Utility Ownership (the "CDFUO") from its customers. The CDFUO is a payment to the City for its ownership of LES. The CDFUO is required by an ordinance that was approved by the Council (the "Dividend Ordinance"). LES is required to make a CDFUO payment to the City equivalent to 2.4 percent of its Total Net Position (equity). The Dividend Ordinance also requires that when the annual CDFUO payment equals or exceeds $7 million, the amount of the annual CDFUO payment will instead increase in total by 2 percent or the Consumer Price Index, whichever is greater. The CDFUO is listed on LES electric bills as a separate item. In 2014, $6.9 million of LES' revenues were accrued for payment to the City pursuant to the Dividend Ordinance. The estimated amount for 2015 is $7.1 million.

The Dividend Ordinance was a joint effort of the Mayor's office, the City Attorney and LES, as a result of discussions on how the City could receive a more appropriate return on investment for its ownership of LES. After assessing what the City receives from its ownership, and what other cities receive from their electric utility, LES suggested the CDFUO as a contribution to the City, given the advantages municipal ownership provides to customers. Such an approach provides a predictable utility cost.

Nebraska Power Review Board

The Nebraska Power Review Board ("NPRB") was created in 1963 and consists of five members appointed by the Governor, subject to approval by the Legislature. The duties and jurisdiction of the NPRB are limited to those matters specifically granted by State statute including jurisdiction over the retail service areas of the electric utilities in the State. The NPRB does not have authority over retail electric rates in Nebraska. Retail rates are set by each local utility governing body.

Nebraska law provides that, under certain circumstances, the NPRB may render advisory opinions concerning wholesale rate disputes which are not binding on the parties. The statutes further provide that, with certain exceptions, before any electric generation facilities or any transmission lines or related facilities carrying more than 700 volts are constructed by any supplier of electricity, approval of the NPRB must be obtained.

Nebraska law also provides for the filing with the NPRB by the Nebraska Power Association (which represents Nebraska utilities) of certain information, including a coordinated long-range power supply report, a twenty-year annual load and capability report, and a research and conservation report.

Insurance

LES maintains an insurance program designed to furnish protection against losses having a material adverse effect on its financial position or operational capabilities. LES continually reviews its risks of loss and modifies the insurance program as warranted. Types of insurance LES maintains include fiduciary, property, excess liability, crime, public entity, and workers compensation.

Enterprise Risk Management

LES maintains an Enterprise Risk Management ("ERM") program to identify, assess, prioritize and mitigate the adverse effects of enterprise risks. The ERM program receives input from all areas and various levels of the organization, including the LES Administrative Board. A cross-functional Risk Management Committee, which has oversight from the Vice President and Chief Financial Officer, is utilized to discuss and analyze the potential risks that could hinder the achievement of LES' strategic objectives. Risks are evaluated periodically and escalated to the appropriate oversight levels, including the LES Administrative Board, when applicable. An overview of the ERM program is provided to the LES Administrative Board annually.

Energy Risk Management. The nature of LES' business exposes it to a variety of risks, including exposure to volatility in electric energy and fuel prices and uncertainty in load and resource availability. To help manage energy risks, including the risks related to LES' participation in the Southwest Power Pool ("SPP") Integrated Market ("IM"), LES maintains an Energy Risk Management Program. The program establishes guidelines, roles, responsibilities and governance for employees participating in market activities to ensure management of energy market risks in a manner consistent with LES' risk tolerance.

Future LES Facilities. LES signed an agreement February 13, 2015 to purchase a nearly 120-acre parcel of land for a new service center in the southeast part of the City. The LES board ratified the purchase on February 20, 2015, however the purchase is subject to contingencies prior to the expected closing on April 1, 2015. The need for a second location is driven by growth of the customer base and service area, customer response time and travel time to support service in the south and southeast parts of the service area and risk management concerns about having all of LES' equipment and material housed at a single location.

Liquidity

LES employs a probability based model that assists in determining a minimum level of liquidity to be maintained. The model uses a two-step approach to analyze historical financial volatility and identify and quantify business risks. The model identifies a baseline level of liquidity to meet operational needs and a risk-based liquidity level to meet risks identified in LES' ERM program. The sum of the baseline and risk-based liquidity levels determines the minimum total liquidity level. As of the date hereof, the minimum targeted level of liquidity is approximately \$56 million or 74 days' cash on hand. As of the date hereof, LES' total liquidity was approximately \$86 million, not including amounts available through the issuance of Commercial Paper Notes and draws under the Wells Revolving Credit Agreement.

Rate Stabilization Fund

LES maintains a Rate Stabilization Fund (the "RSF") to provide a method of mitigating risks that may occur from unforeseen or one-time events which may have a significant financial impact to LES. It is not the intent to fund routine rate adjustments with funds from the RSF. Deposits and withdrawals of the RSF are subject to approval of the LES Administrative Board based upon recommendations from the LES Administrative Board Finance & Audit Committee. As of the date hereof the fund balance is \$22.5 million. In the first quarter of 2015, this fund was increased by \$5.2 million due to favorable 2014 financial results. The current target for the RSF balance, as identified by LES' liquidity modeling, is \$28.5 million. LES intends to make annual deposits to the RSF to achieve the target balance.

RATES

Note: 2014 amounts are based on unaudited financial statements. LES expects the 2014 audit report to be publically available on the Electronic Municipal Market Access (EMMA) web-site on or about March 27, 2015.

General

The City Council has exclusive jurisdiction for establishing rates for LES' retail customers. In the opinion of the LES General Counsel, no other State or Federal regulatory body has any authority to determine or review the retail rates set by the City Council. There are currently no investor-owned electric utilities serving retail customers in Nebraska. State residents are served exclusively by public power districts, municipally-owned utilities, such as LES, and not-for-profit rural electric cooperatives. The Nebraska Public Service Commission retains only very limited jurisdiction over the operation of electric utilities in the State, with no jurisdiction over electric rates.

The retail electric rates charged by LES are not subject to Federal regulation.

Rate Design

LES' rates are designed by LES staff using cost of service principles and do not include an automatic fuel cost or power cost adjustment. Rates are adopted by the LES Administrative Board after a public hearing and then recommended to the City Council for approval. The City Council has final authority to approve LES' rate adjustments and has always approved such adjustments, albeit with occasional modifications to size. The table set forth below under the sub caption "History of Rate Changes" lists average retail rate changes since 2010; rate changes for individual customer classes have been lower and higher than the average rates.

History of Rate Changes

Over the last five years, LES retail sales have represented 86.9% of LES' operating revenues. The average retail rate changes since 2010 are as follows:

Effective Date	Average % Change
January 1, 2010	2.4
January 1, 2011	2.5[(1)]
January 1, 2012	3.5
January 1, 2013	2.6
January 1, 2014	2.9
January 1, 2015	0.0

[(1)]The City Dividend for Utility Ownership was added September 1, 2011, and is not considered by LES to be part of its rates.

For 2014, LES' average billed retail revenue was $.0797 per kilowatt-hour ("kWh") and for 2015 is budgeted at $.0802 per kWh.

MANAGEMENT DISCUSSION OF OPERATIONS

Note: 2014 amounts are based on unaudited financial statements. LES expects the 2014 audit report to be publically available on the Electronic Municipal Market Access (EMMA) web-site on or about March 27, 2015.

General

LES is a summer peaking utility and experiences varying weather conditions. The peak loads, in megawatts ("MW"), were 767 MW, 786 MW, 783 MW, 758 MW and 742 MW (including losses, but excluding reserve requirements) in 2010, 2011, 2012, 2013, and 2014 respectively. Variability in the summer peak reflects not only weather variation but also the effect of economic conditions on load needs from all customer classes.

Years Ended December 31, 2013 and 2014

Total operating revenues for 2014 were 8.4% greater than 2013. This increase is the netted impact of a 2.9% rate increase effective January 1, 2014 offset by slightly lower retail sales and increased wholesale revenues related to the SPP IM.

Operating expenses for 2014 were 10.2% higher than 2013 primarily due to increased depreciation expense and increased power cost related to the SPP IM.

See "APPENDIX B-1: LES' AUDITOR'S REPORT AND FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012 AND APPENDIX B-2: 2014 UNAUDITED FINANCIAL STATEMENTS" for financial information.

LES MANAGEMENT SERVICES

District Energy Corporation

On December 18, 1989, articles of incorporation creating the District Energy Corporation of Lincoln and Lancaster County, Nebraska ("DEC") were filed with the Nebraska Secretary of State for the purpose of creating a nonprofit corporation to own, operate, maintain and finance district heating and cooling facilities for existing and future buildings of Lancaster County, Nebraska (the "County") and the City. As a result of amendments to Nebraska law, on March 27, 1992, the County and the City entered into an Interlocal Cooperation Agreement (the "DEC Agreement") with respect to DEC and on April 5, 1992, amended and restated articles of incorporation for DEC were filed with the Nebraska Secretary of State. DEC is authorized pursuant to the DEC Agreement and its articles of incorporation to provide for purchasing, leasing, constructing and financing facilities and the acquisition of services in order to furnish energy requirements and related services to the City and the County and to such other persons and entities as the City and the County may be authorized by law to serve. Under the DEC Agreement, LES may appoint at least one member of the DEC Board of Directors. LES has also entered into a Management Agreement with DEC, dated December 15, 1989 (the "DEC Management Agreement"), pursuant to which LES provides operational and financial management services for DEC. The DEC Management Agreement is in effect on a successive five-year term basis until either party gives the other 12 months' notice of termination prior to the end of any five-year term. Either party may terminate the agreement at any time upon 60 days notice after DEC no longer has debt outstanding. LES receives a management fee based on the fully allocated cost of services provided by LES. For the year ended December 31, 2014, LES received $906,000 from DEC as a management fee.

Nebraska Utility Corporation

On May 17, 2001 the City on behalf of LES and the Board of Regents of the University of Nebraska (the "Regents") entered into an Interlocal Cooperation Agreement Establishing the Nebraska Utility Corporation (the "NUCorp Agreement") and on May 21, 2001, articles of incorporation for the Nebraska Utility Corporation ("NUCorp") were filed with the Nebraska Secretary of State. NUCorp was created for the purpose of providing for purchasing, leasing, constructing and financing facilities and acquiring services in order to furnish energy requirements, utility and infrastructure facilities and related energy, utility and infrastructure services to the City and the Regents and to such other persons and entities as the City and the Regents may be authorized by law to undertake. The NUCorp Agreement establishes a five-member Board of Directors, of which LES appoints two and the Regents appoint three. LES has also entered into an Energy Management Agreement with NUCorp, dated May 30, 2001 (the "NUCorp Management Agreement"), pursuant to which LES provides financial support relative to electrical and thermal energy systems on the University of Nebraska-Lincoln campus for NUCorp, and manages the business and financial matters of NUCorp. The NUCorp Management Agreement expires on the later of May 30, 2026 or the date on which all long-term indebtedness of NUCorp has been paid or is deemed to be paid. Thereafter the NUCorp Management Agreement remains in effect on a year-to-year basis until either party gives the other 12 months' notice of termination. LES receives a management fee based on the fully allocated cost of services provided by LES. For the year ended December 31, 2014, LES received $87,000 from NUCorp as a management fee.

POWER SUPPLY

Summary of Resources

LES satisfies its capacity and energy requirements from the following resources:

(a) LES-owned generation facilities comprised of (i) output associated with LES' undivided ownership interest, as a tenant in common, in the Missouri Basin Power Project and its Laramie River Generating Station ("LRS") operated and maintained by Basin Electric Power Cooperative ("Basin"), (ii) generation from four LES-owned combustion turbines located at the Rokeby Generating Station and 8th & J Street, two wind turbines located next to the Terry Bundy Generating Station and a three-unit landfill-gas-to-energy generation facility also located next to the Terry Bundy Generation Station, (iii) a four-unit combined cycle and peaking generating facility located at the Terry Bundy Generating Station, and (iv) output associated with LES' joint ownership interest in the Walter Scott Energy Center Unit #4 ("WSEC #4") operated and maintained by Mid American Energy Corporation ("MEC") (see "LES-Owned Generation");

(b) (i) Purchases from Nebraska Public Power District ("NPPD"), under separate participation contracts, of a portion of the output of the Gerald Gentleman Station, the Sheldon Generating Station and four wind plants (see "Participation Units") and (ii) purchase from MEC of a portion of the output of Walter Scott Energy Center Unit No. 3; and

(c) Other power purchase arrangements include purchases from (i) the United States Department of Energy, Western Area Power Administration ("WAPA"), and (ii) purchases through the Southwest Power Pool.

Accredited resources available during 2014 (net after sales of capacity) totaled 1,039.7 MW, with an additional 30.5 MW of wind resources available. Nameplate generating capacity in 2014 by fuel type was as follows: Coal–42%; Oil and Gas–43%; Renewable–15%.

Discussion regarding impacts from environmental legislation on power supply resources can be found in "FACTORS AFFECTING LES AND THE ELECTRIC UTILITY INDUSTRY."

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LINCOLN ELECTRIC SYSTEM RESOURCES - 2014

Unit Name	Fuel Type	Lead Owner	Commercial Operation Date	Net Capability (MW)	LES Share (%)	LES Share (MW)[1]
Owned Units						
Laramie River[2]	Coal	Basin	1982	1,710.0	10.5	179.0
Walter Scott[3]	Coal	MEC	2007	817.3	12.7	103.4
J Street Combustion Turbine	Gas/Oil	LES	1972	29.0	100.0	29.0
Terry Bundy 1 (Steam Unit)[4]	Gas/Oil	LES	2004	28.0	100.0	28.0
Terry Bundy 2 (Combustion Turbine)[4]	Gas/Oil	LES	2003	47.0	100.0	47.0
Terry Bundy 3 (Combustion Turbine)[4]	Gas/Oil	LES	2003	47.0	100.0	47.0
Terry Bundy 4 (Combustion Turbine)	Gas/Oil	LES	2003	47.0	100.0	47.0
Terry Bundy “Black Start” Diesel	Oil	LES	2004	1.6	100.0	1.6
Rokeby 1 (Combustion Turbine)	Gas/Oil	LES	1975	72.0	100.0	72.0
Rokeby 2 (Combustion Turbine)	Gas/Oil	LES	1996	89.0	100.0	89.0
Rokeby 3 (Combustion Turbine)	Gas/Oil	LES	2001	94.0	100.0	94.0
Rokeby “Black Start” Diesel	Oil	LES	1997	3.0	100.0	3.0
Local Wind Turbines 1 & 2[5]	Wind	LES	1998/1999	1.3	100.0	1.3
Landfill Gas to Energy Generators	Gas	LES	2014	4.8	100.0	4.8
Participation Units						
Gerald Gentleman	Coal	NPPD	1982	1,365.0	8.0	109.2
Sheldon	Coal	NPPD	1968	215.0	30.0	64.5
Elkhorn Ridge Wind Farm[5]	Wind	NPPD	2009	80.0	7.5	6.0
Laredo Ridge Wind Farm[5]	Wind	NPPD	2011	80.0	12.5	10.0
Broken Bow Wind Farm[5]	Wind	NPPD	2012	80.0	12.5	10.0
Crofton Bluffs Wind Farm[5]	Wind	NPPD	2012	42.0	7.5	3.2
Firm Contracts						
Western Area Power Administration	Hydro	WAPA	1974			128.0
Total						1,077.0

[1]Summer net maximum rating.
[2]LES’ share is listed after the deduction of participation sales.
[3]LES is a 12.66% joint owner of Walter Scott #4 operated by MidAmerican Energy Corporation (MEC). LES has an agreement with MEC whereby MEC will provide 50 MW of Walter Scott #3 in a swap for 50 MW of LES’ share of Walter Scott #4.
[4]Terry Bundy units 1, 2 and 3 are normally operated as a 2-on-1 combined-cycle unit. When operated in combined cycle, the combined output of the three units is 120 MW (2 MW less than the sum of the individual units).
[5]Available for energy production; capacity not accredited with SPP.

Historical Resource Summary

The following table shows historical energy production for 2011 through 2014.

ENERGY (MEGAWATT-HOURS)

	2011	2012	2013	2014*
Owned units				
Laramie River Generating Station	1,370,304	849,201[(1)]	1,308,982	1,247,780
Local Resources	101,284	164,990	97,096	101,141
Walter Scott Energy Center Unit #4	768,020	752,824	702,401	680,386
Landfill Gas to Energy	-	-	1,739	23,358
Participation units				
NPPD – Gerald Gentleman Station	873,909	784,318	850,202	872,950
NPPD – Sheldon Station	456,397	341,023	363,120	396,869
NPPD – Wind	57,573	69,190	115,585	115,585
Firm contracts				
WAPA purchases	254,444	255,881	257,788	257,788
Walter Scott Energy Center Unit #3 purchases	395,871	374,486	358,191	358,191
Wholesale purchases	183,925	643,847[(1)]	310,690	44,769
Net total purchased & generated	4,461,727	4,235,760	4,365,794	4,098,817
Wholesale sales & losses	937,442	704,534	786,521	-
LES system energy	3,524,285	3,531,226	3,579,273	3,523,700

*Certain of the 2014 amounts preliminary. LES expects the 2014 final amounts to be publically available on the Electronic Municipal Market Access (EMMA) web-site on or about March 27, 2015.

[(1)]Reduced generation from LRS in 2012 was the result of a scheduled maintenance outage and outages caused by equipment failure. See "POWER SUPPLY—LES Owned Generation."

The following table shows the historical summer season load responsibility (load plus reserve requirements) and how the responsibility is met with existing resources. Values used are summer net ratings; wind resources are not included in the generating capability totals because they cannot be accredited. As a participant in the SPP IM, LES must provide enough capacity to meet its own load requirements.

LOAD & GENERATING CAPABILITY (MEGAWATTS)

	2011	2012	2013	2014
LES load responsibility	851	849	851	839
Owned units				
Laramie River Generating Station	178	179	179	179
Local Resources	437	437	455	456
Walter Scott Energy Center Unit #4	101	102	102	103
Participation units				
NPPD – Gerald Gentleman Station	109	109	109	109
NPPD – Sheldon Station	68	68	68	65
WAPA purchases	127	127	128	128
Total resource capability	1,020	1,022	1,041	1,040
Surplus or deficit (-)	169	173	190	201

The following sections provide a summary description of each of the above-mentioned resources and related contractual arrangements. For detailed information on applicable environmental regulations see "FACTORS AFFECTING LES AND THE ELECTRIC UTILITY INDUSTRY—Environmental and Other Permits and Approvals."

LES-Owned Generation

Missouri Basin Power Project.

General. LES is one of six participants (the "MBPP Participants") in the Missouri Basin Power Project ("MBPP"). MBPP includes (i) LRS, (ii) the Grayrocks Dam and Reservoir, (iii) certain transmission and transformation facilities, and (iv) rights under a 60-year transmission service contract with NPPD.

Laramie River Generating Station. LRS, located on a 2,400-acre site five miles northeast of Wheatland in Platte County, Wyoming, consists of three generating units, a substation, coal handling and storage facilities, a unit-train loop track, cooling towers, ash handling and disposal facilities and pollution control facilities for sulfur dioxide ("SO_2"), nitrous oxides ("NOx"), and particulate removal. Unit No. 1 commenced commercial operation in 1980, Unit No. 2 in 1981 and Unit No. 3 in 1982.

The MBPP Participants have entered into a participation agreement (as amended to the date hereof, the "MBPP Participation Agreement") which provides for the disposition of the LRS output and use of transmission facilities for service to the MBPP Participants under various conditions of operation, and the payment of costs associated with MBPP. The MBPP Participation Agreement became effective in 1977, and extends for 50 years. The MBPP Participation Agreement provides that the administration, construction, completion, operation and maintenance of MBPP shall be the responsibility of a Management Committee, consisting of one representative of each MBPP Participant, with each representative having one vote.

The percentage entitlements of each of the MBPP Participants with respect to MBPP output are set forth in the following table.

	Entitlement in MBPP
Electric Cooperatives:	
Basin	42.27%
Tri-State	24.13
Public Bodies:	
LES[(1)]	12.76
Western Minnesota	16.47
Heartland	3.00
Wyoming Municipal	1.37
Total	100.00%

[(1)]Includes capacity sold to non-participants Municipal Energy Agency of Nebraska ("MEAN"), approximately 28 MW (1.67%) and the county of Los Alamos, approximately 10 MW (.61%).

The MBPP Participation Agreement provides that certain costs of operation and maintenance directly related to kWh output shall be shared and paid for by the MBPP Participants as a function of net energy generation scheduled and produced for them. Remaining costs are shared and paid for in proportion to the MBPP Participants' respective entitlement shares.

The MBPP Participation Agreement further provides for an Operating Agent to be responsible for the operation and maintenance under the general supervision of the Management Committee, and subject to removal by the Management Committee under certain circumstances. Basin is the Operating Agent.

LES made sales from LRS to non-participants of approximately 1.67% to the MEAN and 0.61% to the Department of Public Utilities, County of Los Alamos, New Mexico. After these sales, LES currently has for its own use approximately 10.48% of MBPP capacity amounting to 179 MW.

Historical operating statistics and energy costs for LRS Units, after the deduction of participation sales, are summarized in the following table.

LES SHARE OF LARAMIE RIVER STATION

	2011	**2012**	**2013**	**2014***
Net Capability (MW)	179	179	179	179
Net Generation (MWh)	1,370,304	849,201(1)	1,308,982	1,247,780
Capacity Factor (%)	87.39	54.16(1)	83.48	79.58
Energy Cost ($)	15,972,942	8,807,659	16,465,701	16,252,996
Energy Rate ($/MWh)	11.65	10.37	12.58	13.03

*Certain of the 2014 amounts preliminary. LES expects the 2014 final amounts be publically available on the Electronic Municipal Market Access (EMMA) web-site on or about March 27, 2015.
(1)Reduced generation is the result of a scheduled maintenance outage and outages caused by equipment failure.

Transmission Facilities. The transmission grid in the United States has been synchronously separated, although physically connected, along a line extending south from Great Falls, Montana, through Stegall, Nebraska, to the Texas-New Mexico border, resulting in an eastern interconnected system and a western interconnected system. Because of this east-west separation, Units No. 2 and 3 of LRS are currently connected to the western interconnected system and Unit No. 1 is currently connected to the eastern interconnected system.

LES is on the east side of the east-west separation and would be affected by a forced or scheduled outage of the single unit (Unit No. 1) of LRS connected to the east side. The MBPP Participation Agreement, however, gives each MBPP Participant certain rights to power and energy produced by the entire facility. Basin, as the Operating Agent, is required to use its best efforts to schedule each MBPP Participant's entitlement share to the extent available. In the event that the east side Unit No. 1 is not available for energy production, LES and the other east side MBPP Participants must replace such energy either from their own resources or purchases from the market. Additional net costs after the first 144 hours of a major forced outage or unit derating are shared by all MBPP Participants.

MBPP transmission lines and a transmission service contract with NPPD are used for delivery of power and energy beyond the LRS switching station to LES and other east side MBPP Participants.

MBPP Transmission Facilities. The transmission facilities constructed and operated as a part of MBPP consist of approximately 742 miles of 345 kV and 230 kV transmission lines and various substation and switching facilities. Basin is the Operating Agent for both the east side and the west side transmission facilities, but has delegated such responsibility for the west side transmission facilities to Tri-State. Although the MBPP transmission facilities are identified as "west side" and "east side" facilities, the cost of all the transmission facilities are shared by the MBPP Participants on an entitlement share basis.

NPPD Transmission Service. Basin entered into a transmission service contract with NPPD on behalf of MBPP dated April 29, 1977, which extends to December 31, 2040, and under which NPPD receives up to 575 MW of LRS power at Sidney, Nebraska, and delivers such power and associated energy, less losses, to LES and certain other MBPP Participants. MBPP has compensated NPPD for this transmission service by a payment of about $54.5 million for the cost of construction of certain designated transmission facilities added to that portion of the NPPD transmission grid designated to operate at 345 kV or higher (the "NPPD Bulk Transmission System"). MBPP also provides monthly payments for MBPP's share of NPPD's renewal and replacement expenditures, operating and maintenance expenses and administration and general expenses attributed to the NPPD Bulk Transmission System. The transmission facilities financed by MBPP are the sole property of NPPD. MBPP's share of such costs is based on a ratio of cost of construction payment by MBPP to the amount of NPPD's investment in utility plant attributable to the NPPD Bulk Transmission System.

Water Supply. The original LRS water requirements are supplied from four sources as follows: (i) water rights in the Boughton Ditch, located about 100 miles upstream from the Grayrocks Dam and Reservoir, (ii) water rights associated with land acquired for LRS that is inundated by waters stored in the Grayrocks Reservoir, (iii) the unused and unappropriated flows of the Laramie River stored in the Grayrocks Reservoir, and (iv) ground water pumped directly to LRS site from wells on property known as the Johnson Ranch, located about two miles northwest of LRS. In previous years under drought conditions, MBPP has also purchased water from other area landowners. These purchased water quantities were delivered directly to LRS, through pipelines laid on the ground, to supplement the normal reservoir quantities. The pipelines and contracts with local landowners remain in place as a contingency, even though Grayrocks Reservoir has been at or over 100% capacity for several months. Minimal water purchases are anticipated for 2015. Grayrocks Dam and Reservoir is the primary water supply for MBPP and is located on the main stem of the Laramie River. The dam was completed in July 1980 with a reservoir storage capacity of approximately 104,000 acre-feet and a surcharge capacity of 42,700 acre-feet. The principal spillway was designed with the capacity to pass the largest flood experienced during the 57 years of record for the Laramie River. Water for cooling is pumped from Grayrocks Reservoir by pipeline to LRS.

Fuel Supply. Coal for LRS is supplied pursuant to a coal purchase contract (the "Coal Purchase Contract") between Basin, as the Operating Agent, and Western Fuels Association, Inc. ("Western Fuels"). Western Fuels is a non-profit Wyoming corporation created by Basin and Tri-State for the purpose of acquiring and developing economical fuel resources for Western Fuels members, consisting of electric cooperative associations and municipal electric systems, as well as other not-for-profit utilities. Western Fuels supplies coal through purchases from other companies and from the Dry Fork Mine, a mine in the Powder River Basin owned and operated by a Western Fuels wholly-owned subsidiary. The MBPP Participants loaned capital construction funds to Western Fuels which Western Fuels in turn loaned to its subsidiary to finance the development of the Dry Fork Mine.

Under the terms of the Coal Purchase Contract, Western Fuels will supply and deliver the total coal requirements of LRS through the year 2034. Western Fuels will either renew current contracts as they expire, or contract for additional coal, or increase production at the Dry Fork Mine, for up to 2.7 million tons to provide all the coal requirements for LRS. Basin, together with the Engineering and Operations and Management Committees has established a coal purchasing program that commits to quantities up to 4 years in advance.

Basin, acting as the Operating Agent, entered into an agreement with Coobus Associates, LLC (a refined coal supplier), to supply a "refined coal" product to LRS. The refined coal is produced by chemically treating the Powder River Basin sub-bituminous coal to produce a fuel stock which reduces air emissions during combustion of the treated coal. Emissions of NOx must be reduced by at least 20% and either SO_2 or mercury emissions must be reduced by at least 40% (compared to emissions produced by the non-treated coal). Basin sells coal to the refined coal supplier and then repurchases the coal with a \$0.50/ton addition for the chemical treatment. The supplier receives a federal tax credit (adjusted annually for inflation) for each ton of refined coal delivered to the plant. The supplier pays Basin for rent and services provided by Basin in connection with supplier's production of refined coal, which is distributed to Basin participants on an annual scheduled energy basis. The estimated net benefit to LES for the refined coal project through 2017 is \$6,230,700. The refined coal supplier pays for installation and all operating costs of the coal treatment equipment, which is installed on the LRS plant site. The supplier will retain ownership of the equipment but Basin has the option of purchasing the treatment facilities (or similar assets) after the eligible federal tax credit period ends in 2021. The contract between the coal refiner and Basin allows for either party to terminate the agreement at any time, which would require the removal of the equipment at the refined coal supplier's cost.

Fuel for LRS is delivered exclusively by the Burlington Northern and Santa Fe railroad ("BNSF"). LRS is considered captive to BNSF transportation. Since initial commercial operation of LRS, coal was delivered under a freight contract that provided predictable and competitive rates to the facility. This contract expired in 2004 and Basin and Western Fuels were unsuccessful in reaching agreement with BNSF to extend the contract. Coal deliveries are now provided under a BNSF freight tariff specifically addressing the LRS service. With the 2004 change from contract to tariff rate structure the freight charges for delivery to LRS were significantly increased. Due to the increased freight cost, MBPP Participants filed a complaint with the U.S. Surface Transportation Board ("STB"). In 2004 Western Fuels, on behalf of the MBPP Participants, also filed a rate case with the STB challenging the reasonableness of the BNSF freight rates after a near doubling of the previous freight rates. In 2009, the STB entered an order that represented the single largest rate relief ever awarded by the STB valued at approximately \$345 million (\$120 million for past freight overcharges and an expectation of present value rate benefits of \$245 million) due to a new STB-ordered tariff that would remain effective through 2024. BNSF appealed the STB decision and the parties have been involved in various legal and regulatory proceedings related to the appeal since 2008. LES is holding its portion of the settlement award in escrow pending conclusion of legal proceedings. The matter is currently on remand to the STB. On January 28, 2015, Western Fuels and the BNSF filed a joint petition with the STB asking the STB to hold the rate proceeding in abeyance due to the fact that the parties have reached a preliminary settlement that calls for dismissal of the case and vacation of the rate prescription ordered by the STB. The agreement is contingent upon the parties' development and execution of a rail transportation contract. LES is precluded from discussing the details of the preliminary settlement agreement at this time.

In 2010, Berkshire Hathaway acquired the BNSF for a total price of approximately \$43 billion. The purchase price included a substantial premium of approximately \$8.1 billion over BNSF's pre-acquisition book value (using the STB's regulatory costing methodology). In 2011, the Western Coal Traffic League filed a petition with the STB to preclude BNSF from passing the acquisition premium to shippers. In 2013 the STB issued an order which resulted in LRS participants being held harmless from the impact of the acquisition premium and entitled them to a refund of premium amounts that had been included in rates to date. LES' portion of the refund is in escrow pending conclusion of legal proceedings.

Walter Scott Energy Center Unit #4 ("WSEC #4").

General. The WSEC #4 project consists of a fourth unit constructed at MidAmerican Energy Company's ("MEC") Walter Scott Energy Center on the Missouri River south of Council Bluffs, Iowa. This 805 MW coal-fired unit utilizes high efficiency supercritical boiler technology and state of the art emission control facilities. MEC is the plant's Operating Agent for the fourteen joint owner utilities.

The following is a list of the WSEC #4 participants ("WSEC #4 Participants") with their percentage entitlements:

Participant	**Percentage**	**Share of Capacity (MW)**
MidAmerican Energy Company	59.66%	480
Lincoln Electric System	12.66%	102
Central Iowa Power Cooperative	9.55%	77
Municipal Energy Agency of Nebraska	6.92%	56
Corn Belt Power Cooperative	5.60%	45
City of Cedar Falls, Iowa	2.14%	17
City of Spencer, Iowa	1.14%	9
City of Eldridge, Iowa	0.56%	5
City of New Hampton, Iowa	0.53%	4
City of Montezuma, Iowa	0.42%	3
City of Waverly, Iowa	0.40%	3
City of Alta, Iowa	0.14%	1
City of Sumner, Iowa	0.14%	1
City of West Bend, Iowa	0.14%	1

Historical operating statistics and energy costs for LES' share of WSEC #4 are summarized in the following table. In 2014 a major scheduled outage reduced Net Generation. In addition, Net Generation has declined since 2011 due to the addition of regional wind resources, which resulted in lower dispatch levels for WSEC#4.

LES' SHARE OF WALTER SCOTT ENERGY STATION #4

	2011	2012	2013	2014*
Net Capability (MW)	101	102	102	103
Net Generation (MWh)	768,020	752,824	702,401	680,386
Capacity Factor (%)	86.81	84.25	78.61	75.40
Energy Cost ($)	9,349,744	9,460,837	10,145,894	10,287,464
Energy Rate ($/MWh)	12.17	12.57	14.44	15.12

*Certain of the 2014 amounts preliminary. LES expects the 2014 final amounts to be publically available on the Electronic Municipal Market Access (EMMA) web-site on or about March 27, 2015.

Transmission Facilities. As part of the WSEC #4 construction budget, a 124-mile 345 kV transmission line was constructed from the Walter Scott plant site to a substation in the Des Moines area. The WSEC #4 Participants also paid to construct a 10-mile 161 kV line across the Missouri River along with required substation upgrades, to interconnect with Omaha Public Power District's ("OPPD") transmission system. Upgrades at NPPD's Cooper Nuclear Station 345 kV substation, completed as part of WSEC #4, increased the Missouri-Iowa-Nebraska Transmission ("MINT") Project line capacity by an additional 195 MW (see discussion in Transmission, Distribution and Interconnection).

Water Supply. Unlike other generating units on the site which use the Missouri River for their water supply, WSEC #4 utilizes ground water for its primary source of plant water. Six high capacity wells have been drilled on MEC property surrounding the plant. Five of the wells can supply WSEC #4 peak load conditions with the sixth well providing emergency capacity. WSEC #4 utilizes a cooling tower, as opposed to using river water, as its primary cooling system, further reducing water consumption.

Fuel Supply. The WSEC #4 site can be served by dual rail carriers (BNSF and Union Pacific Railroad Company ("UP")). WSEC #4, along with the other coal-fired generating stations operated by MEC, is fueled by low-sulfur western coal from the Powder River Basin. MEC's coal supply portfolio includes multiple suppliers and mines under short-term and multi-year agreements of varying quantities. MEC's coal supply portfolio has nearly 100 percent of its 2015 requirements under fixed-price contracts. MEC regularly monitors the western coal market, looking for opportunities to enhance its coal supply portfolio.

Local Resources.

General. LES owns five simple cycle combustion turbines, which are referred to as the J Street Station, the Rokeby Station Unit 1, Unit 2 and Unit 3 and Terry Bundy Generating Station Unit 4. Terry Bundy Generating Station also includes a 2 on 1 (2 combustion turbines and 1 steam unit) combined cycle unit where the two combustion turbines can also be operated in simple-cycle. Additionally LES owns two wind turbines, referred to as the Salt Valley Wind Plant Unit 1 and Unit 2 and a three unit landfill-gas-to-energy generation facility located at the Terry Bundy Generating Station site. Although the local resources will provide approximately 43% of LES' nameplate generating resource capacity, it is anticipated that they will be used primarily for peaking or intermediate service and only provide approximately 3.4% of LES' energy requirements in 2015. The historical operation of LES' local generation resources is shown in the following table.

LES LOCAL RESOURCES

	2011	**2012**	**2013**	**2014***
Net Capability (MW)	437	437	457	457
Net Generation (MWh)	101,284	164,990	98,835	124,499
Capacity Factor (%)	2.65	4.31	2.47	3.11
Energy Cost ($)	4,888,898	5,637,306	4,376,316	6,547,640
Energy Rate ($/MWh)	48.27	36.17	44.28	52.59

*Certain of the 2014 amounts preliminary. LES expects the 2014 final amounts to be publically available on the Electronic Municipal Market Access (EMMA) web-site on or about March 27, 2015.

J Street Generating Station ("J Street"). J Street is located at 725 J Street close to the downtown area of the City and has one Westinghouse 251B simple cycle combustion turbine. The site also is equipped with a small auxiliary diesel generator to maintain unit availability in the event of a loss of system power. A maintenance building that includes shop and office space is located adjacent to the turbine compound. The unit has a generating capacity of 29 MW and entered commercial operation in 1972.

Rokeby Generating Station ("Rokeby"). Rokeby is located at 8000 SW 12th Street and the site includes two ABB/Alstom Frame 11N simple cycle combustion turbines and a General Electric Frame 7B unit. All Rokeby turbine generators have been equipped with the required inlet structure to allow for inlet air cooling to significantly increase the summer capacity. The Rokeby site also includes the LES Back-Up Control Center and Turbine Operations Building, and a 3 MW Black Start generator. The Rokeby facilities provide the operations and maintenance support for the Rokeby, J Street and Salt Valley Wind Plant generating sites. The Back-Up Control Center in the lower level of the operation structure at Rokeby is equipped to support system emergency operations in the event of a loss of the primary control center located at the Walter A. Canney Service Center. Rokeby utilizes groundwater resources for various plant processes such as cooling tower make-up, fire suppression, service water, water injection to the combustion turbines and other plant processes. The use of groundwater can require treatment such as chemical additives and/or the utilization of the site's membrane Reverse Osmosis de-ionization system. The ABB/Alstom turbines have generating capacities of 86 MW and 89 MW and entered commercial operation in 1996 and 2001, respectively. The General Electric turbine has a generating capacity of 72 MW and entered commercial operation in 1975.

Terry Bundy Generating Station ("TBGS"). TBGS was constructed in 2003 as a combination of combustion turbines and a steam turbine generator. Combining these two cycles provides a significantly higher efficiency when compared to LES' other simple cycle turbines. The site is located in the northeast quadrant of LES' service territory, and has ready access to fuel, water and transmission resources. Because the area surrounding the City has insufficient ground or surface water to support the operation requirements of TBGS, the plant uses up to 3,000 gpm of treated effluent from the City's Northeast Waste Water Treatment Plant ("Treatment Plant") located two miles south of the plant. The effluent source water provides for TBGS functions such as cooling tower make up, boiler make up in the steam cycle, fire suppression, service water, water injection to the combustion turbines for emissions control and other plant processes. After cycling through the TBGS plant processes, the wastewater generated is collected in an onsite 11 million gallon holding pond and pumped back to the Treatment Plant for treatment. The final commercial operation date for all units on the site was August 1, 2004. TBGS provides LES with approximately 167 MW of generating capacity.

LES constructed the TBGS site to provide infrastructure such as fuel delivery capability and water and transmission for an ultimate site capacity of approximately 600 MW. This strategy will allow LES to stage the installation of additional generating resources coincident with customer load growth.

Landfill-Gas-to-Energy ("LFGE"). In January 2014 LES began commercial operation of a 3 unit, 4.8 MW landfill gas based generating facility located at TBGS. The system is sourced from the Lincoln Landfill via a 2.5-mile underground pipeline.

Salt Valley Wind Plant ("Wind Turbines"). The Wind Turbines are located at 9700 North 70th Street just north of Interstate 80 on the east edge of the City. Both Wind Turbines are Vestas model V47s rated at 660kw each. Vestas is currently under contract to provide all major maintenance and 24-hour alarm monitoring services for the site. The plant has a combined generating capacity of 1.3 MW with unit one entering commercial operation in 1998 and unit two in 1999.

Fuel Supply. J Street, Rokeby and TBGS utilize natural gas with #2 fuel oil as a backup. For J Street, natural gas is delivered through the local gas distribution piping to a gas compression plant located on the site. Fuel oil is delivered by truck from the Rokeby tank to J Street if gas is not available or if fuel oil is less expensive for the operation of that unit. J Street currently has approximately 130,000 gallons of fuel oil in storage at this location with capacity for 215,000 gallons. At Rokeby, natural gas is delivered from an interstate pipeline to the site through two high pressure lines constructed specifically for the Rokeby site. Provisions are in place to perform online switching to fuel oil. The Rokeby fuel oil is supplied from a pipeline operated by Magellan Pipeline and stored in a 2 million gallon oil tank at Rokeby. LES currently has approximately 800,000 gallons of fuel oil in storage at Rokeby. The natural gas for TBGS is delivered from an interstate pipeline to the generating site through an LES-owned 6 mile high- pressure gas pipeline. LES has established contracts with the interstate pipeline operator for long-term firm transportation and interruptible transportation for both generating sites. TBGS has 2 million gallons of fuel oil storage tank capacity on site. Fuel oil must be hauled to the TBGS site.

Participation Units

LES purchases power and energy from NPPD pursuant to two Participation Power Sales Agreements (each, a "Participation Agreement"). Through the Participation Agreements LES may be required to pay costs associated with compliance with environmental regulations. Federal, state and local standards and procedures which regulate the environmental impact of electric utilities are subject to change. These changes may arise from continuing legislative, regulatory, and judicial action regarding such standards and procedures. Consequently, there is no assurance that the facilities related to the Participation Agreements will remain subject to the regulations currently in effect, will always be in compliance with future regulations, that LES or NPPD can anticipate the outcome of current regulatory and legislative process, or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in additional expenditures to comply, reduced operating levels or the complete shutdown of individual units not in compliance. See "FACTORS

AFFECTING LES AND THE ELECTRIC UTILITY INDUSTRY" for factors generally affecting coal-fired generation plants such as Gentleman Station and Sheldon Station.

Gerald Gentleman Station Participation Power Sales Agreement. NPPD owns and operates its Gerald Gentleman Station ("Gentleman Station"), a two-unit coal fired generation facility located 22 miles west of North Platte, Nebraska, having an aggregate accredited capability of generating 1,365 MW. The Gentleman Station Unit No. 1 began commercial operation in April 1979 and Unit No. 2 began commercial operation in January 1982. Pursuant to the Gentleman Station Participation Agreement between NPPD and LES (as amended to the date hereof, the "Gentleman Participation Agreement"), LES is entitled to 8% (approximately 109 MW) of the power and energy generated by Gentleman Station. The Gentleman Participation Agreement terminates on the later of (i) the last maturity of the debt attributable to Gentleman Station, or (ii) the date on which NPPD retires Gentleman Station from commercial operation. LES will be responsible for decommissioning costs based on its 8% participation share.

Pursuant to the Gentleman Participation Agreement, LES pays, on a take-or-pay basis, 8% of the total costs associated with NPPD's ownership, operation and maintenance of the Gentleman Station (including capital improvements, financing costs and related reserves, and taxes or payments-in-lieu thereof). LES additionally pays a portion of the cost of fuel based on the ratio of the power scheduled by LES in any given month to the amount of power actually generated by the station in such month. The historical operation of the LES share of Gentleman Station is summarized in the following table.

LES SHARE OF GERALD GENTLEMAN STATION

	2011	**2012**	**2013**	**2014***
Net Capability (MW)	109	109	109	109
Net Generation (MWh)	873,909	784,318	850,202	872,950
Capacity Factor (%)	91.52	82.14	89.04	91.42
Energy Cost ($)	9,252,141	9,962,344	11,220,554	12,096,088
Energy Rate ($/MWh)	10.59	12.70	13.20	13.86

*Certain of the 2014 amounts preliminary. LES expects the 2014 final amounts to be publically available on the Electronic Municipal Market Access (EMMA) web-site on or about March 27, 2015.

Sheldon Station Participation Power Sales Agreement. NPPD owns and operates its Sheldon Station ("Sheldon Station"), a two-unit coal fired generation facility located 22 miles southwest of the City, having an aggregate accredited capability of generating 215 MW. Pursuant to the Sheldon Station Participation Agreement between NPPD and LES (as amended to the date hereof, the "Sheldon Participation Agreement"), LES is entitled to 30% (approximately 65 MW) of the power and energy generated by Sheldon Station. The Sheldon Participation Agreement terminates on the later of (i) the last maturity of the debt attributable to Sheldon Station, or (ii) the date on which NPPD retires Sheldon Station from commercial operation.

Pursuant to the Sheldon Participation Agreement, LES pays, on a take-or-pay basis, 30% of the total costs associated with NPPD's ownership, operation and maintenance of the Sheldon Station (including capital improvements, financing costs and related reserves, and taxes or payments-in-lieu thereof). LES additionally pays a portion of the cost of fuel based on the ratio of the power scheduled by

LES in any given month, to the amount of power actually generated by the station in such month. The historical operation of the LES share of Sheldon Station is summarized in the following table.

LES SHARE OF SHELDON STATION

	2011	**2012**	**2013**	**2014***
Net Capability (MW)	68	68	68	64.5
Net Generation (MWh)	456,397	341,023	363,120	396,869
Capacity Factor (%)	76.62	57.25	60.96	70.24
Energy Cost ($)	7,212,845	6,746,584	7,721,746	8,539,345
Energy Rate ($/MWh)	15.80	19.78	21.26	21.52

*Certain of the 2014 amounts preliminary. LES expects the 2014 final amounts to be publically available on the Electronic Municipal Market Access (EMMA) web-site on or about March 27, 2015.

Other Power Purchase Arrangements

Western Area Power Administration. LES has an allocation from the United States Department of Energy, through WAPA, of firm power under contract from Upper Missouri Basin hydroelectric plants of approximately 56 MW. LES has also received an allocation of 72 MW of firm peaking power from WAPA for the six month summer season and 22 MW for the remaining months. The firm peaking energy can be taken either by LES' projected daily load being within 72 MW of a summer system peak (22 MW during the winter season), or scheduled up to 8% seasonal load factor. The energy which LES receives associated with the firm peaking power is paid to WAPA at the firm power energy rate. Payments for WAPA power are at the standard WAPA wholesale rates. The average energy rate of WAPA power in 2014 was $17.04/MWh. The WAPA contract expires December 31, 2020.

Wind Plant Participation. LES currently participates in four wind plants; Laredo Ridge (10 MW), Broken Bow (10 MW), Elkhorn Ridge (6 MW) and Crofton Bluffs (3 MW), through Power Sales Agreements ("PSA") with NPPD. NPPD has a Power Purchase Agreement ("PPA") with the wind plant developer/owners. LES only pays for energy received.

Transmission, Distribution and Interconnections

LES owns a network of transmission lines which interconnect its generating plants to transmission lines of adjacent utilities and to various transmission and distribution substations serving the loads of LES. The LES transmission lines are physically interconnected with the transmission systems of OPPD and NPPD.

A summary of the LES transmission lines is as follows:

Circuit Voltage	Circuit Miles
345 kV	75
161 kV	12
115 kV	178

LES owns two 345-115 kV substations, a 345 kV switching station, a 161-115 kV substation and 44 substations which reduce transmission voltage to distribution voltage. The distribution system is operated at two primary voltage levels, 12.5 kV and 35 kV. The system includes approximately 1,969 miles of primary distribution lines that interconnect the distribution substations to the lower voltage transformers.

New distribution systems for developments, subdivisions, shopping centers and apartment complexes are generally served by underground 12.5 kV facilities. In the interest of upgrading electric service to some of the older parts of the City, a portion of the older overhead distribution system has been replaced with underground lines. In addition, LES plans to continue converting a portion of its existing overhead system to underground facilities each year. As of December 31, 2014, approximately 70% of LES' customers were served by underground facilities.

LES is also one of six participants in the MINT Project which consists of 105 miles of 345 KV transmission extending from the substation at NPPD's Cooper Nuclear Station to Fairport, Missouri and then to St. Joseph, Missouri. LES exchanged 50% of its rights in the MINT Project to NPPD for rights across NPPD's system to gain access to the line.

Regional Energy Markets

On April 1, 2009, LES joined the SPP Regional Transmission Organization ("RTO"). This action was approved by the LES Administrative Board. At that time, LES withdrew its membership from the Mid-Continent Area Power Pool ("MAPP") as all necessary services would be supplied by SPP.

In March 2014, SPP launched the IM to replace the Energy Imbalance Service ("EIS") market that SPP had operated since 2007. The IM revamps the EIS market by creating a day-ahead market along with a real-time energy and operating reserve market. To reduce energy and transaction costs, the new marketplace consolidated 16 balancing authorities into a single SPP-operated balancing authority. The IM also utilizes locational-marginal pricing and includes virtual transactions. In addition, the IM exchanges physical transmission rights for delivery of energy to financial rights. SPP participants are compensated for differences in load costs and generation revenue that would have been delivered physically in the previously existing market.

The IM allows generators to submit offers to sell energy and operating reserves, and load serving entities to submit bids to purchase energy. After the day-ahead submissions, SPP clears the offers and bids via security-constrained unit commitment and security-constrained economic dispatch algorithms. The end product is a financially binding schedule that matches sale offers with demand bids and satisfies operating reserve requirements.

An additional feature of the IM is its incorporation of auction revenue rights ("ARR") and the related transmission congestion rights ("TCR") auction. ARRs are awarded to market participants based on firm transmission rights on the SPP grid. ARR holders can choose to retain their rights and receive a share of the revenue generated in the TCR auction, or ARR holders can convert their ARRs to TCRs. TCRs are tradable and TCR holders are entitled to revenue streams or charges based on the cost of congestion in the hourly day-ahead market associated with the TCRs.

LES' transition into the IM has been successful. LES continues to work with SPP members, through its representation on several SPP committees and working groups, including the Strategic Planning Committee, Finance Committee, Corporate Governance Committee, Market and Operations Policy Committee, Transmission Working Group, Market Working Group and others, to identify ways to improve market operations and overall organizational effectiveness. LES has not experienced any significant financial impacts due to the transition to the IM.

Regional Reliability

The Energy Policy Act of 2005 ("EPAct 2005") authorized the creation of a self-regulated Electric Reliability Organization ("ERO") that spans North America, with Federal Energy Regulatory Commission ("FERC") oversight in the United States. The legislation makes compliance with North American Electric Reliability Corporation ("NERC") and regional reliability standards mandatory and enforceable; previously compliance with standards was voluntary in the United States.

NERC was certified as the ERO by FERC on July 24, 2006. NERC's mission is to ensure the reliability of the bulk power system in North America. To achieve that goal, NERC will develop and enforce reliability standards; monitor the bulk power system; perform reliability and adequacy assessments; investigate and perform event analysis; operate the industry's Electricity Sector Information Sharing and Analysis Center; and educate and train industry personnel. LES is represented on the NERC Operating Committee, the NERC Operating Committee Executive Committee, the NERC Critical Infrastructure Protection Committee, the NERC Continuing Education Review Panel and the NERC FAC-003 Standards Drafting Team. LES will continue to actively participate in the development and implementation of NERC operating and reliability standards.

The Midwest Reliability Organization ("MRO") serves as the Regional Entity ("RE") under EPAct 2005 with authority from the ERO to serve as the entity responsible for ensuring the reliability and security of the bulk power system in the upper Midwest portion of North America.

Under the EPAct 2005, the RE's are dedicated to preserving and enhancing the electric service reliability in a given region and other interconnected adjoining regions. While NERC sets minimum reliability standards, the RE's are permitted to propose regional standards to accommodate technical differences in the regional grid. RE activities include monitoring and enforcing compliance with standards for all operators and planners within the region; enforcement and sanctioning members and operators for violations of standards; providing education and training to its members and stakeholders; assessing generation adequacy and performance; and collecting and reporting information relevant and required for regional reliability. The MRO is an association of more than 50 electric utilities and other electric industry participants serving the following states and provinces: Minnesota, Iowa, Nebraska, North Dakota, Saskatchewan and Manitoba and portions of Wisconsin, Montana, and South Dakota. The RE acts on behalf of consumers and end-users as the reliability compliance and enforcement arm of the ERO.

LES has taken a multi-level approach in order to stay involved in ongoing reliability issues. LES is a member of the MRO NERC Standards Review Forum, a forum that reviews the NERC standards under development and provides their comments and recommendations to NERC. LES also has representatives serving on the following MRO committees: MRO Planning Committee, MRO Operating

Committee, Resource Adequacy Subcommittee and the MRO Model Building Committee (as subcommittee chairman).

Future Power Supply

General. As part of a continual planning process, LES reviews its load and resources and participates in statewide and regional planning efforts to determine the most economical way to meet the needs of its customers. LES utilizes an integrated resource planning methodology to evaluate demand side management ("DSM"), purchases and construction alternatives. LES is expecting to meet its future resource needs with a mix of alternatives which may include DSM, purchases from market participants, additional local generation, participation in regional renewable energy projects, and potentially the participation in a regional base load resource. Based on current projections for resource needs, LES anticipates that additional base load resources will not be needed until 2030.

> *Sustainability Efforts*. LES' Administrative Board has adopted a five-year sustainability target ("Target") which seeks to meet LES' projected demand growth with renewable generation and demand-side management programs. LES' Sustainable Energy Program ("SEP") provides support to the Target. SEP is an energy-efficiency program which offers LES customers incentives to reduce peak summer demand. Also supporting the Target is LES' demand-side management efforts which include a field study of residential customers being completed in conjunction with the Electric Power Research Institute ("EPRI") in which study participants will authorize LES to cycle their cooling system during summer weekdays. Both SEP and the EPRI study will assist LES in efforts to offset projected peak-load growth in a cost-effective manner.

Renewable Resources. LES has entered into PPAs for four new renewable resources expected to begin commercial operation around the beginning of 2016; the Arbuckle Mountain Wind Farm, 100 MW, located in south-central Oklahoma, the Buckeye Wind Energy Center, 100 MW, located in north-central Kansas, the Prairie Breeze II Wind Energy Center, 73 MW, located in north-eastern Nebraska, and the LES SunShares Community Solar Project, 5 MW, located on the western edge of the City. These projects increase LES' renewable generation portfolio to the equivalent of about 48 percent of LES' retail energy sales. LES expects these resources to be cost competitive with LES' future resources.

Other System Improvements. LES is considering various system additions and improvements to upgrade and expand transmission and distribution systems.

FACTORS AFFECTING LES AND THE ELECTRIC UTILITY INDUSTRY

General

The electric utility industry, in general, has been, and in the future may be, affected by a number of factors which could impact the financial condition and competitiveness of an electric utility and the level of utilization of generating facilities, such as those of LES. Such factors include, but are not limited to: (i) increases in costs of operation and construction of generating units, (ii) uncertainties in predicting future load requirements, (iii) shifts in availability and relative costs of different fuels, (iv) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements, (v) other federal and state legislative and regulatory changes, (vi) self-generation by commercial and industrial customers, (vii) changes resulting from conservation and demand side management programs on the timing and use of electric energy, (viii) increased competition from independent power producers, marketers and brokers, (ix) issues related to regional market activities, (x) issues relating to the ability to issue tax exempt obligations, (xi) severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects financed with outstanding tax exempt obligations, (xii) effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions, and strategic alliances of competing electric (and gas) utilities from competitors transmitting less expensive energy from much greater distances over an interconnected system) and new methods of producing low cost electricity, and (xiii) inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity. Any of these factors could have an effect on the financial condition of any given electric utility and will likely affect individual utilities in different ways.

LES cannot predict what effects such factors will have on its business operations and financial condition of LES, but the effects could be significant. The following sections provide a brief discussion of certain of these factors. However, this discussion does not purport to be comprehensive or definitive, and these matters are subject to change after the date of this Offering Statement. Extensive information on the electric utility industry is, and is expected to be, available from legislative and regulatory bodies and other sources in the public domain.

Environmental and Other Permits and Approvals

Electric utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures which regulate the environmental impact of electric utilities are subject to change. These changes may arise from continuing legislative, regulatory, and judicial action regarding such standards and procedures. Consequently, there is no assurance that LES' facilities will remain subject to the regulations currently in effect, will always be in compliance with future regulations, that LES can anticipate the outcome of current regulatory and legislative process, or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in additional capital and operating expenditures to comply, reduced operating levels or the complete shutdown of individual units not in compliance. As necessary, LES will submit applications to the appropriate federal and state authorities for any permits, certifications and renewals required by federal and state law and regulations for the operations of the TBGS, Rokeby, and J Street, and for the construction of capital additions and improvements.

Clean Air Act. The Federal Clean Air Act, as amended (the "Clean Air Act"), regulates emission of air pollutants, establishes national air quality standards for major pollutants, and requires permitting of both new and existing sources of air pollution. Among the provisions of the Clean Air Act that affect operations are (1) the acid rain program, which requires nationwide reductions of SO_2 and NOx from existing and new fossil fuel electric generating plants, (2) provisions related to toxic or hazardous pollutants, and (3) requirements to address regional haze.

Title V Operating Permits. Title V of the Clean Air Act requires all major sources and some minor sources of air pollution to obtain an operating permit. A Title V permit grants a source permission to operate. The permit includes all air pollution requirements that apply to the source, including emissions limits and monitoring, record keeping, and reporting requirements.

Title V Operating Permits and LRS. The current Title V Operating Permit was issued for LRS on June 24, 2009 and expired on June 24, 2014. A renewal application for the operating permit was submitted to the Wyoming Department of Environmental Quality ("DEQ") on August 14, 2013. The application was considered complete on October 4, 2013. The Wyoming DEQ has not yet issued a renewal permit. LRS can continue to operate under the old operating permit until a renewal operating permit is issued.

Title V Operating Permits and WSEC #4. The current Title V Operating Permit was issued for WSEC #4 on March 13, 2013 and expires on March 12, 2018.

Title V Operating Permits and LES Local Resources. LES combustion turbines operate under federally enforceable air pollution permits issued by the Lincoln Lancaster County Health Department. These permits include Title V Operating Permits in conformance with the Clean Air Act Amendments Title V Operating Permit Program. The current Title V Operating Permit was issued for TBGS on January 1, 2014 and expires on January 1, 2019. The current Title V Operating Permit was issued for Rokeby on January 1, 2013 and expires on January 1, 2018. The current Title V Operating Permit was issued for J Street on June 27, 2011 and expires on January 27, 2016.

Acid Rain Program. The Clean Air Act established an allowance market system known as the Acid Rain Program. The Acid Rain Program was implemented in two phases. Phase I, which started in 1990, required approximately 261 fossil-fired units in 21 states to limit SO_2 emission rates to 2.5 lbs./mmBtu by January 1, 1995. Phase II then required all fossil-fired units over 25 MW to further limit SO_2 emission rates to 1.2 lbs./mmBtu by January 1, 2000. Under the emission allowance system, each affected generating facility is issued, annually, a number of allowances, for a future year based upon a variety of factors. No utility may emit more tons of SO_2 in a year than is authorized by the total allowances it holds. An "allowance" is an authorization to emit one ton of SO_2 during or after a specified year. The use of allowances is not restricted to a specific unit or plant. Allowances not needed by a utility for its own emissions may be banked for future use, or they may be sold or otherwise transferred. The Acid Rain Program provides that where a utility purchases power from an affected unit under life-of-the-unit, firm power contractual arrangements, allowances and the proceeds of transactions involving allowances will be deemed to be held or distributed in proportion to each holder's contractual reservation or entitlement, or in accordance with the provisions of a contract between the parties which expressly provides for a different distribution of allowances. LES has been receiving its pro rata share of allowances issued for generating units in which it has entitlements.

Acid Rain Program and LRS. The current Phase II Acid Rain Permit was issued for LRS on June 24, 2009 and expired on June 24, 2014. A renewal application for the permit was submitted to the Wyoming DEQ on August 14, 2013. The application was considered complete on October 4, 2013. The Wyoming DEQ has not yet issued a renewal permit. LRS can continue to operating under the old permit until a new permit is issued.

Acid Rain Program and WSEC #4. The current Phase II Acid Rain Permit was issued for WSEC #4 on March 13, 2013 and expires on March 12, 2018.

Acid Rain Program and LES Local Resources. TBGS, Rokeby, and J Street burn very low sulfur fuels. The primary fuel is pipeline quality natural gas. The secondary fuel is low sulfur #2 fuel oil. J Street and Rokeby Unit 1 are not subject to acid rain regulations. TBGS Units 2, 3, and 4, and Rokeby Units 2 and 3 are subject to acid rain regulations and LES maintains sufficient SO_2 allowances for each year of operation. The current Phase II Acid Rain Permit was issued for TBGS on January 1, 2014 and expires on January 1, 2019. The current Phase II Acid Rain Permit was issued for Rokeby on January 1, 2015 and expires on January 1, 2020.

Mercury and Air Toxic Standards (MATS) Rule. The Clean Air Act also provides for a comprehensive program for the control of hazardous air pollutants, commonly referred to as Maximum Achievable Control Technology ("MACT"). For electric utility steam generating units, the Clean Air Act directed the Environmental Protection Agency (the "EPA") to perform a study of the reasonably anticipated risks to public health from the emission of the listed toxic substances from electric utility steam generating units. On May 3, 2011, the EPA published a proposed rule intended to reduce emissions of toxic air pollutants from power plants. In February 2012, the EPA published the final

MATS rule, which is intended to reduce emissions of toxic air pollutants from power plants. The EPA expects the emissions rate-based limits of the MATS rule to reduce emissions of heavy metals and acid gases (including mercury, arsenic, chromium, nickel, dioxins, furans, hydrogen chloride and hydrogen fluoride) from new and existing coal- and oil-fired generating units. Generating units have until April 2015 to comply, with some opportunity for an additional year to achieve compliance.

MATS and LRS. Activated carbon injection systems for mercury control will be installed at LRS for an estimated total capital cost to LES of \$1.6M. LRS is working toward meeting a mercury emissions compliance deadline of June 1, 2015, based on an extension granted by the Wyoming Department of Environmental Quality. LRS already has continuous mercury emission monitors, which will be used to demonstrate compliance.

MATS and WSEC #4. WSEC #4 uses activated carbon injection to control mercury emissions. WSEC #4 was originally constructed with emissions controls that enable the plant to comply with the MATS rule.

MATS and LES Local Resources. The MATS rule does not apply to simple-cycle and combined-cycle stationary combustion turbines. Consequently, TBGS, Rokeby, and J Street are not subject to the MATS rule.

Cross-State Air Pollution Rule. In March 2005, the EPA issued the Clean Air Interstate Rule ("CAIR"), which was intended to reduce overall NO_x and SO_2 emissions on a regional basis effective in 2009 and 2010, respectively, with a second phase taking effect in 2015. The goal of CAIR was to reduce air quality problems pursuant to the 1997 ozone National Ambient Air Quality Standards ("NAAQS") and the 2006 $PM_{2.5}$ NAAQS in states on the eastern side of the country. Of the three states in which LES has generation holdings, Nebraska, Wyoming, and Iowa, only Iowa was impacted by CAIR. On July 11, 2008, the United States Court of Appeals for the D.C. Circuit vacated EPA's CAIR regulations, remanding CAIR to EPA to issue new regulations consistent with Clean Air Act and the Court's decision. On December 23, 2008, the Court modified its remand order so that existing CAIR regulatory programs would remain in effect until the EPA issued revised regulations. On July 6, 2010, the EPA issued a proposed rule (the "Transport Rule") in response to the D.C Circuit Court of Appeals decision that would require significant reductions in SO_2 and NO_x emissions in a number of states, including the States of Nebraska and Iowa. The goal of the Transport Rule was the same as that of CAIR – to reduce air quality problems for ozone and $PM_{2.5}$ in states on the eastern side of the country. The Transport Rule was finalized on July 6, 2011 and is now known as the Cross-State Air Pollution Rule ("CSAPR"). The final rule, which was issued with an effective date of January 1, 2012, affected the operation of the coal-fired generating stations in certain targeted states. As a result, the State of Nebraska and many other states and utilities filed petitions for review with the United States Court of Appeals for the D.C. Circuit challenging CSAPR and a number of petitioners also filed motions for a stay of its implementation and the effective date. On December 30, 2011, the D.C. Circuit Court of Appeals entered an order which granted all motions to stay CSAPR, directed petitioners to prepare the briefing for the cases so they can be heard by the Court by April 2012, and stated the Court expected EPA to continue administration of CAIR pending the Court's resolution of the petitions for review. In subsequent orders, the Court set March 16, 2012, as the deadline for submittal of final briefs by all parties and set oral arguments on the petitions for review for April 13, 2012. The D.C. Circuit Court vacated CSAPR on August 21, 2012. On January 24, 2013, the Court denied EPA's petition for rehearing en banc of the Court's August 2012 decision to vacate the CSAPR.

In April 2014, the U.S. Supreme Court reversed the D.C. Circuit Court's opinion that vacated CSAPR. CAIR remained in place until EPA acted on the ruling. In October 2014, the U.S. Court of Appeals for the D.C. Circuit ordered that EPA's motion to lift the stay of the CSAPR be granted. In

November 2014, EPA issued an interim final rule to revise compliance dates for CSAPR. CSAPR was effective on January 1, 2015. Phase 1 emissions budgets now apply in 2015 and 2016. Phase 2 emissions budgets now apply in 2017 and beyond.

Under CSAPR, as under the Acid Rain Program, facilities must provide allowances for emission of each ton of NOx and SO_2. There are annual NOx and SO_2 allowances. There are also ozone season (May to September) NOx allowances. Under CSAPR, however, the annual SO_2 allowances are divided into two separate control groups, Group 1, which includes Iowa, and Group 2, which includes Nebraska. Facilities are allocated some CSAPR allowances by the EPA. A market-based system exists to obtain further allowances.

EPA is currently working on a new CSAPR rule to address air quality challenges associated with the 2008 ozone NAAQS. EPA issued a memo dated January 11, 2015 that indicates Nebraska will not be pulled into this future rule, as the modeling indicates Nebraska does not make a significant contribution to any of the areas of the country that have concentrations in excess of the 2008 NAAQS. Thus, while Nebraska is currently subject to the CSAPR rule that addresses the 1997 ozone NAAQS, Nebraska is not likely to be subject to the future CSPAR rule that addresses the 2008 ozone NAAQS.

CSAPR and LRS. LRS is not subject to CSAPR.

CSAPR and WSEC #4. WSEC #4 will receive allocated allowances under CSAPR. LES's share will be 12.66 percent of the allocated allowances. LES expects that any additional allowances needed for operation will be obtained in the CSAPR allowance market. LES does not expect the cost to be material or the process to be difficult to obtain additional allowances needed for operation.

CSAPR and LES Local Resources. TBGS, Rokeby, and the J Street Station are subject to CSAPR. LES receives allocated allowances for these facilities. LES expects that any additional allowances needed for operation will be obtained in the CSAPR allowance market. LES does not expect the cost to be material or the process to be difficult to obtain additional allowances needed for operation.

Regional Haze Program. As part of the EPA Clean Air Act regulations, each state is required to submit a state implementation plan ("SIP") to improve visibility and air quality in Class I national parks by reducing particulate matter emissions. On November 9, 2011, the EPA agreed in a consent decree with environmental group plaintiffs to a schedule for taking action on each of the 45 Regional Haze SIPs. The consent decree by itself does not establish any specific control requirement on any specific emission source. Rather, the consent decree establishes a schedule by which EPA will promulgate rules under the Regional Haze Program to take one or more of the following actions on each SIP: approve a SIP, disapprove a SIP, approve a SIP in part and disapprove a SIP in part or issue a federal implementation plan.

On December 23, 2011, EPA issued a proposal to revise rules pertaining to the Regional Haze Program that would approve the trading program as an alternative to determining Best Available Retrofit Technology ("BART") for power plants. As a result, states in the CSAPR region may substitute the trading program in CSAPR for source-specific BART for SO_2 and/or NO_x emissions as specified by CSAPR. A state subject to a trading program established in accordance with CSAPR need not require BART-eligible fossil fuel-fired electric steam generating plants in the state to install, operate, and maintain BART for the pollutant covered by such trading program in the state. A state that chooses to meet the emission reduction requirements of the CSAPR by submitting a SIP revision that establishes a trading program and is approved as meeting the requirements of CSAPR also need not require

BART-eligible fossil fuel-fired electric steam generating plants in the state to install, operate, and maintain BART for the pollutant covered by such trading program in the state. This rule now applies as CSAPR has been reinstated.

Regional Haze Program and Nebraska. Under the consent decree, EPA agreed with respect to the Nebraska Regional Haze SIP to promulgate a proposed rule by February 15, 2012 and promulgate the final rule by June 15, 2012. On July 6, 2012, the EPA finalized a rule for partial approval and partial disapproval of a revision to the State Implementation Plan for Nebraska, relating to Regional Haze. However, with CSAPR reinstated in 2014, Nebraska, as a CSAPR-affected state, will be able to substitute CSAPR compliance for any BART requirements.

Regional Haze Program and LRS. LRS is subject to the Regional Haze Program. The State of Wyoming submitted its SIP to the EPA in 2011. The SIP required LRS to install low NOx burners and over fire air systems, which have been installed on all three LRS units. In June 2012, the EPA disapproved the NOx portion of the Wyoming SIP. Wyoming then revised the SIP to require installation of selective noncatalytic reduction NOx emission reduction technology. In December 2012, however, the EPA notified the Wyoming Department of Environmental Quality that it must consider selective catalytic reduction (SCR) NOx removal technology for three coal plants in Wyoming, including LRS.

In May 2013, the EPA proposed lowering the NOx emissions limit for LRS from the Wyoming Department of Environmental Quality's proposed limit of 0.12 lbs./MMBtu heat input to 0.07 lbs./MMBtu, a level that can only be achieved with installation of SCR systems. The Wyoming Department of Environmental Quality, as well as a multitude of other entities, submitted comments to the EPA that the cost of the SCR system installation and operation far outweighed the resulting minimal improvement in visibility.

On January 10, 2014, the EPA issued its final ruling on the SIP and required installation of SCR systems on all three LRS units. The total estimated cost to install SCR on the three LRS units is $755 million, with annual operating costs of nearly $16 million, of which LES would be responsible for approximately 11%. In accordance with this ruling, the systems must be operational by January 2019. It is Basin's position that installing SCR technology would not bring about a noticeable improvement in visibility from existing conditions at any national park. In effect, Basin believes there would be no discernible benefit from this extremely large investment.

In March 2014, a Petition of Review on the EPA decision for LRS was filed with the 10th Circuit Court of Appeals by Wyoming. A motion was also filed with the court for a stay of compliance pending appeal. In May 2014, a Petition for Reconsideration on the LRS decision was submitted to EPA Region 8. In September 2014, the 10th Circuit Court of Appeals granted a stay motion for compliance with the regulations while the legal challenge is pending. The deadline for compliance with the Regional Haze Program will be extended for the duration of the stay. The estimated new compliance date is September 2020. The Wyoming Department of Environmental Quality and coal plant owners are evaluating various options which include negotiating a settlement with the EPA.

Regional Haze and WSEC #4. WSEC #4 is not subject to Regional Haze. The State of Iowa determined that WSEC #4 does not require BART. In addition, Iowa is a CSAPR affected state and CSAPR will substitute for BART requirements.

Greenhouse Gases. On October 30, 2009, the EPA published the final rule for mandatory monitoring and annual reporting of Greenhouse Gas ("GHG") emissions from various categories of facilities including fossil fuel suppliers, industrial gas suppliers, direct GHG emitters (such as electric generating facilities and industrial processes), and manufacturers of heavy-duty and off-road vehicles and engines. This rule does not require controls or limits on emissions, but requires data collection which began on January 1, 2010. The first annual reports were filed on September 30, 2011. Future reporting will be due by March 31 each year. LES intends to comply with the reporting requirements.

On March 29, 2010, EPA reaffirmed their position taken in 2008 that any pollutant regulated by any program under the Clean Air Act would also be regulated by the Prevention of Significant Deterioration ("PSD") program and the effective date for regulating the pollutant under the PSD program would be the date that the regulation that pulls the pollutant into the PSD program takes effect. The PSD program requires a PSD permit before commencement of construction of new major stationary sources or major modifications of such sources. The EPA's Motor Vehicle Rule was the first regulation under the Clean Air Act to limit emissions of GHGs, and it limited GHGs from light-duty vehicles. The Motor Vehicle Rule took effect on January 1, 2011. In anticipation of the Motor Vehicle Rule and the fact that this rule would trigger the requirement for EPA to regulate GHGs under the PSD program, EPA began work on rulemaking to define when PSD is triggered for GHGs.

On May 13, 2010, EPA issued the "Tailoring Rule," which established criteria for identifying facilities required to obtain PSD permits and the emissions thresholds at which permitting and other regulatory requirements apply.

Beginning January 2, 2011, sources that require PSD permits due to their non-GHG emissions (such as fossil-fuel based electric generating facilities for their NOx, SO_2, and other emissions) will have to address GHG emissions in new permit applications or renewals. Construction or modification of major sources will become subject to PSD requirements for their GHG emissions if the construction or modification results in a net increase in the overall mass of GHG emissions exceeding 75,000 tons per year on a CO_2 basis. New and modified major sources required to obtain a PSD permit would be required to conduct a BACT review for their GHG emissions. The EPA issued guidance in November 2010 on the technologies or operations that would constitute BACT for GHGs. At this time, since there does not exist any commercially available CO_2 capture and sequester technology, BACT would be some kind of facility efficiency requirements. These would have to be negotiated with the NDEQ and EPA and placed in the PSD permit. With respect to Title V requirements, as of January 2, 2011, the final Tailoring Rule does not amend or reinterpret existing Title V regulations on transitions to new pollution control requirements for GHSs.

New Source Performance Standards. The EPA has undertaken rulemaking in preparation for new GHG regulations for new, modified, reconstructed and existing Electric General Units ("EGU"). As a result of a 2010 settlement, the EPA committed to issuing proposed regulations for new, modified, reconstructed and existing EGUs by July 26, 2011 and final regulations for these same sources by May 26, 2012. EPA missed these deadlines. In March 2012, EPA proposed New Source Performance Standards ("NSPS") for CO_2 from new EGUs. The EPA received over 2.5 million comments on the proposal, prompting the EPA to re-propose the NSPS. In January 2014, the EPA published a revised NSPS proposal for new EGUs. In June 2014, EPA proposed the NSPS for modified and reconstructed EGUs and also proposed emission guidelines for existing sources.

Emission guidelines are EPA regulations that each state must use to develop plans for reducing emissions from existing sources. The guidelines include targets based on demonstrated controls, emission reductions, costs and expected timeframes for installation and compliance, and can be less stringent than the requirements imposed on new sources. Under existing EPA regulations, states must submit their plans to EPA within nine months after the guidelines' publication unless EPA sets a different schedule. Each NSPS must be reviewed at least every eight years and, if appropriate, revised. The EPA's proposed emission guidelines for existing EGUs have commonly been referred to as the Clean Power Plan. The EPA's two NSPS proposals, along with the proposed emission guidelines, are expected to be promulgated as final rules in 2015. At that point, more decisions will need to be made regarding the feasibility of coal resources. The regulations that may be created by this process have the potential to have a significant impact on LES and the industry.

> *New Source Review and LRS*. New Source Review (NSR) is a permitting process created as part of the Clean Air Act. The NSR process requires an EPA pre-construction review for environmental controls related to the building of a new facility, or modifications to an existing facility, that would create a significant increase of a regulated pollutant. Routine scheduled maintenance is not covered in the NSR process. Section 114 of the Clean Air Act provides the EPA the authority to collect data regarding new and existing building modifications. In 2011, LRS received a Section 114 data request from the EPA. MBPP responded and has provided the data requested and is engaged in discussions with the EPA.

Clean Water Act. The Federal Clean Water Act regulates the discharge of process wastewater and certain storm water under the National Pollutant Discharge Elimination System ("NPDES") permit program. The NPDES permitting program, including specific permit requirements such as sampling, monitoring and reporting are the result of enactment of the Federal Clean Water Act and its amendments as passed by Congress. Development and implementation of federal regulations are based on the authorities vested to EPA through those laws. Any new or modified regulations must go through a rulemaking process that includes a proposal, public comment, and then culminating with a final rule that must then be implemented and enforced.

The Federal Clean Water Act contains requirements relating to the environmental impact of cooling water intake structures. Section 316(b) of the Clean Water Act ("316(b)") requires that NPDES permits for facilities with cooling water intake structures ensure that the location, design, construction, and capacity of the structures reflect the Best Technology Available ("BTA") to minimize harmful impacts on fish and other aquatic life as the result of impingement or entrainment.

The EPA divided the 316(b) rulemaking process into three phases. Phase I, published in 2001, affected new facilities. Phase II, published in 2004, affected existing electric generating plants that use at least 50 Million Gallons per Day ("MGD") of cooling water. Phase III addresses other existing facilities, as well as new offshore and coastal oil and gas extraction facilities, designed to withdraw at least 2 MGD of water. In November 2010, the EPA signed a Settlement Agreement with Riverkeeper, Inc. regarding an appropriate timeline in which to set Phase III technology standards for cooling water intake structures under 316(b).

EPA issued a proposed rule under 316(b) on March 28, 2011, and in May 2014 the final rule was published. Rather than designating closed-cycle cooling as BTA the final rule allows existing facility operators to select one of a series of technology-based options to reduce impingement of live adult fish on the intake structures. The final rule goes on to address entrainment issues at existing facilities that withdraw more than 125 MGD of water on a site-specific basis. Each existing facility which meets the 125 MGD threshold will conduct a two year peer reviewed biological assessment and submit that data to the NPDES permitting authority. Based on the biological assessments, each permitting authority will determine BTA for reducing entrainment.

The final 316(b) rule will also affect LES' analysis of various options to meet future load and resource needs. Any new unit that adds generation capacity at an existing facility will be required to add technology that achieves one of two alternatives under the national BTA standards for entrainment for new units at existing facilities. The first alternative would require generators to reduce actual intake flow at a new unit, at a minimum, to a level commensurate with that which can be attained by a closed cycle recirculating system. The second alternative would require generators to demonstrate that they have installed, and will operate and maintain, technological or other control measures for each intake at the new unit that achieves a prescribed reduction in entrainment mortality of all stages of fish and shellfish that pass through a sieve with a maximum opening dimension of 0.56 inches.

Clean Water Act and LRS. LRS primarily meets its cooling water needs from the Grayrocks Reservoir located 11 miles east of the facility. Along with other ground and surface water sources, the reservoir serves LRS, which can require up to 23,250 acre-feet of water annually for steam production and cooling at the plant. The reservoir, which is about eight miles long, includes recreational facilities and a visitor overlook. Several species of game fish are stocked in the reservoir. Laramie River Station will, therefore, be required to meet BTA standards for entrainment mortality. The Wyoming Department of Environmental Quality must establish BTA standards on a case-by-case basis. At this point Basin, as Operating Agent, would not anticipate performing a biological assessment of entrainment mortalities. The current water intake rate for Laramie River Station is limited to ½ of a foot per second which LES believes could arguably preclude the need for any improvements as well as further study such as the biological study.

Clean Water Act and WSEC #4. WSEC #4 will not be impacted by 316(b). Unlike the other generating units onsite, which use the Missouri River to meet the water needs, WSEC #4 utilizes ground water for its primary source of plant water. Six high capacity wells have been drilled on the MEC property surrounding the plant.

Clean Water Act and LES Resources. LES' local generating units are not affected by 316(b), however, these facilities do have other NPDES program requirements. LES does not expect these other NPDES program requirements to be material. Rokeby is authorized to discharge from a series of outfalls through a NPDES Permit issued on April 1, 2012 by the Nebraska Department of Environmental Quality ("NDEQ"). TBGS meets facility needs by a process of pumping wastewater directly into the Treatment Plant as authorized by an NPDES pretreatment permit issued on January 1, 2014. The process of drawing from and discharging to the Treatment Plant classifies TBGS as a "zero discharge" facility. The NDEQ published its updated NPDES Industrial Stormwater General Permit ("ISGP") on July 1, 2011. Since 2002 TBGS has had the proper authorization and program in place to maintain compliance with the ISGP. On January 25, 2012 the NDEQ acknowledged that according to the information submitted, the TBGS meets the terms and conditions of the No Exposure Exclusion from the NPDES Industrial Stormwater Program. The No Exposure Exclusion option is available to all facilities whose industrial materials and activities are protected by a storm resistant shelter to prevent exposure to rain, snow, snowmelt, and/or runoff.

Hazardous Substances and Wastes. Since the enactment of the Resource Conservation and Recovery Act, the Toxic Substances Control Act, and the Comprehensive Environmental Response Compensation and Liability Act, the electric utility industry has found ever increasing environmental regulations and requirements for dealing with hazardous materials and wastes. LES programs dealing with hazardous materials include audits of all disposal facilities, environmental audits of all properties bought or sold by LES, the issuance of oil and hazardous materials spill plans, and employee education on the proper handling of hazardous materials.

The EPA proposed two options to regulate the disposal of coal combustion residuals ("CCR") under the Resource Conservation and Recovery Act ("RCRA") but under different programs of RCRA. One option would regulate CCR as hazardous waste under Subtitle C. Regulation as hazardous waste under Subtitle C could result in significant economic impacts as utilities would most likely not be able to market CCR products for "beneficial use" (e.g., flyash as an aggregate in concrete or flue gas desulfurization solids for manufacture of wallboard). As less CCR materials could be marketed for use, greater volumes of CCR materials would be required to be stored in landfills. As current landfills would fill quicker than anticipated, additional landfills would need to be developed at significant costs. Regulation as hazardous waste under Subtitle C would impose stringent regulatory requirements associated with the handling, storage, and disposal of large volumes of hazardous wastes. Current Nebraska landfill regulations include location restrictions, standards for landfill liners, leachate collection and removal systems, as well as additional stringent permitting requirements, such as groundwater monitoring, fugitive dust control, closure and post closure care, and financial assurance. The other option would regulate CCR as municipal or special waste under Subtitle D, which focuses on state and local governments as the primary planning, regulating, and implementing entities for the management of non-hazardous solid waste, such as household garbage and non-hazardous industrial solid waste. A final rule was published in December 2014. The option of regulation under Subtitle D was promulgated.

Renewable Resources. The State of Nebraska does not currently have any form of a renewable portfolio standard. The electric utility industry continues to experience significant pressure from customers and regulators to incorporate additional renewable generating resources into generation portfolios. Although their intermittent production capability must be considered when assessing the reliability of the system, renewable resources can serve as a hedge against future fossil fuel price volatility and/or environmental regulations. In addition, the current market price for wind generation in particular makes it a valuable financial asset, allowing for long-term energy price certainty when contracted under a PPA. Counting hydro, landfill gas, wind and solar, LES currently sources approximately 15% of its installed nameplate generating capacity from renewable resources. With contracted additions for 273 MW of wind generation and another 5 MW_{DC} of solar generation in 2016, approximately one-third of LES' installed nameplate capacity will consist of renewable resources, with the other two-thirds split nearly evenly between natural gas and coal resources. The contracted renewable additions are expected to be cost competitive with LES future resources. This savings reflects the change in LES' projected power costs resulting from the addition of the renewable resources as compared to projected power costs without the addition of these contracts. LES believes this diversity in its generating portfolio, combined with the price certainty of the renewable PPAs, positions LES well to adapt to any potential future challenges in its generation fleet.

LITIGATION

There are no cases pending that are expected to have a materially adverse effect on LES.

CONTINUING DISCLOSURE

LES, on behalf of the City, has covenanted for the benefit of the holders and beneficial owners of the 2015 Bonds to provide certain financial information and operating data relating to LES by not later than May 31 of each year (the "Annual Report"), commencing with the report for the 2015 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of events will be filed with the Municipal Securities Rulemaking Board ("MSRB"). The specific nature of the information to be contained in the Annual Report or the notices of material events may be found in "APPENDIX D: FORM OF CONTINUING DISCLOSURE UNDERTAKING." These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5) (the "Rule").

All Annual Reports and notices of Material Events required to be filed by LES pursuant to the Continuing Disclosure Undertaking must be submitted to the MSRB through the MSRB's Electronic Municipal Market Access system ("EMMA"). EMMA is an internet-based, online portal for free investor access to municipal bond information, including offering documents, material event notices, real-time municipal securities trade prices and MSRB education resources, available at www.emma.msrb.org.

FINANCIAL ADVISOR

Public Financial Management ("PFM"), Philadelphia, Pennsylvania, is serving as financial advisor to LES with respect to the sale of the 2015 Bonds. The financial advisor assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the 2015 Bonds and provided other advice. PFM will not participate as an underwriter in any offer to purchase the 2015 Bonds.

UNDERWRITING

The 2015 Bonds are being purchased by J.P. Morgan Securities LLC, Barclays Capital Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, US Bancorp Investments, Inc., and Wells Fargo Bank, National Association (the "Underwriters") for whom J.P. Morgan Securities LLC is acting as senior manager, pursuant to a Bond Purchase Agreement. The Underwriters have agreed, subject to certain conditions, to purchase the 2015 Bonds from LES at a price of $184,326,197.94, which is the principal amount of 2015 Bonds ($167,800,000) the plus net original issue premium of $16,952,456.95 less an underwriting fee of $426,259.01 (which includes reimbursement of certain expenses) for their services in underwriting the 2015 Bonds. The 2015 Bonds may be offered and sold to certain dealers (including underwriters and other dealers depositing such Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed from time to time by the Underwriters.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the 2015 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL will purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

"US Bancorp" is the marketing name of U.S. Bancorp and its subsidiaries, including U.S. Bancorp Investments, Inc. which is serving as an Underwriter of the 2015 Bonds.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association. Wells Fargo Bank, National Association ("WFBNA"), one of the Underwriters of the 2015 Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the 2015 Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2015 Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the 2015 Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for LES, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of LES.

LES intends to use a portion of the proceeds from this offering to redeem the Refunded Bonds. To the extent an Underwriter or an affiliate thereof is an owner of Refunded Bonds, such Underwriter or its affiliate, as applicable, would receive a portion of the proceeds from the issuance of the 2015 Bonds contemplated herein in connection with such Refunded Bonds being redeemed by LES.

RATINGS

Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies ("S&P"), has assigned the 2015 Bonds the rating of "AA" and Fitch Investors Service, L.P. ("Fitch") has assigned the 2015 Bonds the rating of "AA." Such ratings reflect only the views of such organizations, and an explanation of the significance of such ratings may be obtained from Standard & Poor's Ratings Group, 55 Water Street, New York, New York 10041, telephone (212) 438-2124; and Fitch Investors Service, L.P., One State Street Plaza, New York, New York 10004, telephone (212) 908-0500.

There is no assurance that the above ratings will remain for any given period of time or that they may not be lowered, suspended or withdrawn entirely by any or all rating services if they deem circumstances are appropriate. Any downward change in, suspension or withdrawal of any or all ratings may have an adverse effect on the market price of the 2015 Bonds.

TAX MATTERS

In General. In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered at the time of original issuance of the 2015 Bonds, under existing laws, regulations, rulings and judicial decisions, interest on the 2015 Bonds (including original issue discount treated as interest) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and continuing compliance by LES with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986 ("Code") that must be met subsequent to the issuance of the 2015 Bonds. Failure to comply with such requirements could cause interest on the 2015 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2015 Bonds. LES has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the 2015 Bonds.

Notwithstanding Bond Counsel's opinion that interest on the 2015 Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to such adjustment and prior to deduction for certain net operating losses).

The accrual or receipt of interest on the 2015 Bonds may otherwise affect the federal income tax liability of the owners of the 2015 Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the 2015 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit to Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the 2015 Bonds.

Tax Treatment of Original Issue Premium. Certain of the 2015 Bonds were sold at a premium (collectively, the "Premium Bonds"). An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Tax treatment of Original Issue Discount. Certain of the Series 2015 Bonds were sold at an original issue discount (collectively, the "Discount Bonds"). The difference between the initial public offering prices, as set forth on the inside cover pages of the Official Statement, of such Discount Bonds and their stated amounts to be paid at maturity, constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes, as described above.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Purchasers of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax exempt obligations such as the 2015 Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. This reporting requirement does not in and of itself affect or alter the excludability of interest on the 2015 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax exempt obligations.

Exemption Under State Tax Law. In Bond Counsel's further opinion, under existing laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the 2015 Bonds is exempt from all present State of Nebraska income taxes.

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 above or adversely affect the market value of the 2015 Bonds. 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 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 2015 Bonds or the market value thereof would be impacted thereby. Purchasers of the 2015 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the 2015 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the 2015 Bonds, Robert Thomas, CPA LLC, a firm of independent certified public accountants, will deliver to the City a report verifying the mathematical accuracy of certain computations relating to (a) the adequacy of the maturing principal amount of the securities held in the Escrow Fund, interest earned thereon and certain uninvested cash to pay the principal and redemption price of, and interest on, the Refunded Bonds (as described under "REFUNDING PLAN") as such principal and redemption price and interest become due and payable, and (b) the mathematical computations supporting the conclusion that the 2015 Bonds are not "arbitrage bonds" under Section 148 of the Code. Such verification of the accuracy of the computations will be based upon information supplied by the Financial Advisor and on interpretations of the Code provided by Bond Counsel.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization and issuance of the 2015 Bonds are subject to the approval of Kutak Rock LLP, Omaha, Nebraska, Bond Counsel, whose approving opinion in connection with the issuance of the 2015 Bonds in substantially the form attached hereto as "APPENDIX F: FORM OF OPINION OF BOND COUNSEL" will be delivered to the City. Certain legal matters with respect to the City will be passed upon by the Lincoln City Attorney, certain matters with respect to LES will be passed upon by its General Counsel and certain matters with respect to the Underwriters will be passed upon by Counsel to the Underwriters. Bond Counsel has not reviewed this Official Statement except for (a) the cover page hereof (other than yields or prices), (b) the portions hereof describing the 2015 Bonds and the Ordinance, (c) the sections entitled "DESCRIPTION OF THE 2015 BONDS," "SECURITY FOR THE 2015 BONDS," "CONTINUING DISCLOSURE" and "TAX MATTERS" and (d) "APPENDIX C: SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE," "APPENDIX D: FORM OF CONTINUING DISCLOSURE UNDERTAKING" and "APPENDIX F: FORM OF OPINION OF BOND COUNSEL," and, except for such portions, Bond Counsel has not participated in the preparation of this Official Statement.

INDEPENDENT AUDITORS

The financial statements as of and for the years ended December 31, 2013 and 2012 included in Appendix B-1 in this Official Statement have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. LES did not request BKD, LLP perform any updating procedures subsequent to the date of its audit report on the December 31, 2013 and 2012 financial statements.

The financial statements as of and for the year ended December 31, 2014 included in Appendix B-2 in this Official Statement are unaudited. LES expects the 2014 audit report to be publically available on the Electronic Municipal Market Access (EMMA) web-site on or about March 27, 2015.

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The issuance of this Official Statement and the signing thereof by the City's Interim Finance Director and LES' Administrator and CEO has been authorized by the City.

/s/ Steve Hubka
Steve Hubka, Interim Finance Director

/s/ Kevin G. Wailes
Kevin G. Wailes, Administrator and CEO of
Lincoln Electric System

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APPENDIX A

GENERAL INFORMATION ON THE CITY

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THE CITY OF LINCOLN

General

Lincoln, the capital of Nebraska, is located in southeastern Nebraska near the center of population of the state. The City was originally incorporated in 1869. It is approximately midway between Chicago and Denver. It has an area of 92.82 square miles, and in its growth and development has annexed five other municipalities so that the City includes most of the urban area of Lancaster County. It enjoys a unique position in Nebraska as the center of the state governmental and educational activities.

Population

The 1980 population of the City was 171,932; the 1990 population was 191,972; the 2000 population was 225,588; and the 2010 population was 258,379, a 14.5 percent increase over the 2000 count. The 2010 count represents 90.5 percent of the population of Lancaster County, the county in which the City is located. The estimated 2014 population is 268,738.

City Government

The City, operating under a home rule charter, has a mayor-council form of government with an elected full-time chief executive, the Mayor, and an elected legislative body, the Council, composed of seven members. Three are elected at large and four by district on a nonpartisan basis for a term of four years. The administration of City government is performed under the direction of the Mayor by administrative departments.

City government has a broad range of responsibilities, including electric, water, and sanitary sewer systems, and an impressive park and playground system of over 6,557 acres maintained for public use, nine public swimming pools, and five public golf courses. The City has cooperated actively with the county government in several joint governmental buildings, and in other specific areas of responsibility, including health, planning, civil defense, data processing, tax collection, parks, and jail facilities. There are cooperative agreements with the United States government on parks and flood control, with the University of Nebraska on planning and property transfer, with the area Watershed District on flood control, and with the Lincoln School District on recreation.

Transportation

The Lincoln metropolitan area is served by Interstate 80, and U.S. Highways 2, 6, 34, and 77.

Lincoln is served by two commercial airports with daily shuttle service available between locations. The Lincoln Municipal Airport is located less than 10 minutes from downtown and has daily departures to Chicago, Denver, Minneapolis and Atlanta. Eppley Airfield, located in east Omaha, is 65 minutes from downtown Lincoln and offers service from numerous airlines. Together the two airports offer more than 100 arrivals and departures daily. The Lincoln Municipal Airport also offers General Aviation services. The General Aviation runway is 8,649 feet long, and the runway is lit dusk to dawn.

Railroad transportation facilities include those of Burlington Northern/Santa Fe and Union Pacific, both maintaining yards in Lincoln. AMTRAK provides daily passenger and package express services. Ground transportation is furnished by Greyhound/Black Hills Stage Lines, multiple taxi companies and local StarTran bus services.

The average commute in Lincoln is 19 minutes and nearly 18 percent of area commuters spend less than 10 minutes on the road.

Government Center

The State Capitol, an architectural achievement located in Lincoln, is considered one of the most impressive in all the 50 states. Other state governmental facilities in the City include the Nebraska Educational Telecommunications facility, the Nebraska Game and Parks Commission headquarters, the Lincoln Regional Center (state hospital), and the Nebraska Penal Complex.

Federal agencies in Lincoln include regional offices of the U.S. Department of Agriculture (Mid-West Regional Technical Service Center), the Immigration & Naturalization Service and the Veterans Administration, as well as the state offices of other federal agencies. There is also a U.S. Veterans Medical Facility.

Lancaster County offices are also located in Lincoln, the county seat.

Education

The University of Nebraska, with approximately 24,207 students, Nebraska Wesleyan University, with approximately 2,065 students, Union College, with approximately 881 students, Kaplan University, with approximately 462 students, Bryan LGH College of Health Sciences with approximately 714 students, and Southeast Community College, with approximately 10,168 students and with a number of facilities for both full-time and part-time occupational training, are located in the City of Lincoln. The City's modern and progressive school system, with an enrollment of over 39,066 is served by 6 high schools, 11 middle schools, and 38 elementary schools. Lincoln is home to over 30 private and parochial schools. Lincoln's private school offerings range from pre-K to high school institutions. Affiliations include Roman Catholic, Lutheran, SDA, and nondenominational Christians.

Building Permits and Property Values

LAST TEN YEARS

	COMMERCIAL 1 CONSTRUCTION		RESIDENTIAL 1 CONSTRUCTION		PROPERTY VALUE 2		
FISCAL YEAR	# PERMITS	VALUE	# PERMITS	VALUE	COMMERCIAL	RESIDENTIAL	TOTALS
2014	1,197	$ 264,070,303	2,300	$ 249,343,435	$ 4,962,314,863	$ 11,403,992,418	$ 16,366,307,281
2013	1,341	484,317,980	2,323	250,266,476	4,787,396,700	11,181,988,692	15,969,385,392
2012	1,372	338,918,061	2,319	186,712,560	4,476,953,562	10,745,000,908	15,221,954,470
2011	1,320	223,215,672	2,336	155,181,140	4,477,256,519	10,648,151,681	15,125,408,200
2010	1,234	241,509,266	2,225	116,914,465	4,438,463,100	10,546,474,527	14,984,937,627
2009	1,196	199,331,086	1,794	104,316,385	4,382,749,195	10,839,440,027	15,222,189,222
2008	1,064	274,267,477	2,261	149,678,215	4,246,365,596	10,723,170,809	14,969,536,405
2007	994	293,968,408	2,820	202,786,768	4,236,340,817	10,402,515,684	14,638,856,501
2006	1,088	263,006,153	3,150	195,885,622	3,814,534,869	9,083,290,211	12,897,825,080
2005	1,092	204,677,969	3,387	277,158,200	3,694,097,147	8,727,702,573	12,421,799,720

[1] City of Lincoln, Building and Safety Department.
[2] Lancaster County Assessor.

Police and Fire Protection

Lincoln has fourteen fire stations manned by 282 firefighters and three police stations with 319 police officers.

City Employee Information

For the 2014-2015 fiscal year, contracts have been signed with all but two of our unions. Unions include: the Lincoln Police Union (LPU) representing police officers; the International Association of Firefighters (IAF) representing firefighters, the Amalgamated Transit Union (ATU) representing transit workers, the Public Association of Government Employees (PAGE) representing labor, trades, and clerical personnel, the City Employees Association (CEA) representing supervisory, highly technical, and professional personnel, and the Lincoln M Class Employees Association (LMCEA) representing upper management, administration and professional personnel. The LPU and IAF contracts have not been negotiated and are operating under the terms of their prior year contracts. All other contracts will expire at the end of August, 2016.

Since the inception of labor contracts in 1970, the City of Lincoln has been able to handle its labor relations in such a manner as to avoid interruptions, although it has been necessary to use the facilities of the Nebraska Commission of Industrial Relations on issues involving the International Association of Firefighters, International Brotherhood of Police Officers, and the Public Association of Government Employees.

SELECTED ECONOMIC INDICATORS

LINCOLN SMSA (LANCASTER COUNTY)
NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT

	MAY 31, 2014		NOVEMBER 30, 2014	
	Number Employed	Percent of Total	Number Employed	Percent of Total
Industry Manufacturing:				
Durable Goods	8,674	4.6	8,749	4.6
Nondurable Goods	5,149	2.7	5,182	2.7
Total Industry Manufacturing	13,823	7.3	13,931	7.3
Nonmanufacturing:				
Natural Resource & Construction	7,980	4.2	8,117	4.3
Transportation, Communications & Utilities	10,906	5.8	10,979	5.8
Wholesale Trade	4,111	2.2	4,082	2.1
Retail Trade	20,014	10.7	21,048	11.0
Information	2,491	1.3	2,651	1.4
Finance, Insurance & Real Estate	14,510	7.7	14,719	7.7
Services (except domestic)	73,498	39.1	74,202	38.9
Government	40,849	21.7	40,888	21.5
Total Nonmanufacturing	174,359	92.7	176,686	92.7
TOTAL	188,182	100.0	190,617	100.0

Lincoln is proud to have some of the nation's leading industrial companies as local employers, including Goodyear Tire and Rubber Company, Burlington Northern Railroad, Archer-Daniels-Midlands Company, Kawasaki Motors Corporation USA, and Square D.

As of December 2014 the unemployment rate in Lincoln was 2.7%, notably one of the lowest unemployment rates in the United States.

LINCOLN SMSA (LANCASTER COUNTY LABOR FORCE DATA 2013-2004)
(For the Calendar Year Indicated)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Civilian Labor Force	167,515	165,931	162,266	160,154	159,634	160,601	157,841	156,204	156,033	156,100
Unemployment	5,898	5,993	6,587	6,818	6,944	4,837	4,365	4,308	5,603	5,470
Percent of Labor Force	3.5	3.6	4.1	4.3	4.3	3.0	2.8	2.8	3.6	3.5
Employment	161,617	159,938	155,679	153,336	152,690	155,764	153,476	151,896	150,430	150,630

STATE OF NEBRASKA

Percent of Labor Force Unemployment	3.9	4.0	4.5	4.7	4.7	3.3	3.0	3.0	3.9	3.9

Source: State of Nebraska, Department of Labor

* Labor Force Data for 2014 is unavailable at date of print

LINCOLN PRINCIPAL EMPLOYERS
CURRENT YEAR

Employer	Employees	Rank	Percentage of Total City Employment
State of Nebraska	8,988	1	4.95 %
Lincoln Public Schools	7,975	2	4.39
University of Nebraska-Lincoln	6,179	3	3.40
BryanLGH Medical Center	3,796	4	2.09
US Government	3,206	5	1.77
City of Lincoln	2,593	6	1.43
Saint Elizabeth Regional Medical Center	2,350	7	1.29
Burlington Northern Railroad	2,000	8	1.10
Madonna Rehabilitation Hospital	1,400	9	0.77
B&R Stores, Inc.	1,391	10	0.77
Total	39,878		21.96 %

DEMOGRAPHIC STATISTICS
LAST TEN YEARS

Year	Population 1	Per Capita Personal Income 2	School Enrollment 3
2014	268,738	$	39,066
2013	265,404	42,743	37,845
2012	262,341	41,584	36,902
2011	258,379	39,018	36,530
2010	254,001	37,231	35,896
2009	251,624	36,653	34,973
2008	248,744	38,204	34,061
2007	241,167	36,624	33,466
2006	239,213	35,251	32,934
2005	238,625	33,644	32,505

Sources:
1 Lincoln/Lancaster Planning Department.
2 U.S. Dept. of Commerce Bureau of Economic Analysis.
Per Capital Income is based on Lincoln Metropolitan Statistical Area, which includes all of Lancaster and Seward Counties. Per Capita Income for 2014 is unavailable.
3 Lincoln Public Schools.

Median age from the 2010 census was 31.8. Education statistics per the 2010 Census indicate that 92.4% of the population 25 years and older has a high school degree or greater with 35.2% of the same population holding a Bachelor's degree or greater.

LINCOLN UTILITY CUSTOMERS
LAST TEN YEARS

Year	Water Customers	Gas Customers	Electricity Customers
2014	81,196	96,368	131,915
2013	80,418	95,480	130,537
2012	79,698	94,592	129,163
2011	79,184	94,231	128,373
2010	78,740	93,916	129,322
2009	77,973	93,679	128,115
2008	77,532	93,419	126,978
2007	76,816	93,301	124,878
2006	75,919	92,824	123,376
2005	74,649	92,152	121,508

Source: Indicated Utility Companies

SELECTED FINANCIAL STATISTICS

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION [1]
LAST TEN FISCAL YEARS

Fiscal Year		General Government	Public Safety	Streets And Highways	Culture And Recreation	Economic Opportunity	Health And Welfare	Mass Transit	Debt Service	Totals
2014	$	51,044,096	72,833,698	21,054,394	25,172,100	13,792,741	22,097,954	14,419,436	36,449,212	256,863,631
2013		42,761,424	72,489,536	18,355,326	22,323,942	12,831,193	21,339,175	11,980,828	31,721,325	233,802,749
2012		39,048,320	70,444,362	18,471,067	22,518,532	14,673,671	22,070,619	10,288,935	31,689,831	229,205,337
2011		36,622,362	69,537,057	18,335,078	21,794,585	15,811,914	21,993,415	15,088,883	26,439,462	225,622,756
2010		35,865,006	64,679,523	19,832,223	21,483,873	15,359,628	21,652,729	12,034,413	17,032,401	207,939,796
2009		34,428,477	63,984,484	16,445,304	22,449,569	11,321,242	20,349,757	9,575,670	16,990,105	195,544,608
2008		35,278,575	61,147,903	16,482,240	21,686,564	14,685,668	21,053,132	10,707,601	14,427,795	195,469,478
2007		33,946,258	60,953,651	17,430,452	21,719,544	11,670,315	20,378,863	14,877,357	11,589,720	192,566,160
2006		34,666,641	60,064,604	16,928,575	20,938,212	12,623,307	25,566,267	8,901,327	11,016,269	190,705,202
2005		32,532,685	58,669,932	17,064,845	21,669,847	14,870,592	19,126,931	8,306,921	10,562,993	182,804,746

[1] Includes General, Special Revenue, and Debt Service Funds.

GENERAL GOVERNMENTAL REVENUES BY SOURCE [1]
LAST TEN FISCAL YEARS

Fiscal Year		Taxes And Special Assessment	Inter-Governmental	Permits And Fees	Reimbursement For Services	Investment Earnings	Other	Totals
2014	$	172,251,539	79,378,553	23,794,402	14,283,172	10,571,021	10,985,173	311,263,860
2013		166,316,730	81,340,882	22,936,015	8,341,522	1,732,354	12,037,497	292,705,000
2012		161,333,989	68,267,660	20,239,031	7,850,732	4,744,887	20,209,185	282,645,484
2011		144,632,640	71,532,824	18,524,372	7,521,366	5,454,877	11,279,552	258,945,631
2010		131,562,303	61,640,301	16,432,219	7,004,334	5,197,259	6,467,138	228,303,554
2009		130,360,416	75,099,973	17,119,002	6,600,299	5,791,391	7,818,015	242,789,096
2008		130,094,818	73,830,720	18,013,104	6,511,457	6,806,258	7,667,778	242,924,135
2007		125,328,388	63,928,043	19,126,239	6,491,112	10,371,565	7,052,107	232,297,454
2006		121,857,986	60,757,501	18,423,079	7,063,192	4,082,196	7,886,377	220,070,331
2005		119,318,079	63,180,171	16,535,049	6,936,334	4,327,311	12,028,417	222,325,361

[1] Includes General, Special Revenue, and Debt Service Funds.

SPECIAL ASSESSMENT COLLECTIONS
LAST TEN YEARS [1]

Fiscal Year Ended August 31	Special Assessment Collections Including Interest
2014	$ 1,577,645
2013	1,021,572
2012	1,151,931
2011	1,103,720
2010	1,136,150
2009	1,071,238
2008	1,418,936
2007	1,448,146
2006	1,667,037
2005	1,413,582

[1] Special assessment collections are not tracked by levy year, therefore the portion of collections during any year that apply to any particular levy cannot be determined.

Authority to Levy Taxes

Article IX, Section 3 of the Home Rule Charter of the City provides that the City shall have power to levy a tax each year for general revenue purposes upon all property subject to taxation; provided that the maximum amount of taxes that can be levied by the City in any one year for general revenue purposes shall not exceed an amount known as the City tax limit. The City tax limit is a tax ceiling established by using the September 1, 1966 City dollar tax limit as an initial tax limit, and increasing that tax limit each year following 1966 by 7% so that in each fiscal year thereafter, the amount of the City tax limit shall be the amount of the city tax limit for the previous year, plus 7% thereof. In addition, the City also has the power to levy taxes each year sufficient to pay any judgment existing against the City and the interest on bonded debt and the principal on any bonded debt maturing during the fiscal year or within six months thereafter, as well as taxes authorized by state law. The City is also authorized to receive all taxes collected and distributed pursuant to state law and in lieu of tax payments imposed by law. The 2014 tax levy for the 2014-2015 fiscal year is $127,141,801 below the legal limit, a tax rate per $100 valuation of .31958. The assessed value upon which the 2014 levy is based is $17,380,126,373. By charter, only 90% of the property tax levy may be appropriated.

For the 2014-2015 fiscal year the City is subject to a state imposed lid on the appropriation of “restricted funds”, that are revenues received from property tax, sales tax, state aid, in-lieu of tax and highway allocation fees. Bonded indebtedness, capital improvements, and costs associated with inter local agreements are exempt from the lid. For 2014-2015 the City can also use authority equal to the greater of 2.5% or the amount of real growth in the tax base that was 1.573%. An additional 1% can be authorized by a 75% vote of the City Council but was not utilized for the 2014-2015 budget. The 2014-2015 budget is $13,339,709 below the state imposed lid limit.

PROPERTY TAX LEVIED AND COLLECTED
LAST TEN YEARS

The fiscal year of the City begins September 1 and ends August 31. Taxes are levied in October. First installments of real estate taxes are delinquent the following April 1, second installments delinquent August 1; personal property taxes are delinquent April 1 and August 1. Delinquent taxes bear 14 percent interest. The figures below include interest and penalties. The figures below do not include motor vehicle in lieu of ad valorem taxes.

		Collected As Of August 31 After Levy		Accumulated Collections As Of August 31, 2014	
Tax Year	Taxes Levied	Amount	Percent	Amount	Percent
2014	$ 54,007,569	$ 52,616,370	97.42 %	$ 52,616,370	97.42 %
2013	52,644,511	51,226,109	97.31	52,590,023	99.90
2012	50,201,909	48,788,943	97.19	50,131,930	99.86
2011	45,620,336	44,206,917	96.90	45,565,359	99.88
2010	45,210,589	43,791,366	96.86	45,191,351	99.96
2009	45,885,354	44,385,970	96.73	45,879,271	99.99
2008	45,231,843	43,526,689	96.23	45,050,396	99.60
2007	43,339,708	41,815,295	96.48	43,314,455	99.94
2006	40,930,818	39,549,553	96.63	40,927,826	99.99
2005	38,793,370	37,488,504	96.64	38,749,283	99.89

TEN LARGEST TAXPAYERS

Listed below are the ten largest taxpayers in the City of Lincoln as reported by the County Assessor. These taxpayers each pay less than five percent of the total taxes levied.

Taxpayers	Type of Business	2014 Assessed Valuations	Percentage Of Total Assessed Valuation
B & J Partnership Ltd.	Building Management	89,450,400	0.52%
Burlington Northern	Railroad	86,184,394	0.50%
Kawasaki	Manufacturing	71,904,009	0.42%
Chateau Van Dorn LLC	Real Estate Development	63,329,443	0.37%
Nebco	Construction/Development	61,314,738	0.36%
Ameritas Life Insurance Corp	Insurance	59,539,049	0.35%
WEA Gateway LLC	Retail Management	58,201,700	0.34%
BryanLGH	Hospital	48,142,800	0.28%
Windstream	Telecommunications	46,124,247	0.27%
Assurity Life Insurance Co.	Insurance	41,180,873	0.24%
		$ 625,371,653	3.65%

CITY SALES TAX INFORMATION

The City had a one percent (1%) sales and use tax through June 30, 1985. Effective July 1, 1985 the sales and use tax was raised to one and one half percent (1.5%). These taxes are administered and collected for the City by the State of Nebraska. The State receives three percent (3%) for their service. The City has had a sales tax since 1969.

SALES AND USE TAX COLLECTIONS
LAST TEN YEARS

Year Ended August 31	Amount
2014	$ 66,393,391
2013	63,134,808
2012	61,472,342
2011	57,959,545
2010	54,925,013
2009	54,255,376
2008	55,733,297
2007	53,960,485
2006	54,270,346
2005	53,781,209

GENERAL FUND TAX COLLECTIONS
LAST TEN YEARS

Fiscal Year	Property and Motor Vehicle Taxes	Sales and Use Taxes	Sundry Taxes	Taxes In Lieu	Occupation Taxes	Total
2014	$ 37,428,736	$ 66,393,391	$ 31,218	$ 2,042,148	$ 11,184,522	$ 117,080,015
2013	34,599,257	63,134,808	28,713	1,962,330	11,741,366	111,466,474
2012	33,574,992	61,472,342	31,610	1,936,396	12,583,795	109,599,135
2011	31,449,267	57,959,545	30,957	1,755,098	11,699,691	102,894,558
2010	31,486,553	54,925,013	11,895	1,620,431	10,467,534	98,511,426
2009	33,783,984	54,255,376	8,143	1,540,752	10,071,230	99,659,485
2008	32,181,660	55,733,297	18,600	1,511,404	9,670,060	99,115,021
2007	31,454,763	53,960,485	10,492	1,399,939	9,596,588	96,422,267
2006	28,366,526	54,270,346	9,526	1,315,038	8,936,502	92,897,938
2005	26,727,618	53,781,209	12,445	1,159,742	9,169,791	90,850,805

TAXABLE ASSESSED VALUATION
LAST TEN YEARS [1]

Tax Year	Real Estate	All Other	Total
2015	$ 16,602,382,002	$ 777,744,371	$ 17,380,126,373
2014	16,366,307,281	744,661,478	17,110,968,759
2013	15,969,385,392	706,811,504	16,676,196,896
2012	15,221,954,470	678,874,343	15,900,828,813
2011	15,125,408,200	755,852,220	15,881,260,420
2010	14,984,937,627	761,515,955	15,746,453,582
2009	15,222,189,222	713,383,515	15,935,572,737
2008	14,969,536,405	684,390,085	15,653,926,490
2007	14,638,856,501	703,307,287	15,342,163,788
2006	12,897,825,080	685,425,215	13,583,250,295

[1] Property is assessed at actual value; therefore, the assessed values are equal to actual value.

TOTAL PROPERTY TAX LEVIES
ALL OVERLAPPING GOVERNMENTS
LAST TEN YEARS [1]

	Tax Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
City of Lincoln	0.3158	0.3158	0.3158	0.2879	0.2879	0.2879	0.2879	0.2833	0.3009	0.2950
School District No. 1	1.2441	1.2447	1.2461	1.2462	1.2537	1.2668	1.2719	1.2764	1.3142	1.3141
Lancaster County	0.2813	0.2843	0.2683	0.2683	0.2683	0.2683	0.2755	0.2655	0.2841	0.2797
Educational Service Unit #18	0.0150	0.0150	0.0150	0.0145	0.0150	0.0150	0.0141	0.0141	0.0150	0.0150
Community Technical College	0.0667	0.0627	0.0627	0.0600	0.0676	0.0722	0.0689	0.0689	0.0696	0.0655
Lower Platte South Natural Res. Dist.	0.0361	0.0378	0.0398	0.0406	0.0410	0.0410	0.0418	0.0416	0.0422	0.0323
Railroad Transportation Safety Dist.	0.0130	0.0100	0.0260	0.0260	0.0260	0.0260	0.0260	0.0246	0.0260	0.0260
Lancaster County Correctional JPA City	0.0172	0.0177	0.0185	0.0189	0.0194	0.0195	-	-	-	-
Lancaster County Correctional JPA County	0.0096	0.0099	0.0105	0.0106	0.0107	0.0106	-	-	-	-
Agricultural Society of Lancaster County	0.0015	0.0015	0.0016	0.0017	0.0016	0.0015	0.0016	0.0016	0.0018	0.0020
Lancaster County Fairgrounds	0.0034	0.0037	0.0037	0.0038	0.0038	0.0038	0.0043	0.0037	0.0042	0.0042
Public Building Commission	0.0170	0.0167	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170
	2.0207	2.0198	2.0250	1.9955	2.0120	2.0296	2.0090	1.9967	2.0750	2.0508

[1] The assessment rate is 100% of market and the levy is expressed as the tax per $100 of estimated market value.

DEBT MANAGEMENT
OUTSTANDING INDEBTEDNESS AS OF AUGUST 31, 2014

Long-term debt is comprised of the following individual issues (in thousands of dollars)

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
General Obligation Bonds:							
General Bonds:							
9,950	06/15/05	Storm Sewer Construction	3.250 - 4.250	Serial 2006 to 2025	2015	Semiannually	6,340
8,295	06/27/07	Stormwater Drainage and Flood Mgmt	4.625 - 5.000	Serial 2008 to 2027	2017	"	6,230
8,200	02/10/11	Stormwater Bonds	2.000 - 4.500	Serial 2013 to 2030	2020	"	7,470
19,290	06/21/11	Refunding	0.2000 - 5.000	Serial 2011 to 2022	2019	"	14,525
8,090	06/26/12	Refunding	1.000 - 3.000	Serial 2013 to 2023	na	"	6,310
6,385	03/20/13	Stormwater Bonds	2.000 - 4.000	Serial 2014 to 2029	2023	"	6,385
1,515	03/20/13	Stormwater Bonds	3.125	Term 2032	2023	"	1,515
	Total General Bonds						$ 48,775
Tax Allocation Bonds:							
5,500	04/21/04	Tax Allocation Bonds	3.000 - 4.800	Serial 2004 to 2015	2010	"	1,415
365	08/15/05	Tax Allocation Bonds	4.750	Serial 2006 to 2018	Anytime	"	125
288	10/01/06	Tax Allocation Bonds	5.100	Serial 2008 to 2016	Anytime	"	89
2,205	04/05/07	Tax Allocation Bonds	5.000 - 5.550	Serial 2009 to 2018	2012	"	1,245
601	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	"	518
388	06/01/07	Tax Allocation Bonds	5.240	Serial 2007 to 2020	Anytime	"	220
369	06/15/07	Tax Allocation Bonds	5.400	Serial 2007 to 2014	Anytime	"	29
42	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2021	Anytime	"	27
71	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2017	Anytime	"	48
474	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2022	Anytime	"	168
547	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	362
200	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	130
611	06/30/09	Tax Allocation Bonds	7.00	Serial 2011 to 2023	Anytime	"	544
3,375	07/28/09	Tax Allocation Bonds	2.500 - 6.400	Serial 2011 to 2023	Anytime	"	2,760
263	04/01/11	Tax Allocation Bonds	3.990	Serial 2011 to 2022	Anytime	"	204
103	04/15/13	Tax Allocation Bonds	2.370	Serial 2013 to 2025	Anytime	"	92
	Total Tax Allocation Bonds						$ 7,976
Tax Supported Bonds:							
27,000	12/05/06	Highway Allocation Fund	4.000 - 5.000	Serial 2008 to 2027	2016	Semiannually	19,865
28,095	06/06/12	Highway Allocation Fund	1.000 - 5.000	Serial 2012 to 2023	na	"	25,110
16,515	07/23/13	Limited Tax Arena Bonds	2.000 - 4.500	Serial 2016 to 2031	2023	"	16,515
2,635	07/23/13	Limited Tax Arena Bonds	2.000 - 4.500	Term 2035	2023	"	2,635
5,850	07/23/13	Limited Tax Arena Bonds	2.000 - 4.500	Term 2037	2023	"	5,850
	Total Tax Supported Bonds						$ 69,975
Special Assessment Bonds:							
825	8/18/11	Special Assessment	0.400 - 3.700	Serial 2012 to 2026		Semiannually	675
375	8/18/11	Special Assessment	4.200	Term 2031		"	375
3,000	11/23/11	Special Assessment	2.000 - 3.500	Serial 2012 to 2031		"	2,615
	Total Special Assessment Bonds						$ 3,665
West Haymarket Joint Public Agency							
31,515	9/8/10	Facility Bonds Taxable Build America Bonds	3.500 - 4.45	Serial 2020 to 2030	Anytime	Semiannually	31,515
68,485	9/8/10	Facility Bonds Taxable Build America Bonds	4.750 / 5.000	Term 2035 & 2045	Anytime	"	68,485
15,785	12/01/10	Facility Bonds Taxable Build America Bonds	4.000 - 5.000	Serial 2020 - 2025	Anytime	"	15,785
52,180	12/01/10	Facility Bonds Taxable Build America Bonds	5.400 / 5.800 / 6.000	Term 2030 2035 2039	Anytime	"	52,180
32,035	12/01/10	Recovery Zone Economic Development	6.750	Term 2045	Anytime	"	32,035
44,290	8/24/11	Facility Bonds	3.500 - 5.000	Serial 2021 to 2032	2021	"	44,290
55,710	8/24/11	Facility Bonds	4.250- 5.000	Term 2036 & 2042	2021	"	55,710
20,850	12/04/13	Facility Bonds	2.000 - 5.000	Serial 2014 to 2038	2023	"	20,850
7,325	12/04/13	Facility Bonds	4.500	Term 2043	2021	"	7,325
	Total West Haymarket Joint Public Agency						$ 328,175
	TOTAL GENERAL OBLIGATION BONDS						$ 458,566
Tax Supported Bonds:							
11,080	3/13/02	Antelope Valley Project	1.500 - 5.000	Serial 2002 to 2016	2012	Semiannually	$ 3,690
Revenue Bonds:							
18,000	08/03/05	Wastewater Revenue	4.000 - 5.000	Serial 2006 to 2030	2015	Semiannually	$ 13,320
16,710	04/18/07	Wastewater Revenue	4.000 - 4.500	Serial 2008 to 2029	2017	"	12,980
3,750	04/18/07	Wastewater Revenue	4.375	Term 2032	2017	"	3,750
38,290	05/24/12	Wastewater Revenue	1.000 - 5.000	Serial 2013 to 2028	2023	"	34,275
	Total Wastewater Bonds						$ 64,325
10,515	08/04/09	Water Revenue	2.000 - 4.125	Serial 2013 to 2029	2019	Semiannually	9,575
4,905	08/04/09	Water Revenue	4.5000	Term 2034	2019	"	4,905
10,895	06/21/12	Water Revenue Refunding	1.000 - 4.000	Serial 2013 to 2022	N/A	"	8,860
28,595	05/30/13	Water Revenue Refunding	1.000 - 5.000	Serial 2013 to 2025	2023	"	26,035
	Total Water Bonds						$ 49,375
7,745	01/27/11	Parking Revenue and Refunding	2.000 - 5.000	Serial 2015 to 2024	2021	"	7,745
10,775	01/27/11	Parking Revenue and Refunding	5.000 / 5.125 / 5.500	Term 2026 & 2031	2021	"	10,775
9,315	11/29/12	Parking Revenue and Refunding	.400 - 4.000	Serial 2013 to 2027	2022	"	7,920
2,765	11/29/12	Parking Revenue and Refunding	3.00	Term 2032	2022	"	2,765
	Total Parking Bonds						$ 29,205
8,340	02/26/13	Solid Waste Management Revenue and Refunding	.250 - 4.000	Serial 2013 to 2029	2023	Semiannually	$ 7,315
93,045	10/01/03	Electric Revenue and Refunding Bonds	3.000 - 5.000	Serial 2004 to 2026	2014	"	6,760
183,230	05/15/07	Electric Revenue and Refunding Bonds	4.000 - 5.000	Serial 2009 to 2035	2016	"	163,835
81,850	05/15/07	Electric Revenue and Refunding Bonds	4.500 / 4.750	Term 2034 & 2037	2016	"	81,850
247,150	08/15/12	Electric Revenue and Refunding Bonds	1.000 - 5.000	Serial 2013 to 2032	2022	"	235,305
30,165	08/15/12	Electric Revenue and Refunding Bonds	3.625 - 5.000	Term 2037	2022	"	30,165
75,525	06/20/13	Electric Revenue and Refunding Bonds	2.700- 5.000	Serial 2021 to 2025	2023	"	75,525
	Total Electric Bonds						$ 593,440
	TOTAL REVENUE BONDS						$ 743,660

The annual requirements to pay principal and interest on all outstanding debt are as follows (in thousands of dollars):

Fiscal Year Ended August 31		Governmental Activities					
		General Obligation Bonds		Tax Supported Bonds		Capital Leases	
		Principal	Interest	Principal	Interest	Principal	Interest
2015	$	10,139	21,035	815	162	5,346	1,238
2016		11,405	20,683	855	122	6,200	1,136
2017		10,538	20,322	2,020	51	4,590	978
2018		10,766	19,962	-	-	3,940	852
2019		10,585	19,577	-	-	3,667	745
2020-2024		79,297	89,858	-	-	15,030	2,261
2025-2029		70,951	72,878	-	-	4,743	357
2030-2034		70,825	57,339	-	-	215	10
2035-2039		78,305	39,436	-	-	-	-
2040-2044		82,775	17,781	-	-	-	-
2045-2046		22,980	1,363	-	-	-	-
		458,566	380,234	3,690	335	43,731	7,577

Fiscal Year Ended August 31		Business-Type Activities					
		Revenue Bonds		Loans Payable		Capital Leases	
		Principal	Interest	Principal	Interest	Principal	Interest
2015	$	29,895	31,967	1,828	1,051	399	36
2016		31,075	30,735	1,646	1,011	346	29
2017		33,060	29,490	1,687	969	352	23
2018		34,445	28,052	1,730	925	202	17
2019		35,900	26,526	1,774	881	155	13
2020-2024		201,150	107,131	9,382	3,689	485	19
2025-2029		165,810	64,967	9,907	2,361	-	-
2030-2034		120,915	34,207	9,727	847	-	-
2035-2038		91,410	12,431	-	-	-	-
	$	743,660	365,506	37,681	11,734	1,939	137

Fiscal Year Ended August 31		Major Enterprise Funds					
		Wastewater System		Water System		Electric System	
		Principal	Interest	Principal	Interest	Principal	Interest
2015	$	4,343	3,145	4,310	2,154	21,060	26,371
2016		4,372	2,962	4,254	2,078	22,050	25,382
2017		4,537	2,778	4,320	2,000	23,800	24,398
2018		4,627	2,666	4,433	1,858	24,990	23,208
2019		4,723	2,543	4,556	1,712	26,240	21,958
2020-2024		25,963	10,238	22,329	5,932	151,345	89,640
2025-2029		27,478	4,896	9,824	2,728	126,600	56,906
2030-2034		10,388	833	9,124	1,082	105,945	32,762
2035-2038		-	-	-	-	91,410	12,431
	$	86,431	30,061	63,150	19,544	593,440	313,056

The City issues general obligation, special assessment, and revenue bonds to finance the acquisition and construction of major capital assets. Bonded indebtedness has also been entered into to advance refund several general obligation and revenue bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Special assessment bonds are repaid from amounts levied against affected property owners, but in the unlikely event collections are not sufficient to make debt payments, the responsibility rests with the City to meet that obligation. For revenue bonds the government pledges income derived from the acquired or constructed assets to pay the debt service.

Net position of $3,941,983, $2,989,196, $4,804,519, and $1,367,802 are currently available in the debt service funds to service the General Obligation Bonds, Tax Supported Bonds, Tax Allocation Bonds, and Special Assessment Bonds, respectively. Revenue Bonds are funded partially from reserve accounts set up for debt repayment and partially from proceeds of daily operations.

The City has entered into lease agreements for financing the acquisition of land, buildings, street lights, emergency ambulances and defibrillators, fire engines, golf equipment and computer equipment and software. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Land	$ 1,774,450	$ 210,000
Buildings	25,492,801	1,646,732
Improvements	219,925	-
Infrastructure	19,583,531	-
Machinery and Equipment	6,392,824	3,423,476
Construction In Progress	52,500	-
Less Accumulated Depreciation, (where applicable)	(10,664,292)	(2,568,981)
Total	$ 42,851,739	$ 2,711,227

Under the City's Home Rule Charter, there is no legal debt limit. The various bond indentures contain significant limitations and restrictions on annual debt service requirements, minimum amounts to be maintained in various bond reserve funds, and minimum revenue bond coverage.

The general obligation debt of all local governmental units which provide services within the City's boundaries and which debt must be borne by properties in the City (commonly called overlapping debt) as of August 31, 2014, is summarized below (unaudited):

Governmental Units	Debt Outstanding	Estimated Percentage Applicable	Direct And Overlapping Debt To The City
Direct:			
City	$ 517,769,000	100.0 %	$ 517,769,000
Overlapping:			
School District #1	442,052,535	99.5	439,842,000
Lower Platte South N.R.D.	-	75.4	-
Lancaster County	370,000	85.4	316,000
Public Building Commission	33,880,000	85.4	28,934,000
Lancaster County Correctional Facility	52,050,000	85.4	44,451,000
Lancaster County Fairgrounds	9,900,000	85.4	8,455,000
	538,252,535		521,998,000
Total	$ 1,056,021,535		$ 1,039,767,000

The City has no direct liability for the School District, Lower Platte South N.R.D., Lancaster County, Public Building Commission, Lancaster County Fairgrounds or Lancaster County Correctional Facility debt summarized above. This results in a per capita direct City debt of $1,926.67; a per capita direct and overlapping debt of $3,869.07; a ratio of direct City debt to 2014 actual valuation of 3.03 percent; and a ratio of direct and overlapping debt to 2014 actual valuation of 6.08 percent.

In addition to the governmental units listed above, the Airport Authority of the City of Lincoln, Nebraska (the "Airport Authority"), a body politic and corporate separate and distinct from the City of Lincoln, provides services within the City's boundaries and has overlapping general obligation indebtedness. As of June 30, 2014, the Airport Authority had outstanding $32,640,000 in aggregate principal amount of its general obligation airport bonds. The Airport Authority anticipates that such bonds will be paid from revenues derived from its operations of the Lincoln Municipal Airport, but the Airport Authority is authorized to levy a property tax, at a rate not to exceed three and five-tenths cents ($.035) on each $100 of taxable valuation, on all the taxable property in the City. The Airport Authority has not levied a property tax since 1985 for any purpose, including airport operating expenses or debt service on its bonds.

Debt Payment Record

The City of Lincoln has never defaulted on its obligation to pay principal or interest on its indebtedness.

Contingencies

The City is a defendant in a number of lawsuits in its normal course of operations and management is of the opinion that ultimate settlement of such lawsuits will not have a materially adverse effect on the financial statements.

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES LAST TEN FISCAL YEARS

Fiscal Year	Principal	Interest [2]	Total Debt Service	Total General Governmental Expenditures [1]	Ratio Of Debt Service To Total General Expenditures
2014	$ 9,662,748	$ 5,240,713	$ 14,903,461	$ 256,863,631	5.80 %
2013	8,427,726	4,266,429	12,694,155	233,802,749	5.43
2012	7,485,645	5,123,060	12,608,705	229,205,337	5.50
2011	6,857,978	5,147,840	12,005,818	225,622,756	5.32
2010	7,457,532	5,676,933	13,134,465	207,939,796	6.32
2009	8,036,544	5,814,071	13,850,615	195,544,608	7.08
2008	6,824,828	5,979,172	12,804,000	195,469,478	6.55
2007	5,617,536	4,986,687	10,604,223	192,566,160	5.51
2006	5,770,794	4,670,734	10,441,528	190,705,202	5.48
2005	5,421,699	4,860,926	10,282,625	182,804,746	5.62

[1] Includes: General, Special Revenue, and Debt Service Funds.
[2] Does not include fiscal and miscellaneous charges.

SCHEDULE OF GENERAL OBLIGATION DEBT IN RELATION TO POPULATION, ASSESSED VALUATION, AND REAL PROPERTY VALUATION LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonded Debt	Sinking Funds	Net General Obligation Bonded Debt	Population 1	Net G.O. Bonded Debt Per Capita	Assessed Valuation Real And Personal	Ratio of Net Debt To Assessed Valuation Real & Personal 2	Assessed Valuation Of Taxable Real Property 2	Ratio of Net Debt To Estimated Valuation Of Taxable Real Property
2014	$ 130,391,000	$ 9,427,000	$ 120,964,000	268,738	$ 450.12	$ 17,110,968,759	0.71%	$ 16,366,307,281	0.74%
2013	139,274,000	15,640,000	123,634,000	265,404	465.83	16,676,196,896	0.74%	15,969,385,392	0.77%
2012	113,958,000	15,142,000	98,816,000	262,341	376.67	15,900,828,813	0.62%	15,221,954,470	0.65%
2011	119,663,000	13,305,000	106,358,000	258,379	411.64	15,881,260,420	0.67%	15,125,408,200	0.70%
2010	118,383,000	13,480,000	104,903,000	254,001	413.00	15,746,453,582	0.67%	14,984,937,627	0.70%
2009	125,181,000	13,604,000	111,577,000	251,624	443.43	15,935,572,737	0.70%	15,222,189,222	0.73%
2008	128,581,000	12,962,000	115,619,000	248,744	464.81	15,653,926,490	0.74%	14,969,536,405	0.77%
2007	133,413,000	11,574,000	121,839,000	241,167	505.21	15,342,163,788	0.79%	14,638,856,501	0.83%
2006	99,347,000	9,733,000	89,614,000	239,213	374.62	13,583,250,295	0.66%	12,897,825,080	0.69%
2005	104,538,000	13,364,000	91,174,000	238,625	382.08	13,138,516,226	0.69%	12,421,799,720	0.73%

[1] Source: Lincoln/Lancaster Planning Department.
[2] Assessed valuation is 100% of actual

REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS

	Gross Revenue	Direct Operating Expenses	Net Available Revenue	Debt Service Requirements: Principal	Interest	Total	Coverage
Wastewater System							
2014	$ 27,049,162	13,337,986	13,711,176	4,053,916	3,077,999	7,131,915	1.92
2013	24,988,275	12,522,159	12,466,116	3,487,906	3,089,698	6,577,604	1.90
2012	24,763,975	12,378,673	12,385,302	3,137,858	3,655,156	6,793,014	1.82
2011	23,546,370	12,543,964	11,002,406	2,865,000	3,647,609	6,512,609	1.69
2010	22,472,095	11,664,593	10,807,502	2,695,000	3,731,444	6,426,444	1.68
2009	22,643,270	11,771,291	10,871,979	2,620,000	3,820,044	6,440,044	1.69
2008	22,347,867	11,393,624	10,954,243	2,415,000	4,030,454	6,445,454	1.70
2007	21,158,743	11,462,964	9,695,779	2,005,000	3,081,481	5,086,481	1.91
2006	19,827,194	11,125,819	8,701,375	2,065,000	3,043,500	5,108,500	1.70
2005	18,248,683	10,482,955	7,765,728	1,500,000	2,403,519	3,903,519	1.99
Water System							
2014	$ 34,933,647	16,308,059	18,625,588	3,923,000	2,044,417	5,967,417	3.12
2013	34,241,815	16,113,390	18,128,425	1,850,000	2,345,562	4,195,562	4.32
2012	35,984,891	15,636,494	20,348,397	5,380,000	2,955,202	8,335,202	2.44
2011	30,629,506	15,455,027	15,174,479	6,310,000	3,191,857	9,501,857	1.60
2010	26,515,467	14,091,292	12,424,175	6,050,000	3,458,097	9,508,097	1.31
2009	27,838,187	14,995,077	12,843,110	5,795,000	3,128,414	8,923,414	1.44
2008	27,257,184	14,425,521	12,831,663	5,555,000	3,376,201	8,931,201	1.44
2007	29,386,495	14,351,136	15,035,359	5,340,000	3,612,001	8,952,001	1.68
2006	29,014,999	13,808,214	15,206,785	5,130,000	3,834,301	8,964,301	1.70
2005	27,153,937	13,145,665	14,008,272	4,895,000	3,517,932	8,412,932	1.67
Parking Facilities [1]							
2014	$ 9,816,550	4,211,473	5,605,077	1,310,000	1,172,465	2,482,465	2.26
2013	8,444,055	3,919,678	4,524,377	1,270,000	1,091,614	2,361,614	1.92
2012	7,382,101	3,823,131	3,558,970	860,000	1,078,688	1,938,688	1.84
2011	7,698,018	3,606,008	4,092,010	580,000	689,717	1,269,717	3.22
2010	6,869,392	3,340,601	3,528,791	1,435,000	558,519	1,993,519	1.77
2009	7,014,250	2,874,768	4,139,482	1,360,000	624,394	1,984,394	2.09
2008	7,134,709	2,912,511	4,222,198	1,305,000	687,194	1,992,194	2.12
2007	6,645,013	2,781,952	3,863,061	1,240,000	746,374	1,986,374	1.94
2006	6,785,593	2,775,122	4,010,471	1,185,000	799,931	1,984,931	2.02
2005	6,219,935	2,972,709	3,247,226	1,140,000	850,501	1,990,501	1.63
Solid Waste Management							
2014	$ 9,132,756	7,319,215	1,813,541	550,000	198,128	748,128	2.42
2013	7,933,037	7,087,935	845,102	475,000	133,463	608,463	1.39
2012	7,745,565	6,376,120	1,369,445	220,000	124,025	344,025	3.98
2011	7,615,130	6,253,133	1,361,997	210,000	132,425	342,425	3.98
2010	7,377,385	5,768,077	1,609,308	200,000	140,425	340,425	4.73
2009	7,664,336	5,491,789	2,172,547	195,000	148,225	343,225	6.33

1 Information in this table does not agree with information in the transmittal letter of the City's Comprehensive Annual Financial Report because that information is calculated in accordance with specific requirements of the bond covenants.

CITY OF LINCOLN, NEBRASKA
GENERAL FUND
SUMMARY CASH FLOW STATEMENT - CASH BASIS
FOR LAST TEN FISCAL YEARS

	F.Y. 2014	F.Y. 2013	F.Y. 2012	F.Y. 2011	F.Y. 2010	F.Y. 2009	F.Y. 2008	F.Y. 2007	F.Y. 2006	F.Y. 2005
Cash & Investment Balance - September 1 of Year Indicated	25,932,021	22,789,222	16,942,409	14,597,487	16,286,626	15,738,481	14,632,274	13,475,643	18,948,253	23,521,130
Receipts:										
Property Tax	37,428,736	34,599,257	33,574,992	31,449,267	31,486,553	33,783,984	32,181,660	31,454,763	28,366,526	26,727,618
City Sales & Use Tax	66,393,392	63,134,808	61,472,342	57,959,545	54,925,013	54,255,376	55,733,297	53,960,485	54,270,346	53,781,209
Other Income	36,929,588	36,298,994	36,542,477	33,232,580	27,906,103	27,389,492	26,270,119	27,663,641	25,390,112	25,620,145
Total Receipts	140,751,716	134,033,059	131,589,811	122,641,392	114,317,669	115,428,852	114,185,076	113,078,889	108,026,984	106,128,972
Less Disbursements	134,211,871	130,890,260	125,742,998	120,296,470	116,006,808	114,880,707	113,078,869	111,922,258	113,499,594	110,701,849
Cash & Investment Balance - August 31 of Year Indicated	32,471,866	25,932,021	22,789,222	16,942,409	14,597,487	16,286,626	15,738,481	14,632,274	13,475,643	18,948,253

CITY OF LINCOLN, NEBRASKA
GENERAL BONDED INDEBTEDNESS AND DEBT SERVICE FUND
SUMMARY CASH FLOW STATEMENT - CASH BASIS
FOR LAST TEN FISCAL YEARS

	F.Y. 2014	F.Y. 2013	F.Y. 2012	F.Y. 2011	F.Y. 2010	F.Y. 2009	F.Y. 2008	F.Y. 2007	F.Y. 2006	F.Y. 2005
Cash Balance - September 1 of Year Indicated	3,883,237	3,929,968	2,234,981	2,941,245	3,533,968	4,201,889	4,057,088	2,761,491	3,364,608	3,570,557
Receipts:										
Property Tax	5,558,081	5,594,005	5,773,392	5,337,610	5,517,878	5,689,007	5,709,454	5,460,690	2,973,410	5,607,615
Interest Income	10,126	8,507	13,723	28,331	60,063	131,475	153,977	84,935	86,812	83,286
Bond Proceeds			8,369,497	20,236,484						6,597,635
Other Income	98,027	104,162	110,962	116,758	124,279	173,446	1,003,173	1,927,112	2,935,603	149,038
Total Receipts	5,666,234	5,706,674	14,267,574	25,719,183	5,702,220	5,993,928	6,866,604	7,472,737	5,995,825	12,437,574
Disbursements:										
Bonds Paid	4,240,000	4,225,000	2,390,000	2,720,000	4,110,000	4,320,000	4,260,000	3,950,000	4,250,000	3,850,000
Bonds Defeased										
Interest Paid	1,745,495	1,521,904	1,822,197	1,753,957	2,178,545	2,335,411	2,456,373	2,217,610	2,342,582	2,197,207
Transfer to Trustee			8,242,367	21,746,822						6,504,876
Other Disbursements	2,274	6,501	118,023	204,668	6,398	6,438	5,430	9,530	6,360	91,440
Total Disbursements	5,987,769	5,753,405	12,572,587	26,425,447	6,294,943	6,661,849	6,721,803	6,177,140	6,598,942	12,643,523
Equity Transfer										
Cash Balance - August 31 of Year Indicated	3,561,702	3,883,237	3,929,968	2,234,981	2,941,245	3,533,968	4,201,889	4,057,088	2,761,491	3,364,608

CITY OF LINCOLN, NEBRASKA
SPECIAL ASSESSMENT REVOLVING FUND
SUMMARY CASH FLOW STATEMENT - CASH BASIS
FOR LAST TEN FISCAL YEARS

	F.Y. 2014	F.Y. 2013	F.Y. 2012	F.Y. 2011	F.Y. 2010	F.Y. 2009	F.Y. 2008	F.Y. 2007	F.Y. 2006	F.Y. 2005
Cash & Investment Balance - September 1 of Year Indicated	2,509,487	2,348,773	759,180	4,302,257	4,161,711	11,148,146	9,991,053	8,846,000	7,583,251	7,830,502
Receipts:										
Special Assessment Collections	1,521,959	941,365	1,049,570	996,209	984,301	954,672	1,235,621	1,257,112	1,476,284	1,208,686
Interest on Special Assessments	53,761	78,642	98,844	106,379	148,383	112,749	179,258	188,349	189,927	204,108
City's Share of Costs	783,436	1,205,443	621,898	233,615	292,420	34,802		187,957	723,038	578,992
Developers' Share of Costs										
Bond Proceeds			3,036,003	1,200,000						
Interest on Investments	40,673	41,212	47,349	60,248	135,149	335,273	453,282	340,274	254,809	217,996
Miscellaneous	733			38,456			33,964	49,403	74,657	30,687
Total Receipts	2,400,562	2,266,662	4,853,664	2,634,907	1,560,253	1,437,496	1,902,125	2,023,095	2,718,715	2,240,469
Disbursements:										
Construction Costs	1,213,770	901,811	2,359,096	2,081,765	1,113,691	861,203	742,698	766,768	1,066,513	1,796,239
Bonds Paid	175,000	170,000	190,000					55,000		100,000
Equity Transfer						7,554,009				
Interest Paid on Bonds & Notes	112,023	114,722	94,911	3,758,342				37,581		3,425
Other Refunds & Expenses	789,536	919,415	620,064	337,877	306,016	8,719	2,334	18,693	389,453	588,056
Total Disbursements	2,290,329	2,105,948	3,264,071	6,177,984	1,419,707	8,423,931	745,032	878,042	1,455,966	2,487,720
Cash & Investment Balance - August 31 of Year Indicated	2,619,720	2,509,487	2,348,773	759,180	4,302,257	4,161,711	11,148,146	9,991,053	8,846,000	7,583,251

APPENDIX B-1

LES' AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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Lincoln Electric System

Auditor's Report and Financial Statements

December 31, 2013 and 2012

Lincoln Electric System

Lincoln Electric System
December 31, 2013 and 2012

Contents

BKD LLP
CPAs & Advisors
1248 "O" Street, Suite 1040 // Lincoln, NE 68508-1461
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Independent Auditor's Report

Administrative Board
Lincoln Electric System
Lincoln, Nebraska

We have audited the accompanying basic financial statements of Lincoln Electric System, which are comprised of balance sheets as of December 31, 2013 and 2012, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lincoln Electric System as of December 31, 2013 and 2012, and the changes in its financial position and its cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BKD, LLP

Lincoln, Nebraska
March 14, 2014

Lincoln Electric System

Management's Discussion and Analysis

December 31, 2013 and 2012

SIGNIFICANT EVENTS

- Lincoln Electric System (LES) issued $75.5 million in tax-exempt bonds (dated June 6, 2013), which resulted in present value savings of $12.7 million. The bonds were used to refund existing bonds, which were issued in 2005 and to redeem a portion of outstanding commercial paper.
- An additional deposit was made to the Rate Stabilization Fund, which increased the balance by $2.0 million to $17.3 million. The fund provides a method of mitigating risks that may occur from unforeseen events or one-time, non-recurring events that may have a significant financial impact on LES, such as damage from a storm or an unplanned power station outage.

FINANCIAL STATEMENT OVERVIEW

We are providing this discussion to you, the reader of our financial statements, to explain the activities, plans and events that impacted our financial position for the years ended December 31, 2013, 2012 and 2011. This overview from management should provide information that is one of the three components of the entire financial statement. The other two components are the financial statements and notes to the financial statements. Please read the entire document to understand the events and conditions impacting Lincoln Electric System (LES).

Balance Sheets (Statements of Net Position) - This statement presents assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Assets and liabilities are each divided to distinguish current versus non-current. The balance sheet reveals liquidity, financial flexibility, and capital structure.

Income Statements (Statements of Revenues, Expenses and Changes in Net Position) - Operating results are separated into operating revenue and expense, non-operating revenue and expense, and capital contribution revenue and expense. This statement is useful in analyzing financial health.

Statements of Cash Flows - This statement classifies sources and uses of cash summarizing by operating, non-capital financing, capital and related financing, and investing activities.

Notes to Financial Statements - The notes are an explanation of information within the Financial Statements.

OPERATING RESULTS

CONDENSED BALANCE SHEETS

(Condensed Statements of Net Position)

	2013	2012	2011
	(Dollars in thousands)		
Current Assets	$ 163,884	$ 194,474	$ 171,587
Non-Current Assets	23,901	27,917	29,299
Capital Assets	851,406	827,443	814,258
Deferred Outflows of Resources (see note)	20,201	19,228	10,092
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 1,059,392	$ 1,069,062	$ 1,025,236
Current Liabilities	$ 151,008	$ 173,122	$ 208,723
Non-Current Liabilities	615,482	613,089	538,756
TOTAL LIABILITIES	766,490	786,211	747,479
Net Investment in Capital Assets	187,838	145,310	157,393
Restricted	7,552	6,620	6,494
Unrestricted	97,512	130,921	113,870
TOTAL NET POSITION (NET ASSETS)	292,902	282,851	277,757
TOTAL LIABILITIES AND NET POSITION	$ 1,059,392	$ 1,069,062	$ 1,025,236

Note: Total assets and total liabilities amounts for 2012 and 2011 have been adjusted as a result of GASB 65 which required, among other things, deferred losses on refunded debt to be reclassified from long-term debt to deferred outflows of resources (see Note 1).

Over time, the difference between the assets and liabilities may indicate a change in the financial status of LES, but the financial statement must be viewed from the perspective of the entire document.

Comparison of 2013 to 2012

Total assets and deferred outflows of resources decreased $9.7 million in 2013 from 2012, or 0.9%. Current assets decreased by $30.6 million resulting from the use of the revenue fund for construction projects and operating costs. A transfer of $2.0 million was made into the Rate Stabilization Fund in 2013, as planned in the 2013 budget. The balance in accounts receivable, combined with unbilled revenue, increased because of weather patterns. Materials, supplies and fuel inventory decreased due to normal inventory level fluctuations. Non-current assets decreased $4.0 million due to reduced bond reserve requirements and amortization of regulatory assets. Capital assets increased $24.0 million from capital spending for utility construction and acquisition projects, net of depreciation. Deferred outflows of resources, which consist of unamortized amounts on refunded bonds, increased $1.0 million due to the 2013 refunding (see note).

Current liabilities decreased $22.1 million primarily due to the payoff of $24.0 million of outstanding commercial paper. Non-current liabilities increased $2.4 million due to additional debt from the 2013 Bond Issue and were offset by current year payments of bond principal and interest. Net position increased $10.1 million from 2012 as a result of the change in net position.

Comparison of 2012 to 2011

Total assets and deferred outflows of resources increased $43.8 million in 2012 from 2011, or 4.3%. Current assets increased by $22.9 million resulting from the use of bond proceeds to reimburse the revenue fund for local transmission and distribution projects paid from operating funds. A transfer of $1.5 million was made into the Rate Stabilization Fund in 2012 due to better than budgeted financial performance. The balance in accounts receivable combined with unbilled revenue decreased because of weather patterns. Materials, supplies and fuel inventory increased due to normal value increases. Non-current assets decreased $1.4 million due to reduced bond reserve requirements and amortization of regulatory assets. Capital assets increased $13.2 million from normal capital spending for utility construction and acquisition projects, net of depreciation. Deferred outflows of resources, which consist of unamortized amounts on refunded bonds, increased $9.1 million due to the 2012 financing (see note).

Current liabilities decreased $35.6 million primarily due to the payoff of $40.0 million of outstanding commercial paper. Non-current liabilities increased $74.3 million as a result of the 2012 Bond Issue. Net position increased $5.1 million from 2011 as a result of the change in net position.

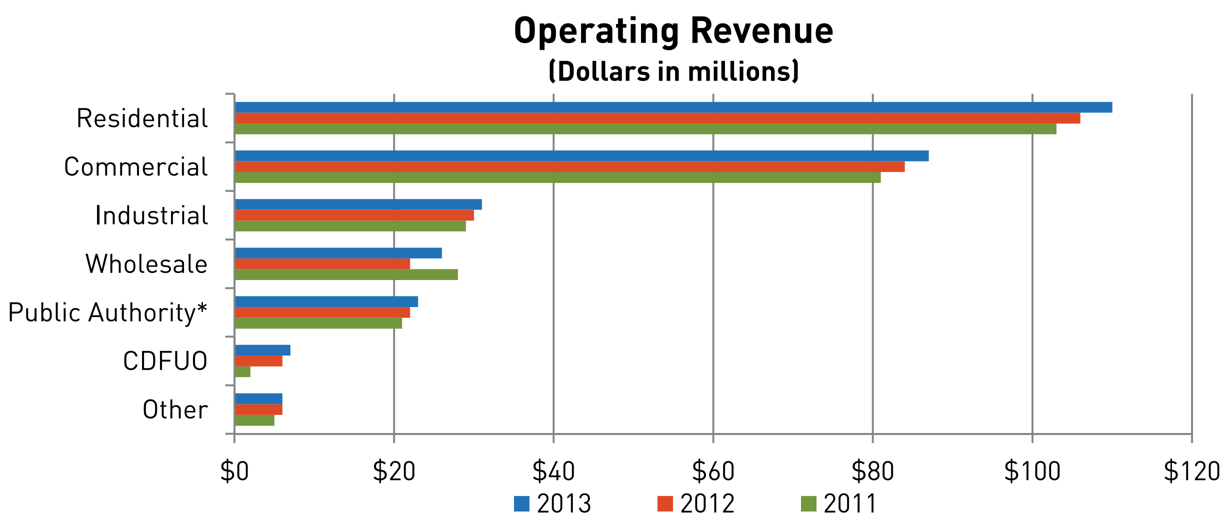
CONDENSED INCOME STATEMENTS

(Condensed Statements of Revenues, Expenses, and Changes in Net Position)

	2013	2012	2011
	(Dollars in thousands)		
Operating Revenue	**$ 290,121**	$ 276,110	$ 269,043
Operating Expense	**233,994**	225,509	213,295
Net Operating Revenue (Operating Income)	**56,127**	50,601	55,748
Interest Expense	**(26,458)**	(26,989)	(27,517)
Other Non-Operating Expense/Income	**(19,618)**	(18,518)	(13,663)
Total Non-Operating Expense/Income	**(46,076)**	(45,507)	(41,180)
Net Capital Contributions	**-**	-	1,074
CHANGE IN NET POSITION	**$ 10,051**	$ 5,094	$ 15,642

OPERATING REVENUE
Comparison of 2013 to 2012

Operating revenue in 2013 was 5.1% higher than 2012. Retail revenue was 4.0% higher due to the impact of a 2.6% rate increase on January 1, 2013, and energy sales were up 1.3%. Wholesale revenue increased 17.5% with an energy sales increase of 9.3%. Other revenue was up 3.0% due mainly to the city dividend for utility ownership (CDFUO). The city dividend for utility ownership revenue was $6.8 million; up $0.3 million due to increased net position in 2012 (net position is used in the calculation for the city dividend for utility ownership).



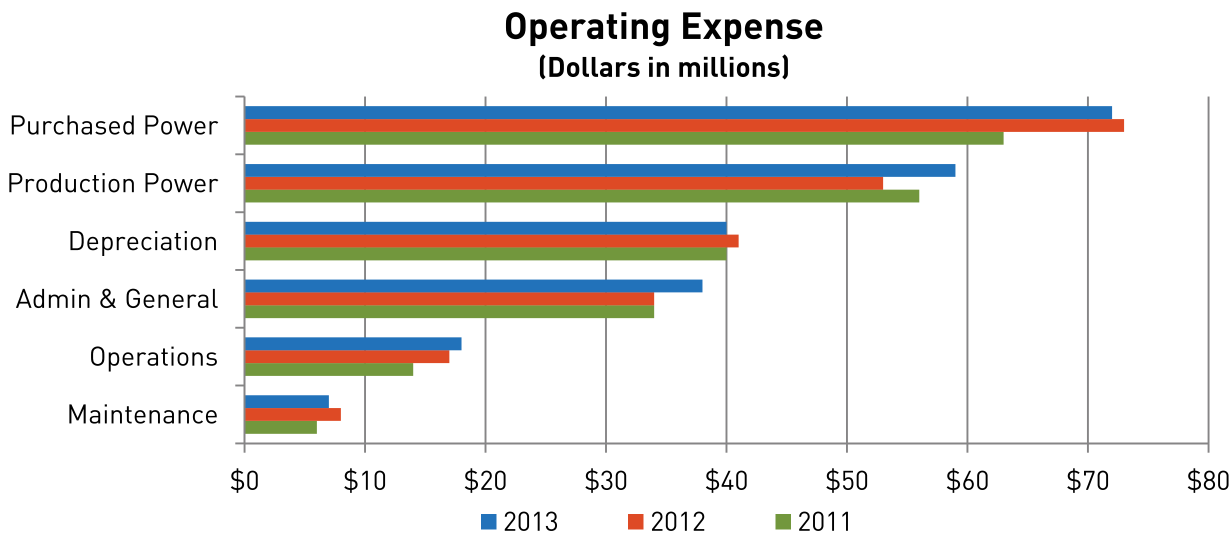
*Public Authority revenue includes street lights and divisions of city and state government.

Comparison of 2012 to 2011

Operating revenue in 2012 was 2.6% higher than 2011. Retail revenue was 3.3% higher due to the impact of a 3.5% rate increase on January 1, 2012, and energy sales were up 0.9%. Wholesale revenue decreased 20.3% with an energy sales decrease of 21.4%. Other revenue was up 69.4% due mainly to the city dividend for utility ownership. The city dividend for utility ownership added $6.5 million in revenue; up $4.4 million due to its implementation in late 2011.

OPERATING EXPENSE
Comparison of 2013 to 2012

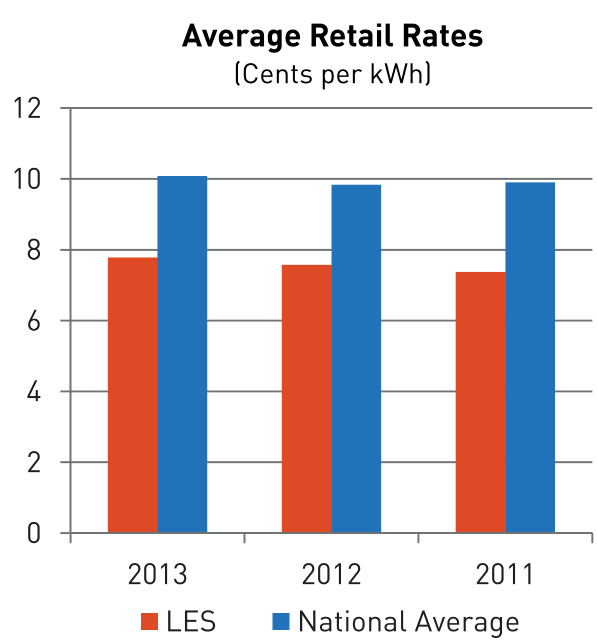
Operating expense in 2013 was 3.8% higher than in 2012. Power cost increased 3.9% from increased energy sales. Operation and maintenance expense increased 3.0% due to higher transmission and distribution expense. Administrative and general expense increased 12.0% primarily due to an internal reorganization that was done to improve efficiency. Depreciation and amortization expense decreased 3.2% due to the Laramie River Station power plant being fully depreciated, partially offset by utility plant additions. Overall, net position increased by $10.1 million from 2012.



Comparison of 2012 to 2011

Operating expense in 2012 increased by a total of 5.7%. Power cost increased 5.4% from base load resource outages. Operation and maintenance expense increased 21.9% due to more regulatory compliance expense than the prior year and higher transmission expense. Administrative and general expense was comparable to that of 2011 with an increase of 1.3%. Depreciation and amortization expense increased 2.3% due to utility plant additions and amortization of software. Overall, net position increased by $5.1 million from 2011.

RATES



Note

LES' average retail rates per kWh (Kilowatt-hour) compare very favorably to the national average for retail rates according to the Energy Information Administration (EIA), U.S. Department of Energy. Average LES customer retail rates were 7.78, 7.58, and 7.38 cents per kWh in 2013, 2012, and 2011. Based on the preliminary EIA data for 2013, LES' retail rates were 23% below the national average.

CASH AND FINANCING ACTIVITIES

CONDENSED STATEMENTS OF CASH FLOWS

	2013	2012	2011
	(Dollars in thousands)		
Cash Flows from Operating Activities	**$ 100,073**	$ 95,412	$ 100,296
Cash Flows from Non-Capital Financing Activities	**(18,323)**	(17,685)	(11,118)
Cash Flows from Capital and Related Financing Activities	**(114,174)**	(57,889)	(49,750)
Cash Flows from Investing Activities	**34,764**	(16,528)	(52,606)
CHANGE IN CASH & CASH EQUIVALENTS	**$ 2,340**	$ 3,310	$ (13,178)

Cash flows from operating activities contain transactions involving customers, suppliers and employees.

Cash flows from non-capital related financing activities contain transactions related to the payment in lieu of tax and city dividend for utility ownership.

Cash flows from capital and related financing activities contain transactions involving the acquisition and construction of capital assets and the long-term debt related to that capital.

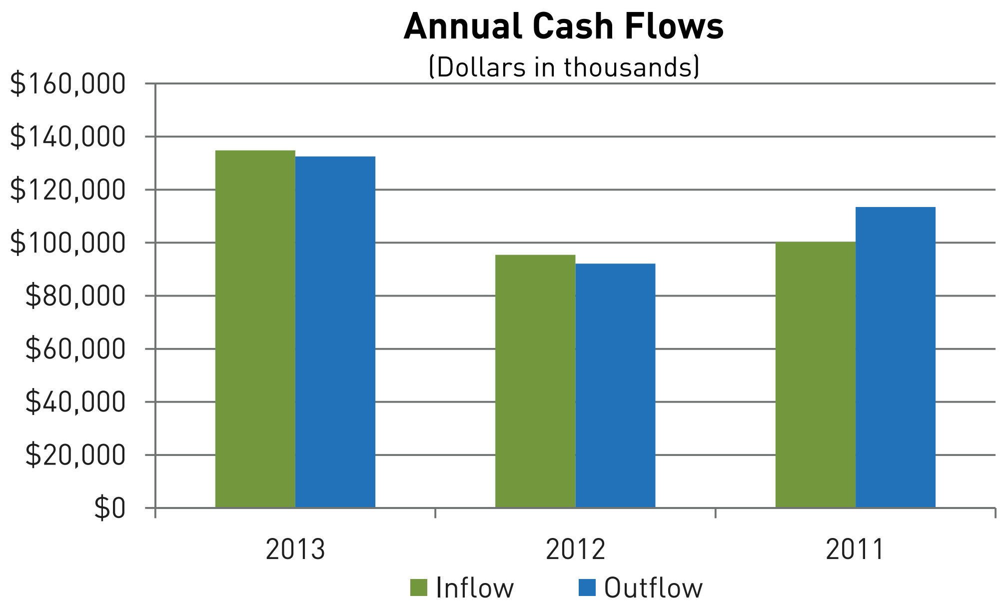
Cash flows from investing activities contain transactions related to security purchases and maturities and interest income.

Comparison of 2013 to 2012

Cash inflows from operating activities were $100.1 million, up $4.7 million from 2012, resulting from increased revenue from an electric rate increase in 2013 and higher energy sales, offset by increased operating expense. Cash outflows from non-capital financing activities increased $0.6 million due to an increase in the city dividend for utility ownership and payment in lieu of tax. Cash outflows from capital and related financing activities increased $56.3 million due to the acquisition and construction of capital assets and the 2013 financing. Cash inflows from investing activities increased $51.3 million due to investment maturities that were used to fund LES operations and capital projects.

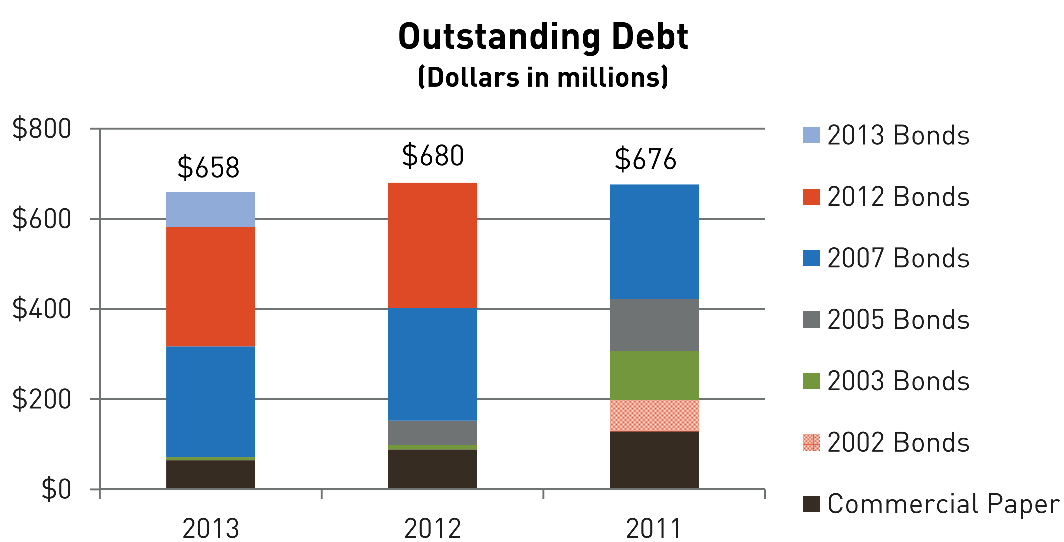
Comparison of 2012 to 2011

Cash inflows from operating activities were $95.4 million, down $4.9 million from 2011, resulting from higher operating expense offset by increased revenue from an electric rate increase in 2012. Cash outflows from non-capital financing activities increased $6.6 million due to the city dividend for utility ownership. Cash outflows from capital and related financing activities increased $8.1 million due to the acquisition and construction of capital assets. Cash outflows from investing activities decreased $36.1 million due to the greater availability of funds to invest from the $38.5 million of commercial paper notes sold in 2011.



FINANCING

During 2013, LES issued $75.5 million in tax-exempt bonds with maturities ranging from 2021 to 2025 and yields ranging from 2.17 percent to 3.15 percent. Proceeds from the bond sale were used to refund existing bonds that were previously issued at higher rates, and to pay off $24 million of outstanding commercial paper. The present value savings from the refunding of existing debt was approximately $12.7 million, or 23.7 percent.



RATINGS

In establishing an entity's bond rating, bond rating agencies take into account both operating characteristics and financial strength. Standard & Poor's Ratings Group ("S&P") and Fitch Investors Service, L.P. ("Fitch") have assigned ratings to LES that are among the highest granted to electric utilities. LES is required to have ratings from two ratings agencies upon the issuance of new bonds. The following table provides the current ratings for outstanding debt.

	S&P	Fitch
2013 Bonds	AA	AA
2012 Bonds	AA	AA
2007 Bonds	AA	AA
2003 Bonds	AA	AA
Commercial Paper	A-1+	F1+

Bond reserves are set in accordance with terms stated upon issuance. All reserves are fully funded.

DEBT SERVICE COVERAGE

Note

LES' bond ordinance establishes a debt service coverage requirement of 1.0. Typically, LES targets year-end debt service coverage at 2.0. LES targeted 1.95 debt service coverage in 2012 as part of a rate mitigation strategy.

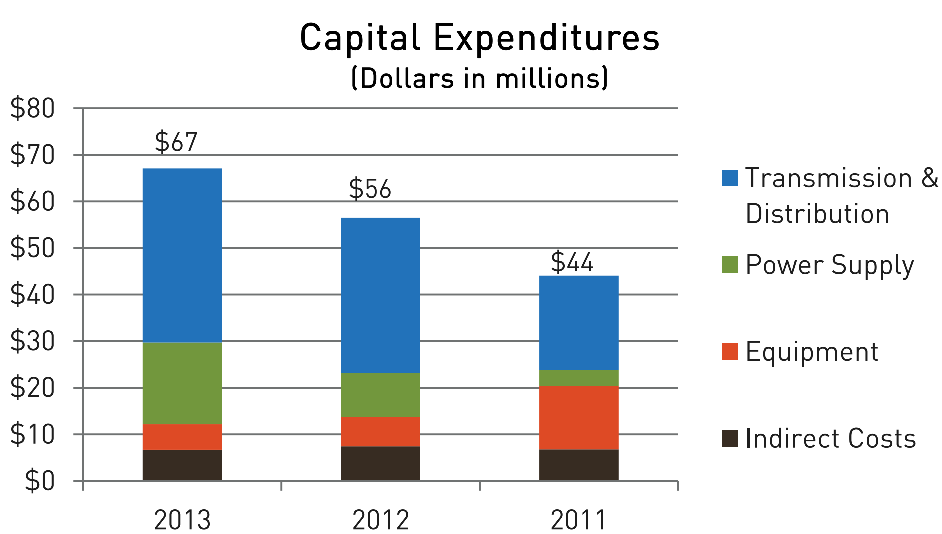
The following table reflects the calculation of the debt service coverage ratio. The ratio reflects LES' year-end funds available to pay its debt service.

	2013	2012	2011
	(Dollars in thousands)		
Operating Revenues	$ 290,121	$ 276,110	$ 269,043
Power Costs	(131,012)	(126,063)	(119,594)
Operations and Maintenance	(25,190)	(24,459)	(20,063)
Administrative and General	(38,134)	(34,036)	(33,600)
Total Operating Expenses (excluding depreciation)	(194,336)	(184,558)	(173,257)
Net Operating Revenue (excluding depreciation)	95,785	91,552	95,786
Interest Income*	178	160	193
Addition to Rate Stabilization Fund	(2,000)	(1,500)	(3,700)
Earnings Available for Debt Service	$ 93,963	$ 90,212	$ 92,279
Debt Service**	$ 46,964	$ 46,264	$ 46,116
DEBT SERVICE COVERAGE RATIO	2.00	1.95	2.00

*Excludes interest income on the Rate Stabilization Fund.

**Beginning in 2012, the calculation of Debt Service Coverage excludes the allowance for funds used during construction and interest on commercial paper.

CAPITAL



Significant projects during 2013 included:

- The Central Lincoln Reliability Project, which included installation of 5.2 miles of transmission lines to replace aging cables to meet the growing demand for electricity in central Lincoln and improve system reliability. The project was completed in 2013 with a total project cost of $25.4 million. Approximately $1.2 million in contingency funds have been budgeted for 2014 for potential outstanding amounts payable.

- Construction to upgrade the 115-kV transmission line between SW 33rd Street & Denton Road and the Sheldon Station near Hallam, NE. This project, which began in 2012, is expected to be completed in 2014 with a total project cost of $5.0 million.
- Construction of a 4 MW (Megawatt) landfill gas-based power generating facility sourced from the Bluff Road Landfill. The project was completed in 2013 with a total project cost of $12.0 million.
- A multi-year project to install underground duct adjacent to existing aging underground facilities to allow faster restoration of service should the cable fail was started in the summer of 2012. The target completion date is 2027 with a total project cost of $33.3 million.

CONTACT INFORMATION

This financial report is designed to provide a general overview of LES' financial status for 2013, 2012 and 2011. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Vice President and Chief Financial Officer at 1040 "O" Street, Lincoln, Nebraska 68508.

Lincoln Electric System

Balance Sheets

December 31, 2013 and 2012

	2013	2012
	(Dollars in thousands)	
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	$ 84,976	$ 115,749
Restricted cash and investments	16,943	17,045
Accounts receivable, net	20,057	19,964
Unbilled revenues	12,622	11,205
Accrued interest receivable	36	81
Materials, supplies and fuel inventory	15,031	16,461
Plant operation assets	12,040	11,934
Prepaid expenses	2,179	2,035
Total current assets	163,884	194,474
Non-current Assets		
Restricted cash and investments	19,128	20,424
Other non-current assets	4,773	7,493
Total non-current assets	23,901	27,917
Capital Assets		
Utility plant	1,352,479	1,300,208
Accumulated depreciation	(572,753)	(542,785)
Construction work in progress	71,680	70,020
Total capital assets	851,406	827,443
Deferred Outflows of Resources		
Deferred loss on refunded debt	20,201	19,228
Total assets and deferred outflows of resources	$ 1,059,392	$ 1,069,062
Liabilities		
Current Liabilities		
Accounts payable	$ 16,722	$ 16,376
Accrual for payments in lieu of taxes	12,505	11,979
Commercial paper	64,500	88,500
Accrued liabilities	27,422	26,730
Current maturities of long-term debt	21,060	19,865
Accrued interest payable	8,799	9,672
Total current liabilities	151,008	173,122
Non-current Liabilities		
Long-term debt, net	615,023	612,706
Health and dental plan reserves	459	383
Total non-current liabilities	615,482	613,089
Total liabilities	766,490	786,211
Net Position		
Net investment in capital assets	187,838	145,310
Restricted for debt service	7,552	6,620
Unrestricted	97,512	130,921
Total net position (net assets)	292,902	282,851
Total liabilities and net position	$ 1,059,392	$ 1,069,062

Note: Total assets and total liabilities amounts for 2012 have been adjusted as a result of GASB 65 which required, among other things, deferred losses on refunded debt to be reclassified from long-term debt to deferred outflows of resources (see Note 1).

See Notes to Financial Statements

Lincoln Electric System

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2013 and 2012

	2013	2012
	(Dollars in thousands)	
Operating Revenues		
Electric retail	$ 251,894	$ 242,116
Electric wholesale	25,954	22,084
Other (includes City Dividend for Utility Ownership)	12,273	11,910
Total operating revenues	290,121	276,110
Operating Expenses		
Purchased power	71,589	73,193
Production	59,423	52,870
Operation	18,153	17,191
Maintenance	7,037	7,268
Administration and general	38,134	34,036
Depreciation and amortization	39,658	40,951
Total operating expenses	233,994	225,509
Operating income	56,127	50,601
Non-Operating Revenues (Expenses)		
Interest expense	(26,458)	(26,989)
Allowance for funds used during construction	890	366
Amortization expense	(1,052)	(816)
Payments in lieu of tax	(12,184)	(11,723)
City Dividend for Utility Ownership	(6,707)	(6,416)
Investment income	209	180
Other	(774)	(109)
Total non-operating revenues (expenses)	(46,076)	(45,507)
Income before capital contributions	10,051	5,094
Capital Contributions	1,143	837
Plant Costs Recovered through Capital Contributions	(1,143)	(837)
Change in Net Position	10,051	5,094
Net Position - Beginning of Year	282,851	277,757
Net Position - End of Year	$ 292,902	$ 282,851

Lincoln Electric System

Statements of Cash Flows

December 31, 2013 and 2012

	2013	2012
	(Dollars in thousands)	
Operating Activities		
Received from customers and users	$ 307,118	$ 294,172
Paid to suppliers for goods and services	(180,001)	(172,855)
Paid to employees for services	(27,044)	(25,905)
Net cash provided by operating activities	100,073	95,412
Non-capital Financing Activities		
Payments in lieu of taxes	(11,657)	(11,394)
City Dividend for Utility Ownership payments	(6,666)	(6,291)
Net cash used in non-capital financing activities	(18,323)	(17,685)
Capital and Related Financing Activities		
Capital expenditures for utility plant	(62,375)	(56,148)
Net cost/salvage value of retiring plant	(3,197)	(892)
Debt issuance costs	(814)	(1,907)
Capital contributions	1,143	837
Commercial paper redeemed	(24,000)	(40,000)
Net proceeds from issuance of long-term debt	22,615	85,719
Principal payments on long-term debt	(19,865)	(19,610)
Interest payments on long-term debt	(27,681)	(25,888)
Net cash used in financing activities	(114,174)	(57,889)
Investing Activities		
Net (purchases) sales of investments	34,510	(16,948)
Interest received	254	420
Net cash provided by (used in) investing activities	34,764	(16,528)
Increase in Cash and Cash Equivalents	2,340	3,310
Cash and Cash Equivalents - Beginning of Year	20,765	17,455
Cash and Cash Equivalents - End of Year	$ 23,105	$ 20,765
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and investments	$ 84,976	$ 115,749
Restricted cash and investments - current	16,943	17,045
Restricted cash and investments - non-current	19,128	20,424
Total cash and investments	121,047	153,218
Less: investments not classified as cash equivalents	(97,942)	(132,453)
Total cash and cash equivalents	$ 23,105	$ 20,765

See Notes to Financial Statements

Lincoln Electric System

Statements of Cash Flows - Continued

December 31, 2013 and 2012

	2013	2012
	(Dollars in thousands)	
Reconciliation of Operating Income to Net Cash Provided By Operating Activities		
Operating income	$ 56,127	$ 50,601
Non-cash items included in operating income		
Depreciation charged to other accounts	924	996
Depreciation and amortization	39,658	40,951
Other	-	120
Changes in operating assets and liabilities		
Accounts receivable	(93)	2,069
Unbilled revenues	(1,417)	(1,414)
Materials, supplies and fuel inventories	1,430	(1,993)
Plant operation assets	(106)	(385)
Prepaid expense	(144)	(259)
Other non-current assets	2,621	716
Accounts payable	346	3,356
Accrued expenses	651	653
Health and dental plan reserve	76	1
Net cash provided by operating activities	$ 100,073	$ 95,412

Supplemental Non-cash Activities

	2013	2012
Allowance for funds in construction	$ 890	$ 366
Adjustment of investments to fair value	$ 24	$ 34
Capital asset acquisitions included in accounts payable	$ 1,313	$ 317

Lincoln Electric System
Notes to Financial Statements
December 31, 2013 and 2012

Note 1: Summary of Significant Accounting Policies

Reporting Entity

Lincoln Electric System (LES) is a municipal utility owned by the City of Lincoln, Nebraska (the City). LES is operated under the direction of the Lincoln Electric System Administrative Board, which is appointed by the Mayor and City Council. The City Council, as required by the City Charter, reserves authority to set the rates and charges, to adopt the annual budget, and to incur debt. LES' service area covers approximately 200 square miles, including the city limits of Lincoln, as well as the surrounding communities and residential areas.

In evaluating how to define LES for financial reporting purposes, management has considered all potential component units for which financial accountability may exist. The determination of financial accountability includes consideration of a number of criteria, including: (1) LES' ability to appoint a voting majority of another entity's governing body and to impose its will on that entity, (2) the potential for that entity to provide specific financial benefits to or impose specific financial burdens on LES and (3) the entity's fiscal dependency on LES. Based upon the above criteria, LES has determined that it has no reportable component units.

Basis of Accounting and Presentation

LES' activities are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. LES' accounting records are maintained in accordance with accounting principles generally accepted in the United States of America for regulated utilities and generally follow the Uniform System of Accounts for Public Utilities and Licenses prescribed by the Federal Energy Regulatory Commission (FERC). LES prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

LES' accounting policies also follow the regulated operations provisions of GASB Statement No. 62, which permits an entity with cost-based rates to defer certain costs or income that would otherwise be recognized when incurred to the extent that the rate-regulated entity is recovering or expects to recover such amounts in rates charged to its customers. This method includes the philosophy that debt service requirements, as opposed to depreciation or amortization, are a cost for rate making purposes.

Note 1: Summary of Significant Accounting Policies - Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

LES considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. At December 31, 2013 and 2012, cash equivalents consisted of money market funds and certain short-term U.S. agency obligations.

Investments and Investment Income

LES maintains various designated and restricted accounts (see Note 2) that are held for debt service obligations, future health claims and other items. Investments in money market mutual funds, U.S. Treasury securities, U.S. agency obligations and other debt securities are carried at fair value. Fair value is determined based on quoted market prices or yields currently available on comparable securities of issuers with similar credit ratings.

Investment income includes interest income and the net change for the year in the fair value of investments.

Accounts Receivable and Unbilled Revenues

Electric revenues are recorded based on the related period of customer usage. Billings for electric revenues are rendered on a cycle basis monthly. Unbilled revenues, representing estimated consumer usage for the period between the last billing date and the end of the period, are accrued in the period of consumption. Receivables are reported net of the allowance for uncollectible accounts of $1,250,000 and $1,633,000 at December 31, 2013 and 2012, respectively.

Inventory

Materials, supplies and fuel inventories are stated at the lower of cost or market. Cost is generally determined on a weighted-average basis.

Note 1: Summary of Significant Accounting Policies - Continued

Jointly-Owned Facilities

Plant operation assets relate to the operation of Laramie River Station (LRS) and Walter Scott 4 (WS4) and are comprised of operating assets, primarily fuel and supplies inventories and operating cash. These assets are managed by the operating agents of LRS and WS4, and are stated at cost. Operating expenses of LRS and WS4 are included in the corresponding operating expense classifications in the statements of revenues, expenses and changes in net position.

Regulated Operations

Rates for LES' regulated operations are established and approved by the Administrative Board and City Council. LES applies the regulated operations provisions of GASB Statement No. 62, which provide for the deferral of expenses which are expected to be recovered through customer rates over some future period (regulatory assets) and reductions in earnings to cover future expenditures (regulatory liabilities).

Capital Assets

The cost of additions and betterments to the system are capitalized. Cost includes material, labor, vehicle and equipment usage, related overhead costs, capitalized interest, and certain administrative and general costs. LES' capital purchases threshold is $2,500 for plant assets.

Costs of labor, materials, supervision, and other costs incurred in making repairs and minor replacements and in maintaining the plant in efficient operating condition are charged to expense. When plant assets are retired, the original cost and removal cost, less salvage, are charged to accumulated depreciation. Depreciation is computed on a straight-line basis using composite rates ranging between 2% and 20%, depending on the respective asset type.

An allowance for funds used during construction is calculated for all capital projects exceeding $500,000 in total cost. The allowance for funds used during construction is based on LES' approximate weighted-average interest rate on the new money portion of the most current debt during the current period. This rate was 3.5% from January to June 2013, and 2.7% from July to December 2013. The rate was 4.6% from January to August 2012, and 3.5% from September to December 2012.

Note 1: Summary of Significant Accounting Policies - Continued

Deferred Loss on Refunded Debt

Costs incurred in connection with the refinancing of various bond issuances are being amortized over the remaining life of the old bonds or the life of the new bonds, whichever is shorter. Amortization is recorded in non-operating expenses.

Recovery of Plant Costs

Capital contributions are received from customers and other third parties primarily to offset the costs associated with expansion of LES' electric system. In order to comply with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* capital contributions are recorded as income, however, to comply with GASB Statement No. 62, an offsetting expense in the same amount is also recorded representing the recovery of plant costs.

Net Position Classification

Net position is required to be classified into three components, which are net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), contributors, or law or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of the net amount of the assets and liabilities that do not meet the definition of "restricted" or "net investment in capital assets."

Note 1: Summary of Significant Accounting Policies - Continued

Net Position Classification - Continued

When both restricted and unrestricted resources are available for use, it is LES' policy to use restricted resources first, then unrestricted as they are needed.

Classification of Revenues and Expenses

Operating revenues and expenses generally result from providing services in connection with the ongoing operation of the electric system. The principal operating revenues are charges to customers for electric service. Operating expenses include operation and maintenance, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Payments In Lieu of Taxes

As established in the City of Lincoln Charter, LES makes payments in lieu of taxes, aggregating 5% of its electric retail revenues derived from within the city limits of incorporated cities and towns served. Payments in lieu of taxes are transferred to the following entities:

City of Lincoln
Lancaster County
Lincoln Public Schools
City of Waverly

City Dividend for Utility Ownership (CDFUO)

In 2011, the Lincoln City Council approved an Ordinance requiring LES to pay an annual dividend to the City of Lincoln for the City's ownership of LES. The Ordinance states LES shall remit to the City a dividend for utility ownership in the system in an amount equivalent to 2.4% of the Total Net Assets (Net Position) of LES as of December 31 based upon the most recent audited year-end financial statements in effect for the February payment provided that, once the amount of the annual dividend for any year exceeds $7 million, the amount of the annual dividend for the following year and each succeeding year thereafter shall be increased annually by 2.0%, or by the percentage rate by which the Consumer Price Index All Urban Consumers (CPI-U) has increased during the LES fiscal year upon which the dividend is based, whichever is greater. The annual dividend shall be remitted to the City on a semiannual basis on the 20th day of February and August of each year, with each payment representing 50 percent of the annual dividend payment. At

Note 1: Summary of Significant Accounting Policies - Continued

City Dividend for Utility Ownership (CDFUO) - Continued

December 31, 2013 and 2012, approximately $2,263,000 and $2,222,000, respectively, was included in accrued liabilities for LES' accrual of the next CDFUO payment.

The CDFUO is assessed on all customer billings and is treated as operating revenue on the statement of revenues, expenses and changes in net position. LES records the estimated liability of the CDFUO as a non-operating expense on the statement of revenues, expenses and changes in net position.

Implementation of New Accounting Pronouncements

In 2013, LES implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* which established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard required LES to discontinue carrying debt issuance costs as an asset on the balance sheets. However, as LES meets the criteria as a rate-making entity under the regulated operations provisions of GASB Statement No. 62, the costs were capitalized and are recorded as regulatory assets and included as other non-current assets on the balance sheets. Additionally, GASB Statement No. 65 required LES to reclassify the deferred loss on refunded debt from long-term debt to deferred outflows of resources on the balance sheets.

Reclassifications

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 financial statement presentation. These reclassifications had no effect on the change in net position.

Note 2: Deposits and Investments

Deposits

State statutes require banks either to give bond or pledge government securities (types of which are specifically identified in the statutes) to LES in the amount of utility deposits. The statutes allow pledged securities to be reduced by the amount of the deposit insured by the Federal Deposit Insurance Corporation (FDIC). LES' cash deposits are insured up to $250,000 by the FDIC.

Note 2: Deposits and Investments - Continued

Investments

LES may invest in U.S. Government securities and agencies, federal instrumentalities, repurchase agreements, commercial paper, money market mutual funds, and interest bearing time deposits or savings accounts as designated in the investment policy.

As of December 31, 2013 and 2012, LES had the following investments and maturities (Dollars in thousands):

		Maturities in Years		
December 31, 2013	**Fair Value**	**Less Than 1**	**1-5**	**Credit Ratings Moody's/S&P**
Money market mutual funds	$ 20,906	$ 20,906	$ --	Aaa/AAAm
U.S. Treasury securities	15,108	15,108	--	Aaa/AA+
U.S. agency obligations	85,033	72,743	12,290	Aaa/AA+
	$ 121,047	$ 108,757	$ 12,290	
December 31, 2012				
Money market mutual funds	$ 16,302	$ 16,302	$ --	Aaa/AAAm
U.S. Treasury securities	27,010	27,010	--	Aaa/AA+
U.S. agency obligations	109,906	102,128	7,778	Aaa/AA+
	$ 153,218	$ 145,440	$ 7,778	

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. LES has a formal investment policy that limits investment maturities with the intent of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. LES' investment policy limits investments as described in Note 2. Commercial paper and money market funds are the only current investment types that require a minimum specific rating.

Note 2: Deposits and Investments - Continued

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of a failure of the counterparty, LES would not be able to recover the value of its investment securities that are in the possession of an outside party. All investments are held in LES' name, as required by LES' investment policy.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with the amount of investments LES has with any one issuer that exceeds 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. Government are excluded from this requirement. LES' investment policy places the following limits on the amount that may be invested in any one type of investment and/or issuer.

Investment Type	Portfolio Composition	Limits of Individual Issuers	Maturity Limitations
U.S. Government securities	100%	None	10 years
U.S. Government agencies	75%	50%	10 years
Federal instrumentalities	80%	30%	10 years
Interest-bearing time deposit or savings accounts	25%	15%	1 year
Repurchase agreements	50%	25%	90 days
Commercial paper			
Moody's P1	25%	10%	180 days
S&P's A-1			
Money market mutual funds			
S&P's AAm	50%	25%	N/A

Note 2: Deposits and Investments - Continued

Concentration of Credit Risk - Continued

At December 31, 2013 and 2012, LES had the following investment concentrations:

	Portfolio Composition 2013	2012
U.S. sponsored agency obligations		
Federal National Mortgage Association	2.07%	19.31%
Federal Home Loan Mortgage Corporation	16.25%	25.73%
Federal Home Loan Bank	24.97%	15.30%
Federal Farm Credit Bank	27.19%	11.21%

Summary of Carrying Values

Included in the following balance sheet captions at December 31, 2013 and 2012:

	2013	2012
	(Dollars in thousands)	
Current assets		
Cash and investments		
Operating cash and investments	$ 52,576	$ 85,440
Rate Stabilization fund	17,255	15,224
MBPP-BNSF* settlement fund	15,145	15,085
Total	84,976	115,749
Restricted cash and investments		
Bond principal and interest funds	15,808	16,278
Health and dental claims reserve funds	1,133	642
Other	2	125
Total	16,943	17,045
Noncurrent assets		
Restricted cash and investments		
Bond reserve funds	18,668	20,041
Health and dental claims reserve funds	460	383
Total	19,128	20,424
	$ 121,047	$ 153,218

*Missouri Basin Power Project-Burlington Northern Santa Fe

Note 2: Deposits and Investments - Continued

The City of Lincoln's Ordinance #17453 (passed in December 1998) provided for the establishment of a Rate Stabilization Fund (RSF) at LES. Subsequently, in early 2010, LES' Administrative Board created Policy (#505) which formalized the establishment of the RSF and identified that the purpose of the RSF would be for paying expenses that could result in a detrimental impact on LES' financial performance or cause a significant change in rates. Funds can be budgeted and deposited monthly or at year-end. In late 2011, LES performed a liquidity study with the assistance of an outside consultant. The analysis included a risk-based approach to determine a recommended balance for the RSF. The study identified $28.5 million as the target balance for the RSF. It is projected that this balance would mitigate 50 percent of the potential financial impact of risks that could materialize in a 12-month period. LES' currently approved Rate Stabilization Fund Policy requires that the fund should contain an amount between 10-15% of LES' annual operating budget, and currently would equal approximately $31.2 million and $30.8 million in 2013 and 2012, respectively. LES' is updating its Rate Stabilization Fund Policy for consistency with the new target balance based on the liquidity study. During 2013 and 2012, LES' Administrative Board approved the deposit of $2.0 million and $1.5 million to the Rate Stabilization Fund, respectively.

Note 3: Capital Assets

Capital assets activity for the years ended December 31, 2013 and 2012 are as follows (Dollars in thousands):

	January 1, 2013	Increase	Decrease	Transfers	December 31, 2013
Construction work-in-progress (not depreciated)	$ 70,020	$ 64,545	$ (3,196)	$ (59,689)	$ 71,680
Utility plant	1,300,208	-	(7,418)	59,689	1,352,479
Less: accumulated depreciation	(542,785)	(40,582)	10,614	-	(572,753)
Totals	$ 827,443	$ 23,963	$ -	$ -	$ 851,406

	January 1, 2012	Increase	Decrease	Transfers	December 31, 2012
Construction work-in-progress (not depreciated)	$ 52,684	$ 55,132	$ (892)	$ (36,904)	$ 70,020
Utility plant	1,267,997	-	(4,693)	36,904	1,300,208
Less: accumulated depreciation	(506,423)	(41,947)	5,585	-	(542,785)
Totals	$ 814,258	$ 13,185	$ -	$ -	$ 827,443

Note 4: Long-Term Debt and Liabilities

Long-term debt at December 31, 2013 and 2012 is presented on the balance sheets as shown below:

	Date Callable	2013	2012
		(Dollars in thousands)	
Serial Bonds			
2003 Electric revenue and refunding, 3.00% - 5.00%, due from September 1, 2004 to 2021; partially refunded in 2012	2013	$ 6,760	$ 10,330
2007 Electric revenue and refunding, 4.00% - 5.00%, due from September 1, 2009 to 2035	2016	163,835	168,285
2012 Electric revenue and refunding, 1.00% - 5.00%, due from September 1, 2013 to 2032	2022	235,305	247,150
2013 Electric revenue and refunding, 2.70% - 5.00%, due from September 1, 2021 to 2025	2023	75,525	-
Term Bonds			
2005 Electric revenue, 4.75%, due September 1, 2035; refunded in 2013	2015	-	53,710
2007 Electric revenue, 4.50%, due September 1, 2034	2016	27,805	27,805
2007 Electric revenue, 4.75%, due September 1, 2037	2016	54,045	54,045
2012 Electric revenue and refunding, 3.625% - 5.00%, due September 1, 2037	2022	30,165	30,165
Long-term debt		593,440	591,490
Bond issuance premiums		42,643	41,081
Less: current maturities of long-term debt		(21,060)	(19,865)
Long-term debt, net		$ 615,023	$ 612,706

Note 4: Long-Term Debt and Liabilities - Continued

Long-term debt and liabilities activity for the years ended December 31, 2013 and 2012 are as follows (Dollars in thousands):

	January 1, 2013	Increase	Decrease	December 31, 2013	Due Within One Year
Revenue bonds	$ 591,490	$ 75,525	$ (73,575)	$ 593,440	$ 21,060
Bond issuance premiums	41,081	6,447	(4,885)	42,643	-
Health and dental plan reserve	383	76	-	459	-
Totals	$ 632,954	$ 82,048	$ (78,460)	$ 636,542	$ 21,060

	January 1, 2012	Increase	Decrease	December 31, 2012	Due Within One Year
Revenue bonds	$ 547,550	$ 277,315	$ (233,375)	$ 591,490	$ 19,865
Bond issuance premiums	10,434	35,528	(4,881)	41,081	-
Health and dental plan reserve	382	1	-	383	-
Totals	$ 558,366	$ 312,844	$ (238,256)	$ 632,954	$ 19,865

Debt service requirements as of December 31, 2013 are as follows (Dollars in thousands):

Bond Year Ending August 31,	Principal	Interest	Total
2014	$ 21,060	$ 26,371	$ 47,431
2015	22,050	25,382	47,432
2016	23,800	24,398	48,198
2017	24,990	23,208	48,198
2018	26,240	21,958	48,198
2019-2023	151,345	89,640	240,985
2024-2028	126,600	56,906	183,506
2029-2033	105,945	32,762	138,707
2034-2037	91,410	12,431	103,841
Totals	$ 593,440	$ 313,056	$ 906,496

Note 4: Long-Term Debt and Liabilities - Continued

All long-term debt is issued for the construction of additional utility plant or refunding of existing debt. All utility revenues after payment of operation and maintenance expenses are pledged for the revenue bonds until the bonds are paid or defeased.

Principal and interest paid for 2013 and 2012 was approximately $46,964,000 and $46,264,000, respectively. Total gross revenues as defined for the same periods were $290,121,000 and $276,110,000, respectively. On average, annual principal and interest payments are expected to require an estimated 16% of gross revenues.

Bond Refundings

In August 2012, LES issued $277,315,000 of Revenue and Refunding Bonds, Series 2012, to advance refund $58,040,000 of Revenue and Refunding Bonds, Series 2002, $94,435,000 of Revenue and Refunding Bonds, Series 2003, and $61,290,000 of Revenue and Refunding Bonds, Series 2005. The 2012 issuance was also used to fund electric system projects and to redeem $40,000,000 of outstanding commercial paper notes. The net proceeds of the Series 2012 issuance, plus approximately $11,850,000 of existing bond reserve funds, were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result the Series 2002, Series 2005, and the portion of the Series 2003 bonds refunded are considered defeased and the liability for those bonds has been removed from the financial statements. The advance refunding resulted in debt service savings of approximately $40,860,000 and net present value savings of approximately $28,140,000.

In June 2013, LES issued $75,525,000 of Revenue and Refunding Bonds, Series 2013, to advance refund $53,710,000 of Revenue and Refunding Bonds, Series 2005 and redeem $24,000,000 of outstanding commercial paper notes. The net proceeds of the refunding bonds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the portion of the Series 2005 bonds refunded are considered defeased and the liability for those bonds has been removed from the financial statements. The advance refunding resulted in debt service savings of approximately $36,605,000 and net present value savings of approximately $12,726,000.

At December 31, 2013, there are $115.0 million of refunded Series 2005 bonds outstanding.

Note 5: Short-Term Obligations

Established by City Ordinance, LES may borrow up to $150 million under a commercial paper note program. At December 31, 2013 and 2012, LES had $64.5 million and $88.5 million of tax-exempt commercial paper notes outstanding, respectively. The notes mature at various dates, but not more than 270 days after the date of issuance. The weighted average interest rate for the year ended December 31, 2013 and 2012 was 0.14% and 0.16%, respectively. The outstanding commercial paper notes are secured by a revolving credit agreement that provides for borrowings up to $150 million. The credit facility is provided by Bank of Tokyo-Mitsubishi and was effective August 1, 2012 at the expiration of the prior facility. LES pays a commitment fee for the credit agreement. Under the terms of the agreement, LES can either settle or refinance the commercial paper upon maturity.

LES uses commercial paper notes as part of its long term financing strategy. As such, commercial paper is typically renewed as it matures. The table below illustrates the change in net position of commercial paper. The weighted average length of maturity of commercial paper for 2013 and 2012 was 43 and 51 days, respectively.

Commercial paper activity for the years ended December 31, 2013 and 2012 are as follows (Dollars in thousands):

	January 1, 2013	Increase	Decrease	December 31, 2013	Due Within One Year
Commercial paper notes	$ 88,500	$ 680,010	$ (704,010)	$ 64,500	$ 64,500

	January 1, 2012	Increase	Decrease	December 31, 2012	Due Within One Year
Commercial paper notes	$ 128,500	$ 779,500	$ (819,500)	$ 88,500	$ 88,500

Note 6: Regulatory Assets

Regulatory assets are comprised of LES' share of payments made for the construction of the Dry Fork Coal Mine, costs related to certain improvements on projects in which LES is a participant, and charges resulting from the issuance of bonds. These costs are included in other non-current assets on the balance sheets and are being amortized in future rate periods when such costs are included in the revenue requirements to establish electric rates. The composition of regulatory assets at December 31, 2013 and 2012 was as follows:

	2013	2012
	(Dollars in thousands)	
Construction of Dry Fork Coal Mine	$ --	$ 117
Improvement costs on projects in which LES participates	1,938	4,310
Bond issuance costs	2,827	2,926
Totals	$ 4,765	$ 7,353

Note 7: Jointly Owned Facilities

Laramie River Station (LRS)

LES is a 12.76% co-owner of the Missouri Basin Power Project (MBPP) that includes LRS, a three-unit, 1,650 MW coal-fired generating station in eastern Wyoming and a related transmission system. LES has sold approximately 13% of its ownership in LRS to Municipal Energy Agency of Nebraska (MEAN). Costs, net of accumulated depreciation and excluding costs allocated to MEAN for its ownership share, associated with LRS of approximately $17.4 million and $16.1 million are reflected in utility plant at December 31, 2013 and 2012, respectively.

LRS has certain postretirement obligations which have not yet been billed to the owners as these costs are not due and payable. Thus, LES has not reflected these costs in its financial statements. As a co-owner of LRS, LES' allocation of these postretirement obligations is $1.2 million at both December 31, 2013 and 2012.

LES has a participation power sales agreement with the County of Los Alamos, New Mexico (the County) whereby the County purchases from LES 10 MW of LES' capacity interest in LRS. The agreement provides for the County to pay LES monthly fixed payments for the repayment of debt service. The amount is subject to change each July 1 based on debt costs of LES relative to the current market rates, until termination of the

Note 7: Jointly Owned Facilities - Continued

Laramie River Station (LRS) - Continued

agreement. The agreement remains in effect until either the final maturity occurs on any LRS-related debt or LRS is removed from commercial operation. LES billed the County approximately $3.3 million and $3.4 million in 2013 and 2012, respectively, for demand and energy charges.

The Laramie River Station (LRS) project participants, including LES, filed a rate case in 2004 with the federal Surface Transportation Board (STB) challenging the reasonableness of the freight rates charged by the Burlington Northern Santa Fe (BNSF) railroad for coal deliveries to LRS. In early 2009, the STB issued its decision and awarded the LRS project participants a favorable decision estimated by the STB at approximately $345 million in rate relief. The STB awarded $119 million to the LRS participants for past freight overcharges plus an expectation of present value rate benefits of approximately $245 million due to a new tariff the STB ordered to be charged through 2024. BNSF remitted $15 million to LES. This amount has been placed in a separate custodial account pending an appeal filed by BNSF. As such, LES' payment has been recorded as a designated asset and liability pending the outcome of the appeal. A portion of these funds are due to the Municipal Energy Agency of Nebraska (MEAN) and the County of Los Alamos.

In early 2014, a potential liability for property taxes owed to Wyoming and Colorado, in relation to LES' ownership of a portion of Laramie River Station, was discovered. Related legal requirements are currently being reviewed. The outcome and potential effect on the financial statements cannot be forecasted with any certainty.

Please refer to Note 13.

Walter Scott Energy Center (WS4)

MidAmerican Energy's Walter Scott Energy Center includes the following units: Unit #1 – a 1954 coal-fired unit built with 43 MW capacity, Unit #2 – a 1958 coal-fired unit built with 88 MW capacity, Unit #3 – a 1979 coal-fired unit built with 675 MW capacity, and Unit #4 a supercritical technology, coal-fired 790-MW unit that became commercial in June, 2007, as well as the associated common equipment and inventories. LES maintains ownership interest in 12.6% or 105 MW of Unit #4. In order to minimize unit outage risk, LES has executed a power purchase and sales agreement with MidAmerican Energy to "swap" capacity and energy from LES' Unit #4 ownership with capacity and energy from Unit #3. Under this agreement, beginning in 2009, LES will schedule 50 MW of capacity and energy from Unit #3 and 55 MW of capacity and energy from Unit #4. This 20-year agreement can

Note 7: Jointly Owned Facilities - Continued

Walter Scott Energy Center (WS4) - Continued

be extended through mutual agreement of the parties. LES is responsible for the operation and maintenance expense and maintains a fuel inventory at the plant site. LES issued debt in conjunction with the construction of Unit #4 and has capitalized these costs plus interest. Costs, net of accumulated depreciation, associated with WS4 of approximately $146.0 million and $154.9 million are reflected in utility plant at December 31, 2013 and 2012, respectively.

Note 8: Jointly Governed Organizations

District Energy Corporation

The District Energy Corporation (DEC) was formed in 1989 by the City of Lincoln and Lancaster County to own, operate, maintain, and finance the heating and cooling facilities utilized by certain city, county and state buildings. The Board of Directors of DEC is comprised of five members: two appointed by the Lancaster County Board of Commissioners, two by the Mayor of Lincoln who must be confirmed by the City Council, and one by LES. No participant has any obligation, entitlement or residual interest.

The DEC Board of Directors, under a management agreement, has appointed LES to supervise and manage the system and business affairs of DEC. LES is reimbursed for these management services based on the allocated actual costs of these services. LES also provides electric energy to DEC on an established rate schedule. The total amount of payments to LES for management operations, and maintenance services was approximately $1,086,000 and $833,000 in 2013 and 2012, respectively. The total amount of payments to LES for energy was approximately $448,000 and $225,000 in 2013 and 2012, respectively.

Nebraska Utility Corporation

On May 17, 2001, LES, in conjunction with the University of Nebraska Lincoln (UNL), created the Nebraska Utility Corporation (NUCorp). The purpose of NUCorp is to purchase, lease, construct, and finance facilities and acquire services to meet energy requirements of UNL. The Board of Directors of NUCorp is comprised of five members: three members appointed by the UNL and two members appointed by LES. No participant has any obligation, entitlement or residual interest.

Operations commenced in January 2002. The NUCorp Board of Directors, under a 20 year management agreement, appointed LES to supervise and manage the system

Note 8: Jointly Governed Organizations - Continued

Nebraska Utility Corporation - Continued

and business affairs of NUCorp. LES is reimbursed for these management services based on the allocated actual costs of these services. LES also provides electric energy to NUCorp on an established rate schedule. The total payment to LES for management services was approximately $81,000 and $89,000 in 2013 and 2012, respectively. The total amount of payments to LES for energy was approximately $9.5 million and $9.8 million in 2013 and 2012, respectively.

Note 9: Employee Benefit Plans

LES has a defined contribution retirement plan created in accordance with Internal Revenue Code Section 401(k) covering all employees. Effective January 1, 2012, all employees were eligible to receive employer contributions immediately upon employment. The plan assets are held, managed and administered by a custodian. The plan was established under the authority of the Administrative Board and contributions are established by the Administrative Board. LES' contribution is equal to 200% of the employees' contributions, up to 5% of gross wages for employees hired prior to January 1, 2011. For employees hired after January 1, 2011, LES' contribution is equal to 100% of employee's contributions up to 10% of gross wages. Vesting of LES contributions occurs over a three-year period. Employee forfeitures are used to reduce employer contributions.

Approximate contribution information is shown below:

	2013	2012
	(Dollars in thousands)	
Employer contributions	$ 3,634	$ 3,533
Employee contributions	2,647	2,490
Totals	$ 6,281	$ 6,023

In addition, LES offers all full-time employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The plan permits the employees to defer a portion of their salary until termination, retirement or death. All plan assets are held, managed and administered by a custodian.

Assets and liabilities for both plans are not included in the financial statements as all plan assets are held, managed and administered by a custodian.

Note 10: Employee Health and Dental Insurance

LES has self-funded health and dental insurance programs with claims processed by a third party administrator on behalf of the utility. A separate reserve has been established into which accruals are made and from which actual claims, premiums, and other program costs are paid. As part of the health plan, a reinsurance policy has been purchased that covers claims in excess of $150,000 per individual. Accruals to the self-insured account in excess of the claims and other costs paid are monitored by LES.

As required by Nebraska statute, LES maintains an IBNR (Incurred But Not Reported) claims reserve which is actuarially determined, the balance of which was $459,000 and $383,000 at December 31, 2013 and 2012, respectively. LES established two separate bank accounts for the self-funded employee health and dental insurance plan reserves to ensure compliance with statutory requirements. Although not required by the statute, LES maintains excess insurance that limits the total claims liability for each plan year to not more than 125% of the expected claims liability, up to an annual aggregate maximum of $1,000,000. Total accrual and payment history is shown below (Dollars in thousands):

	2013	2012
Claims liability-beginning of year	$ 1,083	$ 941
Claims accrued	$ 5,729	$ 5,385
Claims paid	(5,153)	(5,243)
Totals	$ 1,659	$ 1,083

Note 11: Risk Management

Insurance

LES is exposed to various risks of loss related to general liability and property. LES carries commercially available insurance, subject to certain limits and deductibles, to reduce the financial impact for claims arising from such matters. Claims have not exceeded this coverage in any of the three preceding years.

To protect against other risks, LES participates in the City of Lincoln's self-insurance program, administered by the City's Risk Management Division. Premium amounts are paid to the City's Risk Management Division, including an estimate of the liability for claims incurred, but not yet reported as of December 31, 2013 and 2012.

Note 11: Risk Management - Continued

Enterprise Risk Management

LES continues to identify, evaluate and mitigate inherent business risks as part of its Enterprise Risk Management (ERM) Program. LES has implemented a formalized process to expand the scope of risk identification and awareness. Throughout the organization, divisions and departments are participating in the systematic risk identification and mitigation assessment process.

LES has formed a Risk Management Committee (RMC), which includes representatives from each functional area. The responsibilities of the RMC include: coordination of risk identification across the organization, communication of ERM requirements to all employees and collecting information from, and presenting findings to, executive management. In addition to providing oversight of the ERM Program, the LES Administrative Board is involved in the identification, assessment and mitigation of enterprise risks. In order to provide guidance to employees in their decision making, the board has adopted the following as the risk appetite statement for LES:

> Risks will be managed in a manner that will not materially jeopardize LES' ability to serve its customers, achieve performance targets and continue its AA bond rating. LES expects high standards of legal and ethical conduct and maintains zero tolerance toward actions which could detrimentally impact safety or regulatory compliance.

The active participation and engagement of the board and executive management is providing support for LES' successful ERM Program. A report, detailing the status of LES' ERM Program, is presented annually to the executive team and board. The enhancements to the ERM Program will be on-going and will provide increased awareness of risks throughout the organization. The information gathered will provide for improved planning and decision making and eliminate potential duplicative efforts.

Note 12: Commitments

Participation Contracts with Nebraska Public Power District (NPPD)

LES has participating interests in the output of two existing NPPD power plants, a 30% (68 MW) and 8% (109 MW) entitlement to the output of the Sheldon Station Power Plant (nominally rated 225 MW coal plant) and Gerald Gentlemen Station Power Plant (nominally rated 1,268 MW coal plant), respectively.

LES is responsible for its respective participating interests in the two facilities' capital additions and improvements. LES recognizes its share of capital acquisition costs and

Note 12: Commitments - Continued

Participation Contracts with Nebraska Public Power District (NPPD) - Continued

debt service payments as power costs in the period the costs are billed with the exception of costs approved for deferral under GASB Statement No. 62. Fixed cost payments under the agreements are on a participation basis whether or not such plants are operating or operable.

The participation contracts continue until the facilities are removed from commercial operation or the final maturity occurs on the related debt incurred by NPPD to finance the facilities, whichever occurs last. The estimated fixed cost payments to NPPD under these contracts, including capital additions and improvements, debt service payments, and fixed costs, and credits, aggregate approximately $18.4 million, $18.8 million, $19.3 million, $19.7 million and $20.1 million, respectively, in each of the five years subsequent to December 31, 2013.

Please refer to Note 13.

Fuel Contracts

LES has commitments under long-term contracts for the physical purchase of natural gas. Contract commitments are based on LES' gas procurement strategy.

Claims and Judgments

From time to time, LES is party to various claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the financial statements of LES.

Note 13: Environmental Regulations

Regional Haze Rule

In June 1999, the Environmental Protection Agency (EPA) issued final regulations for a Regional Haze Program. The purpose of the regulations is to improve visibility in the form of reduced regional haze in 156 national parks and wilderness areas across the country. The EPA's claim is that haze is formed, in part, from emissions of SO2 (sulfur dioxide) and NOx (nitrogen dioxide).

Note 13: Environmental Regulations - Continued

Regional Haze Rule - Continued

LES is impacted by these regulations through its participation in the output of NPPD's Gerald Gentleman Station (GGS) in Nebraska and through its co-ownership of Laramie River Station (LRS) in Wyoming.

As part of the EPA's Clean Air Act regulations, each state is required to submit a state implementation plan (SIP) identifying the emission control technology proposed to comply with the Regional Haze Program.

The State of Wyoming submitted its SIP to the EPA in 2011, which included plans for LRS. In January 2014, the EPA issued their final ruling on this SIP, requiring installation of selective catalytic reduction (SCR) NOx removal technology for three coal plants in Wyoming, including LRS. MBPP is currently evaluating the impact of this decision and its options in responding to the decision.

The State of Nebraska submitted its SIP to the EPA in 2011, which included plans for GGS. In July 2012, the EPA issued the final rule on the Nebraska SIP which approved the NOx portion of the SIP but disapproved the SO2 portion of the SIP related to GGS. The EPA's implementation plan for GGS's control of SO2 requires compliance with the Cross State Air Pollution Rule (CSAPR). The impact of compliance with CSAPR cannot be determined until after the US Supreme Court decision on CSAPR has been decided and/or a replacement rule for CSAPR has been issued by EPA.

These regulations are anticipated to require significant future costs as a result of the advanced technological improvements that may be needed at these facilities to comply with the regulations. Although initial estimates of these costs have been calculated, the level of regulatory and legal uncertainty related to these facilities makes it impractical to quantify the specific potential financial impacts at this time.

APPENDIX B-2

2014 UNAUDITED FINANCIAL STATEMENTS

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Lincoln Electric System

Balance Sheets

December 31, 2014 and 2013

	2014 (Unaudited)	2013
	(Dollars in thousands)	
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	$ 102,025	$ 84,976
Restricted cash and investments	16,761	16,943
Accounts receivable, net	19,449	20,057
Unbilled revenues	12,425	12,622
Accrued interest receivable	60	36
Materials, supplies and fuel inventory	15,745	15,031
Plant operation assets	11,298	12,040
Prepaid expenses	1,256	2,179
Other current assets	1,795	-
Total current assets	180,814	163,884
Non-current Assets		
Restricted cash and investments	18,340	19,128
Other non-current assets	5,030	4,773
Total non-current assets	23,370	23,901
Capital Assets		
Utility plant	1,410,277	1,352,479
Accumulated depreciation	(606,838)	(572,753)
Construction work in progress	53,994	71,680
Total capital assets	857,433	851,406
Deferred Outflows of Resources		
Deferred loss on refunded debt	16,433	20,201
Total assets and deferred outflows of resources	$ 1,078,050	$ 1,059,392
Liabilities		
Current Liabilities		
Accounts payable	$ 18,184	$ 15,620
Accrual for payments in lieu of taxes	12,829	12,505
Commercial paper	95,500	64,500
Accrued liabilities	29,898	28,524
Current maturities of long-term debt	22,050	21,060
Accrued interest payable	8,467	8,799
Total current liabilities	186,928	151,008
Non-current Liabilities		
Long-term debt, net	589,007	615,023
Health and dental plan reserves	496	459
Total non-current liabilities	589,503	615,482
Total liabilities	776,431	766,490
Net Position		
Net investment in capital assets	184,131	187,838
Restricted for debt service	7,366	7,552
Unrestricted	110,122	97,512
Total net position (net assets)	301,619	292,902
Total liabilities and net position	$ 1,078,050	$ 1,059,392

Lincoln Electric System

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2014 and 2013

	2014 (Unaudited)	2013
	(Dollars in thousands)	
Operating Revenues		
Electric retail	$ 257,334	$ 251,894
Electric wholesale	44,053	25,954
Other (includes City Dividend for Utility Ownership)	13,236	12,273
Total operating revenues	314,623	290,121
Operating Expenses		
Purchased power	77,494	71,589
Production	72,232	59,423
Operations	18,951	18,153
Maintenance	6,833	7,037
Administration and general	39,167	38,134
Depreciation and amortization	43,173	39,658
Total operating expenses	257,850	233,994
Operating income	56,773	56,127
Non-Operating Revenues (Expenses)		
Interest expense	(25,918)	(26,458)
Allowance for funds used during construction	368	890
Amortization Expense	(1,117)	(1,052)
Payments in lieu of taxes	(12,445)	(12,184)
City Dividend for Utility Ownership	(6,869)	(6,707)
Investment income	152	209
Other	(2,227)	(774)
Total non-operating revenues (expenses)	(48,056)	(46,076)
Income before capital contributions	8,717	10,051
Capital Contributions	1,665	1,143
Plant Costs Recovered through Capital Contributions	(1,665)	(1,143)
Change in Net Position	8,717	10,051
Net Position - Beginning of Year	292,902	282,851
Net Position - End of Year	$ 301,619	$ 292,902

Lincoln Electric System

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2014 and 2013

	2014 (Unaudited)	2013
	(Dollars in thousands)	
Operating Activities		
Received from customers and users	$ 335,623	$ 307,118
Paid to suppliers for goods and services	(204,413)	(180,001)
Paid to employees for services	(27,476)	(27,044)
Net cash provided by operating activities	103,734	100,073
Non-capital Financing Activities		
Payments in lieu of taxes	(12,121)	(11,657)
City Dividend for Utility Ownership payments	(6,788)	(6,666)
Other	(538)	-
Net cash used in non-capital financing activities	(19,447)	(18,323)
Capital and Related Financing Activities		
Capital expenditures for utility plant	(49,144)	(62,375)
Net cost/salvage value of retiring plant	(3,474)	(3,197)
Debt issuance costs	(874)	(814)
Capital contributions	1,665	1,143
Proceeds from issuance of commercial paper	31,000	-
Commercial paper redeemed	-	(24,000)
Net proceeds from issuance of long-term debt	-	22,615
Principal payments on long-term debt	(21,060)	(19,865)
Interest payments on long-term debt	(26,449)	(27,681)
Net cash used in capital and related financing activities	(68,336)	(114,174)
Investing Activities		
Net (purchases) sales of investments	(11,986)	34,510
Interest received	128	254
Net cash provided by (used in) investing activities	(11,858)	34,764
Increase in Cash and Cash Equivalents	4,093	2,340
Cash and Cash Equivalents - Beginning of Year	23,105	20,765
Cash and Cash Equivalents - End of Year	$ 27,198	$ 23,105
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and investments	$ 102,025	$ 84,976
Restricted cash and investments - current	16,761	16,943
Restricted cash and investments - non-current	18,340	19,128
Total cash and investments	137,126	121,047
Less: investments not classified as cash equivalents	(109,928)	(97,942)
Total cash and cash equivalents	$ 27,198	$ 23,105

Lincoln Electric System

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2014 and 2013

	2014 (Unaudited)		2013	
	(Dollars in thousands)			
Reconciliation of Operating Income to Net Cash Provided By Operating Activities				
Operating income	$	56,773	$	56,127
Non-cash items included in operating income				
Depreciation charged to other accounts		1,009		924
Depreciation and amortization		43,173		39,658
Changes in operating assets and liabilities				
Accounts receivable		608		(93)
Unbilled revenues		197		(1,417)
Materials, supplies and fuel inventories		(714)		1,430
Plant operation assets		742		(106)
Prepaid expense		923		(144)
Other current assets		(1,795)		-
Other non-current assets		(500)		2,621
Accounts payable		2,564		269
Accrued expenses		717		728
Health and dental plan reserve		37		76
Net cash provided by operating activities	$	103,734	$	100,073

Supplemental Non-cash Activities				
Allowance for funds in construction	$	368	$	890
Adjustment of investments to fair value	$	13	$	24
Capital asset acquisitions included in accounts payable	$	999	$	1,313

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE

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SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE

The following is a summary of certain provisions of the Ordinance. Summaries of certain definitions contained the Ordinance are set forth below. Other terms defined in the Ordinance for which summary definitions are not set forth are indicated by capitalization. The summary does not purport to be a complete description of the terms of the Ordinance and, accordingly, is qualified by reference thereto and is subject to the full text thereof. Copies of the Ordinance may be obtained from Lincoln Electric System or its Financial Advisor.

Definitions

The following are summaries of certain definitions in the Ordinance.

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

"*Aggregate Debt Service*" for any period means, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all Bonds and Parity Obligations.

"*Appreciated Value*" means, with respect to any Deferred Income Bond, (i) as of any date of computation prior to the Current Interest Commencement Date with respect to such Deferred Income Bond, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the Periodic Compounding Date next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Deferred Income Bonds set forth in the Series Ordinance authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Appreciated Value as of the immediately preceding Periodic Compounding date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Appreciated Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in the Series Ordinance authorizing such Deferred Income Bonds, Appreciated Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months and (ii) as of any date of computation on and after the Current Interest Commencement Date, the Appreciated Value on the Current Interest Commencement Date.

"*Authorized Investments*" means any investments in which the City may legally invest sums subject to its control pursuant to the Constitution and statutes of the State of Nebraska and the Charter of the City (all amended from time to time).

"*Board*" means Lincoln Electric System Administrative Board created and established pursuant to Chapter 4.24 of the Municipal Code of the City.

"*Bond*" or "*Bonds*" means any bonds, notes or other obligations or evidences of indebtedness, as the case may be, authenticated and delivered under and Outstanding pursuant to the Ordinance but shall not mean Parity Obligations or Subordinated Indebtedness.

"*Bond Obligation*" means, as of any date of calculation, (1) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond, (2) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value thereof as of the date on which interest on such Capital Appreciation Bond is compounded next preceding such date of calculation (unless such date of calculation is a date on which such interest is compounded, in which case, as of such date), and (3) with respect to any Outstanding Deferred Income Bond, the Appreciated Value thereof as of the date on which interest on such Deferred Income Bond is computed next preceding such date of calculation (unless such date of calculation is a date on which such interest is compounded, in which case as of such date).

"*Capital Appreciation Bonds*" means any Bonds the interest on which is (i) compounded periodically on dates that are specified in the Series Ordinance authorizing such Capital Appreciation Bonds and (ii) payable only at the maturity, earlier redemption or other payment thereof pursuant to the Ordinance or the Series Ordinance authorizing such Capital Appreciation Bonds.

"*Capital Appreciation Parity Obligations*" means any Parity Obligations the interest with respect to which is (i) compounded periodically on dates that are specified in such Parity Obligation or in the Parity Instrument authorizing such Parity Obligation and (ii) payable only at the maturity, earlier redemption or prepayment or other payment thereof pursuant to the Parity Instrument authorizing such Capital Appreciation Parity Obligation.

"*Costs*," with respect to the Electric System or any part thereof, means the costs, expenses and liabilities paid or incurred or to be paid or incurred by the City in connection with the planning, engineering, designing, acquiring, constructing, installing, financing, operating, maintaining, repairing, extending, improving, reconstructing, retiring, decommissioning and disposing thereof and the obtaining of governmental approvals, certificates, permits and licenses with respect thereto, including, but not limited to, any good faith or other similar payment or deposits required in connection with the acquisition or construction of such part of the Electric System, the cost of acquisition by or for the City of real and personal property or any interests therein, costs of physical construction of such part of the Electric System and costs of the City incidental to such construction or acquisition, the cost of acquisition of fuel or fuel inventory or facilities for the production or transportation of fuel and for additional fuel inventories, all costs relating to injury and damage claims relating to such part of the System, preliminary investigation and development costs, engineering fees and expenses, contractors' fees and expenses, the costs of labor, materials, equipment and utility services and supplies, legal and financial advisory fees and expenses, interest and financing costs, including, without limitation, bank commitment and letter of credit fees and bond insurance and indemnity premiums, fees and expenses of the Fiduciaries, administration and general overhead expense and costs of keeping accounts and making reports required by the Ordinance prior to or in connection with the completion of acquisition or construction of such part of the Electric System, amounts, if any, required by the Ordinance to be paid into the Bond Fund to provide, among other things, for interest accruing on Bonds and to provide for such reserves, if any, as may be specified in a Series or Supplemental Ordinance or to be paid into the Electric Revenue Fund for any of the respective purposes thereof, payments when due (whether at the maturity of principal or the due date of interest or upon redemption) on any indebtedness of the City with respect to the Electric System and reserves therefor, and all federal, state and local taxes and payments in lieu of taxes in connection with any part of the Electric System and shall include reimbursements to the City for any of the above items theretofore paid by or on behalf of the City.

"*Credit Facility*" means a letter of credit, line of credit, liquidity facility or other credit facility issued by a financial institution or other form of credit enhancement, including, but not limited to, municipal bond insurance and guarantees, delivered to the Paying Agent for all or a portion of a Series of Bonds, which provides for payment, in accordance with the terms of such Credit Facility, of principal, Accreted Value, Appreciated Value, premium and/or interest of all or a portion of a Series of Bonds and/or the purchase price of such Series of Bonds or portion thereof. A Credit Facility may be comprised of one or more credit facilities issued by one or more financial institutions.

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

"*Debt Service*" for any period means, as of any date of calculation and with respect to any Series of Bonds or Parity Obligations, an amount equal to the sum of (i) interest accruing during such period on Bonds of such Series or such Parity Obligations, except to the extent that such interest is to be paid from deposits in the Bond Fund made from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of the City (including amounts, if any, transferred thereto from the Construction Fund) or from the proceeds of such Parity Obligations and (ii) that portion of each Principal Installment for such Series or Parity Obligation which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series or Parity Obligation (or, if (a) there shall be no such preceding Principal Installment due date or (b) such preceding Principal Installment due date is more than one year prior to the due date of such Principal Installment, then, from a date one year preceding the due date of such Principal Installment or from the date of issuance of the Bonds of such Series or Parity Obligation, whichever date is later). Such interest and Principal Installments for such Series or Parity Obligations shall be calculated on the assumption that (x) no Bonds (except for Option Bonds actually tendered for payment prior to the stated maturity thereof) of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof, (y) the principal amount of Option Bonds tendered for payment before the stated maturity thereof shall be deemed to accrue on the date required to be paid pursuant to such tender, and (z) no Principal Installment with respect to any Parity Obligation will be paid except by reason of the payment of such Principal Installment on the due date thereof.

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

"*Derivative Obligations*" means, to the extent permitted by law, any financial arrangement entered into by the City for the purposes of moderating interest rate fluctuations or otherwise and may include any interest rate swap agreement, currency swap agreement, forward payment conversion agreement, future, or contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, or a contract to exchange cash flows or a series of payments, or any other exchange or rate protection transaction agreement, including, without limitation, interest rates floors, caps or collars, options, rates or call to a hedge payment, currency, rate, spread, or similar exposure or any similar contract (however designated).

"*Derivative Payment*" means any payment required to be made by the City with respect to a Derivative Obligation.

"*Electric System*" means all properties and assets, and interests in properties and assets, real and personal and tangible and intangible, of the City now or hereafter existing used for or pertaining to (a) the generation, transmission, distribution and sale of electric power and energy or (b) such other activities and transactions as the Board and the City shall from time to time determine, and shall be broadly construed to encompass and include all Projects, and all electric production, transmission, distribution, conservation, load management, general plant and other related facilities, equipment or property and any mine, well, pipeline, plant, structure or other facility for the development, production, manufacture, storage, fabrication or processing of fossil, nuclear or other fuel of any kind or any facility or rights with respect to the supply of water, in each case for use, in whole or in major part, in any of the City's electric generating plants, now existing and hereafter acquired by lease, contract, purchase or otherwise or constructed by the City, including any interest or participation of the City in any such facilities or any rights to the output or capacity thereof, together with all additions, betterments, extensions and improvements to said Electric System or any part thereof hereafter made and together with all lands, easements and rights of way of the City and all other works, property or structures of the City and contract rights and other tangible and intangible assets of the City used or useful in connection with or related to said Electric System, including without limitation a contract right or other contractual arrangement for the long-term or short-term interconnection, interchange, exchange, pooling, wheeling, transmission, purchase or sale of electric power and energy and other similar arrangements with entities having generation and transmission capabilities and located within or without the City or the State of Nebraska. Without limiting the generality of the foregoing, the term "Electric System" shall include (1) the properties and assets for the generation, transmission and distribution and sale of electric power and energy owned by the City on the date of passage of the Ordinance and (2) all additions, extensions, expansions, improvements, betterments and equippings hereafter made thereto. "Electric System" shall not include any properties or interests in properties of the City which the Board and the City, in accordance with the provisions of the Ordinance, determines shall not constitute a part of the Electric System.

"*Federal Securities*" means direct obligations of, or obligations the timely payment of which are unconditionally guaranteed by, the United States of America or the Treasury Department of the United States of America or securities or receipts evidencing direct ownership interests in the foregoing obligations or specific portions (such as principal or interest) of the foregoing obligations which are maintained under the book entry system operated by Federal Reserve Banks.

"*General Ordinance*" means Ordinance No. 17879 adopted by the Council on July 23, 2001.

"*Independent Consultant*" means an independent firm, person or corporation recognized as having expertise and with a favorable reputation for special skill and knowledge in the operations and financing of municipal electric light and power facilities and systems similar in size to the Electric System.

"*Lincoln Electric System*" means all assets, properties and employees under the jurisdiction and control of the Board as set forth in Chapter 4.24 of the Municipal Code.

"*Municipal Obligations*" means municipal obligations, rated in the highest Rating Category by any Rating Agency, meeting the following conditions:

(a) the municipal obligations are not to be redeemable prior to maturity, or the trustee with respect to such obligations has been given irrevocable instructions concerning their calling and redemption;

(b) the municipal obligations are secured by Federal Securities, which Federal Securities, except for provisions relating to surplus moneys not required for the payment of the municipal obligations and the substitution of such Federal Securities for other Federal Securities satisfying all criteria for Federal Securities, may be applied only to interest, principal and premium payments of such municipal obligations;

(c) the principal of and interest on the Federal Securities (plus any cash in the escrow fund) are sufficient, without reinvestment, to meet the liabilities of the municipal obligations; and

(d) the Federal Securities serving as security for the municipal obligations are held by an escrow agent or trustee.

"*Net Revenues*" shall mean Revenues less Operation and Maintenance Expenses paid from Revenues.

"*Operation and Maintenance Expenses*" shall mean all of the Costs and expenses for operation, maintenance, and ordinary repairs, renewals and replacements of the Electric System, including all costs of purchasing, producing and delivering electric power and energy from the Electric System and reserves for items of Operation and Maintenance Expenses the payment of which is not immediately required, and shall include, without limiting the generality of the foregoing, costs of purchased power, fuel costs, costs of transmission service, generating capacity reserve service, regulation, or other interchange and coordination services, rents, administrative and general expenses, engineering expenses, legal, accounting and financial advisory expenses, payments to pension, retirement, health and hospitalization funds, taxes, payments in lieu of taxes and other governmental charges, insurance and surety bond premiums including obligations to a stock mutual or reciprocal insurance company, and any other current expenses or obligations required to be paid by the City under the provisions of the Ordinance or by law or regulation, all to the extent properly allocable to the Electric System, and any fees and expenses incurred in the administration the Bonds, Parity Obligations and Subordinated Indebtedness. Operation and Maintenance Expenses shall include obligations of the City for a defined purchase price, lease obligations and Derivative Payments to the extent the same are treated as operation and maintenance expenses pursuant to generally accepted accounting principles for electric utilities. Operation and Maintenance Expenses shall not include any allowance for depreciation.

"*Option Bonds*" shall mean Bonds which by their terms may or are required to be tendered by and at the option of the Owner thereof for payment by the City prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the Owner thereof.

"*Ordinance*" means the General Ordinance, as amended, modified or supplemented from time to time by any Series Ordinance or Supplemental Ordinance.

"*Outstanding*" means (1) when used as of any particular time with reference to Bonds, all Bonds theretofore, or thereupon being, authenticated and delivered by the Registrar under the Ordinance except (a) Bonds theretofore canceled by the Paying Agent or surrendered to the Paying Agent for cancellation (or in the case of Book Entry Bonds, to the extent provided in the Ordinance, portions thereof deemed to have been canceled); (b) Bonds (or in the case of Book Entry Bonds, to the extent provided in the Ordinance, portions thereof with respect to which all liability of the City shall have been discharged in accordance with the Ordinance; (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Registrar pursuant to the Ordinance; and (d) Bonds no longer deemed to be outstanding hereunder as provided in the Series Ordinance pursuant to which such Bonds were issued; (2) when used as of any particular time with reference to Prior Lien Bonds, all Prior Lien Bonds deemed outstanding within the meaning of the respective Prior Lien Bond Ordinances; and (3) when used as of any particular time with reference to Parity Obligations, all Parity Obligations deemed outstanding or not satisfied within the meaning of the Parity Instrument authorizing such Parity Obligations.

"*Owner*," whenever used in the Ordinance with respect to a Bond, means the person in whose name such Bond is registered.

"*Parity Instrument*" means an instrument pursuant to which the City shall have provided for the issuance of Parity Obligations.

"*Parity Obligations*" means any indebtedness or other obligation of the City, including, but not limited to Derivative Payments, and all other payments or other obligation of the City, with respect to the Electric System and in each case having a lien and charge upon, or being payable from, the Net Revenues on a parity with the Bonds.

"*Paying Agent*" means the person or institution, which may include the City Treasurer or the Finance Director or his designee, or such other agent or official of the City as may be designated in a Series Ordinance to make payments of the principal of, Redemption Price and interest on the Series of Bonds authorized by such Series Ordinance to the registered owners thereof.

"*Payment Date*" means, with respect to a Series of Bonds or Parity Obligations, the date upon which any principal, Accreted Value, Appreciated Value or Redemption Price, and interest thereon is payable to the registered owners of such Series of Bonds or Parity Obligations.

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

"*Prior Lien Bonds*" means the bonds issued and outstanding pursuant to the Prior Lien Bond Ordinances.

"*Prior Lien Bond Ordinances*" shall mean Bond Ordinance Nos. 11902, 11904, 12202, 14556, 16188, 16416, 16417 and 17288 of the City.

"*Project*" means any electric generation, transmission, distribution and general plant facilities, together with any other property necessary, desirable or advisable for such activities as the Board is authorized to undertake, and all other property, real and personal, of every kind and nature material or pertinent thereto or necessary therefor, located within or without the City or the State of Nebraska, which may be used or useful in the generation, transmission, distribution, sale, purchase, exchange or interchange of electric power and energy, and in the supplying of electric power and energy to all those contracting with the City therefor and such other activities as the Board is authorized to undertake, as provided in the Act, including any interest therein or right to capacity thereof, and may include, without limitations, a divided or undivided interest in any electric generation, transmission, distribution or general plant facility in which the City shall participate as an owner in common with others, a contract right or other contractual arrangement for the short-term or long-term provision of electric power and energy, transmission and other services to the City on a prepaid basis and the acquisition of water and fuel of any kind for such purposes, including the acquisition of water rights, fuel deposits and facilities for the development, production, processing, manufacture, fabrication, transportation and storage of water and fuel.

"*Prudent Utility Practice*" means any of the practices, methods and acts which, in the exercise of reasonable judgment, in the light of the facts (including, but not limited to, any practices, methods and acts engaged in or approved by a significant portion of the electrical utility industry prior thereto) known at the time the decision was made, could have been expected to accomplish the desired result at reasonable cost consistent with reliability, safety and expediency. In applying the standard of Prudent Utility Practice to any matter under the Ordinance, equitable consideration shall be given to the circumstances, requirements and obligations of the City, and there shall be taken into account the fact that the City is a political subdivision of the State of Nebraska with prescribed statutory powers, duties and responsibilities. Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather is a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at reasonable cost consistent with reliability, safety and expediency. Prudent Utility Practice includes due regard for manufactures' warranties and the requirements of governmental agencies which have jurisdiction.

"*Registrar*" means the person or institution, which may include the City Treasurer or the Finance Director or his designee, or such other agent or official of the City as may be designated in a Series Ordinance to maintain on behalf of the City books of record in which the registered owners of the Bonds authorized by such Series Ordinance and their registered addresses shall be duly recorded.

"*Revenues*" means (i) all revenues, income, rents and receipts derived by the City from or attributable to the ownership and operation of the Electric System, including all revenues attributable to the Electric System or to the payment of the costs thereof received by the City under any contract for the sale of power, energy, transmission or other service from the Electric System or any part thereof or any contractual arrangement with respect to the use of the Electric System or any portion thereof or the services, output or capacity thereof, (ii) the proceeds of any insurance covering business interruption loss relating to the Electric System and (iii) interest received on any moneys or securities held pursuant to the Ordinance; provided, however, that Revenues shall not include (i) any revenues, receipts, rents, money or funds in aid of construction and income to the City when acting in the capacity of project manager with respect to a Project, (ii) customer deposits, or (iii) amounts received upon the sale, exchange or disposition of assets pursuant to the provisions of the General Ordinance.

"*Sinking Fund Installment*" shall mean an amount so designated which is established pursuant to a Series Ordinance authorizing a Series of Bonds and which is required by the Ordinance to be deposited in the Bond Fund for the payment of Term Bonds of such series and maturity.

"*Subordinated Indebtedness*" shall mean an evidence of indebtedness or obligation to pay money complying with the provisions of the Ordinance requiring that the payment of the principal of and interest on the same be payable, and shall be expressed to be, subordinated in all respects to the security interest in and pledge created by the Ordinance as security for the Bonds.

"*Variable Rate Indebtedness*" means any indebtedness or obligation the interest rate on, or amount of, which is not fixed at the time of incurrence of such indebtedness or obligation, and has not at some subsequent date been fixed, at a single numerical rate for the entire remaining term of the indebtedness or obligation.

Pledge

The Bonds of each Series are special limited obligations of the City and are secured by a pledge of and shall be a charge upon and shall be payable, as to the principal, Accreted Value and Appreciated Value thereof, interest thereon, and any premiums upon redemption thereof, solely from and secured by a lien upon (i) the Net Revenues, subordinate to the lien thereon of the Prior Lien Bonds pursuant to the Prior Lien Bond Ordinances, and (ii) the other funds, assets and security described under the General Ordinance and under the Series Ordinance creating that Series. In the General Ordinance, the City pledges and places a charge upon all Net Revenues, subordinate only to the lien thereon of the Prior Lien Bonds pursuant to the Prior Lien Bond Ordinances, to secure the payment of the principal, Accreted Value and Appreciated Value of, premium, if any, and interest on the Bonds and Parity Obligations in accordance with their respective terms without priority or distinction of one over the other, subject only to the provisions of the General Ordinance, permitting the application thereof for the purposes and on the terms and conditions set forth herein, and the Net Revenues constitute a trust for the security and payment of the interest and any premium on and principal, Accreted Value and Appreciated Value of the Bonds and Parity Obligations subordinate only to the lien thereon of the Prior Lien Bonds pursuant to the Prior Lien Bond Ordinances. The City pledges to secure the payment of the principal, Accreted Value and Appreciated Value of and premium, if any, and interest on the Bonds in accordance with their terms all amounts (including proceeds of the Bonds) held by the City in the Bond Fund, subject only to the provisions of the Ordinance permitting the application thereof for the purposes and on the terms and conditions set forth herein. The pledge of Net Revenues herein made shall remain in effect until there are no Bonds or Parity Obligations Outstanding.

Application of Revenues

Net Revenues are pledged by the City to payment of principal of and interest and redemption premium on the Bonds of all series and Parity Obligations, subject to the provisions of the Ordinance permitting application for other purposes. For the application of Revenues, the Ordinance establishes an Electric Revenue Fund, a Bond Fund and a Construction Fund held by the City.

The Ordinance establishes with the City the Electric Revenue Fund into which all Revenues of the Electric System shall be deposited; provided, however, that for so long as (1) any Prior Lien Bonds are Outstanding and (2) any Notes are Outstanding, the City shall (i) continue and maintain all funds and accounts established by the Prior Lien Bond Ordinances or the Note Ordinance, as appropriate, and (ii) except as provided in a Series Ordinance authorizing the issuance of a Series of Bonds and providing for the deposit of a portion of the proceeds of such Series of Bonds into one or more of the funds established by the Ordinance, deposit Revenues into the Electric Revenue Fund and make deposits to the funds and accounts as provided by the Ordinance only after the deposits and payments required to be made by the Prior Lien Bond Ordinances and the Note Ordinance, as appropriate, have been made.

Not less than three (3) Business Days prior to any Payment Date for a Series of Bonds the City shall pay from the Electric Revenue Fund into the Bond Fund the Debt Service due on such Series of Bonds on such Payment Date; provided that, for the purposes of computing the amount to be deposited in the Bond Fund, there shall be excluded from such deposit the amount, if any, set aside in the Bond Fund from the proceeds of Bonds, Parity Obligations, Subordinated Indebtedness or other evidences of indebtedness of the City (including amounts, if any, transferred thereto from the Construction Fund) for the payment of interest on such Series of Bonds; provided, however, that so long as there shall be held in the Bond Fund an amount sufficient to pay in full all Outstanding Bonds in accordance with their terms (including the maximum amount of principal, mandatory sinking fund payments, Accreted Value, Appreciated Value or applicable Redemption Price and all interest which could become payable thereon), no transfers shall be required to be made to the Bond Fund.

Construction Fund

The General Ordinance establishes a Construction Fund to be held by the City. There shall be paid into the Construction Fund the amounts required to be so paid by the provisions of the General Ordinance and any Series Ordinance, and there may be paid into the Construction Fund, at the option of the Board, any moneys received for or in connection with the Electric System by the City from any other source, unless required to be applied otherwise as provided by the Bond Ordinance. Amounts in the Construction Fund shall be applied to the Costs of the Electric System in the manner provided in the Ordinance.

The Board shall make payments from the Construction Fund in the amounts, at the times, in the manner and on the other terms and conditions established by a resolution of the Board.

To the extent that other moneys are not available therefor, amounts in the Construction Fund shall be applied to the payment of principal of and interest on Bonds when due. Amounts credited to the Construction Fund which the Board at any time determines to be in excess of the amounts required for the purposes thereof shall be transferred to the Electric Revenue Fund; provided, however, that the amount of any such credit to the Electric Revenue Fund shall not constitute or be deemed to constitute Revenues for any purpose of the Ordinance.

Bond Fund

The Board shall pay out of the Bond Fund to the respective Paying Agents not less than three (3) Business Days before (i) each Payment Date for any of the Bonds the amount required for the interest and principal; and (ii) before any redemption date for the Bonds, the amount required for the payment of interest on and the Redemption Price of the Bonds then to be redeemed.

Debt Service Reserve Fund

The City may, but shall not be required to, establish a debt service reserve fund or account for a Series of Bonds issued pursuant to a Series Ordinance, each of which shall be for the benefit and security such Series of Bonds, in the manner and to the extent provided in the Series Ordinance establishing each such fund or account. The entity that shall hold any such account or fund, the amounts to be deposited therein, and any other matters and things relative to such account or fund which are not contrary to or inconsistent with the General Ordinance as theretofore in effect, shall be set forth in such resolution or Series Ordinance establishing such account or fund or any Series Ordinance thereafter adopted in connection therewith.

Investment of Funds and Accounts

Unless limited by the provisions of a Series Ordinance, all amounts held in any fund or account established under the General Ordinance may be invested and reinvested as shall be provided in the applicable policies established from time to time by the Board which investment shall mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such funds and accounts. Any Paying Agent shall make all such investments of moneys held by it in accordance with written instructions received from any Authorized Representative. If any Paying Agent does not receive any such written instructions, such Paying Agent shall invest such fund in such Federal Securities as the Paying Agent shall determine.

Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) earned on any moneys or investments in any fund or account shall be paid into the respective fund or account in which such investment is held; provided, however, that at the direction of the Board, such interest earned on moneys or investments in any such fund or account or any portion thereof shall be paid into the Construction Fund. Interest earned on any moneys or investments in the Construction Fund shall be held in the Construction Fund for application as provided in the General Ordinance or paid into the Electric Revenue Fund.

Obligations purchased as an investment of moneys in any fund or account created under the provisions of the Ordinance shall be deemed at all times to be a part of such fund or account and any profit realized from the liquidation of such investment shall be credited to such fund or account and any loss resulting from the liquidation of such investment shall be charged to such fund or account.

In computing the amount in any fund or account created under the provisions of the Ordinance for any purpose provided in the Ordinance, obligations purchased as an investment of moneys therein shall be valued as provided in the applicable policies established by the Board from time to time.

Covenant as to Rates, Fees and Charges

Subject to any rate regulation by any state or federal regulatory authority, the City and the Board will fix, establish, maintain and collect such rates, charges and fees for electric power and energy and services furnished by the Electric System and to the extent legally permissible, revise such rates, charges and fees to produce Revenues each Fiscal Year sufficient:

(i) to pay all Operation and Maintenance Expenses;

(ii) to produce Net Revenues, after deducting amounts expended during the Fiscal Year from the Net Revenues for the payment of debt service requirements of the Prior Lien Bonds, equal to an amount sufficient to pay the annual debt service due and payable in such Fiscal Year of the then Outstanding Bonds and Parity Obligations; and

(iii) to pay after deducting the amounts determined in (i) and (ii) above, all other financial obligations of the Electric System reasonably anticipated to be paid from Revenues.

If the Revenues in any Fiscal Year are less than the aggregate amount described above, the City and the Board shall within sixty (60) days from the date of receipt of the annual audit for such Fiscal Year either (a) cause such rates and charges to be revised and adjusted to comply with the requirements set forth in this paragraph or (b) obtain a written report from an Independent Consultant after a review and study of the operations of the Electric System has been made concluding that, in their opinion, the rates and charges then in effect for the current Fiscal Year are sufficient or adjustments and revisions need to be made to such rates and charges to comply with the provisions set forth under the heading "Covenant as to Rates, Fees and Charges" and such adjustments and revisions to electric rates and charges are promptly implemented and enacted in accordance with such Independent Consultant's report.

Certain Other Covenants

Creation of Liens; Sale and Lease of Property. (a) The City shall not issue any bonds, notes, debentures, or other evidences of indebtedness of similar nature, other than the Bonds or Parity Obligations, payable out of or secured by a security interest in or pledge or assignment of the Net Revenues or other moneys, securities or funds held or set aside by the City, the Board or by any Paying Agent under the Ordinance and shall not create or cause to be created any lien or charge on the Net Revenues or such moneys, securities or funds; provided, however, that nothing contained in the Ordinance shall prevent the City from issuing, if and to the extent permitted by law (i) evidences of indebtedness (A) payable out of moneys in the Construction Fund as part of the costs of the Electric System, or (B) payable out of, or secured by a security interest in or pledge or assignment of, Net Revenues to be received on and after such date as the pledge of the Net Revenues provided in the

Ordinance shall be discharged and satisfied as provided in Article X of the General Ordinance, or (ii) Subordinated Indebtedness.

(b) To the extent and in the manner provided by law, the Board may sell, exchange or otherwise dispose of property, facilities and assets of the Electric System at any time and from time to time having a fair market value not to exceed $5,000,000 annually, as such amount shall be indexed based on the Consumer Price Index for All Urban Consumer (CPI-U) for the U.S. City Average for All items, 1982-84 = 100 (the "CPI") in effect on the date of adoption of the General Ordinance. Furthermore, the Board, to the extent and in the manner provided by law, may lease, contract, or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights to the properties and facilities of the Electric System. The proceeds of any such sale, exchange or disposal of property or facilities shall be used (i) to provide for the payment and redemption of Bonds or Parity Obligations or (ii) to acquire capital assets for any Electric System purpose.

Maintenance of Insurance. (a) The Board shall at all times use its best efforts to keep or cause to be kept the properties of the Electric System which are of an insurable nature and of the character usually insured by those operating properties similar to the Electric System insured against loss or damage by fire and from other causes customarily insured against and in such relative amounts as are usually obtained. The Board shall at all times use its best efforts to maintain or cause to be maintained insurance or reserves against loss or damage from such hazards and risks to the person and property of others as are usually insured or reserved against by those operating properties similar to the properties of the Electric System. The Board shall only be required to obtain such insurance if the same is available at reasonable rates and upon reasonable terms and conditions.

In lieu of obtaining policies for insurance as provided above, the City may self-insure against risks, accidents, claims or casualties described above, or such risks, accidents, claims or casualties may be covered under one or more blanket insurance policies maintained by the City or the Board.

Reconstruction; Application of Insurance Proceeds. If any useful portion of the Electric System shall be damaged or destroyed, the Board shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the Board. The proceeds of insurance covering such property, together with any other funds available for such purpose as the Board in its sole discretion shall determine, shall be used to repair the property damaged or replace the property destroyed; provided, however, if the insurance proceeds and other funds that might be lawfully appropriated therefore are insufficient to repair or replace the damaged property, then such insurance proceeds received for the damaged or destroyed property shall be deposited to the credit of a special insurance account or fund until other funds become available which, together with funds on deposit to the credit of such special insurance account, will be sufficient to make the repairs or replacements to the property damaged or destroyed that resulted in such insurance proceeds or make other improvements to the Electric System.

Records and Accounts. The Board shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Electric System and each fund and account established under the Ordinance, and which, together with all other books and papers of the Board or the City, including insurance policies, relating to the Electric System, shall upon reasonable advance notice and during regular business hours, be subject to the inspection of the Owners of an aggregate of not less than 5% in principal amount of the Bonds and Parity Obligations then Outstanding or their representatives duly authorized in writing.

Amendment of General Ordinance

The General Ordinance and the rights and obligations of the Board or the City and of the Owners of the bonds may be amended by a Supplemental Ordinance with the written consent of the Owners of a majority in aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Ordinance is only applicable to a Series of Bonds, the Bonds of that Series) then Outstanding; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under this paragraph.

No such modification or amendment may (A) extend the fixed maturity of any Bond, or reduce the amount of Bond Obligation thereof, or extend the time of payment or reduce the amount of any Sinking Fund Installment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Owner of each Bond so affected, (B) reduce the aforesaid percentage of Bond Obligation the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Net Revenues and other assets pledged under the General Ordinance prior to or on a parity with the lien created by the General Ordinance, or deprive the Owners of the Bonds of the lien created by the General Ordinance on such Net Revenues and other assets (in each case, except as expressly provided in the General Ordinance), without the consent of the Owners of all of the Bonds then Outstanding.

Without the consent of the Owners, the City may adopt a Supplemental Ordinance which (1) adds covenants and agreements of the City or the Board; (2) cures any ambiguity, omission, defect or inconsistent provision in the General Ordinance; (3)permits the qualification of the General Ordinance under the Trust Indenture Act of 1939 or any similar federal statute and add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially and adversely affect the interests of the Owners; (4) authorizes Bonds of an additional series; (5) maintains the exclusion of interest on a Series of Bonds from gross income for purposes of federal income taxation, to make such provisions as are necessary or appropriate to ensure such exclusion; (6) makes any modification which is to be effective only after all Bonds of each series Outstanding as of the date of the adoption of such Supplemental Ordinance cease to be Outstanding; (7) authorizes Subordinated Indebtedness; (8) authorizes the establishment such funds or accounts as the Board may determine to be necessary, desirable, advisable or in the best interests of the Board and the City, and, in connection therewith, to specify and determine the matters and things referred to in the General Ordinance or to modify any such matters and things in any other respect whatsoever; or (9) any other purpose which, in the determination of the Board, does not materially and adversely affect the interest of the Owners of any of the Bonds.

Defeasance

Except as may be provided in any Series Ordinance creating a Series of Bonds, Bonds of any Series may be paid by the City in any of the following ways:

(a) by paying or causing to be paid the Bond Obligation of and interest on all Bonds Outstanding of the Series, as and when the same become due and payable;

(b) by depositing with the Paying Agent, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in the General Ordinance) to pay or redeem all Bonds Outstanding of the Series; or

(c) by delivering to the Paying Agent, for cancellation by it, all Bonds then Outstanding of the Series.

Upon the deposit with the Paying Agent, an escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the General Ordinance) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, irrevocable notice of such redemption shall have been given as provided in the General Ordinance or provision satisfactory to the Registrar and Paying Agent shall have been made for the giving of such notice, then all liability of the City in respect of such Bond shall cease, terminate and be completely discharged; provided that the Owner thereof shall thereafter be entitled to the payment of the principal of and premium, if any, and interest on such Bond, and the City shall remain liable for such payment, but only out of such money or securities deposited as aforesaid for their payment, subject, however, to the provisions of the General Ordinance and the continuing duties of the Registrar and Paying Agent.

Whenever in the General Ordinance it is provided or permitted that there be deposited with or held in trust by the Paying Agent, an escrow agent or other fiduciary, money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established pursuant to the General Ordinance and shall be one or more of the following:

(i) lawful money of the United States of America in an amount equal to the Bond Obligation of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV of the General Ordinance or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, the amount to be deposited or held shall be the Bond Obligation or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(ii) non-callable Federal Securities or Municipal Obligations, the principal of and interest on which when due will, in the opinion of an independent certified public accountant delivered to the Paying Agent for which payment is being made (upon which opinion the Paying Agent may conclusively rely), provide money sufficient to pay the Bond Obligation or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such Bond Obligation or Redemption Price and interest become due; provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the General Ordinance or provision satisfactory to the shall have been made for the giving of such notice.

Events of Default; Remedies

Events of Default. Each of the following events shall be an "Event of Default":

(a) Default by the City or the Board in the due and punctual payment of the principal, Accreted Value or Appreciated Value of, or premium, if any, on any Bond (whether at maturity, by acceleration, call for redemption or otherwise);

(b) Default by the City or the Board in the due and punctual payment of the interest on any Bond and such default shall continue for a period of thirty (30) days after the due date for the payment of such interest;

(c) Failure of the City or the Board to observe and perform any of its other covenants, conditions or agreements under the Ordinance or in the Bonds for a period of 90 days after written notice from the Owners of 25% in aggregate amount of Bond Obligation of the Bonds then outstanding, specifying such failure and requesting that it be remedied, or in the case of any such default that cannot with due diligence be cured within such 90 day period, failure of the City and the Board to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence;

(d) (1) Failure of the Board generally to pay its debts as the same become due, (2) commencement by the Board of a voluntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or state bankruptcy, insolvency or other similar law, (3) consent by the Board to the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official for the Board, the Electric System or any substantial part of the Board's property, or to the taking possession by any such official of the Electric System or any substantial part of the Board's property, (4) making by the Board of any assignment for the benefit of creditors, or (5) taking of corporate action by the Board in furtherance of any of the foregoing;

(e) The entry of any (1) decree or order for relief by a court having jurisdiction over the Board or its property in an involuntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or state bankruptcy, insolvency or other similar law, (2) appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official for the City, the Board, the Electric System or any substantial part of the City's property, or (3) order for the termination or liquidation of the City, the Board, the Electric System or affairs of any of them;

(f) Failure of the City or the Board within 90 days after the commencement of any proceedings against either of them under the Federal bankruptcy laws prior any other applicable Federal or state bankruptcy, insolvency or similar law, to have such proceedings dismissed or stayed; or

(g) Any Event of Default under the Prior Lien Bond Ordinances shall occur and shall not be cured as provided by the Prior Lien Bond Ordinances.

Remedies Upon Occurrence of an Event of Default. Upon the happening and continuance of any event of default, 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 the State of Nebraska to serve as trustee for the benefit of the Owners of all Bonds then outstanding (the "Receiver"). Notice of such appointment, together with evidence of the requisite signatures of the Owners of twenty-five percent (25%) of the Bond Obligation and the trust instrument under which the Receiver shall have agreed to serve shall be filed with the City and the Board with a copy to the Receiver and notice of such appointment shall be mailed to the Owners of the Bonds. After the appointment of a Receiver under the Ordinance, no further Receivers may be appointed; however, the Owners of a majority of the Bond Obligation may remove the Receiver initially appointed and appoint a successor and subsequent successors at any time. If the default for which the Receiver was appointed is cured or waived pursuant to the Ordinance, the appointment of the Receiver shall terminate with respect to such default.

After a Receiver has been appointed pursuant to the foregoing, the Receiver 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 Owners under the laws of the State of Nebraska, including the Act, and under the Ordinance, by such suits, actions or special proceedings in equity or at law, or by regulatory or administrative proceedings in the office of any board, body or officer having jurisdiction, either for the specific performance of any covenant or agreement contained therein or in aid of execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, all as the Receiver, being advised by counsel, shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy against the City or the Board, under the Ordinance the Receiver 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 City or the Board, for principal, interest or other sums due under any provisions of the Ordinance or of such Bonds and unpaid, with interest on overdue payments of principal and, if permitted by law, at the rate or rates of interest specified in such Bonds, together with any and all reasonable costs and expenses of collection and of all proceedings under the Ordinance and under such Bonds without prejudice to any other right or remedy of the Receiver or of the Owners, and to recover and enforce any judgment or decree against the City or the Board, but solely as provided therein 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 Electric Revenue Fund, as the case may be, and any other moneys available for such purpose) in any manner provided by law, the moneys adjudged or decreed to be payable.

Directions to Receiver as to Remedial Proceedings. Anything in the Ordinance to the contrary notwithstanding, the Owners of a majority of the Bond Obligation shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Receiver, to direct the method and place of conducting all remedial proceedings to be taken by the Receiver under the Ordinance, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Ordinance, and that the Receiver shall have the right to decline to follow any such direction which in the opinion of the Receiver would be unjustly prejudicial to Owners not parties to such direction.

Pro Rata Application of Funds. (a) Anything in the Ordinance to the contrary notwithstanding, if at any time the moneys in the Electric Revenue Fund, shall not be sufficient to pay the principal Accreted Value, Appreciated Value or Redemption Price 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 the Ordinance or otherwise, shall be applied as follows:

(i) Unless the principal of all the Bonds and Parity Obligations shall have become due and payable, all such moneys shall be applied (A) to the payment of all installments of interest then due on the bonds and the interest component of Parity Obligations then due, in the order of the maturity of the installments of such interest, to the persons entitled thereto, ratable, without any discrimination or preference, and (B) to the payment of all installments of principal of Bonds and Parity Obligations then due.

(ii) If the principal of all the Bonds and Parity Obligations shall have become due and payable, all such moneys shall be applied to the payment of the principal Accreted Value, Appreciated Value or Redemption Price or interest then due and unpaid upon the Parity Obligations, 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 Bonds or Parity Obligations over any other Bonds or Parity Obligations, ratable, according to the amounts due, respectively, for principal or interest to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bond and Parity Obligations.

(b) Whenever moneys are to be applied by the Receiver pursuant to the provisions stated above, such moneys shall be applied by the Receiver at such times, and from time to time, as the Receiver 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 by the Receiver; and the Receiver shall incur no liability whatsoever to the City, to the Board, to any Owner or to any other person for any delay in applying any such moneys, so long as the Receiver acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Ordinance as may be applicable at the time of applicable by the Receiver. Whenever the receiver shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an interest payment date unless the Receiver 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, the Accreted Value of Capital Appreciation Bonds shall cease to accrete and the Appreciated Value of any Deferred Income Bond. The Receiver 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 Receiver for appropriate endorsement or for cancellation if fully paid.

Restrictions on Actions by Individual Owners. No Owner shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Ordinance or for any other remedy thereunder unless such Owner previously shall have given to the Receiver written notice of the event of default on account of which such suit, action or proceeding is to be taken, and unless the Owners of not less than twenty-five percent (25%) of the Bond Obligation shall have made written request of the Receiver after the right to exercise such powers or right of action, as the case may be, shall have accrued and shall have afforded the Receiver a reasonable opportunity either to proceed to exercise the powers granted in the Ordinance or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Receiver 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 Receiver 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 Receiver, to be conditions precedent to the execution of the powers and trusts of the Ordinance or for any other remedy under the Ordinance. It is understood and intended that no one or more Owners of the Bonds secured by the Ordinance shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Ordinance, or to enforce any right under the Ordinance, except in the manner provided in the Ordinance, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Ordinance and for the benefit of all Owners, and that any individual rights of action or any other right given to one or more of such Owners by law are restricted by the Ordinance to the rights and remedies provided in the Ordinance.

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

2015 ORDINANCE

The following is a summary of certain provisions of the 2015 Ordinance. Summaries of certain definitions contained the 2015 Ordinance are set forth below. Other terms defined in the 2015 Ordinance for which summary definitions are not set forth are indicated by capitalization. The summary does not purport to be a complete description of the terms of the 2015 Ordinance and, accordingly, is qualified by reference thereto and is subject to the full text thereof. Copies of the 2015 Ordinance may be obtained from Lincoln Electric System or its Financial Advisor.

Tax Covenants. (a) In order to maintain the exclusion from gross income for Federal income tax purposes of interest on the 2015 Bonds, and for no other purpose, the City covenants in the 2015 Ordinance to comply with each applicable requirement of the Internal Revenue Code of 1986, as amended (the "Code"). The City covenants not to use or permit the use of any proceeds of any Series of 2015 Bonds or any other funds of the City nor take or permit any other action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the 2015 Bonds. The City will, in addition, adopt such other ordinances or resolutions and take such other actions as may be necessary to comply with the Code and with all other applicable future laws, regulations, published rulings and judicial decisions, in order to ensure that the interest on each Series of 2015 Bonds will remain excluded from federal gross income, to the extent any such actions can be taken by the City.

(b) The City covenants and agrees that (1) it will comply with all requirements of Section 148 of the Code to the extent applicable to each Series of 2015 Bonds, (2) it will use the proceeds of each Series of 2015 Bonds as soon as practicable and with all reasonable dispatch for the purposes for which such Series of 2015 Bonds are issued, and (3) it will not invest or directly or indirectly use or permit the use of any proceeds of any Series of 2015 Bonds or any other funds of the City in any manner, or take or omit to take any action, that would cause any Series of 2015 Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code.

(c) The City shall make any and all payments required to be made to the United States Department of Treasury in connection with the 2015 Bonds pursuant to Section 148(f) of the Code from amounts on deposit in the funds and accounts established under the Ordinance and available therefore.

(d) The City covenants and agrees that it will not use any portion of the proceeds of any Series of 2015 Bonds, including any investment income earned on such proceeds, directly or indirectly, in a manner that would cause any 2015 Bond to be a "private activity bond.

(e) Notwithstanding any other provisions of the Ordinance to the contrary, so long as necessary in order to maintain the exclusion from gross income for Federal income tax purposes under Section 103 (a) of the Code of interest on the 2015 Bonds, the covenants contained under the heading "Tax Covenants" shall survive the payment of the 2015 Bonds and the interest thereon, including any payment or defeasance thereof pursuant to the General Ordinance.

2015 Debt Service Reserve Fund. (a) The City shall establish a 2015 Debt Service Reserve Fund to be held by the Board into which an amount equal to $3,763,191.10 shall be deposited upon the issuance of the 2015 Bonds. The 2015 Debt Service Reserve Fund shall be maintained in an amount equal to six (6) months' interest on the 2015 Bonds Outstanding on the date of such computation, as such amount may be reduced from time to time. All amounts deposited into the 2015 Debt Service Reserve Fund shall be held and administered in accordance with the provisions set forth below.

(b) If any withdrawal from the 2015 Debt Service Reserve Fund is made for the purpose of subsection (c)(i) below, the amount of such withdrawal shall be restored by the Board in no more than 12 substantially equal, consecutive, monthly installments, each payable on the last Business Day of the month, commencing with the month in which the withdrawal is made; provided that, if any withdrawal is made and if, prior to the restoration of the amount withdrawn, an additional withdrawal is made, such additional withdrawal shall be restored in equal monthly installments over the remainder of the restoration period for the initial withdrawal.

(c) Any money on deposit in the 2015 Debt Service Reserve Fund shall be applied as follows:

(i) On the date of each required payment from the Bond Fund, moneys in the 2015 Debt Service Reserve Fund shall be applied to cure any deficiency in the Bond Fund with respect to the 2015 Bonds.

(ii) Any amount in the 2015 Debt Service Reserve Fund in excess of the Reserve Requirement on all Outstanding 2015 Bonds shall be transferred to the Bond Fund and credited against the payments of the principal and interest next becoming due on the 2015 Bonds.

(iii) On the interest payment date immediately preceding the final maturity date of 2015 Bonds, money held in the 2015 Debt Service Reserve Fund shall be deposited into the Bond Fund and credited against the deposits required to be made into the Bond Fund with respect to the 2015 Bonds but only to the extent that, immediately following such crediting and transfer, the amount on deposit in the 2015 Debt Service Reserve Fund is equal to the lesser of (A) the Reserve Requirement and (B) the amount of principal and interest due in respect of the 2015 Bonds on such final maturity date.

(d) The City and the Board shall be permitted to substitute a letter of credit, surety bond or other credit enhancement (each, a "credit facility") for funds on deposit in either the 2015 Debt Service Reserve Fund, provided that:

(i) the credit facility (including any replacement credit facility) is issued by a bank, trust company, national banking association or insurance company whose unsecured long term debt obligations (in the case of a bank, trust company or national banking association) or whose claims paying abilities (in the case of an insurance company) are rated not lower than the "AAA" Rating Category by a Rating Agency at the time the credit facility is issued and at the time of each extension or renewal thereof;

(ii) the issuer of the credit facility does receive as security for any reimbursement obligation in respect of the credit facility a lien solely on the Net Revenues on a parity with any Bonds or Parity Obligations then Outstanding; and

(iii) the credit facility (including any replacement credit facility, if provided by a different issuer) has an initial term of not less than one year and any extension, renewal or replacement (if provided by the same issuer) thereof has a term of not less than one year;

Upon such substitution, funds on deposit in the 2015 Debt Service Reserve Fund which, when added to the face amount of the credit facility, exceed the Reserve Requirement on the Outstanding 2015 Bonds for which such Debt Service Reserve Fund was established, shall be applied as provided in subsection (c)(ii) above. Thereafter, the credit facility shall be considered a part of such Debt Service Reserve Fund and the amount available thereunder shall be included in any calculations of the amount required to be retained in such Debt Service Reserve Fund; provided that, (A) if the sum of the amount available under the credit facility and the amount of moneys on deposit in such Debt Service Reserve Fund exceed the amount required to be on deposit pursuant to subsection (a) above, the Board shall be permitted (i) to cause the amount available under the credit facility to be reduced by an amount equal to such excess, or (ii) to direct that the excess money be applied as permitted under subsection (d)(ii) above, and (B) if the credit facility is not extended, renewed or replaced at least six months prior to its scheduled expiration or termination date, unless such Debt Service Reserve Fund is otherwise terminated in accordance with the provisions set forth under heading "2015 Debt Service Reserve Fund," the Board shall be obligated to restore the difference between the Reserve Requirement and the value of such Debt Service Reserve Fund computed without regard to the credit facility prior to the expiration or termination date of such credit facility.

(e) The Board shall have the option to terminate the 2015 Debt Service Reserve Fund and to have transferred to the Bond fund all amounts held therein if the Net Revenues for each of the three preceding Fiscal Years are not less than 140% of Debt Service in such Fiscal Year on all Bond and Parity Obligations then Outstanding, based on the audited financial statements for such Fiscal Year. Upon receipt of the audits described in the preceding sentence, the Board shall transfer all amounts held in such Debt Service Reserve Fund to the Bond Fund and use the same to pay debt service on the 2015 Bonds for which such Debt Service Reserve Fund was established.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the **"Disclosure Certificate"**) is executed and delivered by The City of Lincoln, Nebraska (the **"City"**), acting by and through Lincoln Electric System (**"LES"**), in connection with the issuance of $167,800,000 The City of Lincoln, Nebraska, Lincoln Electric System Revenue and Refunding Bonds, Series 2015A (the **"Bonds"**). The Bonds are being issued pursuant to Ordinance Nos. 17879 and 20154 adopted July 23, 2001 and February 9, 2015, respectively, by the Council (collectively, the **"Ordinance"**). LES covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by LES for the benefit of the Registered and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12(b)(5) (the **"Rule"**) promulgated by the Securities and Exchange Commission (the **"SEC"**). It being the intention of LES that there be full and complete compliance with the Rule, this Disclosure Certificate shall be construed in accordance with the written interpretative guidance and no-action letters published from time to time by the SEC and its staff with respect to the Rule and in accordance with amendments to the Rule adopted or effective after the date hereof.

Section 2. Nature of the Undertaking. LES, in accordance with the Rule, hereby covenants to provide or cause to be provided:

(a) to the Municipal Securities Rulemaking Board (the **"MSRB"**) in an electronic format as prescribed by the MSRB, (i) annual financial information and operating data of the type described in Section 3 below for each fiscal year ending on or after December 31, 2015, not later than the following May 31, and (ii) when and if available, audited financial statements of LES for each fiscal year ending on or after December 31, 2015.

(b) to the MSRB in a timely manner not in excess of 10 business days after the occurrence of the event, notice of (i) any event described in Section 4, (ii) LES' failure to provide an Annual Report on or prior to the date specified above, and (iii) any change in the accounting principles applied in the preparation of its annual financial statements or any change in its fiscal year.

Section 3. Content of Annual Reports. The Annual Report shall contain or include by reference the following:

(a) The audited financial statements of LES for the prior fiscal year, prepared in accordance with generally accepted accounting principles and accounting practices prescribed by the Federal Energy Regulatory Commission. If LES' audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 2(a)(i), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) LES statistical and operating data consisting of the following information:

(i) Rating Agency Update Report;
(ii) FERC 412 Report; and
(iii) Financial information and operating data with respect to LES of the type included in the Official Statement with respect to the Bonds under the headings: "–LES Share of Laramie River Station," "–LES Share of Walter Scott Energy Station #4," "–LES Local Generation,"

"–LES Share of Gerald Gentleman Station," "–LES Share of Sheldon Station," and "–Historical Resource Summary." Such financial information and operating data is expected to be contained in the Rating Agency Update Report.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of LES or related public entities, which are available to the public on the MSRB's internet website or which have been filed with the SEC. LES shall clearly identify each such other document so included by reference.

Each filing with the MSRB shall prominently state the date, title and CUSIP number of the Bonds and such additional identifying information as specified by the MSRB.

Section 4. Reporting of Significant Events. LES shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

(a) Principal and interest payment delinquencies;

(b) Non-payment related defaults, if material;

(c) Unscheduled draws on debt service reserves reflecting financial difficulties;

(d) Unscheduled draws on credit enhancements reflecting financial difficulties;

(e) Substitution of credit or liquidity providers, or their failure to perform;

(f) 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 of determinations with respect to the tax status of the Bonds or other material events affecting the tax-exempt status of the Bonds;

(g) Modifications to rights of holders of the Bonds, if material;

(h) Bond calls, if material, and tender offers;

(i) Defeasances;

(j) Release, substitution, or sale of property securing repayment of the Bonds, if material;

(k) Rating changes;

(l) Bankruptcy, insolvency, receivership or similar events relating to LES;

(m) The consummation of a merger, consolidation, or acquisition involving LES or the sale of all or substantially all of the assets of LES, 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

(n) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Section 5. Termination of Reporting Obligation. The obligations of LES under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Section 6. Dissemination Agent. LES may, at any time during the term of the disclosure obligation contained herein, appoint or engage a Dissemination Agent or third-party consultant to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, LES may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived as may be necessary or appropriate to achieve compliance with any applicable federal securities law or rule, to cure any ambiguity, inconsistency or formal defect or omission, and to address any change in circumstances arising from a change in legal requirements, change in law, or change in the identity, nature, or status of LES, or type of business conducted by LES. Any such amendment shall be made only in a manner consistent with the Rule and any amendments and interpretations thereof by the SEC. In the event of any amendment or waiver of a provision of this Disclosure Certificate, LES shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by LES. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent LES from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate, or including any other information in any Annual Report or notice of occurrence of an event listed in Section 4, in addition to that which is required by this Disclosure Certificate. If LES chooses to include any information in any Annual Report or notice of occurrence of a listed event specified in Section 4 in addition to that which is specifically required by this Disclosure Certificate, LES shall not have any obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a listed event specified in Section 4.

Section 9. Default. In the event of a failure of LES to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause LES 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 LES to comply with this Disclosure Certificate shall be an action to compel performance.

Dated: March 31, 2015.

LINCOLN ELECTRIC SYSTEM

By: ______________________________

Administrator and CEO

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APPENDIX E

BOOK-ENTRY SYSTEM

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BOOK-ENTRY SYSTEM

The information relating to the Book-Entry System under this heading have been furnished by The Depository Trust Company and have not been independently verified by LES or the Underwriters. Neither the Underwriters nor LES makes any representation whatsoever as to the accuracy, adequacy or completeness of such information.

General

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2015 Bonds. The 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 of the 2015 Bonds in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC and Its Direct and Indirect Participants

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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests

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

Transfers and Exchanges of Beneficial Ownership Interests

To facilitate subsequent transfers, all 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 2015 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee does not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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.

Notices and Consents

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 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2015 Bonds, such as redemptions, tenders, defaults and proposed amendments to the 2015 Bonds documents. For example, Beneficial Owners of 2015 Bonds may wish to ascertain that the nominee holding the 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 the securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2015 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal, Interest and Redemption Price

Principal, redemption proceeds and interest payments on the 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 District or the Bond Fund Trustee, on each 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 (or its nominee), the Paying Agent or LES, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption proceeds (if applicable) and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of LES or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of Direct and Indirect Participants.

The Beneficial Owners of the 2015 Bonds will rely on DTC's Direct or Indirect Participants for timely payments and other notices and for otherwise making available to the Beneficial Owner the rights of a Bondholder. No assurances can be provided that in the event of bankruptcy or insolvency of DTC or a Direct or Indirect Participant through which a Beneficial Owner holds beneficial interests in the 2015 Bonds, payment will be made by DTC or the Direct or Indirect Participant on a timely basis.

Discontinuance of DTC Services

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

LES may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository). In that event, 2015 Bond certificates will be printed and delivered.

LES and the Paying Agent will not have any responsibility or obligation to Direct or Indirect Participants or to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC or any Direct or Indirect Participant; (ii) the payment by DTC or any Direct or Indirect Participant of any amount with respect to the principal or redemption price of, or interest on, the 2015 Bonds; (iii) any notice which is permitted or required to be given to Bondholders under the Resolution; (iv) the selection by DTC or any Direct or Indirect Participant of any person to receive payment in the event of a partial redemption of the 2015 Bonds; or (v) any consent given or other action taken by DTC as Bondholder.

The information included under this heading "BOOK-ENTRY SYSTEM," other than in this paragraph and the preceding bold face paragraphs, has been provided by DTC. No representation is made by LES, the Paying Agent or the Underwriters as to the accuracy or adequacy of such information provided by DTC or as to the absence of material adverse changes in such information subsequent to the date thereof.

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APPENDIX F

FORM OF OPINION OF BOND COUNSEL

[CLOSING DATE]

The City of Lincoln, Nebraska
Acting for and on behalf of:
Lincoln Electric System
1040 “0” Street
Lincoln, NE 68508

J.P. Morgan Securities LLC
383 Madison Ave.
New York, NY 10017

$167,800,000
The City of Lincoln, Nebraska
Lincoln Electric System Revenue and Refunding Bonds
Series 2015A

Ladies and Gentlemen:

We have examined proceedings relating to the issuance by the City of Lincoln, Nebraska (the “Issuer”) of its Lincoln Electric System Revenue and Refunding Bonds, Series 2015A (the “2015 Bonds”). The 2015 Bonds are issued pursuant to Ordinance No. 17879 adopted on July 23, 2001 by the Council (the “General Ordinance”) and Ordinance No. 20154 adopted on February 9, 2015, by the Council (the “Seventh Series Ordinance”). The General Ordinance and the Seventh Series Ordinance are hereinafter collectively referred to as the “Ordinance.” Capitalized terms used and not otherwise defined in this opinion have the meanings assigned to those terms in the Ordinance.

The 2015 Bonds recite that they are issued under and pursuant to and in full compliance with the Constitution and laws of the State of Nebraska, including the Charter of the Issuer (the “Charter”), and the Ordinance.

We have examined the Constitution and statutes of the State of Nebraska, applicable provisions of the Charter, and a certified transcript of the proceedings of the Issuer authorizing or relating to the issuance of the 2015 Bonds. We have also reviewed such other documentation and certificates as we deem relevant and necessary in rendering this opinion. The Issuer has covenanted in the Ordinance and the tax compliance certificate of the Issuer dated the date hereof (the “Tax Certificate”) to comply with all necessary provisions of the Internal Revenue Code of 1986 (the “Code”) and the related regulations, rulings and judicial decisions in order to preserve the exclusion of interest on the 2015 Bonds from gross income for federal income tax purposes. Noncompliance by the Issuer with such restrictions may cause the interest on the 2015 Bonds to be subject to federal income taxation retroactive to their date of issue. We have assumed that the Issuer and others will comply with the covenants, agreements, representations and certifications included in the items examined. As to questions of fact material to our opinion, we have relied upon the certifications and representations of public officials and others in the items examined without undertaking to verify the same by independent investigation.

Based on such examination, we are of the opinion that:

1. The Issuer is validly existing as a political subdivision of the State of Nebraska (the "State") with the power to adopt the Ordinance, perform the agreements on its part contained therein, and issue the 2015 Bonds.

2. The 2015 Bonds have been duly authorized, executed and delivered by the issuer and are valid and legally binding special obligations of the Issuer.

3. The 2015 Bonds are payable solely from the net income and revenues derived by the Issuer from the operation of the Lincoln Electric System, after providing for the costs of operation and maintenance thereof. The 2015 Bonds do not constitute general obligations of the Issuer and do not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision, limitation or restriction. The taxing power of the Issuer is not pledged to the payment of the 2015 Bonds.

4. The Ordinance has been duly adopted by the governing body of the Issuer and constitutes a valid and legally binding obligation of the Issuer enforceable against the Issuer. The Ordinance creates a valid lien on the revenues and other funds pledged by the Ordinance for the security of the 2015 Bonds on a parity with all Bonds issued pursuant to the General Ordinance outstanding on the date hereof. Additional Bonds and certain other obligations of the Issuer ranking on a parity with the 2015 Bonds may be issued under the conditions set forth in the Ordinance.

5. Under existing laws, regulations, rulings and judicial decisions, interest on the 2015 Bonds is not includable in gross income for federal income tax purposes. Interest on the 2015 Bonds does not constitute an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations by the Code. The opinions set forth in this paragraph are subject to continuing compliance by the Issuer with covenants regarding federal tax law contained in the Ordinance and the Tax Certificate. Failure to comply with such covenants could cause interest on the 2015 Bonds to be included in gross income retroactive to the date of issue of the 2015 Bonds. Although we are of the opinion that interest on the 2015 Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the 2015 Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deduction. We express no opinion regarding any such consequences.

6. Under existing laws, regulations and judicial decisions, interest on the 2015 Bonds is exempt from all present Nebraska state income taxes as long as it is exempt for purposes of the federal income tax.

We express no opinion regarding the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the 2015 Bonds (except to the extent, if any, stated in the Official Statement). Further, we express no opinion regarding the perfection or priority of the lien on revenues or other funds pledged under the Ordinance or tax consequences arising with respect to the Bonds other than as expressly set forth in this opinion.

The obligations of the Issuer contained in the 2015 Bonds and the Ordinance, and the enforceability thereof, are subject to general principles of equity which may permit the exercise of judicial discretion, the reasonable exercise in the future by the State of Nebraska and its governmental bodies of the police power inherent in the sovereignty of the State, applicable bankruptcy, insolvency, moratorium or similar laws relating to or affecting creditors' rights generally and the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

The scope of our engagement has not extended beyond the examinations and the rendering of the opinions expressed herein. This letter is issued to and for the sole benefit of the above addressees and is issued for the sole purpose of the transaction specifically referred to herein. No person other than the above addressees may rely upon this letter without our express prior written consent. This letter may not be utilized by you for any other purpose whatsoever and may not be quoted by you without our express prior written consent. We have not assumed any responsibility with respect to the creditworthiness of the security for the 2015 Bonds, and our engagement as bond counsel with respect to the transaction referred to herein terminates upon the date of this letter. We assume no obligation to review or supplement this letter subsequent to its date, whether by reason of a change in the current laws, by legislative or regulatory action, by judicial decision or for any other reason.

Very truly yours,

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APPENDIX G

SCHEDULE OF REFUNDED BONDS

Series	Maturity Date (September 1)	Amount Refunded	Interest Rate	CUSIP Numbers
2007 Series A	2021	$ 810,000	4.000%	534272 YE3
	2022	845,000	4.000	534272 YF0
	2023	885,000	4.100	534272 YG8
	2024	920,000	4.125	534272 YH6
	2025	965,000	4.125	534272 YJ2
	2026	1,005,000	4.200	534272 YK9
	2027	1,055,000	4.250	534272 YL7
	2028	1,100,000	4.250	534272 YM5
	2029	4,660,000	4.250	534272 YN3
	2034	27,805,000	4.750	534272 YP8
	2037	21,765,000	4.500	534272 YR4
2007 Series B	2019	$ 8,885,000	5.000%	534272 ZD4
	2020	28,930,000	4.250	534272 ZE2

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THE CITY OF LINCOLN, NEBRASKA • LINCOLN ELECTRIC SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2015A

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