1. Pledge of Allegiance

2. Invocation

3. Mission and Vision

4. Roll Call

5. Set Agenda

6. Recognition and Presentation
   a) Retirement 23 Years of Service – Neil Mellies

7. Informational Items:
   a) Department Staff Report – Cyber Protection Phishing – Jack Wetzler, Asst. General Manager & CFO
   b) Power Supply Report – May 2019
   c) Generation Report – May 2019
   d) Rate Comparison Report – May 2019
   e) Investment Committee Update

8. Consent Agenda*
   a) Approve Minutes – Regular Utility Board Meeting – June 6, 2019
   b) Approve Minutes – Utility Board Strategic Planning Workshop – June 6, 2019
   c) Approve Disbursements Report
   d) Approve Second Revised Interconnection Agreement by and among Florida Power & Light Company, Florida Keys Electric Cooperative Association, Inc., and The Utility Board of the City of Key West

9. Action Items
   a) Approve Resolution No. 814 Amending the Pension Plan Document, Article 8, Trust and Trustees; Section 8.01, Appointment of Trustees; Section 8.02, Terms of Office; and Section 8.03, Rules and Decisions
   b) Approve Increase in Headcount to Support Succession Planning with Technical Positions and Increased Project Load
   c) Approve Execution of Purchase and Sale Agreement for Sale of Surplus Ice Plant Property to Two J’s Properties, LLC, in the amount of $2,250,000.00, and Approve Execution of Back-Up Purchase and Sale Agreement with Rafael Juan Ubeda in the amount of $2,250,000.00; Authorize General Manager/CEO to Execute All Attendant Documents
   d) Approve Supplemental Resolution #815 and Issuance of Electric System Refunding Revenue Bonds Series 2019 in the Amount of $60,000,000.00
   e) Approve the Costs Associated with the Issuance of Electric System Revenue and Revenue Refunding Bonds Series 2019 in the Issuance Amount of $60,000,000.00

10. Public Input / Other Business

11. Adjournment

* Item is considered to be routine and enacted by one motion with no separate discussion, unless requested by a Utility Board Member or citizen, in which event the item will be considered independently.

Peter Batty, Chairman  ●  Mona Clark, Vice Chair
Timothy Root, Member  ●  Steven Wells, Member  ●  Robert Barrios, Member
118.9
2019 May Peak
131.7
2018 YTD Peak
145.8
2019 Yearly Peak
131.7
Overal Peak (YR 2017) 148.7
May 2019 Generation Report

Unit Availability

Goal = 92%

First Starts

Goal = 100%

Notes:
There were no failed starts in May, 2019.
May 2019 Generation Report

Monthly Peak Load and Average Generation Available

- Available
- Load
- 60% Peak
- 2017-18 On Island Commitment
Lowest to Highest Residential Bill Comparison, May 2019

- IOU Average = $125.73
- Municipal Average = $112.86

* Includes average 6% franchise fee
** Fuel, Purchased Power, or Cost Adjustment

Complied by: Florida Municipal Electric Association - publicpower.com
AGENDA ITEM WORDING: Approve the Minutes of the Regular Utility Board Meeting– June 6, 2019

REQUESTED ACTION: Approve the Minutes of the Regular Utility Board Meeting– June 6, 2019
1. Pledge of Allegiance

2. Invocation

3. Mission and Vision

4. Roll Call
   Present: Mr. Robert Barrios, Ms. Mona Clark, Mr. Timothy Root, Mr. Steven Wells, Chairman Batty.

Also present at the meeting:
Lynne Tejeda, General Manager/CEO; Jack Wetzler, Finance Director/CFO; Nathan Eden, Utility Board Attorney; Nick Batty, Legal & Regulatory Services Director; Fred Culpepper, Transmission & Distribution Director; Dan Sabino, Engineering & Control Center Director, Julio Torrado, HR & Communications Director and Joseph Weldon, Generation Director.

5. Set Agenda

6. Informational Items:
   a) Rate Comparison Report – April 2019
   b) Financial and Operational Indicators – April 2019

7. Consent Agenda*
   a) Approve Minutes–Regular Utility Board Meeting– May 22, 2019
   b) Approve Minutes- Five Year Capital Plan and Funding Workshop – May 22, 2019
   c) Approve Disbursements Report
   d) Request for Excused Absence for Chairman Peter Batty from the May 22, 2019 Regular Utility Board Meeting
   e) Approve Renewal of Federal Flood Insurance with Wright National Flood Insurance Company, through Gehring Group, Inc
   f) Approve Change Order #1 for PO 18-0634 and Declare Vehicles #24, #34, and #68 Surplus
   g) Declare Insulated Aluminum Wire as Surplus

Motion: To Approve Consent Agenda, Moved by Ms. Clark, Seconded by Mr. Barrios.

8. Action Items
   a) Approve Evaluation of the Electric System Revenue Bonds Series 2019 in the amount of $60,000,000.00 and Award Bid #14-19 for Underwriter Services to BofA Securities, Inc.
Motion: To Approve Evaluation of the Electric System Revenue Bonds Series 2019 in the amount of $60,000,000.00 and Award Bid #14-19 for Underwriter Services to BofA Securities, Inc., Moved by Mr. Wells, Seconded by Ms. Clark.

Board Discussion

Vote: Motion carried by unanimous roll call vote (summary: Yes = 5).
Yes: Mr. Robert Barrios, Ms. Mona Clark, Mr. Timothy Root, Mr. Steven Wells, Chairman Batty.

9. Public Input / Other Business

10. Adjournment

Motion: To Adjourn the Regular Utility Board Meeting of June 6, 2019, at 9:04 a.m., Moved by Mr. Root.

APPROVE:

_______________________________
Peter Batty, Chairman

ATTEST:

Lynne E. Tejeda, General Manager & CEO

/ed

The above referenced workshop of the Utility Board of the City of Key West, Florida, convened at 9:30 P.M., on the above date and location and was called to order by Chairman Batty.

**Utility Board Members Present**
Peter Batty, Chairman  
Mona Clark, Vice Chair  
Robert Barrios, Member  
Timothy Root, Member  
Steven Wells, Member

**Staff Present**
Lynne Tejeda, General Manager & CEO  
Jack Wetzler, Assistant General Manager & CFO  
Edee Delph, Executive Assistant to GM/CEO & UB  
Nick Batty, Legal & Regulatory Services Director  
Fred Culpepper, Transmission & Distribution Director  
Dan Sabino, Engineering & Control Center Director  
Julio Torrado, HR & Communications Director  
Joseph Weldon, Generation Director  
Cindy, McVeigh, Accounting & Analysis Supervisor  
Jessie Perloff, Accounting & Financial Analysis  
Jeanette Williams, Accounting & Financial Analysis

Mrs. Tejeda thanked the Utility Board for their attendance and stated that the purpose of the Strategic Planning Workshop is for the Board to determine KEYS Mission, Vision, Values, Goals and Strategies for Fiscal Year 2020-2022.

Mrs. Tejeda reviewed the current Mission and Vision. The consensus of the Board was there would be no changes at this time.

Mrs. Tejeda reviewed the current Values with the Board. Chairman Batty stated that Integrity should be listed before Relationships. The consensus of the Board was to reorder as recommended by Chairman Batty. The Board also agreed to include Integrity expectations in future Bids.

Mrs. Tejeda reviewed 2017-2019 Strategic Plan Goals and there were no comments from the Board.

Mrs. Tejeda reviewed current Goals 1-4 and Strategies.

Mrs. Tejeda informed the Board that the Department Directors will provide the Board with the State of KEYS as it relates to their Departments.
Mr. Sabino provided the Board with information pertaining to, Reliability Statistics, Reliability Inspections and Reliability Projects.

Mr. Wetzler provided the Board with information pertaining to Cyber Security Reliability.

Mr. N. Batty provided the Board with information pertaining to North American Electric Reliability Corporation (NERC) Reliability Standards

Mrs. Tejeda provided the Board with information pertaining to Hurricane Reliability.

Mr. Wetzler provided the Board with information pertaining to KEYS Budget, including Rates, Debt, Reserves, and FEMA. Mr. N. Batty provided the Board with information regarding Land/Property Use.

Mrs. Tejeda provided the Board with information pertaining to Customer Service, including Customer Services Standards, Easy Payments, Outage Communications and General Direct Customer Communications.

Mr. Torrado provided the Board with information pertaining to Communications, including, Website, Social Media, Emergency Notification System, Community Outreach Programs and School Career/Truck Days.

Chairman Batty adjourned the workshop for lunch at 12:07 P.M.
Chairman Batty reconvened the workshop after lunch at 12:38 P.M.

Mrs. Tejeda provided the Board with information pertaining to Energy Efficiency, including, Energy Audits, Energy Auditor, Weatherization Program; Rebates, Net Metering, Solar, Tree Giveaway, Electric Vehicles and Florida Keys National Marine Sanctuary.

Mr. Torrado provided the Board with information pertaining to Succession Planning, Employee Training, Wellness, Union Negotiations and Retirement Planning.

Mr. N Batty provided the Board with information pertaining to Legal /Regulatory Issues, including, Deregulation Ballot Initiative, Public Service Commission (PSC) Solar Order, Federal Communications Commission (FCC) Small Wireless Deployment Order and legislative initiatives regarding Burying Power Lines.
Mrs. Tejeda and the Board discussed the State of FMPA and State of FKEC.

Mrs. Tejeda and the Board discussed KEYS biggest threats and KEYS biggest opportunities.

Mrs. Tejeda updated the Board on the lack of Contract Negotiations with the Navy.

The Board discussed travel for Utility Board members. After discussion it was the consensus of the Board that the Chairperson, General Manager/CEO, the Legal & Regulatory Director would attend the APPA Legislative Rally every year and the four Board members would rotate with two attending each year.
Mrs. Tejeda provided the Board with suggested Goals and Strategies for 2019/2020 as listed below:

- **Goal #1 – Continually improve the Customer Experience regarding Reliability and Service.**
  - Execute projects that fortify KEYS aging transmission system
  - Accelerate KEYS distribution storm hardening project
  - Maintain High Levels of Customer Satisfaction
  - Increase direct customer contacts

- **Goal #2 - Provide the lowest reasonable rates to our customers in our challenging environment.**
  - Aggressively pursue Hurricane Irma FEMA reimbursement
  - Effectively manage bond proceeds

- **Goal #3 - Maintain a highly effective workforce and foster a positive working environment.**
  - Develop a succession plan to address retirements in the three year horizon
  - Cultivate a “well” employee

- **Goal #4 – Reduce reliance on fossil fuels**
  - Establish a KEYS Solar Goal
  - Develop an Electric Vehicle Program
  - Expand Customer Conservation Education Efforts

After discussion the Board directed Mrs. Tejeda to make appropriate changes as discussed and bring back before the Board at a regularly schedule Utility Board meeting subsequent to this workshop for approval.

(All documents provided at the meeting are available upon request)

**ADJOURNMENT**

The Strategic Planning Workshop of June 6, 2019, was adjourned by Chairman Batty at 3:33 P.M.

APPROVE:

____________________________
Peter Batty, Chairman

ATTEST:

__________________________________________
Lynne E. Tejeda, General Manager/CEO & Secretary

/ed
MEETING DATE: June 26, 2019
FROM: Jack Wetzler, Assistant General Manager & CFO
AGENDA ITEM #: 8c
PROPOSER: Lynne Tejeda, General Manager & CEO

AGENDA ITEM WORDING: Approve Disbursement Report

BRIEF BACKGROUND:
Payments are processed under Section 11 of Florida Statute 69-1191 and in accordance with Resolution No. 679 approved October 13, 1999. Staff has processed payments from the Operation & Maintenance Fund, from the Renewal & Replacement Fund and the Construction Fund. Check Registers and listings are attached for review.

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STAFF RECOMMENDATION:
Approve the Disbursement Report for the Operation & Maintenance Fund, Renewal & Replacement Fund.

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175112 06/05/19 80.51 AH HOUSING SERVICES LLC CUSTOMER REFUND
175113 06/05/19 25.29 AH HOUSING SERVICES LLC CUSTOMER REFUND
175114 06/05/19 58.86 AIDS HELP INC CUSTOMER REFUND
175115 06/05/19 76.17 ANTON M WEISS CUSTOMER REFUND
175116 06/05/19 353.59 BAHAMA VILLAGE HOSPITALITY LLC CUSTOMER REFUND
175117 06/05/19 86.60 BAHAMA VILLAGE HOSPITALITY LLC CUSTOMER REFUND
175118 06/05/19 48.48 BARBARA JEAN OLEARY CUSTOMER REFUND
175119 06/05/19 2,814.22 BERT BUDDE CUSTOMER REFUND
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175122 06/05/19 1,367.53 DINE AT FISH LLC CUSTOMER REFUND
175123 06/05/19 74.33 ENRIQUE ALBERTO HERNANDEZ CUSTOMER REFUND
175124 06/05/19 368.30 HABANA KEY WEST LLC CUSTOMER REFUND
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175126 06/05/19 87.86 HILTON MADELINE ESTATE CUSTOMER REFUND
175127 06/05/19 41.39 ISLAND AND RESORT REALTY INC CUSTOMER REFUND
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175129 06/05/19 42.90 JONATHAN AARON HEDGES CUSTOMER REFUND
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175131 06/05/19 78.76 KATHRYN WHEELER CUSTOMER REFUND
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175145 06/05/19 89.78 RADIANT LIFE ALT MED CENTER CUSTOMER REFUND
175146 06/05/19 109.25 RADIANT LIFE ALT MED CENTER CUSTOMER REFUND

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AGENDA ITEM WORDING: Approve Second Revised Interconnection Agreement by and among Florida Power & Light Company, Florida Keys Electric Cooperative Association, Inc., and The Utility Board of the City of Key West.

REQUESTED ACTION: Motion to approve Second Revised Interconnection Agreement by and among Florida Power & Light Company and Florida Keys Electric Cooperative Association, Inc. and The Utility Board of the City of Key West.

DISCUSSION: The Utility Board entered into an Interconnection Agreement with Florida Power & Light and Florida Keys Electric Cooperative in 1986, which was subsequently amended in 1998.

The Second Revised Interconnection Agreement accommodates the relocation of FKEC’s mainland transmission connection from Florida City to Florida Power & Light’s new Farmlife substation. A redline version of the revised agreement, attached, shows the changes with the exception of the Attachment 1 diagram, which has been finalized in the PDF. The Second Revised Interconnection Agreement includes the minimal changes necessary to accommodate the revised transmission connection point.

FMPA has reviewed the revisions and has determined that they are minimal and acceptable.

FINANCIAL IMPACT

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SECOND REVISED
INTERCONNECTION AGREEMENT
AMONG
FLORIDA POWER & LIGHT COMPANY
AND
FLORIDA KEYS ELECTRIC COOPERATIVE ASSOCIATION, INC.
AND
THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA

This Second Revised Interconnection Agreement among Florida Power & Light Company, Florida Keys Electric Cooperative Association, Inc. and the Utility Board of the City of Key West ("Agreement") is made and entered this ___ day of ________ 2019, by and among Florida Power & Light Company ("FPL"), Florida Keys Electric Cooperative Association, Inc. ("FKEC"), and the Utility Board of the City of Key West, Florida ("the City"). FPL, FKEC and the City may from time to time be identified individually as a "Party" and are collectively identified herein as the "Parties". This Agreement supersedes the Revised Interconnection Agreement among Florida Power & Light Company, Florida Keys Electric Cooperative Association, Inc. and the Utility Board of the City of Key West, Florida dated April 29, 1998.

The Parties acknowledge that any transmission service that is provided in connection with this Agreement is done pursuant to the terms and conditions of FPL’s Open Access Tariff and that, in the event of a conflict between this Agreement and the Open Access Tariff relating to transmission service, the terms and conditions of the Open Access Tariff govern. Further, the Parties agree that if Amendment Number 5 to the Network Service Agreement between FPL and the Florida Municipal Power Agency (“FMPA”) is terminated for whatever reason, FPL, FKEC, and the City will negotiate a new Interconnection Agreement.
ARTICLE I
RECITALS

Section 1.1: FPL, an investor owned electric utility, owns and operates electric generation, transmission and distribution facilities in portions of the State of Florida and the State of Georgia. FKEC, a rural electric cooperative, owns and operates electric generation, transmission and distribution facilities in the upper and middle Florida Keys, within Monroe County, Florida. The City, a municipal electric utility, owns and operates electric generation, transmission and distribution facilities in the Florida Keys, also within Monroe County, Florida.

Section 1.2: FPL and FKEC are parties to the Long-Term Agreement to Provide Capacity and Energy by Florida Power & Light Company to Florida Keys Electric Cooperative Association, Inc., dated August 15, 1991, as amended ("FKEC - FPL Long-Term Agreement") and are parties to the Scheduling Service Agreement between Florida Power & Light Company and Florida Keys Electric Cooperative Association, Inc., dated October 28, 1993 ("FKEC - FPL Scheduling Agreement"); the City and FPL are parties to the Long-Term Agreement to Provide Capacity and Energy by Florida Power & Light Company to the City Electric System of the Utility Board of The City of Key West, Florida, dated August 15, 1991, as amended ("City - FPL Long-Term Agreement"); and the City and FKEC are parties to the Long-Term Agreement to Provide Capacity and Energy by the City Electric System of the Utility Board of the City of Key West, Florida, to Florida Keys Electric Cooperative Association, Inc., dated December 23, 1992 ("FKEC - City Long-Term Agreement").

Section 1.3: Pursuant to the Long-Term Joint Investment Transmission Agreement between the Utility Board of the City of Key West, Florida and Florida Keys Electric Cooperative Association, Inc. dated December 30, 1991 ("City - FKEC Transmission Agreement"), the City and FKEC have, among other things, entered into a relationship in which both the City and FKEC will maintain an ownership investment in portions of the 138 kV Transmission Facilities ("City - FKEC Facilities").
Section 1.4: This Agreement is being entered into, among other things, in order to accommodate the City in its bulk power transactions. The City and/or FMPA intend to coordinate the planning, generation and operation of power supply to the maximum reasonable extent, including the purchase and sale of power and energy, consistent with good utility practice. The City has entered into long-term power and energy arrangements both with FPL and other utilities (in addition to the City - FPL Long-Term Agreement, the City has acquired an entitlement share from FMPA’s ownership interest in the Orlando Utilities Commission's Curtis H. Stanton Energy Center Units One and Two, and is also a member of FMPA's Integrated Dispatch and Operations Project under the All-Requirements Power Supply Contract and the Capacity and Energy Sales Contract between FMPA and City).

Section 1.5: The Parties have, among other things, upgraded their transmission facilities and have entered into this Agreement to define their respective responsibilities relating to the connection of FPL to City - FKEC Facilities, the connection of the City - FKEC Facilities to City facilities, the interconnection of FPL with the City, the connected/interconnected operations, and the costs of installation and maintenance of the equipment necessary for such connections/interconnections for the purposes described herein. The term "connected" is used herein instead of "interconnected" because FKEC, which does not provide for its own Control Area, is located in FPL's Control Area. The City will be part of FMPA’s All-Requirements Project Control Area and contracts for Control Area services to be provided by FMPA.

Section 1.6: The City has entered into an Agreement to be an All Requirements project member of FMPA and has agreed to commence Network Service effective April 1, 1998. This Interconnection Agreement will become effective upon the date of its approval by the FERC.

NOW THEREFORE, in consideration of the mutual covenants contained herein, FPL, FKEC and the City agree as follows:
ARTICLE II
DEFINITIONS

**Section 2.1 - Control Area:** A power system or combination of power systems to which a common automatic generation control scheme is applied. The basic objectives of a Control Area are (1) to match, at all times, the power output of the generators within such Control Area and power and energy purchased from utilities outside such Control Area, to the prevailing load, (2) to maintain, within limits generally accepted by the electric utility industry, scheduled interchange with other Control Areas, (3) to help maintain the system frequency within reasonable limits, and (4) to provide sufficient generating capacity to maintain Operating Reserves in accordance with practices generally accepted by the electric utility industry. All power and energy transactions between Control Areas are effected through schedules.

**Section 2.2 - Data Acquisition Equipment:** As used in this Agreement, Data Acquisition Equipment shall include remote terminal units (RTU), telephone equipment and leased telephone circuits necessary to transmit data to remote locations, and any other equipment or service necessary to provide for the telemetry requirements of FPL, FKEC or the City under this Agreement.

**Section 2.3 - Differential Metering:** Instantaneous and simultaneous measurement and recording of power and energy into and out of four distinct metering points in order to differentiate between the load internal to such metering points (e.g., the FKEC service area) from that load and/or generation which is external to such metering points.

**Section 2.4 - Metering Equipment:** As used in this Agreement, Metering Equipment shall include, but shall not be limited to kWh and kQh meters, metering cabinets, metering panels, conduits, cabling, metering units, current transformers and potential transformers directly or indirectly providing input to meters or transducers, meter recording devices, telephone circuits, signal or pulse dividers, transducers, pulse accumulators and any other equipment necessary to implement the
provisions of Article VIII hereof.

**Section 2.5 - Protective Equipment:** As used in this Agreement, Protective Equipment shall include, but shall not be limited to, protective relays, relaying panels, relaying cabinets, circuit breakers, conduits, cabling, current transformers, potential transformers, coupling capacitor voltage transformers, and wave traps directly or indirectly providing input to relays, relay carrier equipment and telephone circuits, and any other equipment necessary to implement the provisions of Article X hereof.

**Section 2.6 - Tie Control Point:** The juncture point of one utility's Control Area with another utility's Control Area.

**Section 2.7 - Tie Metering:** Instantaneous measurement and recording of bi-directional power and energy flows at a Control Point.

**Section 2.8 - 138 kV Transmission Facilities:** As used in this Agreement, Transmission Segment A, Transmission Segment B and Transmission Segment C are collectively identified as 138 kV Transmission Facilities.

**Section 2.9 - Transmission Segment A:** The 138 kV transmission segment extending in sections as follows: (1) from FPL's Farmlife Substation to FKEC's Jewfish Substation ("Farmlife - Jewfish Transmission Line"); (2) from FKEC's Jewfish Substation to FKEC's Tavernier Substation ("Jewfish - Tavernier Transmission Line").

**Section 2.10 - Transmission Segment B:** The 138 kV transmission segment extending from FPL's Farmlife Substation to FKEC's Tavernier Substation ("Farmlife - Tavernier Transmission Line").

**Section 2.11 - Transmission Segment C:** The 138 kV transmission segment extending in sections 1
as follows: (1) from FKEC's Tavernier Substation to FKEC's Marathon Substation ("Tavernier - Marathon Transmission Line"); (2) from FKEC's Marathon Substation to the City's Big Pine Key Substation ("Marathon - Big Pine Transmission Line").

ARTICLE III
TERM AND TERMINATION

Section 3.1 - Term: The term of this Agreement shall commence on the date that this Agreement is accepted for filing by the FERC, and shall continue in effect for an initial term of thirty (30) years, and thereafter shall automatically be extended for succeeding periods of two (2) years each, however, any Party may terminate this Agreement at the end of the initial term or at the end of any two (2) year extension hereof upon two years' written notice to the other Parties, or at any time upon mutual agreement of the Parties. Provided, however, the term of this Agreement shall not, in any instance, extend beyond the actual date of termination of the City - FKEC Transmission Agreement.

ARTICLE IV
INTERCONNECTION FACILITIES

Section 4.1 - Connections between FPL and FKEC: It is understood and agreed that the connections between FPL and FKEC will be as described in Attachment 1 hereto.

Section 4.2 - Connection between FKEC and the City: Pursuant to the City - FKEC Transmission Agreement, FKEC and the City have connected their facilities at the point described therein and which is also delineated in Attachment 1 hereto. However, subject to the terms and conditions of the City - FKEC Transmission Agreement, the "FPL – City Tie Control Point" (at Marathon Substation) shall be treated as the interconnection point between FPL and the City.

Section 4.3 - Modifications to Connections/Interconnections: If, at any time, FKEC or the City
desires to change the Metering Equipment or Protective Equipment on any of the 138 kV Transmission Facilities, or any other equipment within the FKEC’s or the City’s system, which may impact the Metering Equipment or the Protective Equipment, then FKEC or the City, as applicable, shall notify FPL of its intention to change such equipment and request FPL's consent, which consent shall not be unreasonably withheld. Such notification shall be in writing and shall describe with particularity the facilities, modifications and the arrangements for which consent is requested. Within a reasonable time after receiving notice, FPL shall give its written consent to the modifications or arrangements described in such notice unless such modifications or arrangements may reasonably be expected to adversely affect the safe, reliable operation of FPL's system, or add material engineering or operating costs on FPL's system. An amendment describing any modifications or additional arrangements and the conditions for such additional modifications or arrangements shall be executed by the Parties.

ARTICLE V
CONNECTED/INTERCONNECTED OPERATIONS

Section 5.1 - Operating Representative: Each Party shall appoint an Operating Representative who shall be a responsible person connected with day-to-day operations for that Party. The Operating Representative shall perform such duties as may be required of it including, but not limited to, the preparation of operation and maintenance schedules, and control and operating procedures. If the Operating Representatives are unable to agree on any matter, such matter shall be referred to the Administrative Committee for resolution in accordance with Section 14.9. An Operating Representative may delegate authority to other persons within their respective organization and shall inform the other Operating Representatives, in writing, of all such delegations of authority.

Section 5.2 - Connected/Interconnected Operations: The Parties agree to maintain and continue
in operable condition the facilities necessary for the connections between FPL and FKEC, the connection between FKEC and the City, and the interconnection between FPL and the City. The Parties further agree to continue to cooperate in studies and good faith negotiations to determine: (1) the most desirable timing, operations mode, voltage, ratings of equipment for modifications to the existing connection/interconnection and of any additional connections/interconnections; or (2) the desirability of abandonment of established facilities.

**Section 5.3 - Limitations on Connected/Interconnected Operations:** The Parties agree to operate their systems as described herein except under emergency conditions when any of the Parties may alter the operation. To the extent that the Parties have agreed to altered arrangements (which agreement shall not be unreasonably withheld), those altered arrangements shall apply.

5.3.1 **Manual Disconnections:** Any or all of the 138 kV Transmission Facilities shall be disconnected by manual or supervisory control means when one or both of the following circumstances exists:
(A) When disconnection is necessary for maintaining the overall reliability, continuity and safe operation of a Party's transmission system or to protect a Party's generation, distribution or transmission facilities.
(B) When disconnection is necessary or desirable for the purpose of maintenance, repairs, replacements or installation of electric facilities.

5.3.2 **Automatic Disconnection:** Protective Equipment shall automatically disconnect the faulted section(s) of the 138 kV Transmission Facilities with the intent of maintaining maximum service reliability to the Parties.

5.3.3 **Loss of Source:** Any time that the Tavernier - Marathon Line opens or both Transmission Segments A and B open, Protective Equipment shall automatically disconnect the Tie Control Point and FKEC’s Marathon 138 kV generation breakers
simultaneously, as required; however, if the Segments are opened manually, then the Tie Control Point shall also be opened prior to opening the Segments.

5.3.4 **Restoration Sequence:** Restoration of the 138 kV Transmission Facilities will be accomplished in the following sequence: 1) from FPL's system to FKEC's service area; 2) within FKEC's service area to the FPL - City Tie Control Point; 3) from the FPL - City Tie Control Point to the City's service area.

5.3.4.1 **Restoring Segment A first and having Segment A and B both open:** FPL’s breakers at Farmlife may only be closed provided the Farmlife – Jewfish line is de-energized. The breakers at Farmlife may close automatically or manually using protective relay supervision. The breakers at Jewfish can be closed only if the Farmlife – Jewfish line is energized from FPL and the Jewfish – Tavernier Transmission Line is de-energized. The FKEC breakers at Jewfish on the Jewfish - Tavernier Line may only be closed provided the Jewfish - Tavernier Line is de-energized and the Farmlife - Jewfish Line is energized from FPL. The breakers at Tavernier on the Jewfish Line can be closed only if the line is hot from FPL through Jewfish and the Tavernier - Marathon Transmission Line is de-energized.

5.3.4.2 **Restoring Segment B first and having Segments A and B both open:** FPL’s breakers at Farmlife may only be closed provided the Farmlife - Tavernier line is de-energized. The breakers at Farmlife may close automatically or manually using protective relay supervision. The breakers at Tavernier can be closed only if the Farmlife - Tavernier Line is energized from FPL and the Tavernier – Marathon Transmission Line is de-energized.

5.3.4.3 **Restoring Segment C provided that Segment A or Segment B, or both**
**Segments A and B are energized from FPL:** The FKEC breakers at Tavernier on the Tavernier - Marathon Line may only be closed provided Segment A and/or Segment B has been reestablished and the Tavernier - Marathon Line is de-energized. The breakers at Marathon on the Tavernier – Marathon Line can only be closed if the line is hot from Tavernier and the Marathon - Big Pine Transmission Line is de-energized. The FKEC’s Marathon generation equipment may only be connected to the Transmission Segment C through the 138 kV breakers at Marathon Substation only by synchronizing with the FPL system. The FKEC breakers at Marathon on the Marathon - Big Pine Line may only be closed provided the Tavernier - Marathon Line is energized and the Marathon - Big Pine Line is de-energized. The Breakers at Big Pine 1 can only be closed if the City’s system is de-energized or is being internally synchronized within the City’s system by the City.

**5.3.4.4 Restoring Parallel Circuits without Systems Separated:** A parallel transmission circuit may be closed if the respective power systems are already tied together and synchronized. For example, if Segment B were to open and Segments A and C remained intact. For these type conditions, circuit breaker closing is to be supervised using either dead line or synch check protective relay equipment, as required. It is to be applied on both automatic reclosing and SCADA control circuits. Energization of any line should always proceed from North to South.

**Section 5.4 - Notice of Connection/Disconnection of Facilities:**

**5.4.1** The City and/or FKEC shall notify FPL's Power Supply Operations Center by
telephone message or by similar message prior to any manual disconnection or any manual connection of facilities in the City's service area or in the FKEC service area which may affect the continuity of the 138 kV Transmission Facilities and obtain concurrence by FPL at that time (which concurrence shall not be unreasonably withheld).

5.4.2 FPL shall notify the City and FKEC by telephone message or by similar message prior to any manual disconnection or any manual connection of FPL's system which may affect the continuity of the 138 kV Transmission Facilities.

5.4.3 FKEC shall notify the City by telephone message or by similar message prior to any manual disconnection or any manual connection of facilities in the FKEC service area which may affect continuity of the 138 kV Transmission Facilities.

5.4.4 The City shall notify FKEC by telephone message or by similar message prior to any manual disconnection or any manual connection of facilities in the City's service area which may affect the continuity of the 138 kV Transmission Facilities.

ARTICLE VI
TRANSMISSION SERVICE AND DELIVERY OF POWER AND ENERGY

Section 6.1 - Transmission Arrangements between FKEC and the City: The City and FKEC have made arrangements for transmission service within FKEC’s service area.

Section 6.2 - Transmission Charges and Losses: The City and FKEC have made arrangements for all charges and losses for transmission within FKEC’s service area.
Section 6.3 - Delivery of Power and Energy by FMPA to FPL for FKEC: FMPA will schedule deliveries of power and energy purchased by FKEC from the City’s resources pursuant to the FKEC-CITY Long-Term Agreement for receipt by FPL for FKEC to the FPL-City Tie Control Point in accordance with schedules provided by FKEC to FMPA from the City’s resources, as long as FKEC remains in and as part of FPL's Control Area (FKEC and FPL have agreed that FKEC shall remain in and as part of FPL's Control Area for the term of the FKEC-FPL Long-Term Agreement). FKEC shall make prior arrangements with FPL to accommodate said schedules pursuant to the terms set forth in the FKEC-FPL Scheduling Agreement. In the event that FKEC is isolated from FPL’s system due to an emergency condition, the City and FKEC will report to FPL power deliveries between each other.

ARTICLE VII
INTERCONNECTION CONDITIONS

Section 7.1 - Reactive Electric Energy: The Parties shall operate their systems prudently, so as to maintain voltage levels within acceptable ranges and appropriate reactive electric energy reserves, and each Party shall endeavor to supply reactive electric energy consistent with such obligation. It is recognized by each Party that there may be reactive electric energy flows through the systems of the other entities. However, no Party shall be obligated to supply or absorb reactive electric energy for any other Party or Parties when to do so would interfere with service on its own system, would adversely affect other contractual relationships between any Party and other entities, would limit the use of interconnection facilities, or would require the operation of generation or reactive equipment not otherwise required.

Section 7.2 - Disturbances: The Parties shall protect, operate and maintain their systems and facilities so as to avoid or minimize the likelihood of disturbances which might cause impairment of, or jeopardy to, service to the customers of another Party or of other systems interconnected with FPL, or the City.
Section 7.3 - Providing for a Control Area: It is recognized by the Parties that FKEC does not currently have or operate automatic generation control equipment necessary to electrically define and implement a Control Area and that FPL has agreed to provide for FKEC’s Control Area for the term of the FKEC - FPL Long-Term Agreement. Consequently, transactions between FPL and FKEC shall be determined by the use of metering devices and by scheduled amounts. The City, however, obtains Control Area Services from FMPA pursuant to the All-Requirements Project, and all transactions between FPL and the City’s resources, and the City’s resources and FKEC shall be effected through scheduled amounts, to the extent required, between FMPA’s Control Area and FPL’s Control Area. Should FKEC no longer be a part of FPL's Control Area, the Parties agree that this Agreement shall be amended or superseded.

ARTICLE VIII
METERING

Section 8.1 - Metering for Interconnected Operations: Metering Equipment necessary for determining the amounts of real and reactive electric power and energy flowing over the interconnections has been installed in accordance with this Article VIII and shall be a requirement for the interconnected operations of the Parties' electrical facilities. All Metering Equipment required shall conform to FPL's standards for similar installations, which standards shall be consistent with good utility practice.

Section 8.2 - FPL/FKEC Differential Metering Configuration: The configuration of differential Metering Equipment installed pursuant to this Section 8.2 shall be in accordance with Attachment I. Primary meters and associated recording devices shall measure and record uni-directional watt hour and Q hour quantities of the flows of power and energy (real and reactive) associated with sales to FKEC. The summation of the quantities recorded by these primary meters at the metering point locations (FPL's Farmlife Substation, FPL's Card Sound Metering Station and FKEC's Marathon
Substation) shall be used to determine the amount of power and energy supplied by FPL. Upon request, FPL shall make available the differential metering data to FKEC and the City. The metering at each location shall be as follows:

(1) At the Card Sound Metering Station (FPL - FKEC Delivery Point), primary meters and associated recording devices shall measure and record watt hour and Q hour quantities into and out of the FKEC service area.

(2) At Farmlife Substation primary meters and associated recording devices shall measure and record watt hour and Q hour quantities (adjusted to compensate for losses to the FPL - FKEC Delivery Point on U.S. 1, at the Dade - Monroe County Line) into and out of the FKEC service area.

(3) At FKEC's Marathon Substation, primary meters and associated recording devices located at the FPL - City Tie Control Point shall measure and record watt hour and Q hour quantities from the City's service area into the FKEC service area (to FPL) and watt hour and Q hour quantities from the FKEC service area (from FPL) into the City's service area. Pursuant to the City - FKEC Transmission Agreement, loss compensation of meters will not be required.

(4) Also at FKEC's Marathon Substation, primary meters and associated recording devices shall measure and record watt hour quantities into the FKEC service area from FKEC's generation resources located in its service area.

(5) The difference between the watt hour quantities into and out of the FKEC service area shall be utilized to compute the actual real load (including losses) within the FKEC service area. The summation of the Q hours quantities recorded at FPL's Card Sound Metering Station and FPL's Farmlife Substation shall be used to compute the
actual reactive flow supplied by FPL to the FKEC service area and the actual reactive flow supplied by the FKEC service area to FPL's system, after proper conversion from Q hours to Var hours.

(6) A complete set of continuously operating redundant, back-up metering and recording equipment (e.g., meter and Solid State Data Receiver) has been installed at Card Sound, Farmlife Substation and at Marathon and shall be used only if the primary meters fail or are out of service for any reason.

**Section 8.3 - FPL/City Tie Metering Configuration:** The configuration of tie Metering Equipment installed pursuant to this Section 8.3 shall be in accordance with Attachment I. Primary meters shall measure and record uni-directional watt hour quantities of the flow of power and energy associated with scheduled deliveries to and from the City. The summation of the quantities measured and recorded at the FPL - City Tie Control Point shall be used to determine the actual amount of power and energy supplied compared to the scheduled amounts. The metering shall be as follows:

(1) At FKEC's Marathon Substation, primary meters and associated recording devices located at the FPL - City Tie Control Point shall measure and record the flows from FPL to the City's service area and from the City's service area to FPL. Pursuant to the City - FKEC Transmission Agreement, loss compensation of meters will not be required. (Note: These meters are the same meters described in Section 8.2(3) above and serve a dual purpose both as differential meters and as tie meters.)

(2) The flows measured and recorded by the tie Metering Equipment shall be utilized to compute the actual real net power and energy flows either into or out of the City's service area.

(3) A complete set of continuously operating redundant, back-up Metering Equipment
has been installed at FKEC's Marathon Substation and shall be used only if the primary meters fail or are out of service for any reason. (Note: These meters are the same as described in Section 8.2 (6) above and serve a dual purpose both as differential meters and as tie meters).

**Section 8.4 - FKEC's Obligations:** FKEC shall:

**8.4.1** Design and engineer, at no expense to FPL, any metering additions or modifications reasonably necessary to implement the aforementioned FPL/FKEC Differential Metering - FPL/City Tie Metering in accordance with FPL's standards and practices for similar installations, which standards and practices shall be in accordance with good utility practice. FKEC shall provide to FPL and the City the documentation describing the engineering design of each such metering addition or modification in a timely manner to permit FPL's and the City's review of such design. FPL shall have the right to approve such design (as described in Section 8.5.2) prior to FKEC's final approval of such design.

**8.4.2** Purchase and install, own and maintain, at no expense to FPL, and in accordance with FPL's standards and practices for similar installations, which standards and practices shall be in accordance with good utility practices, any Metering Equipment at Marathon reasonably required pursuant to Sections 8.4.1 and 8.4.2. FKEC shall not, while this Agreement remains in effect, remove, relocate, repair, replace or modify, without FPL's prior written consent (which consent shall not be unreasonably withheld), any Metering Equipment owned by FKEC which is required by this Agreement, or use such Metering Equipment for any purpose other than as described in this Agreement. FKEC shall coordinate all Metering Equipment installations
with FPL and the City, as necessary.

8.4.3 At FPL's request, if reasonably necessary, remove, relocate, repair, replace, maintain or modify, at no expense to FPL, any Metering Equipment at Marathon in accordance with the practices used by FPL in similar installations, which practices shall be consistent with good utility practice.

Section 8.5 - FPL's Rights and Obligations: Subject to standards consistent with good utility practice and to the provisions of Section 14.7, FPL shall:

8.5.1 Purchase, install, own and maintain, at FPL's expense, all Metering Equipment necessary to determine, record and telemeter the real and reactive energy Flows at the FPL - FKEC Delivery Points (at Card Sound and U.S. 1 at the Dade - Monroe County Line).

8.5.2 Have the right to review and approve the engineering design and installation plans of any Metering Equipment at Marathon reasonably required pursuant to Section 8.4 for the purpose of ensuring that such engineering design and/or installation plans conform to FPL's standards for similar installations and performs the functions as intended. It is understood and agreed by the Parties that FKEC and the City shall comply with any reasonable recommendations made by FPL to modify the engineering design and/or installation plans, so long as these recommendations conform to FPL's standards for similar installations, which standards shall be consistent with good utility practice.

8.5.3 In order to minimize the necessity for additional spare parts and specialized personnel training, have the right to specify the manufacturer, vendor and model of any Metering Equipment required pursuant to Section 8.4. FKEC
shall conform with any such reasonable specification.

8.5.4 Test and calibrate, on an ongoing basis consistent with FPL's standards and practices for similar installations, which standards and practices shall be consistent with good utility practice, the Metering Equipment at Marathon. Upon FKEC's or the City's request, FPL will provide FKEC and/or the City a copy of the test and calibration records of the Metering Equipment.

8.5.5 Have the right to monitor, in accordance with good utility practice, at no expense to FPL, the factory acceptance test, the field acceptance test and the installation of any Metering Equipment at Marathon required pursuant to Section 8.4, and have final approval of such factory acceptance test, field acceptance test and installation.

8.5.6 Have the right to designate where the Metering Equipment shall be shipped within FPL's system and FPL will validate, test and approve such Metering Equipment in accordance with good utility practice.

8.5.7 Verify and validate the meter readings or any other data provided by the Metering Equipment.

Section 8.6 - Sealed Meters: All kWh and kQh meters recording flows at the FPL - FKEC Delivery Points and at the FPL - City Tie Control Point shall be sealed by FPL and shall be opened only by FPL representatives.

Section 8.7 - Notification Prior to Commencement of Work: FKEC or the City, as the case may be, shall notify FPL prior to the commencement of any work performed by FKEC, the City or contractors or agents performing on behalf of either or both, which may directly or indirectly have an
adverse effect on the Metering Equipment or meter readings therefrom. FPL will notify FKEC and the City, when practicable, prior to any work performed by FPL, its contractors or agents on the Metering Equipment at Marathon.

Section 8.8 - Access: Each Party shall provide the other Parties access to its premises, as necessary, to implement the provisions of this Article VIII.

Section 8.9 - Costs: Subject to standards consistent with good utility practice, FKEC shall be responsible for all costs required of FPL (except for those costs incurred by FPL at Card Sound and Farmlife Substation) to implement the provisions of this Article VIII, including, but not limited to, engineering, administrative, material and labor expenses associated with specifications, design, review, approval, purchase, installation, maintenance, repair, operation, replacement, checkout, testing, calibration, removal or relocation of equipment by FPL. Any work performed by FPL pursuant to this Article VIII shall be billed in accordance with the provisions of Article XI.

Section 8.10 - City's Obligation for Cost to FKEC: It is recognized by the Parties that, pursuant to the City - FKEC Transmission Agreement, the City has the obligation to pay FKEC for certain equipment which may be installed by FKEC in its service area as a result of this connection/interconnection; however, FKEC shall be responsible (including all costs mentioned in Section 8.9) for any Metering Equipment additions at Marathon that may be required to implement the provisions of this Article VIII.

Section 8.11 - Routine Maintenance: Subject to standards consistent with good utility practice and to the provisions of Section 14.7, FPL will, at FKEC's expense, provide routine inspections and maintenance of any Metering Equipment located at FKEC's Marathon Substation, in accordance with FPL's regular procedures and practices. Upon FKEC's written request, FPL will extend its best efforts to provide FKEC with an estimate of annual expenses for budgeting purposes. Additionally, upon request by the City, FPL will provide information regarding estimates provided to FKEC and
any costs billed to FKEC for any inspections and maintenance described in this Section 8.11. FKEC shall reimburse FPL for all reasonable direct and properly allocable indirect costs incurred, including all normal, as well as extraordinary, expenses for removal and replacement of items in rendering such maintenance and inspection services.

ARTICLE IX
DATA ACQUISITION AND
AUTOMATIC GENERATION CONTROL

Section 9.1 - Responsibility for Data Acquisition and Automatic Generation Control:
Each Party shall be responsible, at its own expense, for the purchase, installation, maintenance and replacement of its own respective Data Acquisition Equipment and Automatic Generation Control Equipment.

Section 9.2 - Data Acquisition Equipment: The Data Acquisition Equipment shall monitor analog and digital signals deemed desirable by FPL, FKEC or the City to implement the provisions of this Agreement. Such Data Acquisition Equipment shall be fully capable of performing the functions as intended at the time when it is purchased, be compatible at all times with the computer master equipment receiving the telemetry signals (including Automatic Generation Control), and supply status information, kWh, voltage, MW and MVAR analog information, as well as any other data required by FPL, FKEC or the City from time to time.

9.2.1 FPL Tie RTU: The "FPL Tie RTU" shall be installed to exclusively provide telemetry to the FPL System Control Center. This FPL Tie RTU shall be in addition to any other RTU's which in the future may be installed at the FPL - City Tie Control Point to supply data to any Party. The FPL Tie RTU shall be owned by FPL. FPL shall, at its own expense, design, purchase, install, repair, maintain, replace, relocate or remove the FPL Tie RTU.
9.2.2 **City RTU(s):** The "City RTU(s)" shall be installed to provide telemetry to the Control Center of the City and/or FMPA. Such City RTU(s) shall perform the functions necessary to implement the provisions of this Agreement. The City RTU(s) shall be owned by the City. The City shall, at its own expense, design, purchase, install, repair, maintain, replace, relocate or remove the City RTU(s). At the FPL - City Tie Control Point it is understood and agreed by the Parties that FPL will provide a freeze contact each hour to the City RTU and the Metering Equipment will be capable of providing a pulse contact (proportioned to MWh) as required for the City's and/or FMPA’s use.

9.2.3 **FKEC RTU(s):** The "FKEC RTU(s)" shall be installed to provide telemetry to FKEC. The FKEC RTU(s) shall be owned by FKEC. FKEC shall, at its own expense, design, purchase, install, repair, maintain, replace, relocate or remove the FKEC RTU(s).

**Section 9.3 - RTU Telephone Circuits:** Each Party shall be responsible for any cost associated with the installation of its respective telephone facilities and any and all telephone service charges associated with leased telephone circuits from their own RTU to their own respective computer master equipment.

**Section 9.4 - Access:** Each Party shall provide to the other Parties access to its premises as necessary to implement the provisions of this Article IX.
ARTICLE X

PROTECTION

Section 10.1 - Requirement for Interconnected Operations: Protective Equipment necessary (1) to maintain the overall safe and reliable operation of the Parties' systems, (2) to preserve the continuity of the Parties' transmission systems, and (3) to protect the Parties transmission, distribution and generation equipment has been installed in accordance with this Article X and shall be required for the interconnected operation of the Parties' electrical facilities.

Section 10.2 - FKEC Obligations: FKEC shall within its own service area:

10.2.1 Design and engineer, at no expense to FPL, any Protective Equipment reasonably necessary to implement the provisions of this Agreement in accordance with FPL's standards and practices for similar installations. FKEC shall provide to FPL the documentation describing the engineering design of such Protective Equipment in a timely manner to permit FPL's review of such design prior to FKEC's approval of such design. FKEC shall conform with any recommendations by FPL to modify the engineering design and/or installation plans, so long as these recommendations conform to FPL's standards for similar installations, which standards shall be consistent with good utility practice.

10.2.2 Purchase, install and maintain, at no expense to FPL, and in accordance with FPL's standards and practices for similar installations, which standards or practices shall be consistent with good utility practice, any Protective Equipment reasonably required pursuant to this Section; provided, however, that FKEC shall not, while this Agreement remains in effect, remove, relocate, replace or modify, without FPL's prior written consent (which
consent shall not be unreasonably withheld), any Protective Equipment owned by FKEC, or use such Protective Equipment for any purpose other than as described in this Agreement.

10.2.3 At FPL’s request, if reasonably necessary, remove, relocate, repair, replace, maintain or modify, at no expense to FPL, any Protective Equipment in accordance with the practices used by FPL in similar installations, which practices shall be consistent with good utility practice.

Section 10.3 - FPL Obligations: FPL shall design, engineer, install, own, operate and maintain, at no expense to FKEC or the City, any Protective Equipment necessary to implement the provisions of this Agreement which is required at FPL's Farmlife Substation.

Section 10.4 - FPL's Rights Within the FKEC Service Area: Subject to standards consistent with good utility practice and to the provisions of Section 14.7, FPL shall:

10.4.1 Have the right to review and approve engineering design and installation plans of any Protective Equipment required within the FKEC service area pursuant to this Agreement for the purpose of ensuring that such engineering design and/or installation plans conform to FPL's requirements, are compatible with FPL's standards and practices, which standards and practices as shall be consistent with good utility practice, and performs the functions as intended.

10.4.2 Have the right to review and verify the Protective Equipment settings.

10.4.3 Have the right to monitor and verify any test, calibration, checkout and operation of any Protective Equipment required by this Agreement.
Section 10.5 - FPL's Rights Within the City's System: Subject to standards consistent with good utility practice and to the provisions of Section 14.7, FPL shall have the right to review engineering design and installation plans of any Protective Equipment required for the City's system pursuant to this Agreement for the purpose of ensuring that such engineering design and/or installation plans conform to FPL's reasonable requirements and perform the functions as intended.

Section 10.6 - Access: Each Party shall provide to the other Parties access to its premises as necessary to implement the provisions of this Article X.

Section 10.7 - Costs: Each Party shall be responsible for all costs associated with the Protective Equipment (required to implement this Agreement) located on its own respective system, including, but not limited to, engineering design, administrative, purchase, installation, maintenance, repair, operation, replacement, checkout, testing, calibration, removal or relocation.

ARTICLE XI
BILLING AND PAYMENT

Section 11.1 - Billing and Payment for Work Performed by FPL: Any work performed by FPL and chargeable to FKEC pursuant to this Agreement shall be billed to FKEC in accordance with FPL's regular procedures and practices for such services. A copy of each bill will be sent to the City. Subject to Section 11.2, bills for such service shall be due in full when rendered and payable within fifteen (15) calendar days from the date of mailing (as determined by postmark). If the bill is not paid in full on or before the "past due" date, the unpaid balance shall bear interest at the rate specified from time to time by the FERC as being applicable to refunds under the Federal Power Act. Upon request, FPL shall make available to FKEC and the City adequate documentation describing the reason(s) why the work was performed and the detailed charges supporting the billed amount.
**Section 11.2 - Disputed Bills:** In case of a bona fide dispute of a bill for work performed by FPL, payment of the entire billed amount shall be made within the 15-day period, but the disputed portion of the bill may be paid under protest. Payments made and designated "Paid Under Protest" shall be accompanied by the reason(s) therefor. Any refunds due FKEC resulting from the settlement of the dispute will include interest at the then-current rate specified by the FERC for refunds under the Federal Power Act. The City has the right to assert that payments made to FPL by FKEC have been made "Under Protest" and to provide the reasons therefor.

**Section 11.3 - Discontinuance of Services and Operations:** FPL shall have the right to discontinue services and operations to FKEC under this Agreement, if the FERC approves, in the event that FKEC fails to pay any sum due under this Agreement, or in the event that FKEC otherwise intentionally and materially violates this Agreement. FPL shall have the right to discontinue services and operations to the City under this Agreement, if the FERC approves, in the event that the City otherwise intentionally and materially violates this Agreement. FPL shall give FKEC and/or the City at least sixty (60) days' written notice of its intention to discontinue services and operations. FKEC and/or the City shall have such 60-day period to pay such sum due or to cure such default.

**ARTICLE XII**

**FORCE MAJEURE**

**Section 12.1:** In case any Party hereto shall be delayed in, or prevented from, performing or carrying out any of the agreements, covenants and obligations made by, and imposed upon, said Party by this Agreement by reason of or through any cause reasonably beyond its control and not attributable to its neglect, including strike, stoppage in labor, failure of contractors or suppliers of materials, riot, explosion, fire, flood, ice, invasion, civil war, commotion, insurrection, military or usurped power, order of any court granted in any bona fide adverse legal proceedings or action, or of any civil or military authority (either de facto or de jure), act of God or the public enemies, then, in each such case or cases, such Party shall not be liable to another Party for or on
account of any loss, damage, injury or expense (including consequential damages and cost of replacement power) resulting from, or arising out of, such delay or prevention from performing; provided, however, that the Party suffering such delay or prevention shall use due and, in its judgement, practicable diligence to remove the cause(s) thereof; and provided, further, that no Party shall be required by the foregoing provisions to settle a strike or bona fide adverse legal proceeding except when, according to its own best judgement, such settlement seems advisable; and provided, further, that nothing in this Article XII shall excuse the obligations imposed under Article XIII, or the payment of obligations incurred under Article XI of this Agreement.

ARTICLE XIII
INDEMNITY AND LIABILITY

Section 13.1 - Responsibility and Indemnification: For the purpose of this Section 13.1, the parties are defined as FKEC, the City and FPL, its parent, its subsidiaries, affiliates and their respective officers, directors, agents and employees. Except with respect to any Party's breach of this Agreement or except for gross negligence, each Party hereto expressly agrees to indemnify, save harmless, and defend the other Parties against all claims, demands, costs or expense for loss, damage, or injury to or death of person(s) or property, in any manner directly or indirectly connected with or arising out of this Agreement, when such loss, damage or injury occurs on its own system. Each Party further agrees to waive all rights against and release the other Parties from any liability it may incur for payment, if any, of benefits to its own employees under any statutory obligation.

ARTICLE XIV
MISCELLANEOUS

Section 14.1 - Waivers: Any waiver at any time by any Party hereto of its right with respect to the other Parties or with respect to any matter arising in connection with this Agreement shall not be considered a waiver with respect to any subsequent default or matter.
Section 14.2 - Successors and Assigns: This Agreement shall inure to the benefit of and shall be binding upon the Parties hereto and their respective successors and assigns, provided that this Agreement shall not be assignable or transferable in whole or in part by any of the Parties without the written consent of the other Parties, which consent(s) shall not be unreasonably withheld, except that such written consent(s) shall not be required (a) in the case of an assignment or transfer to a successor in the operation of the assignor's or transferor's properties by reason of a merger, consolidation, sale or foreclosure, where substantially all such properties are acquired by such successor, or (b) in the case of an assignment or transfer of all or part of the assignor's or transferor's properties or interests to a wholly-owned subsidiary of the assignor or transferor or to another company in the same holding company as the assignor or transferor, or (c) in the case of City, an assignment or transfer as may be appropriate to implement the Integrated Dispatch and Operations Project of FMPA.

Section 14.3 - Effect of Section Headings: Article and section headings appearing in this Agreement are inserted for convenience of reference only and shall in no way be construed to be interpretations of the text of this Agreement.

Section 14.4 - Relationship of the Parties: Nothing contained in this Agreement shall be construed to create an association, joint venture, partnership or any other type of entity between FPL and any other Party.

Section 14.5 - Notices: Any notice contemplated by this Agreement shall be made in writing and shall be delivered either in person, by prepaid telegram, by telex or facsimile transmission, or by telephone contact confirmed by deposit in the United States mail, first class, postage prepaid, in the case of FPL, to Florida Power & Light Company, P. O. Box 029100, Miami, Florida 33102-9100, Attention: Manager, Transmission Services; in the case of FKEC, to Florida Keys Electric Cooperative, Inc., Box 377, Tavernier, Florida 33070, Attention: General Manager; in the case of the Utility Board of the City of Key West, Florida, P. O. Drawer 6100, Key West, Florida 33041-6100,
Attention: Manager of Utilities; or to such other person(s) as may be designated by FPL, FKEC or the City. Any Party's designation of the person to be notified or the address of such person may be changed by such Party at any time, or from time to time, by similar notice.

**Section 14.6 - Complete Agreement:** This Agreement is intended as the exclusive statement of the agreement regarding the connected/interconnected arrangements among the Parties. Parol or extrinsic evidence shall not be used to vary or contradict the express terms of this Agreement. In the event of any conflict between the provisions of this Agreement and those of the City - FKEC Transmission Agreement as they impact or purport to impact the rights and responsibilities of FPL, the provisions of this Agreement shall be controlling.

**Section 14.7 - Exclusive Responsibility of FKEC and the City:** In no event shall any FPL statement, representation or lack thereof, either express or implied, relieve FKEC or the City of its responsibility for any equipment required for implementation of this Agreement. Specifically, (1) any inspection of any equipment and facilities by FPL, (2) any specification, purchase, installation, testing or approval of equipment by FPL, or (3) any review, verification or approval of any engineering design or of work associated with any facility or equipment shall not be construed as FPL's confirming or endorsing any engineering design or operation, maintenance or installation procedures, or as a warranty or guarantee as to the safety, reliability or durability of any equipment. FPL's inspection, installation, specification, purchase, verification, testing, review, approval, acceptance, or its failure to inspect, install, specify, purchase, verify, test, review, approve or accept any engineering design shall not be deemed an endorsement by FPL of any equipment, design or procedure.

**Section 14.8 - Regulation and Approvals:** This Agreement, including any amendment(s), is subject to the regulatory authority of the FERC. The acceptance of this Agreement for filing by the FERC shall be prerequisite to its validity. FKEC, the City, and FMPA agree to support FPL's filing of this Agreement with the FERC. In the event that the FERC, in initially reviewing this Agreement,
issues an order modifying the Agreement in a manner which adversely affects a Party's rights, such Party shall have the right to seek, or negotiate for, the necessary relief to alleviate said adverse effects, or to terminate this Agreement by giving written notice thereof to the other Parties no later than thirty (30) days after such FERC order, in which event the Revised Interconnection Agreement among Florida Power & Light Company, Florida Keys Electric Cooperative Association, Inc. and the Utility Board of the City of Key West, Florida dated April 29, 1998 shall be reinstated and made effective according to its terms as though this Agreement had not been entered into.

**Section 14.9 - Administrative Committee:** Each Party shall appoint a member to an Administrative Committee. This Committee shall be responsible for the administration of this Agreement and shall make recommendations to the Parties regarding studies concerning additional transmission interconnections or abandonment of established interconnections and mode of operation of the interconnection facilities, shall establish principles of accounting, and shall perform such other duties as may be conferred upon it by mutual written agreement of the Parties hereto. Each Party shall cooperate in providing to the Administrative Committee all information required in the performance of its duties. If the Administrative Committee is unable to agree unanimously on any matter falling under its jurisdiction or referred to it by the Operating Representatives, such matter shall be referred by the members of the Administrative Committee to the Parties for decision. Failure of the Parties to agree on any matter referred to them shall not constitute a basis for cancellation of this Agreement. All decisions made by the Administrative Committee shall be evidenced in writing.

**Section 14.10 - Filing of Agreement:** FPL shall file this Agreement with FERC. FKEC, the City, and FMPA shall cooperate with FPL and provide any information reasonable requested by FPL to comply with applicable filing requirements.

**Section 14.11 - Unilateral Changes and Modifications:** The Parties intend that this Agreement shall be subject to change through unilateral application under Sections 205 or 206 of the Federal Power Act.
**Section 14.12 - Transmission Integration:** This Agreement or the words used herein shall not be used by FPL, the City, or FMPA, as a basis for arguing that the transmission facilities of FPL and the City are or are not integrated.

**Section 14.13 - Multiple Signature Pages:** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which shall together constitute one and the same Agreement.

(The next three pages are signature pages)
IN WITNESS WHEREOF, the undersigned Parties have caused this Agreement to be executed in triplicate in their names by their respective duly authorized officials, as of the day and year first above written.

ATTEST: FLORIDA POWER & LIGHT COMPANY

BY: ________________________ BY: _____________________________________
TITLE: __________________________________
IN WITNESS WHEREOF, the undersigned Parties have caused this Agreement to be executed in triplicate in their names by their respective duly authorized officials, as of the day and year first above written.

ATTEST:    FLORIDA KEYS ELECTRIC COOPERATIVE, INC.

BY: ________________________    BY: ___________________________

TITLE: __________________________

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IN WITNESS WHEREOF, the undersigned Parties have caused this Agreement to be executed in triplicate in their names by their respective duly authorized officials, as of the day and year first above written.

ATTEST:      UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA

BY: ________________________  BY: ______________________________

TITLE: ______________________________
SECOND REVISED

INTERCONNECTION AGREEMENT

AMONG

FLORIDA POWER & LIGHT COMPANY

AND

FLORIDA KEYS ELECTRIC COOPERATIVE ASSOCIATION, INC.

AND

THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA

This Second Revised Interconnection Agreement among Florida Power & Light Company, Florida Keys Electric Cooperative Association, Inc. and the Utility Board of the City of Key West ("Agreement") is made and entered this ___ day of __________ 19982019, by and among Florida Power & Light Company ("FPL"), Florida Keys Electric Cooperative Association, Inc. ("FKEC"), and the Utility Board of the City of Key West, Florida ("the City"). FPL, FKEC and the City may from time to time be identified individually as a "Party" and are collectively identified herein as the "Parties". This Agreement supersedes the Revised Interconnection Agreement among Florida Power & Light Company, Florida Keys Electric Cooperative Association, Inc. and the Utility Board of the City of Key West, Florida dated October 6, 1986 April 29, 1998.

The Parties acknowledge that any transmission service that is provided in connection with this Agreement is done pursuant to the terms and conditions of FPL’s Open Access Tariff and that, in the event of a conflict between this Agreement and the Open Access Tariff relating to transmission service, the terms and conditions of the Open Access Tariff govern. Further, the Parties agree that if Amendment Number 5 to the Network Service Agreement between FPL and the Florida Municipal Power Agency ("FMPA") is terminated for whatever reason, FPL, FKEC, and the City will negotiate a new Interconnection Agreement.
ARTICLE I
RECITALS

Section 1.1: FPL, an investor owned electric utility, owns and operates electric generation, transmission and distribution facilities in portions of the State of Florida and the State of Georgia. FKEC, a rural electric cooperative, owns and operates electric generation, transmission and distribution facilities in the upper and middle Florida Keys, within Monroe County, Florida. The City, a municipal electric utility, owns and operates electric generation, transmission and distribution facilities in the Florida Keys, also within Monroe County, Florida.

Section 1.2: FPL and FKEC are parties to the Long-Term Agreement to Provide Capacity and Energy by Florida Power & Light Company to Florida Keys Electric Cooperative Association, Inc., dated August 15, 1991, as amended ("FKEC - FPL Long-Term Agreement") and are parties to the Scheduling Service Agreement between Florida Power & Light Company and Florida Keys Electric Cooperative Association, Inc., dated October 28, 1993 ("FKEC - FPL Scheduling Agreement"); the City and FPL are parties to the Long-Term Agreement to Provide Capacity and Energy by Florida Power & Light Company to the City Electric System of the Utility Board of The City of Key West, Florida, dated August 15, 1991, as amended ("City - FPL Long-Term Agreement"); and the City and FKEC are parties to the Long-Term Agreement to Provide Capacity and Energy by the City Electric System of the Utility Board of the City of Key West, Florida, to Florida Keys Electric Cooperative Association, Inc., dated December 23, 1992 ("FKEC - City Long-Term Agreement").

Section 1.3: Pursuant to the Long-Term Joint Investment Transmission Agreement between the Utility Board of the City of Key West, Florida and Florida Keys Electric Cooperative Association, Inc. dated December 30, 1991 ("City - FKEC Transmission Agreement"), the City and FKEC have, among other things, entered into a relationship in which both the City and FKEC will maintain an ownership investment in portions of the 138 kV Transmission Facilities ("City - FKEC Facilities").
Section 1.4: This Agreement is being entered into, among other things, in order to accommodate the City in its bulk power transactions. The City and/or FMPA intend to coordinate the planning, generation and operation of power supply to the maximum reasonable extent, including the purchase and sale of power and energy, consistent with good utility practice. The City has entered into long-term power and energy arrangements both with FPL and other utilities (in addition to the City - FPL Long-Term Agreement, the City has acquired an entitlement share from FMPA’s ownership interest in the Orlando Utilities Commission's Curtis H. Stanton Energy Center Units One and Two, and is also a member of FMPA's Integrated Dispatch and Operations Project under the All-Requirements Power Supply Contract and the Capacity and Energy Sales Contract between FMPA and City).

Section 1.5: The Parties have, among other things, upgraded their transmission facilities and have entered into this Agreement to define their respective responsibilities relating to the connection of FPL to City - FKEC Facilities, the connection of the City - FKEC Facilities to City facilities, the interconnection of FPL with the City, the connected/interconnected operations, and the costs of installation and maintenance of the equipment necessary for such connections/interconnections for the purposes described herein. The term "connected" is used herein instead of "interconnected" because FKEC, which does not provide for its own Control Area, is located in FPL's Control Area. The City will be part of FMPA’s All-Requirements Project Control Area and contracts for Control Area services to be provided by FMPA.

Section 1.6: The City has entered into an Agreement to be an All Requirements project member of FMPA and has agreed to commence Network Service effective April 1, 1998. This Interconnection Agreement will become effective upon the date of its approval by the FERC.

NOW THEREFORE, in consideration of the mutual covenants contained herein, FPL, FKEC and the City agree as follows:
ARTICLE II
DEFINITIONS

Section 2.1 - Control Area: A power system or combination of power systems to which a common automatic generation control scheme is applied. The basic objectives of a Control Area are (1) to match, at all times, the power output of the generators within such Control Area and power and energy purchased from utilities outside such Control Area, to the prevailing load, (2) to maintain, within limits generally accepted by the electric utility industry, scheduled interchange with other Control Areas, (3) to help maintain the system frequency within reasonable limits, and (4) to provide sufficient generating capacity to maintain Operating Reserves in accordance with practices generally accepted by the electric utility industry. All power and energy transactions between Control Areas are effected through schedules.

Section 2.2 - Data Acquisition Equipment: As used in this Agreement, Data Acquisition Equipment shall include remote terminal units (RTU), telephone equipment and leased telephone circuits necessary to transmit data to remote locations, and any other equipment or service necessary to provide for the telemetry requirements of FPL, FKEC or the City under this Agreement.

Section 2.3 - Differential Metering: Instantaneous and simultaneous measurement and recording of power and energy into and out of four distinct metering points in order to differentiate between the load internal to such metering points (e.g., the FKEC service area) from that load and/or generation which is external to such metering points.

Section 2.4 - Metering Equipment: As used in this Agreement, Metering Equipment shall include, but shall not be limited to kWh and kQh meters, metering cabinets, metering panels, conduits, cabling, metering units, current transformers and potential transformers directly or indirectly providing input to meters or transducers, meter recording devices, telephone circuits, signal or pulse dividers, transducers, pulse accumulators and any other equipment necessary to implement the
provisions of Article VIII hereof.

**Section 2.5 - Protective Equipment:** As used in this Agreement, Protective Equipment shall include, but shall not be limited to, protective relays, relaying panels, relaying cabinets, circuit breakers, conduits, cabling, current transformers, potential transformers, coupling capacitor voltage transformers, and wave traps directly or indirectly providing input to relays, relay carrier equipment and telephone circuits, and any other equipment necessary to implement the provisions of Article X hereof.

**Section 2.6 - Tie Control Point:** The juncture point of one utility's Control Area with another utility's Control Area.

**Section 2.7 - Tie Metering:** Instantaneous measurement and recording of bi-directional power and energy flows at a Control Point.

**Section 2.8 - 138 kV Transmission Facilities:** As used in this Agreement, Transmission Segment A, Transmission Segment B and Transmission Segment C are collectively identified as 138 kV Transmission Facilities.

**Section 2.9 - Transmission Segment A:** The 138 kV transmission segment extending in sections as follows: (1) from FPL's Florida CityFarmlife Substation to FKEC's Jewfish Substation ("Florida CityFarmlife - Jewfish Transmission Line"); (2) from FKEC's Jewfish Substation to FKEC's Tavernier Substation ("Jewfish - Tavernier Transmission Line").

**Section 2.10 - Transmission Segment B:** The 138 kV transmission segment extending from FPL's Florida CityFarmlife Substation to FKEC's Tavernier Substation ("Florida CityFarmlife - Tavernier Transmission Line").
**Section 2.11 - Transmission Segment C:** The 138 kV transmission segment extending in sections 1 as follows: (1) from FKEC's Tavernier Substation to FKEC's Marathon Substation ("Tavernier - Marathon Transmission Line"); (2) from FKEC's Marathon Substation to the City's Big Pine Key Substation ("Marathon - Big Pine Transmission Line").

**ARTICLE III**

**TERM AND TERMINATION**

**Section 3.1 - Term:** The term of this Agreement shall commence on the date that this Agreement is accepted for filing by the FERC, and shall continue in effect for an initial term of thirty (30) years, and thereafter shall automatically be extended for succeeding periods of two (2) years each, however, any Party may terminate this Agreement at the end of the initial term or at the end of any two (2) year extension hereof upon two years' written notice to the other Parties, or at any time upon mutual agreement of the Parties. Provided, however, the term of this Agreement shall not, in any instance, extend beyond the actual date of termination of the City - FKEC Transmission Agreement.

**ARTICLE IV**

**INTERCONNECTION FACILITIES**

**Section 4.1 - Connections between FPL and FKEC:** It is understood and agreed that the connections between FPL and FKEC will be as described in Attachment 1 hereto.

**Section 4.2 - Connection between FKEC and the City:** Pursuant to the City - FKEC Transmission Agreement, FKEC and the City have connected their facilities at the point described therein and which is also delineated in Attachment 1 hereto. However, subject to the terms and conditions of the City - FKEC Transmission Agreement, the "FPL – City Tie Control Point" (at Marathon Substation) shall be treated as the interconnection point between FPL and the City.
Section 4.3 - Modifications to Connections/Interconnections: If, at any time, FKEC or the City desires to change the Metering Equipment or Protective Equipment on any of the 138 kV Transmission Facilities, or any other equipment within the FKEC’s or the City’s system, which may impact the Metering Equipment or the Protective Equipment, then FKEC or the City, as applicable, shall notify FPL of its intention to change such equipment and request FPL's consent, which consent shall not be unreasonably withheld. Such notification shall be in writing and shall describe with particularity the facilities, modifications and the arrangements for which consent is requested. Within a reasonable time after receiving notice, FPL shall give its written consent to the modifications or arrangements described in such notice unless such modifications or arrangements may reasonably be expected to adversely affect the safe, reliable operation of FPL's system, or add material engineering or operating costs on FPL's system. An amendment describing any modifications or additional arrangements and the conditions for such additional modifications or arrangements shall be executed by the Parties.

ARTICLE V
CONNECTED/INTERCONNECTED OPERATIONS

Section 5.1 - Operating Representative: Each Party shall appoint an Operating Representative who shall be a responsible person connected with day-to-day operations for that Party. The Operating Representative shall perform such duties as may be required of it including, but not limited to, the preparation of operation and maintenance schedules, and control and operating procedures. If the Operating Representatives are unable to agree on any matter, such matter shall be referred to the Administrative Committee for resolution in accordance with Section 14.9. An Operating Representative may delegate authority to other persons within their respective organization and shall inform the other Operating Representatives, in writing, of all such delegations of authority.
Section 5.2 - Connected/Interconnected Operations: The Parties agree to maintain and continue in operable condition the facilities necessary for the connections between FPL and FKEC, the connection between FKEC and the City, and the interconnection between FPL and the City. The Parties further agree to continue to cooperate in studies and good faith negotiations to determine: (1) the most desirable timing, operations mode, voltage, ratings of equipment for modifications to the existing connection/interconnection and of any additional connections/interconnections; or (2) the desirability of abandonment of established facilities.

Section 5.3 - Limitations on Connected/Interconnected Operations: The Parties agree to operate their systems as described herein except under emergency conditions when any of the Parties may alter the operation. To the extent that the Parties have agreed to altered arrangements (which agreement shall not be unreasonably withheld), those altered arrangements shall apply.

5.3.1 Manual Disconnections: Any or all of the 138 kV Transmission Facilities shall be disconnected by manual or supervisory control means when one or both of the following circumstances exists:

(A) When disconnection is necessary for maintaining the overall reliability, continuity and safe operation of a Party's transmission system or to protect a Party's generation, distribution or transmission facilities.
(B) When disconnection is necessary or desirable for the purpose of maintenance, repairs, replacements or installation of electric facilities.

5.3.2 Automatic Disconnection: Protective Equipment shall automatically disconnect the faulted section(s) of the 138 kV Transmission Facilities with the intent of maintaining maximum service reliability to the Parties.

5.3.3 Loss of Source: Any time that the Tavernier - Marathon Line opens or both Transmission Segments A and B open, Protective Equipment shall automatically
disconnect the Tie Control Point and FKEC’s Marathon 138 kV generation breakers simultaneously, as required; however, if the Segments are opened manually, then the Tie Control Point shall also be opened prior to opening the Segments.

5.3.4 Restoration Sequence: Restoration of the 138 kV Transmission Facilities will be accomplished in the following sequence: 1) from FPL's system to FKEC's service area; 2) within FKEC's service area to the FPL - City Tie Control Point; 3) from the FPL - City Tie Control Point to the City's service area.

5.3.4.1 Restoring Segment A first and having Segment A and B both open: FPL’s breakers at Florida CityFarmlife may only be closed provided the Florida CityFarmlife – Jewfish line is de-energized. The breakers at Florida CityFarmlife may close automatically or manually using protective relay supervision. The breakers at Jewfish can be closed only if the Florida CityFarmlife – Jewfish line is energized from FPL and the Jewfish – Tavernier Transmission Line is de-energized. The FKEC breakers at Jewfish on the Jewfish - Tavernier Line may only be closed provided the Jewfish - Tavernier Line is de-energized and the Florida CityFarmlife - Jewfish Line is energized from FPL. The breakers at Tavernier on the Jewfish Line can be closed only if the line is hot from FPL through Jewfish and the Tavernier - Marathon Transmission Line is de-energized.

5.3.4.2 Restoring Segment B first and having Segments A and B both open: FPL’s breakers at Florida CityFarmlife may only be closed provided the Florida CityFarmlife - Tavernier line is de-energized. The breakers at Florida CityFarmlife may close automatically or manually using protective relay supervision. The breakers at Tavernier can be closed only if the Florida CityFarmlife - Tavernier Line is energized from FPL and the Tavernier –
Marathon Transmission Line is de-energized.

5.3.4.3 Restoring Segment C provided that Segment A or Segment B, or both Segments A and B are energized from FPL: The FKEC breakers at Tavernier on the Tavernier - Marathon Line may only be closed provided Segment A and/or Segment B has been reestablished and the Tavernier - Marathon Line is de-energized. The breakers at Marathon on the Tavernier – Marathon Line can only be closed if the line is hot from Tavernier and the Marathon - Big Pine Transmission Line is de-energized. The FKEC’s Marathon generation equipment may only be connected to the Transmission Segment C through the 138 kV breakers at Marathon Substation only by synchronizing with the FPL system. The FKEC breakers at Marathon on the Marathon - Big Pine Line may only be closed provided the Tavernier - Marathon Line is energized and the Marathon - Big Pine Line is de-energized. The Breakers at Big Pine 1 can only be closed if the City’s system is de-energized or is being internally synchronized within the City’s system by the City.

5.3.4.4 Restoring Parallel Circuits without Systems Separated: A parallel transmission circuit may be closed if the respective power systems are already tied together and synchronized. For example, if Segment B were to open and Segments A and C remained intact. For these type conditions, circuit breaker closing is to be supervised using either dead line or synch check protective relay equipment, as required. It is to be applied on both automatic reclosing and SCADA control circuits. Energization of any line should always proceed from North to South.
Section 5.4 - Notice of Connection/Disconnection of Facilities:

5.4.1 The City and/or FKEC shall notify FPL's Power Supply Operations Center by telephone message or by similar message prior to any manual disconnection or any manual connection of facilities in the City's service area or in the FKEC service area which may affect the continuity of the 138 kV Transmission Facilities and obtain concurrence by FPL at that time (which concurrence shall not be unreasonably withheld).

5.4.2 FPL shall notify the City and FKEC by telephone message or by similar message prior to any manual disconnection or any manual connection of FPL's system which may affect the continuity of the 138 kV Transmission Facilities.

5.4.3 FKEC shall notify the City by telephone message or by similar message prior to any manual disconnection or any manual connection of facilities in the FKEC service area which may affect continuity of the 138 kV Transmission Facilities.

5.4.4 The City shall notify FKEC by telephone message or by similar message prior to any manual disconnection or any manual connection of facilities in the City's service area which may affect the continuity of the 138 kV Transmission Facilities.

ARTICLE VI

TRANSMISSION SERVICE AND DELIVERY OF POWER AND ENERGY

Section 6.1 - Transmission Arrangements between FKEC and the City: The City and FKEC have made arrangements for transmission service within FKEC’s service area.
Section 6.2 - Transmission Charges and Losses: The City and FKEC have made arrangements for all charges and losses for transmission within FKEC's service area.

Section 6.3 - Delivery of Power and Energy by FMPA to FPL for FKEC: FMPA will schedule deliveries of power and energy purchased by FKEC from the City’s resources pursuant to the FKEC - CITY Long-Term Agreement for receipt by FPL for FKEC to the FPL - City Tie Control Point in accordance with schedules provided by FKEC to FMPA from the City’s resources, as long as FKEC remains in and as part of FPL's Control Area (FKEC and FPL have agreed that FKEC shall remain in and as part of FPL's Control Area for the term of the FKEC - FPL Long-Term Agreement). FKEC shall make prior arrangements with FPL to accommodate said schedules pursuant to the terms set forth in the FKEC - FPL Scheduling Agreement. In the event that FKEC is isolated from FPL’s system due to an emergency condition, the City and FKEC will report to FPL power deliveries between each other.

ARTICLE VII
INTERCONNECTION CONDITIONS

Section 7.1 - Reactive Electric Energy: The Parties shall operate their systems prudently, so as to maintain voltage levels within acceptable ranges and appropriate reactive electric energy reserves, and each Party shall endeavor to supply reactive electric energy consistent with such obligation. It is recognized by each Party that there may be reactive electric energy flows through the systems of the other entities. However, no Party shall be obligated to supply or absorb reactive electric energy for any other Party or Parties when to do so would interfere with service on its own system, would adversely affect other contractual relationships between any Party and other entities, would limit the use of interconnection facilities, or would require the operation of generation or reactive equipment not otherwise required.

Section 7.2 - Disturbances: The Parties shall protect, operate and maintain their systems and
facilities so as to avoid or minimize the likelihood of disturbances which might cause impairment of, or jeopardy to, service to the customers of another Party or of other systems interconnected with FPL, or the City.

Section 7.3 - Providing for a Control Area: It is recognized by the Parties that FKEC does not currently have or operate automatic generation control equipment necessary to electrically define and implement a Control Area and that FPL has agreed to provide for FKEC’s Control Area for the term of the FKEC - FPL Long-Term Agreement. Consequently, transactions between FPL and FKEC shall be determined by the use of metering devices and by scheduled amounts. The City, however, obtains Control Area Services from FMPA pursuant to the All-Requirements Project, and all transactions between FPL and the City’s resources, and the City’s resources and FKEC shall be effected through scheduled amounts, to the extent required, between FMPA’s Control Area and FPL’s Control Area. Should FKEC no longer be a part of FPL's Control Area, the Parties agree that this Agreement shall be amended or superseded.

ARTICLE VIII
METERING

Section 8.1 - Metering for Interconnected Operations: Metering Equipment necessary for determining the amounts of real and reactive electric power and energy flowing over the interconnections has been installed in accordance with this Article VIII and shall be a requirement for the interconnected operations of the Parties' electrical facilities. All Metering Equipment required shall conform to FPL's standards for similar installations, which standards shall be consistent with good utility practice.

Section 8.2 - FPL/FKEC Differential Metering Configuration: The configuration of differential Metering Equipment installed pursuant to this Section 8.2 shall be in accordance with Attachment I. Primary meters and associated recording devices shall measure and record uni-directional watt hour
and Q hour quantities of the flows of power and energy (real and reactive) associated with sales to FKEC. The summation of the quantities recorded by these primary meters at the metering point locations (FPL's Florida CityFarmlife Substation, FPL's Card Sound Metering Station and FKEC's Marathon Substation) shall be used to determine the amount of power and energy supplied by FPL. Upon request, FPL shall make available the differential metering data to FKEC and the City. The metering at each location shall be as follows:

1. At the Card Sound Metering Station (FPL - FKEC Delivery Point), primary meters and associated recording devices shall measure and record watt hour and Q hour quantities into and out of the FKEC service area.

2. At Florida CityFarmlife Substation primary meters and associated recording devices shall measure and record watt hour and Q hour quantities (adjusted to compensate for losses to the FPL - FKEC Delivery Point on U.S. 1, at the Dade - Monroe County Line) into and out of the FKEC service area.

3. At FKEC's Marathon Substation, primary meters and associated recording devices located at the FPL - City Tie Control Point shall measure and record watt hour and Q hour quantities from the City's service area into the FKEC service area (to FPL) and watt hour and Q hour quantities from the FKEC service area (from FPL) into the City's service area. Pursuant to the City - FKEC Transmission Agreement, loss compensation of meters will not be required.

4. Also at FKEC's Marathon Substation, primary meters and associated recording devices shall measure and record watt hour quantities into the FKEC service area from FKEC's generation resources located in its service area.

5. The difference between the watt hour quantities into and out of the FKEC service
area shall be utilized to compute the actual real load (including losses) within the FKEC service area. The summation of the Q hours quantities recorded at FPL's Card Sound Metering Station and FPL's Florida CityFarmlife Substation shall be used to compute the actual reactive flow supplied by FPL to the FKEC service area and the actual reactive flow supplied by the FKEC service area to FPL's system, after proper conversion from Q hours to Var hours.

(6) A complete set of continuously operating redundant, back-up metering and recording equipment (e.g., meter and Solid State Data Receiver) has been installed at Card Sound, Florida CityFarmlife Substation and at Marathon and shall be used only if the primary meters fail or are out of service for any reason.

**Section 8.3 - FPL/City Tie Metering Configuration:** The configuration of tie Metering Equipment installed pursuant to this Section 8.3 shall be in accordance with Attachment I. Primary meters shall measure and record uni-directional watt hour quantities of the flow of power and energy associated with scheduled deliveries to and from the City. The summation of the quantities measured and recorded at the FPL - City Tie Control Point shall be used to determine the actual amount of power and energy supplied compared to the scheduled amounts. The metering shall be as follows:

(1) At FKEC's Marathon Substation, primary meters and associated recording devices located at the FPL - City Tie Control Point shall measure and record the flows from FPL to the City's service area and from the City's service area to FPL. Pursuant to the City - FKEC Transmission Agreement, loss compensation of meters will not be required. (Note: These meters are the same meters described in Section 8.2(3) above and serve a dual purpose both as differential meters and as tie meters.)

(2) The flows measured and recorded by the tie Metering Equipment shall be utilized to compute the actual real net power and energy flows either into or out of the City's
service area.

(3) A complete set of continuously operating redundant, back-up Metering Equipment has been installed at FKEC's Marathon Substation and shall be used only if the primary meters fail or are out of service for any reason. (Note: These meters are the same as described in Section 8.2 (6) above and serve a dual purpose both as differential meters and as tie meters).

Section 8.4 - FKEC's Obligations: FKEC shall:

8.4.1 Design and engineer, at no expense to FPL, any metering additions or modifications reasonably necessary to implement the aforementioned FPL/FKEC Differential Metering - FPL/City Tie Metering in accordance with FPL's standards and practices for similar installations, which standards and practices shall be in accordance with good utility practice. FKEC shall provide to FPL and the City the documentation describing the engineering design of each such metering addition or modification in a timely manner to permit FPL's and the City's review of such design. FPL shall have the right to approve such design (as described in Section 8.5.2) prior to FKEC's final approval of such design.

8.4.2 Purchase and install, own and maintain, at no expense to FPL, and in accordance with FPL's standards and practices for similar installations, which standards and practices shall be in accordance with good utility practices, any Metering Equipment at Marathon reasonably required pursuant to Sections 8.4.1 and 8.4.2. FKEC shall not, while this Agreement remains in effect, remove, relocate, repair, replace or modify, without FPL's prior written consent (which consent shall not be unreasonably withheld), any Metering
Equipment owned by FKEC which is required by this Agreement, or use such Metering Equipment for any purpose other than as described in this Agreement. FKEC shall coordinate all Metering Equipment installations with FPL and the City, as necessary.

8.4.3 At FPL's request, if reasonably necessary, remove, relocate, repair, replace, maintain or modify, at no expense to FPL, any Metering Equipment at Marathon in accordance with the practices used by FPL in similar installations, which practices shall be consistent with good utility practice.

Section 8.5 - FPL's Rights and Obligations: Subject to standards consistent with good utility practice and to the provisions of Section 14.7, FPL shall:

8.5.1 Purchase, install, own and maintain, at FPL's expense, all Metering Equipment necessary to determine, record and telemeter the real and reactive energy Flows at the FPL - FKEC Delivery Points (at Card Sound and U.S. 1 at the Dade - Monroe County Line).

8.5.2 Have the right to review and approve the engineering design and installation plans of any Metering Equipment at Marathon reasonably required pursuant to Section 8.4 for the purpose of ensuring that such engineering design and/or installation plans conform to FPL's standards for similar installations and performs the functions as intended. It is understood and agreed by the Parties that FKEC and the City shall comply with any reasonable recommendations made by FPL to modify the engineering design and/or installation plans, so long as these recommendations conform to FPL's standards for similar installations, which standards shall be consistent with good utility practice.
8.5.3 In order to minimize the necessity for additional spare parts and specialized personnel training, have the right to specify the manufacturer, vendor and model of any Metering Equipment required pursuant to Section 8.4. FKEC shall conform with any such reasonable specification.

8.5.4 Test and calibrate, on an ongoing basis consistent with FPL's standards and practices for similar installations, which standards and practices shall be consistent with good utility practice, the Metering Equipment at Marathon. Upon FKEC's or the City's request, FPL will provide FKEC and/or the City a copy of the test and calibration records of the Metering Equipment.

8.5.5 Have the right to monitor, in accordance with good utility practice, at no expense to FPL, the factory acceptance test, the field acceptance test and the installation of any Metering Equipment at Marathon required pursuant to Section 8.4, and have final approval of such factory acceptance test, field acceptance test and installation.

8.5.6 Have the right to designate where the Metering Equipment shall be shipped within FPL's system and FPL will validate, test and approve such Metering Equipment in accordance with good utility practice.

8.5.7 Verify and validate the meter readings or any other data provided by the Metering Equipment.

**Section 8.6 - Sealed Meters:** All kWh and kQh meters recording flows at the FPL - FKEC Delivery Points and at the FPL - City Tie Control Point shall be sealed by FPL and shall be opened only by FPL representatives.
Section 8.7 - Notification Prior to Commencement of Work: FKEC or the City, as the case may be, shall notify FPL prior to the commencement of any work performed by FKEC, the City or contractors or agents performing on behalf of either or both, which may directly or indirectly have an adverse effect on the Metering Equipment or meter readings therefrom. FPL will notify FKEC and the City, when practicable, prior to any work performed by FPL, its contractors or agents on the Metering Equipment at Marathon.

Section 8.8 - Access: Each Party shall provide the other Parties access to its premises, as necessary, to implement the provisions of this Article VIII.

Section 8.9 - Costs: Subject to standards consistent with good utility practice, FKEC shall be responsible for all costs required of FPL (except for those costs incurred by FPL at Card Sound and Florida City Farmlife Substation) to implement the provisions of this Article VIII, including, but not limited to, engineering, administrative, material and labor expenses associated with specifications, design, review, approval, purchase, installation, maintenance, repair, operation, replacement, checkout, testing, calibration, removal or relocation of equipment by FPL. Any work performed by FPL pursuant to this Article VIII shall be billed in accordance with the provisions of Article XI.

Section 8.10 - City’s Obligation for Cost to FKEC: It is recognized by the Parties that, pursuant to the City - FKEC Transmission Agreement, the City has the obligation to pay FKEC for certain equipment which may be installed by FKEC in its service area as a result of this connection/interconnection; however, FKEC shall be responsible (including all costs mentioned in Section 8.9) for any Metering Equipment additions at Marathon that may be required to implement the provisions of this Article VIII.

Section 8.11 - Routine Maintenance: Subject to standards consistent with good utility practice and to the provisions of Section 14.7, FPL will, at FKEC’s expense, provide routine inspections and maintenance of any Metering Equipment located at FKEC’s Marathon Substation, in accordance with
FPL's regular procedures and practices. Upon FKEC's written request, FPL will extend its best efforts to provide FKEC with an estimate of annual expenses for budgeting purposes. Additionally, upon request by the City, FPL will provide information regarding estimates provided to FKEC and any costs billed to FKEC for any inspections and maintenance described in this Section 8.11. FKEC shall reimburse FPL for all reasonable direct and properly allocable indirect costs incurred, including all normal, as well as extraordinary, expenses for removal and replacement of items in rendering such maintenance and inspection services.

ARTICLE IX
DATA ACQUISITION AND AUTOMATIC GENERATION CONTROL

Section 9.1 - Responsibility for Data Acquisition and Automatic Generation Control:
Each Party shall be responsible, at its own expense, for the purchase, installation, maintenance and replacement of its own respective Data Acquisition Equipment and Automatic Generation Control Equipment.

Section 9.2 - Data Acquisition Equipment: The Data Acquisition Equipment shall monitor analog and digital signals deemed desirable by FPL, FKEC or the City to implement the provisions of this Agreement. Such Data Acquisition Equipment shall be fully capable of performing the functions as intended at the time when it is purchased, be compatible at all times with the computer master equipment receiving the telemetry signals (including Automatic Generation Control), and supply status information, kWh, voltage, MW and MVAR analog information, as well as any other data required by FPL, FKEC or the City from time to time.

9.2.1 FPL Tie RTU: The "FPL Tie RTU" shall be installed to exclusively provide telemetry to the FPL System Control Center. This FPL Tie RTU shall be in addition to any other RTU's which in the future may be installed at the FPL -
City Tie Control Point to supply data to any Party. The FPL Tie RTU shall be owned by FPL. FPL shall, at its own expense, design, purchase, install, repair, maintain, replace, relocate or remove the FPL Tie RTU.

9.2.2 **City RTU(s):** The "City RTU(s)" shall be installed to provide telemetry to the Control Center of the City and/or FMPA. Such City RTU(s) shall perform the functions necessary to implement the provisions of this Agreement. The City RTU(s) shall be owned by the City. The City shall, at its own expense, design, purchase, install, repair, maintain, replace, relocate or remove the City RTU(s). At the FPL - City Tie Control Point it is understood and agreed by the Parties that FPL will provide a freeze contact each hour to the City RTU and the Metering Equipment will be capable of providing a pulse contact (proportioned to MWh) as required for the City's and/or FMPA’s use.

9.2.3 **FKEC RTU(s):** The "FKEC RTU(s)" shall be installed to provide telemetry to FKEC. The FKEC RTU(s) shall be owned by FKEC. FKEC shall, at its own expense, design, purchase, install, repair, maintain, replace, relocate or remove the FKEC RTU(s).

**Section 9.3 - RTU Telephone Circuits:** Each Party shall be responsible for any cost associated with the installation of its respective telephone facilities and any and all telephone service charges associated with leased telephone circuits from their own RTU to their own respective computer master equipment.

**Section 9.4 - Access:** Each Party shall provide to the other Parties access to its premises as necessary to implement the provisions of this Article IX.
ARTICLE X
PROTECTION

Section 10.1 - Requirement for Interconnected Operations: Protective Equipment necessary (1) to maintain the overall safe and reliable operation of the Parties' systems, (2) to preserve the continuity of the Parties' transmission systems, and (3) to protect the Parties' transmission, distribution and generation equipment has been installed in accordance with this Article X and shall be required for the interconnected operation of the Parties' electrical facilities.

Section 10.2 - FKEC Obligations: FKEC shall within its own service area:

10.2.1 Design and engineer, at no expense to FPL, any Protective Equipment reasonably necessary to implement the provisions of this Agreement in accordance with FPL's standards and practices for similar installations. FKEC shall provide to FPL the documentation describing the engineering design of such Protective Equipment in a timely manner to permit FPL's review of such design prior to FKEC's approval of such design. FKEC shall conform with any recommendations by FPL to modify the engineering design and/or installation plans, so long as these recommendations conform to FPL's standards for similar installations, which standards shall be consistent with good utility practice.

10.2.2 Purchase, install and maintain, at no expense to FPL, and in accordance with FPL's standards and practices for similar installations, which standards or practices shall be consistent with good utility practice, any Protective Equipment reasonably required pursuant to this Section; provided, however, that FKEC shall not, while this Agreement remains in effect, remove, relocate, replace or modify, without FPL's prior written consent (which
consent shall not be unreasonably withheld), any Protective Equipment owned by FKEC, or use such Protective Equipment for any purpose other than as described in this Agreement.

10.2.3 At FPL's request, if reasonably necessary, remove, relocate, repair, replace, maintain or modify, at no expense to FPL, any Protective Equipment in accordance with the practices used by FPL in similar installations, which practices shall be consistent with good utility practice.

Section 10.3 - FPL Obligations: FPL shall design, engineer, install, own, operate and maintain, at no expense to FKEC or the City, any Protective Equipment necessary to implement the provisions of this Agreement which is required at FPL's Florida CityFarmlife Substation.

Section 10.4 - FPL's Rights Within the FKEC Service Area: Subject to standards consistent with good utility practice and to the provisions of Section 14.7, FPL shall:

10.4.1 Have the right to review and approve engineering design and installation plans of any Protective Equipment required within the FKEC service area pursuant to this Agreement for the purpose of ensuring that such engineering design and/or installation plans conform to FPL's requirements, are compatible with FPL's standards and practices, which standards and practices as shall be consistent with good utility practice, and performs the functions as intended.

10.4.2 Have the right to review and verify the Protective Equipment settings.

10.4.3 Have the right to monitor and verify any test, calibration, checkout and operation of any Protective Equipment required by this Agreement.
Section 10.5 - FPL's Rights Within the City's System: Subject to standards consistent with good utility practice and to the provisions of Section 14.7, FPL shall have the right to review engineering design and installation plans of any Protective Equipment required for the City's system pursuant to this Agreement for the purpose of ensuring that such engineering design and/or installation plans conform to FPL's reasonable requirements and perform the functions as intended.

Section 10.6 - Access: Each Party shall provide to the other Parties access to its premises as necessary to implement the provisions of this Article X.

Section 10.7 - Costs: Each Party shall be responsible for all costs associated with the Protective Equipment (required to implement this Agreement) located on its own respective system, including, but not limited to, engineering design, administrative, purchase, installation, maintenance, repair, operation, replacement, checkout, testing, calibration, removal or relocation.

ARTICLE XI
BILLING AND PAYMENT

Section 11.1 - Billing and Payment for Work Performed by FPL: Any work performed by FPL and chargeable to FKEC pursuant to this Agreement shall be billed to FKEC in accordance with FPL's regular procedures and practices for such services. A copy of each bill will be sent to the City. Subject to Section 11.2, bills for such service shall be due in full when rendered and payable within fifteen (15) calendar days from the date of mailing (as determined by postmark). If the bill is not paid in full on or before the "past due" date, the unpaid balance shall bear interest at the rate specified from time to time by the FERC as being applicable to refunds under the Federal Power Act. Upon request, FPL shall make available to FKEC and the City adequate documentation describing the reason(s) why the work was performed and the detailed charges supporting the billed amount.
**Section 11.2 - Disputed Bills:** In case of a bona fide dispute of a bill for work performed by FPL, payment of the entire billed amount shall be made within the 15-day period, but the disputed portion of the bill may be paid under protest. Payments made and designated "Paid Under Protest" shall be accompanied by the reason(s) therefor. Any refunds due FKEC resulting from the settlement of the dispute will include interest at the then-current rate specified by the FERC for refunds under the Federal Power Act. The City has the right to assert that payments made to FPL by FKEC have been made "Under Protest" and to provide the reasons therefor.

**Section 11.3 - Discontinuance of Services and Operations:** FPL shall have the right to discontinue services and operations to FKEC under this Agreement, if the FERC approves, in the event that FKEC fails to pay any sum due under this Agreement, or in the event that FKEC otherwise intentionally and materially violates this Agreement. FPL shall have the right to discontinue services and operations to the City under this Agreement, if the FERC approves, in the event that the City otherwise intentionally and materially violates this Agreement. FPL shall give FKEC and/or the City at least sixty (60) days' written notice of its intention to discontinue services and operations. FKEC and/or the City shall have such 60-day period to pay such sum due or to cure such default.

**ARTICLE XII**

**FORCE MAJEURE**

**Section 12.1:** In case any Party hereto shall be delayed in, or prevented from, performing or carrying out any of the agreements, covenants and obligations made by, and imposed upon, said Party by this Agreement by reason of or through any cause reasonably beyond its control and not attributable to its neglect, including strike, stoppage in labor, failure of contractors or suppliers of materials, riot, explosion, fire, flood, ice, invasion, civil war, commotion, insurrection, military or usurped power, order of any court granted in any bona fide adverse legal proceedings or action, or of any civil or military authority (either de facto or de jure), act of God or the public enemies, then, in each such case or cases, such Party shall not be liable to another Party for or on
account of any loss, damage, injury or expense (including consequential damages and cost of replacement power) resulting from, or arising out of, such delay or prevention from performing; provided, however, that the Party suffering such delay or prevention shall use due and, in its judgement, practicable diligence to remove the cause(s) thereof; and provided, further, that no Party shall be required by the foregoing provisions to settle a strike or bona fide adverse legal proceeding except when, according to its own best judgement, such settlement seems advisable; and provided, further, that nothing in this Article XII shall excuse the obligations imposed under Article XIII, or the payment of obligations incurred under Article XI of this Agreement.

ARTICLE XIII

INDEMNITY AND LIABILITY

Section 13.1 - Responsibility and Indemnification: For the purpose of this Section 13.1, the parties are defined as FKEC, the City and FPL, its parent, its subsidiaries, affiliates and their respective officers, directors, agents and employees. Except with respect to any Party's breach of this Agreement or except for gross negligence, each Party hereto expressly agrees to indemnify, save harmless, and defend the other Parties against all claims, demands, costs or expense for loss, damage, or injury to or death of person(s) or property, in any manner directly or indirectly connected with or arising out of this Agreement, when such loss, damage or injury occurs on its own system. Each Party further agrees to waive all rights against and release the other Parties from any liability it may incur for payment, if any, of benefits to its own employees under any statutory obligation.

ARTICLE XIV

MISCELLANEOUS

Section 14.1 - Waivers: Any waiver at any time by any Party hereto of its right with respect to the other Parties or with respect to any matter arising in connection with this Agreement shall not be considered a waiver with respect to any subsequent default or matter.
Section 14.2 - Successors and Assigns: This Agreement shall inure to the benefit of and shall be binding upon the Parties hereto and their respective successors and assigns, provided that this Agreement shall not be assignable or transferable in whole or in part by any of the Parties without the written consent of the other Parties, which consent(s) shall not be unreasonably withheld, except that such written consent(s) shall not be required (a) in the case of an assignment or transfer to a successor in the operation of the assignor's or transferor's properties by reason of a merger, consolidation, sale or foreclosure, where substantially all such properties are acquired by such successor, or (b) in the case of an assignment or transfer of all or part of the assignor's or transferor's properties or interests to a wholly-owned subsidiary of the assignor or transferor or to another company in the same holding company as the assignor or transferor, or (c) in the case of City, an assignment or transfer as may be appropriate to implement the Integrated Dispatch and Operations Project of FMPA.

Section 14.3 - Effect of Section Headings: Article and section headings appearing in this Agreement are inserted for convenience of reference only and shall in no way be construed to be interpretations of the text of this Agreement.

Section 14.4 - Relationship of the Parties: Nothing contained in this Agreement shall be construed to create an association, joint venture, partnership or any other type of entity between FPL and any other Party.

Section 14.5 - Notices: Any notice contemplated by this Agreement shall be made in writing and shall be delivered either in person, by prepaid telegram, by telex or facsimile transmission, or by telephone contact confirmed by deposit in the United States mail, first class, postage prepaid, in the case of FPL, to Florida Power & Light Company, P. O. Box 029100, Miami, Florida 33102-9100, Attention: Manager, Transmission Services; in the case of FKEC, to Florida Keys Electric Cooperative, Inc., Box 377, Tavernier, Florida 33070, Attention: General Manager; in the case of the Utility Board of the City of Key West, Florida, P. O. Drawer 6100, Key West, Florida 33041-6100,
Attention: Manager of Utilities; or to such other person(s) as may be designated by FPL, FKEC or the City. Any Party's designation of the person to be notified or the address of such person may be changed by such Party at any time, or from time to time, by similar notice.

Section 14.6 - Complete Agreement: This Agreement is intended as the exclusive statement of the agreement regarding the connected/interconnected arrangements among the Parties. Parol or extrinsic evidence shall not be used to vary or contradict the express terms of this Agreement. In the event of any conflict between the provisions of this Agreement and those of the City - FKEC Transmission Agreement as they impact or purport to impact the rights and responsibilities of FPL, the provisions of this Agreement shall be controlling.

Section 14.7 - Exclusive Responsibility of FKEC and the City: In no event shall any FPL statement, representation or lack thereof, either express or implied, relieve FKEC or the City of its responsibility for any equipment required for implementation of this Agreement. Specifically, (1) any inspection of any equipment and facilities by FPL, (2) any specification, purchase, installation, testing or approval of equipment by FPL, or (3) any review, verification or approval of any engineering design or of work associated with any facility or equipment shall not be construed as FPL's confirming or endorsing any engineering design or operation, maintenance or installation procedures, or as a warranty or guarantee as to the safety, reliability or durability of any equipment. FPL's inspection, installation, specification, purchase, verification, testing, review, approval, acceptance, or its failure to inspect, install, specify, purchase, verify, test, review, approve or accept any engineering design shall not be deemed an endorsement by FPL of any equipment, design or procedure.

Section 14.8 - Regulation and Approvals: This Agreement, including any amendment(s), is subject to the regulatory authority of the FERC. The acceptance of this Agreement for filing by the FERC shall be prerequisite to its validity. FKEC, the City, and FMPA agree to support FPL's filing of this Agreement with the FERC. In the event that the FERC, in initially reviewing this Agreement,
issues an order modifying the Agreement in a manner which adversely affects a Party's rights, such Party shall have the right to seek, or negotiate for, the necessary relief to alleviate said adverse effects, or to terminate this Agreement by giving written notice thereof to the other Parties no later than thirty (30) days after such FERC order, in which event the Revised Interconnection Agreement among Florida Power & Light Company, Florida Keys Electric Cooperative Association, Inc. and the Utility Board of the City of Key West, Florida dated October 6, 1986 April 29, 1998 shall be reinstated and made effective according to its terms as though this Agreement had not been entered into.

**Section 14.9 - Administrative Committee:** Each Party shall appoint a member to an Administrative Committee. This Committee shall be responsible for the administration of this Agreement and shall make recommendations to the Parties regarding studies concerning additional transmission interconnections or abandonment of established interconnections and mode of operation of the interconnection facilities, shall establish principles of accounting, and shall perform such other duties as may be conferred upon it by mutual written agreement of the Parties hereto. Each Party shall cooperate in providing to the Administrative Committee all information required in the performance of its duties. If the Administrative Committee is unable to agree unanimously on any matter falling under its jurisdiction or referred to it by the Operating Representatives, such matter shall be referred by the members of the Administrative Committee to the Parties for decision. Failure of the Parties to agree on any matter referred to them shall not constitute a basis for cancellation of this Agreement. All decisions made by the Administrative Committee shall be evidenced in writing.

**Section 14.10 - Filing of Agreement:** FPL shall file this Agreement with FERC. FKEC, the City, and FMPA shall cooperate with FPL and provide any information reasonable requested by FPL to comply with applicable filing requirements.

**Section 14.11 - Unilateral Changes and Modifications:** The Parties intend that this Agreement shall be subject to change through unilateral application under Sections 205 or 206 of the Federal
Power Act.

Section 14.12 - Transmission Integration: This Agreement or the words used herein shall not be used by FPL, the City, or FMPA, as a basis for arguing that the transmission facilities of FPL and the City are or are not integrated.

Section 14.13 - Multiple Signature Pages: This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which shall together constitute one and the same Agreement.

(The next three pages are signature pages)
IN WITNESS WHEREOF, the undersigned Parties have caused this Agreement to be executed in triplicate in their names by their respective duly authorized officials, as of the day and year first above written.

ATTEST: FLORIDA POWER & LIGHT COMPANY

BY: ________________________ BY: _____________________________________

Vice President
IN WITNESS WHEREOF, the undersigned Parties have caused this Agreement to be executed in triplicate in their names by their respective duly authorized officials, as of the day and year first above written.

ATTEST: FLORIDA KEYS ELECTRIC COOPERATIVE, INC.

BY: ________________________ BY: ________________________________
    Secretary             President
IN WITNESS WHEREOF, the undersigned Parties have caused this Agreement to be executed in triplicate in their names by their respective duly authorized officials, as of the day and year first above written.

ATTEST: UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA

BY: ________________________ BY: _____________________________________
Secretary Chairman
INTERCONNECTION AGREEMENT
ATTACHMENT 1
CONNECTION OF FKEC AND KEY WEST SYSTEMS TO THE FPL SYSTEM AND METERING CONFIGURATION
AGENDA ITEM WORDING: Approve Resolution No. 814 Amending the Pension Plan Document, Article 8, Trust and Trustees; Section 8.01, Appointment of Trustees; Section 8.02, Terms of Office; and Section 8.03, Rules and Decisions

REQUESTED ACTION: Motion to Approve Resolution No. 814 Amending the Pension Plan Document, Article 8, Trust and Trustees; Section 8.01, Appointment of Trustees; Section 8.02, Terms of Office; and Section 8.03, Rules and Decisions; Provide for a Change in the Number of Trustees and to Provide for Attaining that Number Through Attrition; To Delete Obsolete Language and To Indicate the Number of Trustees Necessary for a Quorum (6)

Or

REQUESTED ACTION: Motion to Approve Resolution No. 814 Amending the Pension Plan Document, Article 8, Trust and Trustees; Section 8.01, Appointment of Trustees; Section 8.02, Terms of Office; and Section 8.03, Rules and Decisions; Provide for a Change in the Number of Trustees and to Provide for Attaining that Number Through Attrition; To Delete Obsolete Language and To Indicate the Number of Trustees Necessary for a Quorum (5)

DISCUSSION: At the January 15, 2019 Utility Board workshop regarding Other Post Employment Benefits and Pension, the Utility Board requested that the makeup of the Pension Board of Trustees be reduced to 9 Trustees and include a Utility Board member. At the April 10, 2019 Regular Meeting, the Utility Board was informed that the Trustees had suggested the appropriate number of Trustees should be eleven. The Utility Board members expressed their agreement but asked that the quorum be set at five.

At the June 5, 2019 pension meeting, the Trustees approved Resolution #87 to amend the plan document to restructure the board of trustees as follows:

- **11 Trustees**
  - The General Manager/CEO of the Utility Board
  - 6 Employees – 1 from each department or departments, as follows:
    - Executive, HR & Comm, and Legal & Risk
    - Engineering & Control Center
    - Customer Service and Meters
    - Finance, Information Services, Fleets, Facilities, Purchasing & Warehouse
    - Transmission and Distribution
    - Generation
  - 1 Utility Board Member
  - 3 Retirees
Further, it was agreed that:

- the reduction from 14 trustees to 11 would occur through attrition, starting with not filling the 3/31/19 expired positions, including modifying the terms of office for some trustees until all trustees terms would expire in an odd numbered year only
- **6** trustees would constitute a quorum
- Officers would be elected at the first Pension Board Meeting of each calendar year

Staff has prepared two (2) proposed Utility Board Resolutions which provide for a quorum of five (5) and a quorum of six (6), respectively. In all other respects, the proposed Resolutions mirror the terms of the Pension Board of Trustees’ Resolution #87. GRS Retirement Consulting has performed an actuarial review of the proposed resolution and has determined that there is no cost associated with proposed changes.

**ATTACHMENTS:**
- Pension Board of Trustees - Resolution #87 in both legislative and changes accepted format
- GRS Letter regarding financial impact
- Proposed Resolution 814 (quorum of 5)
- Proposed Resolution 814 (quorum of 6)

**FINANCIAL IMPACT:**

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RESOLUTION NO. 814

A RESOLUTION OF THE UTILITY BOARD OF THE CITY OF KEY WEST RATIFYING IN PART
RESOLUTION NO. 87 AMENDING THE PLAN DOCUMENT, ARTICLE EIGHT, TRUST AND
TRUSTEES, SECTION 8.01, APPOINTMENT OF TRUSTEES; SECTION 8.02, TERMS OF
OFFICE; AND SECTION 8.03, RULES AND DECISIONS, TO PROVIDE FOR A CHANGE IN
THE NUMBER OF TRUSTEES AND TO PROVIDE FOR ATTAINING THE SPECIFIED NUMBER
OF TRUSTEES THROUGH ATTRITION; TO DELETE OBSOLETE LANGUAGE; TO AMEND THE
NUMBER OF TRUSTEES NECESSARY FOR A QUORUM; AND TO PROVIDE A SCHEDULE FOR
THE ELECTION OF CHAIR AND VICE-CHAIR.

WHEREAS, the Pension Board of Trustees and the Utility Board of the City of Key West, Florida
adopted the Retirement System for the General Employees of the City Electric System
(hereinafter called the “Plan”) September 28, 1983; and

WHEREAS, the Utility Board, in accordance with the provisions of Article Nine of the
Plan reserved the right to amend or terminate the Plan at any time, provided, however, that
the amendment or termination shall not deprive any member of his vested equity in the Plan
or any assets of the Trust except as specifically provided in the Plan; and

WHEREAS, the Pension Board of Trustees of the Utility Board of the City of Key West,
Florida, approved Resolution 87 amending The Plan Document as set forth therein, including
Providing for a Change in the Number of Trustees and for Attaining that Number Through
Attrition; Deleting Obsolete Language and Indicating the Number of Trustees Necessary for a
Quorum (6); and

WHEREAS, the Utility Board of the City of Key West desires to adopt the amendments
set forth in Resolution 87, with the exception of the quorum requirement, which the Utility
Board desires to set at (5).

NOW, therefore, be it resolved by the Utility Board of the City of Key West, Florida, in
session duly assembled;

Section 1. That Article 8, Section 8.01, Appointment of Trustees, is amended as
follows:

8.01 Appointment of Trustees. It is the intent of this Section that there shall
be eleven fourteen (114) Trustees, consisting of the General Manager/CEO
of the Utility Board, ten six (610) Employees, one (1) Utility Board Member
and three (3) retirees, hereinafter referred to as the Pension Board of
Trustees, except as provided hereinafter. The Trustees who are Employees
shall be elected by the Employees, provided that at least one (1)
Employee/Trustee shall be selected from each of the following
departments: Executive, HR & Comm., and Legal & Regulatory; Engineering & Control Center; Customer Service and Meters; Finance,
Information Services, Fleets, Facilities, Purchasing & Warehouse;
Transmission & Distribution; and Generation. Provided, however, if the
organizational chart changes the Board of Trustees has the authority to set
rules for the attrition of incumbent Board members and the determination
of the number of Trustees to be elected for each department or for
combined departments. Provided, further, that any incumbent Trustee, whose term has not expired as of the date of enactment of this Resolution, will be permitted to complete his or her term. The Retirees shall elect three (3) retiree representatives. The Pension Board of Trustees shall elect a Chairperson and a Vice-Chairperson from the 14 Member Board of Trustees. The election of Chair and Vice Chair will take place at the first meeting of the Board of Trustees following a Regular election. The Chair and Vice-Chair may succeed himself or herself in office. If the position of Chair or Vice-Chair becomes vacant, the Board shall fill that position until the first meeting of the Board of Trustees following a regular election.

Section 2. That Article 8, Section 8.02, Terms of Office, shall provide as follows:

8.02 Terms of Office. The General Manager/CEO shall serve as Trustee during his/her term of office and his/her successor shall automatically become a Trustee.

Trustees may serve any number of terms, whether or not consecutive. Except to the extent otherwise provided in a prior Plan document, and except as provided herein, all terms will be for four (4) years. Provided however, that for the positions that were scheduled for election in 2019, the election will be held as soon as administratively practicable following the effective date of this Resolution, and the initial term of those persons elected to those positions will be five (5) years. Thereafter, all terms for those positions will be four (4 years). And further provided that for the positions which expire 2021, the initial term will be for three (3) years and thereafter for four (4) years. If a Trustee should resign from his/her position as Trustee, his/her remaining term should be filled immediately and a special election shall take place. The initial term of office for the third (3) retiree trustee shall be until March 31, 2019 and all subsequent terms shall be for four years.

There are three trustees who had been elected as employee representatives, and who retired on December 31, 2015. Those Trustees will be allowed to complete the terms to which they have been elected. In addition, the departments from which they were elected will hold a new election to elect a new employee representative. The terms of office for these 3 employee representatives will be effective upon completion of the election until when the term of the person who was elected to the position (and has since retired) was scheduled to end.

Effective as of April 10, 2013, if a Trustee should move or be transferred to another department, he/she will be permitted to finish his/her term for that department. That Trustee can run for a Trustee position in their new department when the term becomes open for election.

Section 3. That Article 8, Section 8.03, Rules and Decisions, shall provide as follows:

8.03 Rules and Decisions. The Trustees shall adopt rules of procedure and maintain a record of their proceedings. Seven Five Trustees shall constitute a
quorum at any meeting and the Trustees shall be entitled to one vote. A majority of Trustees present and voting shall be necessary for a decision by the Trustees.

PASSED AND APPROVED THIS 26 DAY OF JUNE 2019

(Seal)

Peter H. Batty, Chairman

ATTEST:

______________________________
Lynne E. Tejeda, General Manager & CEO
RESOLUTION NO. 814

A RESOLUTION OF THE UTILITY BOARD OF THE CITY OF KEY WEST RATIFYING RESOLUTION NO. 87 AMENDING THE PLAN DOCUMENT, ARTICLE EIGHT, TRUST AND TRUSTEES, SECTION 8.01, APPOINTMENT OF TRUSTEES; SECTION 8.02, TERMS OF OFFICE; AND SECTION 8.03, RULES AND DECISIONS, TO PROVIDE FOR A CHANGE IN THE NUMBER OF TRUSTEES AND TO PROVIDE FOR ATTING THE SPECIFIED NUMBER OF TRUSTEES THROUGH ATTRITION; TO DELETE OBSOLETE LANGUAGE; TO AMEND THE NUMBER OF TRUSTEES NECESSARY FOR A QUORUM; AND TO PROVIDE A SCHEDULE FOR THE ELECTION OF CHAIR AND VICE-CHAIR.

WHEREAS, the Pension Board of Trustees and the Utility Board of the City of Key West, Florida adopted the Retirement System for the General Employees of the City Electric System (hereinafter called the “Plan”) September 28, 1983; and

WHEREAS, the Utility Board, in accordance with the provisions of Article Nine of the Plan reserved the right to amend or terminate the Plan at any time, provided, however, that the amendment or termination shall not deprive any member of his vested equity in the Plan or any assets of the Trust except as specifically provided in the Plan; and

WHEREAS, the Pension Board of Trustees of the Utility Board of the City of Key West, Florida, approved Resolution 87 amending The Plan Document as set forth therein, including Providing for a Change in the Number of Trustees and for Attaining that Number Through Attrition; Deleting Obsolete Language and Indicating the Number of Trustees Necessary for a Quorum (6).

NOW, therefore, be it resolved by the Utility Board of the City of Key West, Florida, in session duly assembled;

Section 1. That Article 8, Section 8.01, Appointment of Trustees, is amended as follows:

8.01 Appointment of Trustees. It is the intent of this Section that there shall be twelve (12) Trustees, consisting of the General Manager/CEO of the Utility Board, ten (10) Employees, one (1) Utility Board Member and three (3) retirees, hereinafter referred to as the Pension Board of Trustees, except as provided hereinafter. The Trustees who are Employees shall be elected by the Employees, provided that at least one (1) Employee/Trustee shall be selected from each of the following departments: Executive, HR & Comm., and Legal & Regulatory; Engineering & Control Center; Customer Service and Meters; Finance, Information Services, Fleets, Facilities, Purchasing & Warehouse; Transmission & Distribution; and Generation. Provided, however, if the organizational chart changes the Board of Trustees has the authority to set rules for the attrition of incumbent Board members and the determination of the number of Trustees to be elected for each department or for combined departments. Provided, further, that any incumbent Trustee, whose term has not expired as of the date of enactment of this Resolution, will be permitted to complete his or her term. The Retirees shall elect three (3) retiree representatives. The Pension Board of Trustees shall elect a
Chairperson and a Vice-Chairperson from the 14 Member Board of Trustees. The election of Chair and Vice Chair will take place at the first meeting of the Board of Trustees following a Regular election. The Chair and Vice-Chair may succeed himself or herself in office. If the position of Chair or Vice-Chair becomes vacant, the Board shall fill that position until the first meeting of the Board of Trustees following a regular election.

Section 2. That Article 8, Section 8.02, Terms of Office, shall provide as follows:

8.02 Terms of Office. The General Manager/CEO shall serve as Trustee during his/her term of office and his/her successor shall automatically become a Trustee.

Trustees may serve any number of terms, whether or not consecutive. Except to the extent otherwise provided in a prior Plan document, and except as provided herein, all terms will be for four (4) years. Provided however, that for the positions that were scheduled for election in 2019, the election will be held as soon as administratively practicable following the effective date of this Resolution, and the initial term of those persons elected to those positions will be five (5) years. Thereafter, all terms for those positions will be four (4 years). And further provided that for the positions which expire 2021, the initial term will be for three (3) years and thereafter for four (4) years. If a Trustee should resign from his/her position as Trustee, his/her remaining term should be filled immediately and a special election shall take place. The initial term of office for the third (3) retiree trustee shall be until March 31, 2019 and all subsequent terms shall be for four years.

There are three trustees who had been elected as employee representatives, and who retired on December 31, 2015. Those Trustees will be allowed to complete the terms to which they have been elected. In addition, the departments from which they were elected will hold a new election to elect a new employee representative. The terms of office for these 3 employee representatives will be effective upon completion of the election until when the term of the person who was elected to the position (and has since retired) was scheduled to end.

Effective as of April 10, 2013, if a Trustee should move or be transferred to another department, he/she will be permitted to finish his/her term for that department. That Trustee can run for a Trustee position in their new department when the term becomes open for election.

Section 3. That Article 8, Section 8.03, Rules and Decisions, shall provide as follows:

8.03 Rules and Decisions. The Trustees shall adopt rules of procedure and maintain a record of their proceedings. Seven Six Trustees shall constitute a quorum at any meeting and the Trustees shall be entitled to one vote. A majority of Trustees present and voting shall be necessary for a decision by the Trustees.
PASSED AND APPROVED THIS 26 DAY OF JUNE 2019

(Seal)  

Peter H. Batty, Chairman

ATTEST:

__________________________________________

Lynne E. Tejeda, General Manager & CEO
RESOLUTION NO. 87

RETIREMENT SYSTEM FOR THE EMPLOYEES OF THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA

A RESOLUTION AMENDING THE PLAN DOCUMENT, ARTICLE EIGHT, TRUST AND TRUSTEES, SECTION 8.01, APPOINTMENT OF TRUSTEES; SECTION 8.02, TERMS OF OFFICE; AND SECTION 8.03 RULES AND DECISIONS: TO AMEND THE PLAN DOCUMENT TO PROVIDE FOR A CHANGE IN THE NUMBER OF TRUSTEES AND TO PROVIDE FOR ATTAINING THAT NUMBER THROUGH ATTRITION; TO DELETE OBSOLETE LANGUAGE; TO AMEND THE NUMBER OF TRUSTEES NECESSARY FOR A QUORUM AND TO PROVIDE A SCHEDULE FOR THE ELECTION OF CHAIR AND VICE-CHAIR

WHEREAS, the Pension Board of Trustees and the Utility Board of the City of Key West, Florida adopted the Retirement System for the General Employees of the City Electric System (hereinafter called the “Plan”) September 28, 1983; and

WHEREAS, the Utility Board of the City of Key West, Florida, in accordance with the provisions of Article Nine of the Plan reserved the right to amend or terminate the Plan at any time, provided, however, that the amendment or termination shall not deprive any member of his vested equity in the Plan or any assets of the Trust except as specifically provided in the Plan; and

WHEREAS, the Pension Board of Trustees and the Utility Board of the City of Key West, Florida, are desirous of amending Article Eight to reduce the number of Trustees composing the Pension Board of Trustees; and

NOW, therefore, be it resolved by Pension Board of Trustees of the Utility Board of the City of Key West, Florida, in session duly assembled;

Section 1. That Article 8, Section 8.01, Appointment of Trustees, shall provide as follows:

8.01 Appointment of Trustees. It is the intent of this Section that there shall be eleven fourteen (114) Trustees, consisting of the General Manager/CEO of the Utility Board, ten six (610) Employees, one (1) Utility Board Member and three (3) retirees, hereinafter referred to as the Pension Board of Trustees, except as provided hereinafter. The Trustees who are Employees shall be elected by the Employees, provided that at least one (1) Employee/Trustee shall be selected from each of the following departments: Executive, HR & Comm., and Legal & Regulatory; Engineering & Control Center; Customer Service and Meters; Finance, Information Services, Fleets, Facilities, Purchasing & Warehouse; Transmission & Distribution; and Generation. Provided, however,
if the organizational chart changes the Board of Trustees has the authority to set rules for the attrition of incumbent Board members and the determination of the number of Trustees to be elected for each department or for combined departments. Provided, further, that any incumbent Trustee, whose term has not expired as of the date of enactment of this Resolution, will be permitted to complete his or her term. The Retirees shall elect three (3) retiree representatives. The Pension Board of Trustees shall elect a Chairperson and a Vice-Chairperson from the 14 Member Board of Trustees. The election of Chair and Vice Chair will take place at the first meeting of the Board of Trustees following a Regular election. The Chair and Vice-Chair may succeed himself or herself in office. If the position of Chair or Vice-Chair becomes vacant, the Board shall fill that position until the first meeting of the Board of Trustees following a regular election.

Section 2. That Article 8, Section 8.02, Terms of Office, shall provide as follows:

8.02 Terms of Office. The General Manager/CEO shall serve as Trustee during his/her term of office and his/her successor shall automatically become a Trustee.

Trustees may serve any number of terms, whether or not consecutive. Except to the extent otherwise provided in a prior Plan document, and except as provided herein, all terms will be for four (4) years. Provided however, that for the positions that were scheduled for election in 2019, the election will be held as soon as administratively practicable following the effective date of this Resolution, and the initial term of those persons elected to those positions will be five (5) years. Thereafter, all terms for those positions will be four (4) years. And further provided that for the positions which expire 2021, the initial term will be for three (3) years and thereafter for four (4) years. If a Trustee should resign from his/her position as Trustee, his/her remaining term should be filled immediately and a special election shall take place. The initial term of office for the third (3) retiree trustee shall be until March 31, 2019 and all subsequent terms shall be for four years.

There are three trustees who had been elected as employee representatives, and who retired on December 31, 2015. Those Trustees will be allowed to complete the terms to which they have been elected. In addition, the departments from which they were elected will hold a new election to elect a new employee representative. The terms of office for these 3 employee representatives will be effective upon completion of the election until when the term of the person who was elected to the position (and has since retired) was scheduled to end.

Effective as of April 10, 2013, if a Trustee should move or be transferred to another department, he/she will be permitted to finish his/her term for that department. That Trustee can run for a Trustee position in their new department when the term becomes open for election.

Section 3. That Article 8, Section 8.03, Rules and Decisions, shall provide as follows:
8.03 Rules and Decisions. The Trustees shall adopt rules of procedure and maintain a record of their proceedings. **Seven Six** Trustees shall constitute a quorum at any meeting and the Trustees shall be entitled to one vote. A majority of Trustees present and voting shall be necessary for a decision by the Trustees.

PASSED AND APPROVED THIS _____ DAY OF __________, 2019.

____________________________
Harry Bethel, Chairman

ATTEST:

____________________
John Wetzler, Secretary/Treasurer
June 14, 2019

Pension Board
c/o Mr. Jack Wetzler
Assistant General Manager and
Chief Financial Officer
Utility Board of the City of Key West
Post Office Box 6100
Key West, Florida 33041-6100

Dear Jack:

As requested, we have performed an actuarial review of proposed Resolution No. 87 (copy attached) under the Retirement System for General Employees of the Utility Board of the City of Key West (System).

Based upon our review, proposed Resolution No. 87 amends the System document to:

- Update the number of Trustees
- Amend the composition of Trustees
- Provide for transitioning the number of Trustees through attrition
- Provide a schedule for the election of Chair and Vice-Chair
- Amend the terms of office for Trustees
- Amend the number of Trustees necessary for a quorum

In our opinion, based upon the actuarial assumptions and methods employed in the January 1, 2019 Actuarial Valuation, proposed Resolution No. 87 is a no cost Resolution under State funding requirements.

Please provide a signed copy of the Resolution upon passage at second reading for our records.

If you should have any question concerning the above, please do not hesitate to contact us.

Sincerely yours,

[Signature]

Lawrence F. Wilson, A.S.A.
Senior Consultant and Actuary

Enclosure

cc: Mr. Harry Bethel, Chairman
    Ronald J. Cohen, Esq.
RESOLUTION NO. 87

RETIREMENT SYSTEM FOR THE EMPLOYEES OF THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA

A RESOLUTION AMENDING THE PLAN DOCUMENT, ARTICLE EIGHT, TRUST AND TRUSTEES, SECTION 8.01, APPOINTMENT OF TRUSTEES; SECTION 8.02, TERMS OF OFFICE; AND SECTION 8.03 RULES AND DECISIONS: TO AMEND THE PLAN DOCUMENT TO PROVIDE FOR A CHANGE IN THE NUMBER OF TRUSTEES AND TO PROVIDE FOR ATTAINING THAT NUMBER THROUGH ATTRITION; TO DELETE OBSOLETE LANGUAGE; TO AMEND THE NUMBER OF TRUSTEES NECESSARY FOR A QUORUM AND TO PROVIDE A SCHEDULE FOR THE ELECTION OF CHAIR AND VICE-CHAIR

WHEREAS, the Pension Board of Trustees and the Utility Board of the City of Key West, Florida adopted the Retirement System for the General Employees of the City Electric System (hereinafter called the “Plan”) September 28, 1983; and

WHEREAS, the Utility Board of the City of Key West, Florida, in accordance with the provisions of Article Nine of the Plan reserved the right to amend or terminate the Plan at any time, provided, however, that the amendment or termination shall not deprive any member of his vested equity in the Plan or any assets of the Trust except as specifically provided in the Plan; and

WHEREAS, the Pension Board of Trustees and the Utility Board of the City of Key West, Florida, are desirous of amending Article Eight to reduce the number of Trustees composing the Pension Board of Trustees; and

NOW, therefore, be it resolved by Pension Board of Trustees of the Utility Board of the City of Key West, Florida, in session duly assembled;

Section 1. That Article 8, Section 8.01, Appointment of Trustees, shall provide as follows:

8.01 Appointment of Trustees. It is the intent of this Section that there shall be eleven (11) Trustees, consisting of the General Manager/CEO of the Utility Board, six (6) Employees, one (1) Utility Board Member and three (3) retirees, hereinafter referred to as the Pension Board of Trustees, except as provided hereinafter. The Trustees who are Employees shall be elected by the Employees, provided that at least one (1) Employee/Trustee shall be selected from each of the following departments: Executive, HR & Comm., and Legal & Regulatory; Engineering & Control Center; Customer Service and Meters;
Finance, Information Services, Fleets, Facilities, Purchasing & Warehouse; Transmission & Distribution; and Generation. Provided, however, if the organizational chart changes the Board of Trustees has the authority to set rules for the attrition of incumbent Board members and the determination of the number of Trustees to be elected for each department or for combined departments. Provided, further, that any incumbent Trustee, whose term has not expired as of the date of enactment of this Resolution, will be permitted to complete his or her term. The Retirees shall elect three (3) retiree representatives. The Pension Board of Trustees shall elect a Chairperson and a Vice-Chairperson from the Board of Trustees. The election of Chair and Vice Chair will take place at the first meeting of the Board of Trustees following a Regular election. The Chair and Vice-Chair may succeed himself or herself in office. If the position of Chair or Vice-Chair becomes vacant, the Board shall fill that position until the first meeting of the Board of Trustees following a regular election.

Section 2. That Article 8, Section 8.02, Terms of Office, shall provide as follows:

8.02 Terms of Office. The General Manager/CEO shall serve as Trustee during his/her term of office and his/her successor shall automatically become a Trustee.

Trustees may serve any number of terms, whether or not consecutive. Except to the extent otherwise provided in a prior Plan document, and except as provided herein, all terms will be for four (4) years. Provided however, that for the positions that were scheduled for election in 2019, the election will be held as soon as administratively practicable following the effective date of this Resolution, and the initial term of those persons elected to those positions will be five (5) years. Thereafter, all terms for those positions will be four (4 years). And further provided that for the positions which expire 2021, the initial term will be for three (3) years and thereafter for four (4) years. If a Trustee should resign from his/her position as Trustee, his/her remaining term should be filled immediately and a special election shall take place. The initial term of office for the third (3) retiree trustee shall be until March 31, 2019 and all subsequent terms shall be for four years.

Effective as of April 10, 2013, if a Trustee should move or be transferred to another department, he/she will be permitted to finish his/her term for that department. That Trustee can run for a Trustee position in their new department when the term becomes open for election.

Section 3. That Article 8, Section 8.03, Rules and Decisions, shall provide as follows:

8.03 Rules and Decisions. The Trustees shall adopt rules of procedure and maintain a record of their proceedings. Six Trustees shall constitute a quorum at any meeting and the Trustees shall be entitled to one vote. A majority of Trustees present and voting shall be necessary for a decision by the Trustees.
PASSED AND APPROVED THIS 5th DAY OF June, 2019.

Harry Bethel, Chairman

ATTEST:

John Wetzler, Secretary/Treasurer
AGENDA ITEM WORDING: Approve Increase in Headcount to Support Succession Planning with Technical Positions and Increased Project Load.

REQUESTED ACTION: Motion to Approve an Increase to the Budgeted Headcount from 132 to 133 Employees to Onboard an Additional Project Engineer to Support Succession Planning Among Technical Positions and Manage Upcoming Capital Projects.

DISCUSSION: In an effort to better position KEYS for pending succession planning challenges, Staff requests that the Board increase the budgeted headcount to allow for the onboarding of an additional Project Engineer.

The Project Engineer will alleviate impending succession planning issues. Four of five management positions within the Transmission & Distribution (T&D) department are currently occupied by employees eligible to retire within the next 1 – 2 years. The retirements will yield a drain on the technical experience of KEYS staff that an additional Project Engineer can help to mitigate.

The Project Engineer will assist in maintaining regular work-flow while KEYS undertakes additional capital projects. Capital projects related to the upcoming bond issuance will necessitate the project management expertise of KEYS’ Project Engineers, in addition to their regular work. The addition of a fourth Project Engineer will assist with maintaining the regular work flow and required oversite of additional capital projects.

FINANCIAL IMPACT:

<table>
<thead>
<tr>
<th>Total Cost</th>
<th>Budgeted</th>
</tr>
</thead>
<tbody>
<tr>
<td>$161,413.00</td>
<td>FY 19: Yes, existing budget availability due to vacant engineer position</td>
</tr>
<tr>
<td>FY 19: $26,903.00</td>
<td>FY 20: Pending</td>
</tr>
<tr>
<td>FY 20: $134,510.00</td>
<td>Source of Funds: 1-30-580100-10-00000</td>
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AGENDA ITEM WORDING: Approve Execution of Purchase and Sale Agreement for Sale of Surplus Ice Plant Property to Two J’s Properties, LLC, in the amount of $2,250,000.00, and Approve Execution of Back-Up Purchase and Sale Agreement with Rafael Juan Ubeda in the amount of $2,250,000.00; Authorize General Manager/CEO to Execute All Attendant Documents.

REQUESTED ACTION: Motion to approve Execution of Purchase and Sale Agreement for Sale of Surplus Ice Plant Property to Two J’s Properties, LLC, in the amount of $2,250,000.00, and to Approve Execution of Back-Up Purchase and Sale Agreement with Rafael Juan Ubeda in the amount of $2,250,000.00, and to Authorize the General Manager/CEO to Execute All Attendant Documents.

DISCUSSION: The Utility Board issued KEYS Bid #01-19 seeking to sell its excess property commonly known as the “Ice Plant.” The “Ice Plant” is approximately 0.66 acres upland and 1.05 acres submerged bay bottom located at 6860/6900 Front Street Extended, Stock Island. Two J’s Properties, LLC, was the sole bidder complying with the terms and conditions of the RFP and the highest bidder with a bid of $1,810,000. As is customary, KEYS negotiated with the best and highest responder and negotiated a sale price of $2,250,000.00. The negotiated agreement provides for a $100,000.00 earnest money deposit, and a 21-day diligence period with closing occurring a maximum of 30 days after expiration of the diligence period. The agreement does not contain a financing contingency.

KEYS received an unsolicited offer from Rafael Juan Ubeda for the Ice Plant Property. Staff negotiated a back-up purchase and sale agreement in the amount of $2,250,000.00 with Mr. Ubeda, which becomes effective in the event of termination or cancellation of the agreement with Two J’s Properties, LLC. The negotiated agreement provides for a $100,000.00 earnest money deposit, and a 21-day diligence period with closing occurring a maximum of 30 days after expiration of the diligence period. The agreement does not contain a financing contingency.

FINANCIAL IMPACT

<table>
<thead>
<tr>
<th>Proceeds: $2,250,000.00</th>
<th>Budgeted: Yes</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Sale of Excess Real Property</td>
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<tr>
<td></td>
<td>Acct. # 1-00-421291-00-0000</td>
</tr>
<tr>
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<td>Source of Funds: N/A</td>
</tr>
</tbody>
</table>

Meeting Date: June 26, 2019
Proposer: Lynne E. Tejeda, General Manager & CEO
Department: Executive
Agenda Item #: 9c
ADDENDUM TO PURCHASE AND SALE AGREEMENT

THIS ADDENDUM TO PURCHASE AND SALE AGREEMENT (this "Addendum"), dated ___________________ 2019, is attached to that certain Purchase and Sale Agreement, dated of even date herewith ("Purchase and Sale Agreement") by and between the UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, d/b/a Keys Energy Services ("Seller") and 2 J’S PROPERTIES, LLC ("Purchaser") (Purchaser and Seller are referred to herein sometimes as a "Party" or the "Parties"). This Addendum is a material part of the Purchase and Sale Agreement, and the Seller and Purchaser make the following terms and conditions part of the Purchase and Sale Agreement:

RECITALS

WHEREAS, in connection with its offering of surplus properties, Seller requires that Purchaser utilize the form of Purchase and Sale Agreement provided by Seller; and

WHEREAS, Seller has determined to convey the Property to Purchaser, subject to additional terms provided by Seller, and Purchaser and Seller have agreed to utilize this Addendum in connection with the Seller’s proposed sale of the Property to Purchaser; and

WHEREAS, any capitalized term not otherwise defined herein shall have the meaning ascribed to it under the Agreement.

NOW THEREFORE, for and in consideration of the premises hereof, the sums of money to be paid hereunder, the mutual covenants herein contained and for other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, Seller and Purchaser hereby covenant, stipulate and agree as follows:

1. Recitals. The foregoing recitals are true and correct and are incorporated herein by this reference.

2. Purchase Price. Notwithstanding anything in the Purchase and Sale Agreement to the contrary, the Parties agree that the Purchase Price shall be TWO MILLION, TWO HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS ($2,250,000.00).

3. Earnest Money. Seller acknowledges that the $100,000.00 in Earnest Money required pursuant to Section 3 of the Purchase and Sale Agreement has been deposited with Seller to be held and disbursed by the Seller in accordance with the Purchase and Sale Agreement.

4. Due Diligence Period. The first sentence of subsection 7(b) of the Purchase and Sale Agreement is deleted in its entirety. A new subsection 7(f) of the Purchase and Sale Agreement is added to read as follows (all new language):

Notwithstanding anything in this Agreement to the contrary, in the event that for any reason in its sole discretion Purchaser determines that the Property is not suitable for Purchaser’s use, Purchaser may, by notice to Seller on or before the day that is twenty-one (21) days after the Effective Date (the “Due Diligence Period”), terminate this Agreement. In the event of any termination of the Agreement prior to the end of the Due Diligence Period, the Earnest Money Deposit shall be fully refunded to Purchaser and the parties shall be released from all further obligations hereunder except for the provisions of this section 7 which shall remain operative and survive Closing or termination of this Agreement, and all other provisions of this Agreement that expressly survive termination of this Agreement. Purchaser shall have the right to make all
physical inspections of the Property (inclusive of the seawall and the “icehouse”) on twenty-four (24) hours’ prior written notice to Seller, and e-mail or facsimile notice shall be acceptable for such purposes.

5. **Closing.** The first sentence of Section 8 is deleted in its entirety and replaced with the following:

Subject to extensions as provided elsewhere in this Agreement, and provided that all conditions precedent to the Parties’ obligations to close set forth in this Agreement have been satisfied or waived in writing, the closing of the transaction contemplated by this Agreement (the “Closing”) shall be no later than thirty (30) days after the last day of the Due Diligence Period, on a date selected by Buyer and agreed to by Seller (the “Closing Date”).

6. **Assignment.** Notwithstanding anything in Section 19 of the Purchase and Sale Agreement to the contrary, Purchaser shall have the right, without Seller’s consent, to assign this Purchase and Sale Agreement to an entity in which Purchaser or any of its affiliates, has a direct or indirect ownership interest. In the event of any such assignment, upon completion of final Closing under this Purchase and Sale Agreement, the original Purchaser shall be entirely relieved and released from all covenants, obligations and liabilities under this Purchase and Sale Agreement. In the case of any such assignment, Purchaser remains liable for performance under this Purchase and Sale Agreement until Closing has occurred.

7. **Counterparts.** This Addendum may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Each counterpart of this Addendum (and any notices delivered pursuant to the Purchase and Sale Agreement or this Addendum) may be delivered electronically, including by facsimile transmission or by electronic mail delivery of a signed counterpart (in PDF or other scanned format). The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon provided such signature page is attached to any other counterpart identical thereto.

8. **Conflicting Provisions.** In the event of any conflicts in terms between this Addendum and the terms and conditions of the Purchase and Sale Agreement, the terms and provisions of this Addendum shall control.

[SIGNATURES APPEAR ON THE FOLLOWING PAGES]
IN WITNESS WHEREOF, the Parties have executed this Addendum on the day and year set forth above.

SELLER:

UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA

By: ____________________________
Name: __________________________
Title: __________________________

PURCHASER:

2 J'S PROPERTIES, LLC

By: ____________________________
Name: Charles P. Mendola
Title: Authorized Signer
## Location:
6860 / 6900 Front Street Extended, Stock Island, Florida, Monroe County

## Site Size:
Approximately 0.66 acres upland and 1.05 acres submerged bay bottom

## Improvements:
Approximately 3,356 sq. ft. ice plant; Approximately 410 linear feet of dock

## Zoning:
Maritime Industries (MI)

## Real Estate Number(s):
00123580-000000 and part of 00123550-000000

## Habitat/Land Cover Type:
Developed

## Monroe County Tier#:
Tier III

## Water & Sewer:
Only water connected

## Comments:
All information is believed accurate but is not guaranteed. Bidders/purchasers should verify all information necessary before submitting a bid. Read the entire package before submitting a bid.

**TOTAL BID PRICE:** $1,810,000.00

**TOTAL BID PRICE IN WORDS:** One Million Eight Hundred Ten Thousand Dollars

**PROPOSED USE OF PROPERTY:** Bidder is acquiring the Property to be operated by the adjacent property owner in connection with the expansion of the existing commercial fishing operation. The adjacent property owners will have an ownership interest in the Bidder entity or the entity to be formed to take title to the Property upon closing.

**NAME OF BIDDER:** 2J's Properties, LLC

**ADDRESS:** 7/9 Harkrider St, 2nd Floor, Conway, AR 72032

**PHONE NO.:** (501) 923-4714

**EMAIL:** Raspoutwood@bakerlaw.com

**SUBMITTED BY:** Charles Philippe Mendola as authorized signor for 2J's.

**PRINT NAME:** Charles Philippe Mendola

**SIGNATURE:**

**DATE:** 5/3/19
PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "Agreement") is made and
effective as of the _____ day of ________, 20___ (the "Effective Date"), by and between the
UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, d/b/a Keys Energy Services
("Seller"), and ________________________ ("Buyer")
with a mailing address of ________________, and an email address of ________________.

Seller and Buyer are referred to separately as a “Party” and collectively as “Parties” in this Agreement.

RECITALS:

Seller seeks to sell certain real property (the “Property”) located on Stock Island in
Monroe County, Florida more particularly described on Exhibit “A-1” attached hereto and
incorporated herein, subject to the terms and conditions of this Agreement.

Buyer desires to purchase the Property, subject to the terms and conditions of this
Agreement.

AGREEMENT:

For and in consideration of the covenants and agreements herein contained and other
good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged
by Buyer and Seller, Buyer and Seller hereby represent, warrant, covenant and agree as follows:

1. Sale and Purchase.

   (a) Seller agrees to sell and convey the Property to Buyer, and Buyer agrees to
       purchase and accept the Property from Seller, for the Purchase Price (defined below), subject to
       the terms and conditions set forth in this Agreement.

   (b) Seller shall convey the Property to Buyer as described in this Agreement
       subject to the Permitted Exceptions (as defined below).

2. Purchase Price. Buyer agrees to pay to Seller at Closing (as defined below), the
   purchase price (the “Purchase Price”) for the Property in the amount of
   $1,810,000.00, One Million Eight Hundred Ten Thousand Dollars.
   The Purchase Price shall be paid in full at the Closing by Buyer to Fidelity National Title
   Insurance Company (the “Title Company”), by wire transfer of immediately available funds to
   an escrow account and the Title Company shall, in turn, pay to Seller the net proceeds due
   Seller from this sale, after adjustments, prorations and expenses provided for in this Agreement.
   by wire transfer of immediately available funds to a bank account designated by Seller.

3. Earnest Money. Within two (2) business days following the Effective Date of
   this Agreement, Buyer shall deposit in escrow with Seller, the sum of ONE HUNDRED
   THOUSAND AND 00/100 ($100,000.00) as an earnest money deposit (the “Earnest Money”).
   The Earnest Money shall be held and disbursed by the Seller in accordance with the terms of
   this Agreement. In the event the transaction contemplated by this Agreement is closed, the
Earnest Money shall be applied to the Purchase Price. In the event the transaction contemplated by this Agreement is not closed, the Earnest Money shall be disbursed in accordance with the provisions of this Agreement. In the event the Earnest Money is not deposited with the Seller within the time required by this Agreement, the Seller may, in its discretion, elect at any time to terminate this Agreement and/or pursue any other remedies available to it at law or in equity.

4. **Title, Commitment, and Survey.** Seller shall (i) convey title to the Property at closing by Quit Claim Deed in the form attached as Exhibit “B” as to the fee parcel, and (ii) grant an easement for the easement parcel described in Exhibit “A-2” (the “Easement Area”) by a Non-Exclusive Easement Agreement in the form of attached Exhibit “C”, all subject to those title exceptions (the “Title Exceptions”) set forth in Fidelity National Title Insurance Company Order Number 7221558, Revision No. 2 dated March 2, 2019 (the “Title Commitment”), attached as Exhibit “D” hereto, and those matters of title (“Survey Items”) reflected on the Survey prepared by Florida Keys Land Surveying, under Job Number 18-417, dated December 15, 2018 (the “Survey”), attached as Exhibit “E.” At Closing, Seller agrees to deliver to the Title Company an Owner’s Affidavit in the form attached as Exhibit “F.” All matters shown on the Title Commitment and Survey shall be deemed “Permitted Exceptions.” Seller will release any automatic mineral interest reservation which it possesses in the Property, pursuant to Section 270.11, Florida Statutes.

5. **Acknowledgment and Acceptance of Permitted Exceptions.** Buyer acknowledges that it has received and reviewed the Title Commitment attached as Exhibit D, along with a copy of each recorded document referenced in the Title Commitment either as a requirement to the issuance of a title policy or as a Title Exception, and the Survey, and Buyer has no objection to, and is deemed to accept, all matters and Permitted Exceptions identified in the Title Commitment and Survey. Seller has absolutely no obligation to cure any Permitted Exception shown in the Title Commitment or Survey.

6. **Sale Subject to Rights of Tenant; Easement.** Seller hereby discloses that Fishbusterz Retail, LLC (“Tenant”) occupies the Property under a lease from Seller to Tenant (the “Lease”). Further, in connection with the Lease, Seller discloses that Tropic Oil Company has been permitted to place a fuel tank on the Property. The sale of the Property to Buyer will be made subject to the rights of Tenant, and the Lease will be a Permitted Exception. At closing, Seller and Buyer shall execute the Assignment and Assumption of Lease and Guaranty attached as Exhibit “G”. Buyer acknowledges that the Lease, including all amendments, has been made available to Buyer for its review. Seller further discloses that Seller owns and operates certain overhead lines and poles upon the Property. At Closing, Buyer agrees to execute the Easement Agreement attached as Exhibit “H”.

7. **No Due Diligence Period.**

(a) Buyer acknowledges that Seller has provided or made available to Buyer various information and reports relating to the Property and Easement Area (collectively, the “Provided Information”). Buyer acknowledges that it has previously received and reviewed copies of the Provided Information. Buyer acknowledges that Seller has limited knowledge regarding the Property and Easement Area and is not occupying or operating the Property, and Buyer agrees Seller has no obligation under this Agreement to provide Buyer with any additional
information regarding the Property or Easement Area. Buyer agrees it will rely on its own due
diligence investigation of the Property and Easement Area to determine all aspects of the
Property and Easement Area, including the condition and suitability of the Property and
Easement Area for its intended uses. Seller makes no representation or warranties concerning
the Property and Easement Area and makes no representations or warranties concerning the
accuracy or completeness of any of the Provided Information.

(b) There shall be no due diligence period after the Effective Date and Buyer
acknowledges that the Earnest Money is not refundable and that Buyer has no right to terminate
this Agreement after the Effective Date. However, subject to the rights of Tenant under the
Lease, from the Effective Date until the Closing, Buyer and its employees, agents, contractors,
engineers, surveyors and representatives (collectively, "Consultants") may enter the Property to
make inspections, surveys, soil analysis (which does not require boring) and other non-invasive
tests, studies and surveys, including without limitation, environmental tests, and analysis and
studies within the Property, provided Buyer has given Seller and Tenant reasonable prior notice
in each instance. Seller may, at its election, have a representative or agent present during the
Buyer’s or Consultants’ access of the Property. Seller and its agents and representatives shall
reasonably cooperate with Buyer and the Consultants in connection with any test or inspection.
Notwithstanding the foregoing, if Buyer wishes to engage in a Phase II environmental study or
other testing or sampling of any kind with respect to soils or groundwater or other studies which
would require test boring of or other intrusions into the Property or which testing would
otherwise damage or disturb any portion of the Property or the existing improvements (the
"Improvements") thereon. Buyer shall obtain Seller’s prior written consent thereto, which
consent shall not be unreasonably withheld, conditioned, or delayed. If Seller approves any such
testing Buyer shall be responsible for, and shall dispose of, all such test samples in accordance
with applicable law at no cost or liability to Seller. Buyer shall provide to Seller copies of any
and all independent tests, studies or test results obtained after the Effective Date and relating to
the Property as soon as practical after Buyer’s receipt thereof. Buyer acknowledges that Seller is
under no obligation to extend the Closing date as a result of the incomplete status or the results
of any testing or inspection instituted by Buyer.

(c) In accessing the Property to perform tests and studies as permitted under
this Section, Buyer shall not interfere unreasonably with Tenant, Seller or Seller’s agents. Buyer
shall bear the cost of all inspections or tests undertaken by the Consultants and shall be
responsible for properly disposing of any wastes generated by those tests. The Property shall be
restored by Buyer or the Consultants to its original condition as of the Effective Date, at Buyer’s
or the Consultants’ sole expense following any site work by Buyer or any Consultant.

(d) To the fullest extent permitted by law, Buyer hereby indemnifies,
exoneration, releases, will defend and hold harmless Seller, and its affiliates, successors and
assigns, and their officers, elected and unelected officials, directors, attorneys, insurers,
employees, and agents, from and against any and all losses, liabilities, damages, claims,
demands, actions, judgments, suits, fines, penalties, costs or expenses (including but not limited
to reasonable consultants and attorneys’ fees, or injuries to any persons or property)
(collectively, "Claims") arising out of or resulting from (a) acts or omissions of Buyer or its
Consultants arising in any way from or relating to the Property or Easement Area; (b) the use,
occupancy and presence of Buyer or its Consultants, within the Property or Easement Area; and
(c) any liens, charges or other encumbrances which may be filed or asserted against the Property or Easement Area due to the failure of Buyer to pay when due all bills incurred, arising from Buyer or its Consultant’s access to the Property (collectively, the “Indemnity Scope”). Buyer’s obligations under this indemnification provision shall survive Closing or termination of this Agreement. This obligation to indemnify, exonerate, release, defend and hold harmless includes, without limitation, third-party Claims for contribution, reasonable attorneys’ fees. Claims for injury or alleged injury of any kind to any persons (including, but not limited to, death). Claims related to Buyer’s or Consultants’ interference with the operations of Tenant, and for any violation or alleged violation of any federal, state or local environmental, health or safety laws or any “release” or “threatened release” of any “hazardous substance” (as such term is defined in section 30 below) arising from or in any way connected to the Indemnity Scope.

(e) Buyer shall obtain (or cause its contractor or Consultant to obtain), at Buyer’s sole cost and expense, from and after the Effective Date, a policy of commercial general liability insurance covering any and all liability of Buyer with respect to or arising out of any investigative activities conducted by or on behalf of Buyer. Such policy of insurance shall be an occurrence policy and shall have liability limits of not less than One Million Dollars ($1,000,000.00) combined single limit per occurrence for bodily injury, personal injury and property damage liability. Such insurance policy shall name Seller and its successors and assigns as an additional insured and shall be in form and substance and issued by an insurance company reasonably satisfactory to Seller. Buyer shall keep the Property and Easement Area free and clear of any mechanics’ liens or materialmen’s liens related to Buyer’s right of inspection and Buyer’s activities contemplated by this Agreement.

8. Closing. Subject to extensions as provided elsewhere in this Agreement, and provided that all conditions precedent to the Parties’ obligations to close set forth in this Agreement have been satisfied or waived in writing, the closing of the transaction contemplated by this Agreement (the “Closing”) shall be no later than sixty (60) days after the Effective Date, on a date selected by Buyer and agreed to by Seller (the “Closing Date”). The Closing shall take place at the offices of the Title Company; at such time of day as may be mutually agreed upon by the Parties hereto. Neither Party shall be required to attend the Closing. Instead, the Closing may take place by means of an escrow arrangement pursuant to which each Party shall deliver to the Title Company all fully executed documents and funds required by this Agreement, together with any desired escrow instructions that are not inconsistent with this Agreement.

9. No Financing Contingency. Buyer acknowledges there is no financing contingency under this Agreement and the Buyer shall be required to perform its obligations under this Agreement notwithstanding Buyer’s ability or inability to secure financing for the purchase of the Property.

10. No Encumbering Property by Buyer Prior to Closing. It is expressly agreed and understood between the Parties that nothing in this Agreement shall ever be construed as empowering the Buyer to encumber or cause to be encumbered the title or interest of Seller in the Property or Easement Area in any manner whatsoever. In the event that regardless of this prohibition, any person furnishing or claiming to have furnished labor or materials at the request of the Buyer or of any person claiming by, through or under the Buyer shall file a lien against
the Property. Buyer, within thirty (30) days after being notified thereof, shall cause said lien to be satisfied of record or the affected property released therefrom by the posting of a bond or other security as prescribed by law, or shall cause same to be discharged as a lien against the affected property by an order of a court having jurisdiction to discharge such lien. In the event the lien is not discharged as required above, Seller may advance funds necessary to discharge the lien and recover any amounts so paid, including costs and attorneys’ fees incurred, from Buyer.

11. **Closing Conditions.**

(a) The Seller will execute and deliver documents reasonably necessary to consummate the sale-purchase transaction of the Property contemplated by the Agreement, including:

(i) A Quit Claim deed ("Deed"), in the form attached as Exhibit B, subject to the Permitted Encumbrances;

(ii) A closing statement evidencing the financial terms of the transaction ("Closing Statement");

(iii) A Non-Exclusive Easement Agreement in the form attached as Exhibit C, subject to the Permitted Encumbrances;

(iv) Duly executed certificate of Seller stating Seller’s U.S. Taxpayer Identification Number, and that Seller is not a “foreign person” within the meaning of the Internal Revenue Code for the purposes of substantiating exemption from the withholding provisions of the Tax Reform Act of 1984; and

(v) An Owner’s Affidavit in the form attached as Exhibit E;

(vi) The Assignment and Assumption of Lease and Guaranty in the form attached as Exhibit G;

(vii) The Easement Agreement in the form attached as Exhibit H; and

(viii) Other documents or certifications reasonably requested by the Title Company, to have the standard exceptions deleted from an owner’s or lenders’ title insurance policy.

(b) The Buyer will execute and deliver documents reasonably necessary to consummate the sale-purchase transaction of the Property contemplated by the Agreement, including:

(i) The Closing Statement;

(ii) If Buyer is an entity, instruments in form and substance satisfactory to Seller and Title Company evidencing the status, capacity and authority of Buyer and its representatives to consummate the transaction contemplated by this Agreement;
(iii) The Non-Exclusive Easement Agreement in the form attached as Exhibit C, subject to the Permitted Encumbrances;

(iv) The Assignment and Assumption of Lease and Guaranty in the form attached as Exhibit G; and

(v) The Easement Agreement in the form attached as Exhibit H; and

(vi) Other documents or certifications reasonably requested by Seller or the Title Company.

(c) Buyer, at Buyer's sole cost and expense, shall deliver or cause to be delivered to Seller through the Title Company, wired funds, in an amount equal to the Purchase Price, all as set forth on the Closing Statement.

(d) Seller shall be responsible for the payment of the following items prior to or at the time of Closing: (i) Deed preparation, and (ii) its own legal fees.

(e) Buyer shall pay all closing expenses of any kind which Seller has not agreed to pay pursuant to this Agreement, including, without limitation, Buyer shall be responsible for the payment of the following items prior to or at the time of Closing: (i) all recording fees payable in connection with the transfer of the Property and the Easements; (ii) documentary stamp taxes due in connection with the recording of the Deed; (iii) all title premiums or search charges for the Title Commitment and title policies, (iii) the costs of any Survey obtained by Buyer, (iv) all financing expenses; (v) all costs to cure any Permitted Encumbrance, (vi) its own legal fees, and (vii) any costs, including without limitation, documentary stamp taxes, associated with any financing for the purchase of the Property.

(f) There shall be no proration of any ad valorem and similar taxes and assessments, if any, relating to the Property and Seller will not be responsible for any ad valorem taxes or any assessments.

(g) Buyer shall notify all utility companies that as of the date of Closing, Buyer shall own the Property and that all utility bills are to be sent to Buyer.

(h) Subject to the Lease and other Permitted Encumbrances and the other matters described herein, Seller shall deliver possession of the Property to Buyer on the date of Closing.

12. Seller's Covenants. From and after the Effective Date, Seller shall not (i) enter into any leases for the Property without Buyer's prior written consent. (ii) enter into any long-term service or maintenance contracts regarding the Property, without Buyer's prior written consent.


(a) Seller's representations and Warranties. Seller represents and warrants to Buyer as follows:
(i) Seller has the power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution, delivery and performance of this Agreement and the other agreements and documents to be executed and delivered by Seller pursuant to the provisions of this Agreement have been duly authorized by all necessary municipal action on the part of Seller.

(ii) Seller is not a "foreign person" as such term is defined in Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended.

(iii) To the best of Seller's knowledge, there are no pending or threatened condemnation or similar proceedings to take any portion of the Property by power of eminent domain.

(b) **Buyer's Representations and Warranties.** Buyer hereby represents and warrants to Seller as follows:

(i) Buyer is one of the following:

(1) a limited liability company duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, or

(2) a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, or

(3) a partnership, limited partnership, or limited liability limited partnership duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, or

(4) one or more natural persons who have full legal rights and capacity to make this Agreement,

(5) a trust or trustee of a trust validly existing under the laws of the jurisdiction of its creation.

(ii) Buyer has the requisite legal power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution, delivery and performance of this Agreement and any other agreements and documents to be executed and delivered by Buyer pursuant to the provisions of this Agreement have been duly authorized by all necessary for action on the part of Buyer. This Agreement has been duly executed and delivered on behalf of Buyer and is a legal, valid, and binding obligation of Buyer enforceable against Buyer in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization or other laws or equitable principles relating to or affecting the enforcement of creditors' rights.

(iii) Neither the execution, delivery or performance of this Agreement by Buyer nor the consummation of any of the transactions provided for in this Agreement will (i) violate or conflict with any provision of any by laws, articles or operating or other agreements of
Buyer; (ii) result in any breach of or default by Buyer under any provision of any material contract or agreement of any kind to which Buyer is a party or by which Buyer is bound or to which the properties or assets of the Buyer is subject; or (iii) is prohibited by, or requires Buyer to obtain or make any consent, authorization, approval, registration or filing under, any statute, law, ordinance, regulation, rule, judgment, decree or order of any court or governmental agency, board, bureau, body, department or authority.

(iv) There are no actions, suits, proceedings or investigations, either at law or in equity, or before any commission or other administrative authority in any United States or foreign jurisdiction, of any kind now pending or, to Buyer’s knowledge, threatened or proposed in any manner, or any circumstances which should or could reasonably form the basis of any such action, suit, proceeding or investigation, involving Buyer or any of its respective properties or assets that: (i) questions the validity of this Agreement; or (ii) seeks to delay, prohibit or restrict in any manner any action taken or contemplated to be taken by Buyer under this Agreement.

14. Brokers/Agents. Seller and Buyer each represent and warrant to the other that it has not engaged the services of any agent, broker, or other similar party who is seeking a commission in connection with this transaction. Each Party shall indemnify and hold the other party harmless from any and all claims, including attorney’s fees and costs, made by all third parties claiming by or through the Party from whom indemnification is sought, for the payment of any commission, finder’s fee or similar payment due in connection with the purchase by Buyer of the Property.

15. Notices. Any notice under this Agreement shall be in writing and shall be deemed to have been served and received (i) when delivered in person to the address set forth below for Seller and the Buyer’s mailing address set forth in this Agreement, (ii) the next business day, if deposited into the custody of FedEx Corporation (“FedEx”) to be sent by FedEx Overnight Delivery or other reputable overnight carrier for next day delivery, addressed to the Party at the address specified for such Party in this Agreement, or (iii) upon transmission if electronically transmitted to the Party at the email address or telecopy number listed in this Agreement for such Party, provided that the electronic transmission is confirmed by the recipient on the date of the transmission. From time to time either Party may designate another address or telecopy number under this Agreement by giving the other Party advance written notice of the change.

Seller’s Address:

Utility Board of The City of Key West,
Florida, d/b/a Keys Energy Services
1001 James Street
Key West, Florida 33040
Attn.: Lynne Tejeda, CEO
and General Manager
Phone: (305) 295-1040
Email: Lynne.Tejeda@KeysEnergy.com
16. **Termination, Default, and Remedies.**

(a) Buyer acknowledges that Seller is a municipal utility and approval of Seller's Utility Board will be required prior to execution of this Agreement by Seller. Seller will identify a deadline ("Offer Deadline") for submittal to Seller of proposals to purchase the Property, and Buyer shall execute this Agreement and deliver to Seller prior to the Offer Deadline. Once executed and delivered to Seller, Buyer may not withdraw its offer to purchase the Property set forth in this Agreement, but if this Agreement is not signed by Seller and an executed copy delivered to Buyer within seventy (70) days after the Offer Deadline, this Agreement will automatically terminate and be of no further force or effect and the Earnest Money will be returned to Buyer.

(b) If Buyer fails or refuses to consummate the purchase of the Property pursuant to this Agreement on or before the date of Closing for any reason other than Seller's prior failure to perform Seller's obligations under this Agreement, then Seller, as Seller's sole and exclusive remedy, shall have the right to terminate this Agreement by giving written notice thereof to Buyer on or before the date of Closing and retain the Earnest Money as liquidated damages and not as a penalty or forfeiture, whereupon neither Party hereto shall have any further rights or obligations hereunder except those which expressly survive termination of the Agreement.

(c) If Seller fails or refuses to consummate the sale of the Property pursuant to this Agreement on or before the date of Closing or fails to perform any of Seller's obligations hereunder for any reason other than due to Buyer's prior failure to perform Buyer's obligations under this Agreement, then Buyer, at Buyer's option, shall have the sole remedy of terminating this Agreement by giving written notice thereof to Seller on or before the date of Closing and receiving the return of the Earnest Money, and thereafter neither Party hereto shall have any further rights or obligations hereunder except those which expressly survive termination of the Agreement.

(d) IN NO EVENT SHALL SELLER BE LIABLE FOR ANY SPECIAL, INDIRECT, PUNITIVE, EXEMPLARY, INCIDENTAL OR CONSEQUENTIAL LOSS OR DAMAGES OF ANY NATURE HOWSOEVER CAUSED, AND WHETHER BASED ON CONTRACT, TORT (INCLUDING NEGLIGENCE), INDEMNITY, STRICT LIABILITY OR ANY OTHER THEORY OF THE LAW.
17. **Entire Agreement.** This Agreement and any written addenda and all exhibits hereto (which are expressly incorporated herein by this reference) shall constitute the entire agreement between Buyer and Seller; no prior written or prior or contemporaneous oral promises or representations shall be binding. All prior understandings and agreements between the Parties with respect to the subject matter of this Agreement are merged within this Agreement, which alone fully and completely sets forth the understanding of the Parties with respect thereto. This Agreement shall not be amended, changed or extended except by written instrument signed by both Parties hereto.

18. **Successors and Assigns.** Subject to the restrictions on transfer set forth in this Agreement, this Agreement shall be binding upon and inure to the benefits of the successors and assigns of the parties hereto. In no event shall Buyer have any right to delay or postpone the Closing to create a partnership, corporation or other form of business association or to obtain financing to acquire title to the Property or to coordinate with any other sale, transfer, exchange or conveyance. This Agreement is for the sole benefit of the Parties hereto and no other person or entity shall be a third party beneficiary hereunder.

19. **Assignment.** This Agreement is personal to Seller and Buyer and Seller and Buyer shall not be entitled to assign such rights under this Agreement without prior written consent of Seller.

20. **Time of the Essence.** Time is of the essence under this Agreement.

21. **Taking Prior to Closing.** If, prior to Closing, the Property or any portion thereof becomes subject to a taking by virtue of eminent domain, Buyer may, in Buyer’s sole discretion, either (i) terminate this Agreement and neither Party shall have any further rights or obligations hereunder, or (ii) proceed with the Closing of the transaction with an adjustment in the Purchase Price to reflect the net square footage of the Property after the taking.

22. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

23. **Attorneys’ Fees.** If any action or proceeding is commenced by either Party to enforce their rights under this Agreement or to collect damages as a result of the breach of any of the provisions of this Agreement, neither Party in such action or proceeding, including any bankruptcy, insolvency or appellate proceedings, shall be entitled to recover costs and expenses, including, without limitation, attorneys’ fees and court costs, in addition to any other relief awarded by the court. The provisions of this Section will survive the Closing or the termination of this Agreement.

24. **Severability.** If any provision of this Agreement is held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability will not affect any other provision, and this Agreement will be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

25. **Business Days.** If the date of Closing or the day for performance of any act required under this Agreement falls on a Saturday, Sunday, or legal holiday, then the date of
Closing or the day for such performance, as the case may be, shall be the next following regular business day.

26. **Counterparts.** This Agreement may be executed in multiple counterparts, each of which will be deemed an original, but which together will constitute one instrument.

27. **Lead Based Paint/Lead Warning Statement.** Buyer acknowledges that the Property may have been built prior to 1978 and lead-based paint and lead-based paint hazards may be present on the Property. Further, Buyer acknowledges receipt of the information set forth in the Provided Information, and that it has received disclosure of information from Seller regarding hazards of Lead Based Paint promulgated by the United States Environmental Protection Agency. Seller has no knowledge of lead-based paint and/or lead-based paint hazards in the Property except as may be set forth in the Provided Materials. As a result, Seller has complied with any and all requirements it may have to notify Buyer of the potential presence of and hazards of lead based paint at the Property and by its execution hereof. Buyer acknowledges same.

28. **Fire and Other Casualty.** In the event of damage by fire or other casualty to the Property prior to the Closing requiring demolition of a “material portion of the Improvements,” as determined by Seller, Buyer may, in Buyer’s sole discretion, either (i) terminate this Agreement and neither Party shall have any further rights or obligations hereunder (except obligations that survive termination of this Agreement), or (ii) proceed with the Closing. As used herein, the term “material portion of the Improvements” shall mean those Improvements for which the “cost of demolition” would exceed two hundred fifty thousand dollars ($250,000.00). As used herein, the term “cost of demolition” shall mean an estimate of the actual cost of demolition obtained by Buyer from a reputable independent contractor, selected by Buyer and reasonably approved by Seller, regularly doing business in the county in which the Property is located.

29. **Disclaimer.** Buyer represents and warrants that Buyer has inspected or will inspect the Property and Easement Area and will conduct tests and studies of the Property as determined necessary by Buyer, and that Buyer is or will become familiar, in all respects, with the condition of the Property and Easement Area. Buyer represents and warrants that Buyer is acting, and will act only, upon information obtained by Buyer directly from Buyer’s own inspection of the Property and Easement Area and that no person acting on behalf of Seller is authorized to make, and that no person has made, any representation, agreement, statement, warranty, guarantee or promise regarding the Property, Easement Area, or the transaction contemplated herein or the zoning, construction, physical condition or other status of the Property or Easement Area except as may be expressly set forth in this Agreement.

30. **As Is, Where Is Condition.** BUYER ACKNOWLEDGES AND AGREES THAT, EXCEPT AS MAY BE EXPRESSLY PROVIDED IN THIS AGREEMENT, NEITHER SELLER NOR ANY OF SELLER’S OFFICERS, DIRECTORS, OFFICIALS, EMPLOYEES, MEMBERS, PRINCIPALS, OR AFFILIATES NOR ANY OF THEIR AGENTS OR REPRESENTATIVES HAS MADE, DOES NOT MAKE AND SPECIFICALLY NEGATES AND DISCLAIMS ANY REPRESENTATIONS, WARRANTIES, OR GUARANTIES OF ANY KIND, WHETHER EXPRESS OR IMPLIED, ORAL OR WRITEN, PAST, PRESENT
OR FUTURE, OF, AS TO, CONCERNING OR WITH RESPECT TO (I) THE VALUE OF THE PROPERTY; (II) THE INCOME TO BE DERIVED FROM THE PROPERTY; (III) THE SUITABILITY OF THE PROPERTY AND EASEMENT AREA FOR ANY AND ALL ACTIVITIES AND USES WHICH BUYER MAY CONDUCT THEREON; (IV) THE HABITABILITY, MERCHANTABILITY, MARKETABILITY, PROFITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE PROPERTY AND EASEMENT AREA; (V) THE MANNER, QUALITY, STATE OF REPAIR OR LACK OF REPAIR OF THE PROPERTY AND EASEMENT AREA; (VI) THE NATURE, QUALITY OR CONDITION OF THE PROPERTY AND EASEMENT AREA; (VII) THE COMPLIANCE OF OR BY THE PROPERTY AND EASEMENT AREA OR THEIR OPERATION WITH ANY LAWS, RULES, ORDINANCES OR REGULATIONS OF ANY APPLICABLE GOVERNMENTAL AUTHORITY OR BODY; (VIII) THE MANNER OR QUALITY OF THE CONSTRUCTION OR MATERIALS, IF ANY, INCORPORATED INTO THE PROPERTY AND EASEMENT AREA; (IX) COMPLIANCE WITH ANY ENVIRONMENTAL PROTECTION, POLLUTION OR LAND USE LAWS, RULES, REGULATION, ORDERS OR REQUIREMENTS; (X) THE PRESENCE OR ABSENCE OF HAZARDOUS SUBSTANCES, MATERIALS OR WASTES, POLLUTANTS OR CONTAMINANTS, MOLD, OR OTHER CONDITIONS AFFECTING HEALTH AT, ON, UNDER, OR ADJACENT TO THE PROPERTY OR EASEMENT AREA; (XI) THE CONFORMITY OF THE IMPROVEMENTS TO ANY PLANS OR SPECIFICATIONS FOR THE PROPERTY OR EASEMENT AREA; (XII) THE CONFORMITY OF THE PROPERTY OR EASEMENT AREA TO PAST, CURRENT OR FUTURE APPLICABLE ZONING OR BUILDING REQUIREMENTS; (XIII) DEFICIENCY OF ANY DRAINAGE; (XIV) THE EXISTENCE OF VESTED LAND USE, ZONING OR BUILDING ENTITLEMENTS AFFECTING THE PROPERTY OR EASEMENT AREA; (XV) THE FACT THAT ALL OR A PORTION OF THE PROPERTY OR EASEMENT AREA MAY BE LOCATED ON OR NEAR AN EARTHQUAKE FAULT LINE, SINKHOLE, FLOOD ZONE OR OTHER NATURAL HAZARD; (XVI) SERVICE OF THE PROPERTY OR EASEMENT AREA BY WATER, POWER AND/OR ANY OTHER UTILITY; OR (XVII) WITH RESPECT TO ANY OTHER MATTER. AS PART OF BUYER’S AGREEMENT TO PURCHASE AND ACCEPT THE PROPERTY AND TO ACCEPT THE GRANT OF EASEMENT FOR THE EASEMENT AREA “AS-IS WHERE-IS,” AND NOT AS A LIMITATION ON SUCH AGREEMENT, BUYER HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY AND ALL ACTUAL OR POTENTIAL RIGHTS BUYER MIGHT HAVE REGARDING ANY FORM OF WARRANTY, EXPRESS OR IMPLIED, OF ANY KIND OR TYPE, RELATING TO THE PROPERTY AND EASEMENT AREA. SUCH WAIVER IS ABSOLUTE, COMPLETE, TOTAL AND UNLIMITED IN ANY WAY. SUCH WAIVER INCLUDES, BUT IS NOT LIMITED TO, A WAIVER OF EXPRESS WARRANTIES, IMPLIED WARRANTIES, WARRANTIES OF FITNESS FOR A PARTICULAR USE, WARRANTIES OF MERCHANTABILITY, WARRANTIES OF HABITABILITY, STRICT LIABILITY RIGHTS, AND CLAIMS, LIABILITIES, DEMANDS OR CAUSES OF ACTION OF EVERY KIND AND TYPE, WHETHER STATUTORY, CONTRACTUAL OR UNDER TORT PRINCIPLES, AT LAW OR IN EQUITY.

31. **Hazardous Materials.** If Buyer discovers any hydrocarbon substances, polychlorinated biphenyls, or any other hazardous or toxic substances, wastes or materials (as determined under federal, state or local law then in effect), asbestos or asbestos-bearing materials or other environmental condition subject to legal requirements for corrective action or
affecting the Property or the Easement Area (a "Hazardous Substance"), Buyer shall immediately notify Seller, and if such discovery is made after the Closing. Buyer shall cause the condition to be corrected in accordance with applicable law. FROM AND AFTER THE CLOSING, BUYER SHALL PROTECT, DEFEND, INDEMNIFY AND HOLD SELLER AND ITS AFFILIATES AND THEIR RESPECTIVE OFFICERS, EMPLOYEES, ELECTED OFFICIALS, APPOINTED OFFICIALS, AND AGENTS (COLLECTIVELY, "SELLER ENTITIES") FREE AND HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS (INCLUDING THIRD PARTY CLAIMS), DEMANDS, LIABILITIES, DAMAGES, COSTS AND EXPENSES, INCLUDING, WITHOUT LIMITATION, INVESTIGATORY EXPENSES, CLEAN-UP COSTS AND REASONABLE ATTORNEY'S FEES OF WHATEVER KIND OR NATURE (COLLECTIVELY, "CLAIMS") ARISING FROM OR IN ANY WAY CONNECTED WITH THE PHYSICAL CONDITION OF THE PROPERTY OR EASEMENT AREA OR ANY OTHER ASPECT OF THE PROPERTY OR EASEMENT AREA, NO MATTER WHETHER EARLIER DISCOVERABLE OR NOT AND ANY EFFORT OF BUYER AND/OR BUYER'S CONTRACTORS TO CORRECT THE SAME. THIS INDEMNIFICATION DOES NOT APPLY TO THE EXTENT ANY INDEMNIFIED MATTERS ARE CAUSED BY THE FRAUD, GROSS NEGLIGENCE, OR WILLFUL MISCONDUCT OF ANY SELLER ENTITIES. Buyer's obligations of indemnity set forth herein shall survive the Closing and shall not be merged with the Deed.

32. **Waiver of Trial By Jury.** BUYER AND SELLER HEREBY AGREE AS FOLLOWS: (A) EACH OF THEM KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LAWSUIT, PROCEEDING, COUNTERCLAIM, OR OTHER LITIGATION (AN "ACTION") BASED UPON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY RELATED DOCUMENTS, INSTRUMENTS, OR AGREEMENTS (WHETHER ORAL OR WRITTEN AND WHETHER EXPRESS OR IMPLIED AS A RESULT OF A COURSE OF DEALING, A COURSE OF CONDUCT, A STATEMENT, OR OTHER ACTION OF EITHER PARTY); (B) NEITHER OF THEM MAY SEEK A TRIAL BY JURY IN ANY SUCH ACTION; (C) NEITHER OF THEM WILL SEEK TO CONSOLIDATE ANY SUCH ACTION (IN WHICH A JURY TRIAL HAS BEEN WAIVED) WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED: AND (D) NEITHER OF THEM HAS IN ANY WAY AGREED WITH OR REPRESENTED TO THE OTHER OF THEM THAT THE PROVISIONS OF THIS SECTION WILL NOT BE FULLY ENFORCED IN ALL Instances.

33. **Radon Gas.** Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health department.

*Signatures appear on the following pages*
IN WITNESS WHEREOF, the Parties have caused these presents to be executed on the day and year indicated above.

"SELLER"

UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, d/b/a Keys Energy Services

By: __________________________
Name: _________________________
Title: __________________________
Dated: _________________________
IN WITNESS WHEREOF, the Parties have caused these presents to be executed on the
day and year indicated above.

BUYER:

2 J's Properties, LLC

By: ________________

Name: Charus Philippe Mendola

Title: Authorized Signor
EXHIBIT “A-1”

LEGAL DESCRIPTION OF PROPERTY

A parcel of land and submerged land on Stock Island, Monroe County, Florida, being more particularly described by metes and bounds as follows:

Commencing at the intersection of the Southerly right-of-way line of Fifth Avenue and the Easterly right-of-way line of Fifth Street, thence South 83°56'00" East, for a distance of 500.00 feet; thence South 06°04'00" West, for a distance of 2242.25 feet; thence South 83°56'00" East, for a distance of 2131.53 feet; thence North 06°04'00" East, for a distance of 988.46 feet to the Point of Beginning; thence South 81°21'11" West, for a distance of 464.14 feet; thence North 09°05'12" West, for a distance of 33.50 feet; thence South 81°26'09" West, for a distance of 222.90 feet; thence North 08°05'20" East, for a distance of 85.99 feet to the Southerly boundary line of a parcel of land as described in Official Records Book 2294. Page 1587, of the Public Records of Monroe County, Florida; thence North 81°50'40" East and along the Southerly boundary line of the said parcel of land as described in Official Records Book 2294. Page 1587, of the Public Records of Monroe County, Florida, for a distance of 716.44 feet to the Southeast corner of the said parcel; thence South 06°04'00" West, for a distance of 117.53 feet back to the Point of Beginning.

EXHIBIT “A-2”

LEGAL DESCRIPTION OF EASEMENT AREA

Together with a nonexclusive easement for ingress and egress as follows:

A parcel of land on Stock Island, Monroe County, Florida, being more particularly described by metes and bounds as follows:

Commencing at the intersection of the Southerly right-of-way line of Fifth Avenue and the Easterly right-of-way line of Fifth Street, thence South 83°56'00" East, for a distance of 500.00 feet; thence South 06°04'00" West, for a distance of 2242.25 feet; thence South 83°56'00" East, for a distance of 2131.53 feet; thence North 06°04'00" East, for a distance of 988.46 feet to the Point of Beginning; thence continue North 06°04'00" East, for a distance of 117.53 feet to the Northerly boundary line of a parcel of land described as Parcel "B" in Official Records Book 359, Page 70, of the Public Records of Monroe County, Florida; thence North 81°50'40" East and along the Northerly boundary line of the said Parcel "B" for a distance of 51.58 feet to the Northeasternly corner of said Parcel "B"; thence South 06°04'00" West and along the Easterly boundary line of the said Parcel "B", for a distance of 117.07 feet; thence South 81°21'11" West, a distance of 51.70 feet back to the Point of Beginning.
ADDENDUM TO PURCHASE AND SALE AGREEMENT

THIS ADDENDUM TO PURCHASE AND SALE AGREEMENT (this “Addendum”), dated ______________, 2019, is attached to that certain Purchase and Sale Agreement, dated of even date herewith (“Purchase and Sale Agreement”) by and between the UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, d/b/a Keys Energy Services (“Seller”) and RAFAEL JUAN UBEDA (“Purchaser”) (Purchaser and Seller are referred to herein sometimes as a “Party” or the “Parties”). This Addendum is a material part of the Purchase and Sale Agreement, and the Buyer and Purchaser make the following terms and conditions part of the Purchase and Sale Agreement:

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WHEREAS, in connection with its offering of surplus properties, Seller has on or about the date hereof entered into a separate purchase and sale agreement with a third party, its successors and assigns for the sale of the Property (the “First Sale”); and

WHEREAS, Seller and Purchaser desire to enter into an agreement whereby if the First Sale is terminated or cancelled, the Purchase and Sale Agreement between Seller and Purchaser, as amended by this Addendum, shall become effective on the terms herein; and

WHEREAS, any capitalized term not otherwise defined herein shall have the meaning ascribed to it under the Agreement.

NOW THEREFORE, for and in consideration of the premises hereof, the sums of money to be paid hereunder, the mutual covenants herein contained and for other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, Seller and Purchaser hereby covenant, stipulate and agree as follows:

1. Recitals. The foregoing recitals are true and correct and are incorporated herein by this reference.

2. Property Already Sold. Seller and Purchaser understand and agree that as of the date of the Purchase and Sale Agreement and this Addendum, Seller has entered into the First Sale to sell the property to 2 J’s Properties, LLC, its successors and assigns. Seller reserves the right to change or amend the terms, including but not limited to terms related to price and time, of the First Sale without notice to Purchaser, and Seller is not obligated to sell the Property to Purchaser unless and until the First Sale terminates or is cancelled, as set forth herein. Purchaser shall not interfere in any way with the First Sale. Unless and until the conditions of Section 4, below, are satisfied, Purchaser shall have no interest in and no right to purchase the Property.

3. Earnest Money Deposit. On or before the third (3rd) business day after execution of the Purchase and Sale Agreement and this Addendum, Purchaser shall remit to Seller an Earnest Money deposit in the amount of ONE HUNDRED THOUSAND AND 00/100 ($100,000.00), in the form of a cashier’s check, to be held and disbursed by Seller pursuant to the terms of the Purchase and Sale Agreement and this Addendum.

4. Failure of First Sale to Close; Effective Date. No later than three (3) business days after Seller learns that the first sale is terminated or cancelled, Seller shall give notice to Purchaser that this condition is satisfied. Notwithstanding anything to the contrary contained within the Purchase and Sale Agreement, the Effective Date of the Purchase and Sale Agreement shall be the date upon which Seller provides such notice to Purchaser.
5. **Expiration of Back Up Offer; Return of Earnest Money Deposit.** The Purchase and Sale Agreement and this Addendum shall terminate automatically upon the earlier of: (1) the date which is sixty (60) days after the date of execution of the Purchase and Sale Agreement and this Addendum, if Seller has not given notice to Purchaser in accordance with Section 4, above; or (2) the closing of the First Sale. In the event of such termination, the Earnest Money Deposit shall be fully refunded to Purchaser and the parties shall be released from all further obligations of the Purchase and Sale Agreement and this Addendum, except for the provisions which expressly survive termination of the Purchase and Sale Agreement and this Addendum.

6. **Due Diligence Period.** The first sentence of subsection 7(b) of the Purchase and Sale Agreement is deleted in its entirety. A new subsection 7(f) of the Purchase and Sale Agreement is added to read as follows (all new language):

   Notwithstanding anything in this Agreement to the contrary, in the event that for any reason in its sole discretion Purchaser determines that the Property is not suitable for Purchaser’s use, Purchaser may, by notice to Seller on or before the day that is twenty-one (21) days after the Effective Date (the “Due Diligence Period”), terminate this Agreement. In the event of any termination of the Agreement prior to the end of the Due Diligence Period, the Earnest Money Deposit shall be fully refunded to Purchaser and the parties shall be released from all further obligations hereunder except for the provisions of this section 7 which shall remain operative and survive Closing or termination of this Agreement, and all other provisions of this Agreement that expressly survive termination of this Agreement. Purchaser shall have the right to make all physical inspections of the Property (inclusive of the seawall and the “icehouse”) on twenty-four (24) hours’ prior written notice to Seller, and e-mail or facsimile notice shall be acceptable for such purposes.

7. **Closing.** The first sentence of Section 8 is deleted in its entirety and replaced with the following:

   Subject to extensions as provided elsewhere in this Agreement, and provided that all conditions precedent to the Parties’ obligations to close set forth in this Agreement have been satisfied or waived in writing, the closing of the transaction contemplated by this Agreement (the “Closing”) shall be no later than thirty (30) days after the last day of the Due Diligence Period, on a date selected by Buyer and agreed to by Seller (the “Closing Date”).

8. **Assignment.** Notwithstanding anything in Section 19 of the Purchase and Sale Agreement to the contrary, Purchaser shall have the right, without Seller’s consent, to assign this Purchase and Sale Agreement to an entity in which Purchaser has a direct or indirect ownership interest. In the event of any such assignment, upon completion of final Closing under this Purchase and Sale Agreement, the original Purchaser shall be entirely relieved and released from all covenants, obligations and liabilities under this Purchase and Sale Agreement. In the case of any such assignment, Purchaser remains liable for performance under this Purchase and Sale Agreement until Closing has occurred.

9. **Counterparts.** This Addendum may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Each counterpart of this Addendum (and any notices delivered pursuant to the Purchase and Sale Agreement or this Addendum) may be delivered electronically, including by facsimile transmission or by electronic mail delivery of a signed counterpart (in PDF or other scanned format). The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon provided such signature page is attached to any other counterpart identical thereto.
10. **Conflicting Provisions.** In the event of any conflicts in terms between this Addendum and the terms and conditions of the Purchase and Sale Agreement, the terms and provisions of this Addendum shall control.

**IN WITNESS WHEREOF,** the Parties have executed this Addendum on the day and year set forth above.

**SELLER:**

**UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA**

By: ________________________________
Name: ______________________________
Title: ______________________________

**PURCHASER:**

**RAFAEL JUAN UBEDA**

By: ________________________________
Name: ______________________________
ATTACHMENT A

REAL ESTATE PURCHASE AND SALE AGREEMENT

INCLUDING FOLLOWING EXHIBITS:

A-1: Legal Description, Property to be Conveyed
A-2: Legal Description, Easement Area
B: Quit Claim Deed Form
C: Non-Exclusive Easement Agreement Form
D: Title Commitment
E: Survey
F: Owner’s Affidavit Form
G: Assignment and Assumption of Lease and Guaranty
H: Grant of Easement
PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this “Agreement”) is made and effective as of the ______ day of __________, 20____ (the “Effective Date”), by and between the
UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, d/b/a Keys Energy Services (“Seller”), and Rafael Juan Ubeda
with a mailing address of 24 Ventana Ln., Key West, FL 33040
and an email address of C/O Louis Paez (paezlouis@hotmail.com). Seller and Buyer are referred to separately as a “Party” and collectively as “Parties” in this Agreement.

RECITALS:

Seller seeks to sell certain real property (the “Property”) located on Stock Island in Monroe County, Florida more particularly described on Exhibit “A-1” attached hereto and incorporated herein, subject to the terms and conditions of this Agreement.

Buyer desires to purchase the Property, subject to the terms and conditions of this Agreement.

AGREEMENT:

For and in consideration of the covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Buyer and Seller, Buyer and Seller hereby represent, warrant, covenant and agree as follows:

1. **Sale and Purchase.**

   (a) Seller agrees to sell and convey the Property to Buyer, and Buyer agrees to purchase and accept the Property from Seller, for the Purchase Price (defined below), subject to the terms and conditions set forth in this Agreement.

   (b) Seller shall convey the Property to Buyer as described in this Agreement subject to the Permitted Exceptions (as defined below).

2. **Purchase Price.** Buyer agrees to pay to Seller at Closing (as defined below), the purchase price (the “Purchase Price”) for the Property in the amount of $2,250,000.00.

The Purchase Price shall be paid in full at the Closing by Buyer to Fidelity National Title Insurance Company (the “Title Company”), by wire transfer of immediately available funds to an escrow account and the Title Company shall, in turn, pay to Seller the net proceeds due Seller from this sale, after adjustments, prorations and expenses provided for in this Agreement, by wire transfer of immediately available funds to a bank account designated by Seller.

3. **Earnest Money.** Within two (2) business days following the Effective Date of this Agreement, Buyer shall deposit in escrow with Seller, the sum of ONE HUNDRED THOUSAND AND 00/100 ($100,000.00) as an earnest money deposit (the “Earnest Money”). The Earnest Money shall be held and disbursed by the Seller in accordance with the terms of this Agreement. In the event the transaction contemplated by this Agreement is closed, the
Earnest Money shall be applied to the Purchase Price. In the event the transaction contemplated by this Agreement is not closed, the Earnest Money shall be disbursed in accordance with the provisions of this Agreement. In the event the Earnest Money is not deposited with the Seller within the time required by this Agreement, the Seller may, in its discretion, elect at any time to terminate this Agreement and/or pursue any other remedies available to it at law or in equity.

4. **Title, Commitment, and Survey.** Seller shall (i) convey title to the Property at closing by Quit Claim Deed in the form attached as Exhibit “B” as to the fee parcel, and (ii) grant an easement for the easement parcel described in Exhibit “A-2” (the “Easement Area”) by a Non-Exclusive Easement Agreement in the form of attached Exhibit “C”, all subject to those title exceptions (the “Title Exceptions”) set forth in Fidelity National Title Insurance Company Order Number 7221558, Revision No. 2 dated March 2, 2019 (the “Title Commitment”), attached as Exhibit “D” hereto, and those matters of title (“Survey Items”) reflected on the Survey prepared by Florida Keys Land Surveying, under Job Number 18-417, dated December 15, 2018 (the “Survey”), attached as Exhibit “E.” At Closing, Seller agrees to deliver to the Title Company an Owner’s Affidavit in the form attached as Exhibit “F.” All matters shown on the Title Commitment and Survey shall be deemed “Permitted Exceptions.” Seller will release any automatic mineral interest reservation which it possesses in the Property, pursuant to Section 270.11, Florida Statutes.

5. **Acknowledgment and Acceptance of Permitted Exceptions.** Buyer acknowledges that it has received and reviewed the Title Commitment attached as Exhibit D, along with a copy of each recorded document referenced in the Title Commitment either as a requirement to the issuance of a title policy or as a Title Exception, and the Survey, and Buyer has no objection to, and is deemed to accept, all matters and Permitted Exceptions identified in the Title Commitment and Survey. Seller has absolutely no obligation to cure any Permitted Exception shown in the Title Commitment or Survey.

6. **Sale Subject to Rights of Tenant; Easement.** Seller hereby discloses that Fishbusterz Retail, LLC (“Tenant”) occupies the Property under a lease from Seller to Tenant (the “Lease”). Further, in connection with the Lease, Seller discloses that Tropic Oil Company has been permitted to place a fuel tank on the Property. The sale of the Property to Buyer will be made subject to the rights of Tenant, and the Lease will be a Permitted Exception. At closing, Seller and Buyer shall execute the Assignment and Assumption of Lease and Guaranty attached as Exhibit “G”. Buyer acknowledges that the Lease, including all amendments, has been made available to Buyer for its review. Seller further discloses that Seller owns and operates certain overhead lines and poles upon the Property. At Closing, Buyer agrees to execute the Easement Agreement attached as Exhibit “H.”

7. **No Due Diligence Period.**

(a) Buyer acknowledges that Seller has provided or made available to Buyer various information and reports relating to the Property and Easement Area (collectively, the “Provided Information”). Buyer acknowledges that it has previously received and reviewed copies of the Provided Information. Buyer acknowledges that Seller has limited knowledge regarding the Property and Easement Area and is not occupying or operating the Property, and Buyer agrees Seller has no obligation under this Agreement to provide Buyer with any additional
information regarding the Property or Easement Area. Buyer agrees it will rely on its own due diligence investigation of the Property and Easement Area to determine all aspects of the Property and Easement Area, including the condition and suitability of the Property and Easement Area for its intended uses. Seller makes no representation or warranties concerning the Property and Easement Area and makes no representations or warranties concerning the accuracy or completeness of any of the Provided Information.

(b) There shall be no due diligence period after the Effective Date and Buyer acknowledges that the Earnest Money is not refundable and that Buyer has no right to terminate this Agreement after the Effective Date. However, subject to the rights of Tenant under the Lease, from the Effective Date until the Closing, Buyer and its employees, agents, contractors, engineers, surveyors and representatives (collectively, “Consultants”) may enter the Property to make inspections, surveys, soil analysis (which does not require boring) and other non-invasive tests, studies and surveys, including without limitation, environmental tests, and analysis and studies within the Property, provided Buyer has given Seller and Tenant reasonable prior notice in each instance. Seller may, at its election, have a representative or agent present during the Buyer’s or Consultants’ access of the Property. Seller and its agents and representatives shall reasonably cooperate with Buyer and the Consultants in connection with any test or inspection. Notwithstanding the foregoing, if Buyer wishes to engage in a Phase II environmental study or other testing or sampling of any kind with respect to soils or groundwater or other studies which would require test boring of or other intrusions into the Property or which testing would otherwise damage or disturb any portion of the Property or the existing improvements (the “Improvements”) thereon, Buyer shall obtain Seller’s prior written consent thereto, which consent shall not be unreasonably withheld, conditioned, or delayed. If Seller approves any such testing Buyer shall be responsible for, and shall dispose of, all such test samples in accordance with applicable law at no cost or liability to Seller. Buyer shall provide to Seller copies of any and all independent tests, studies or test results obtained after the Effective Date and relating to the Property as soon as practical after Buyer’s receipt thereof. Buyer acknowledges that Seller is under no obligation to extend the Closing date as a result of the incomplete status or the results of any testing or inspection instituted by Buyer.

(c) In accessing the Property to perform tests and studies as permitted under this Section, Buyer shall not interfere unreasonably with Tenant. Seller or Seller’s agents. Buyer shall bear the cost of all inspections or tests undertaken by the Consultants and shall be responsible for properly disposing of any wastes generated by those tests. The Property shall be restored by Buyer or the Consultants to its original condition as of the Effective Date, at Buyer’s or the Consultants’ sole expense following any site work by Buyer or any Consultant.

(d) To the fullest extent permitted by law, Buyer hereby indemnifies, exonerates, releases, will defend and hold harmless Seller, and its affiliates, successors and assigns, and their officers, elected and unelected officers, directors, attorneys, insurers, employees, and agents, from and against any and all losses, liabilities, damages, claims, demands, actions, judgments, suits, fines, penalties, costs or expenses (including but not limited to reasonable consultants and attorneys’ fees, or injuries to any persons or property) (collectively, “Claims”) arising out of or resulting from (a) acts or omissions of Buyer or its Consultants arising in any way from or relating to the Property or Easement Area; (b) the use, occupancy and presence of Buyer or its Consultants, within the Property or Easement Area; and
(c) any liens, charges or other encumbrances which may be filed or asserted against the Property or Easement Area due to the failure of Buyer to pay when due all bills incurred, arising from Buyer or its Consultant’s access to the Property (collectively, the “Indemnity Scope”). Buyer’s obligations under this indemnification provision shall survive Closing or termination of this Agreement. This obligation to indemnify, exonerate, release, defend and hold harmless includes, without limitation, third-party Claims for contribution, reasonable attorneys’ fees, Cl lms for injury or alleged injury of any kind to any persons (including, but not limited to, death), Claims related to Buyer’s or Consultants’ interference with the operations of Tenant, and for any violation or alleged violation of any federal, state or local environmental, health or safety laws or any “release” or “threatened release” of any “hazardous substance” (as such term is defined in section 30 below) arising from or in any way connected to the Indemnity Scope.

(e) Buyer shall obtain (or cause its contractor or Consultant to obtain), at Buyer’s sole cost and expense, from and after the Effective Date, a policy of commercial general liability insurance covering any and all liability of Buyer with respect to or arising out of any investigative activities conducted by or on behalf of Buyer. Such policy of insurance shall be an occurrence policy and shall have liability limits of not less than One Million Dollars ($1,000,000.00) combined single limit per occurrence for bodily injury, personal injury and property damage liability. Such insurance policy shall name Seller and its successors and assigns as an additional insured and shall be in form and substance and issued by an insurance company reasonably satisfactory to Seller. Buyer shall keep the Property and Easement Area free and clear of any mechanics’ liens or materialmen’s liens related to Buyer’s right of inspection and Buyer’s activities contemplated by this Agreement.

8. **Closing.** Subject to extensions as provided elsewhere in this Agreement, and provided that all conditions precedent to the Parties’ obligations to close set forth in this Agreement have been satisfied or waived in writing, the closing of the transaction contemplated by this Agreement (the “Closing”) shall be no later than sixty (60) days after the Effective Date, on a date selected by Buyer and agreed to by Seller (the “Closing Date”). The Closing shall take place at the offices of the Title Company, at such time of day as may be mutually agreed upon by the Parties hereto. Neither Party shall be required to attend the Closing. Instead, the Closing may take place by means of an escrow arrangement pursuant to which each Party shall deliver to the Title Company all fully executed documents and funds required by this Agreement, together with any desired escrow instructions that are not inconsistent with this Agreement.

9. **No Financing Contingency.** Buyer acknowledges there is no financing contingency under this Agreement and the Buyer shall be required to perform its obligations under this Agreement notwithstanding Buyer’s ability or inability to secure financing for the purchase of the Property.

10. **No Encumbering Property by Buyer Prior to Closing.** It is expressly agreed and understood between the Parties that nothing in this Agreement shall ever be construed as empowering the Buyer to encumber or cause to be encumbered the title or interest of Seller in the Property or Easement Area in any manner whatsoever. In the event that regardless of this prohibition, any person furnishing or claiming to have furnished labor or materials at the request of the Buyer or of any person claiming by, through or under the Buyer shall file a lien against
the Property, Buyer, within thirty (30) days after being notified thereof, shall cause said lien to be satisfied of record or the affected property released therefrom by the posting of a bond or other security as prescribed by law, or shall cause same to be discharged as a lien against the affected property by an order of a court having jurisdiction to discharge such lien. In the event the lien is not discharged as required above, Seller may advance funds necessary to discharge the lien and recover any amounts so paid, including costs and attorneys’ fees incurred, from Buyer.

11. **Closing Conditions.**

(a) The Seller will execute and deliver documents reasonably necessary to consummate the sale-purchase transaction of the Property contemplated by the Agreement, including:

(i) A Quit Claim deed ("Deed"), in the form attached as Exhibit B, subject to the Permitted Encumbrances;

(ii) A closing statement evidencing the financial terms of the transaction ("Closing Statement");

(iii) A Non-Exclusive Easement Agreement in the form attached as Exhibit C, subject to the Permitted Encumbrances;

(iv) Duly executed certificate of Seller stating Seller’s U.S. Taxpayer Identification Number, and that Seller is not a “foreign person” within the meaning of the Internal Revenue Code for the purposes of substantiating exemption from the withholding provisions of the Tax Reform Act of 1984; and

(v) An Owner’s Affidavit in the form attached as Exhibit E;

(vi) The Assignment and Assumption of Lease and Guaranty in the form attached as Exhibit G;

(vii) The Easement Agreement in the form attached as Exhibit H; and

(viii) Other documents or certifications reasonably requested by the Title Company, to have the standard exceptions deleted from an owner’s or lenders’ title insurance policy.

(b) The Buyer will execute and deliver documents reasonably necessary to consummate the sale-purchase transaction of the Property contemplated by the Agreement, including:

(i) The Closing Statement;

(ii) If Buyer is an entity, instruments in form and substance satisfactory to Seller and Title Company evidencing the status, capacity and authority of Buyer and its representatives to consummate the transaction contemplated by this Agreement;
(iii) The Non-Exclusive Easement Agreement in the form attached as Exhibit C, subject to the Permitted Encumbrances;

(iv) The Assignment and Assumption of Lease and Guaranty in the form attached as Exhibit G; and

(v) The Easement Agreement in the form attached as Exhibit H; and

(vi) Other documents or certifications reasonably requested by Seller or the Title Company.

(c) Buyer, at Buyer’s sole cost and expense, shall deliver or cause to be delivered to Seller through the Title Company, wired funds, in an amount equal to the Purchase Price, all as set forth on the Closing Statement.

(d) Seller shall be responsible for the payment of the following items prior to or at the time of Closing: (i) Deed preparation, and (ii) its own legal fees.

(e) Buyer shall pay all closing expenses of any kind which Seller has not agreed to pay pursuant to this Agreement, including, without limitation, Buyer shall be responsible for the payment of the following items prior to or at the time of Closing: (i) all recording fees payable in connection with the transfer of the Property and the Easements; (ii) documentary stamp taxes due in connection with the recording of the Deed; (iii) all title premiums or search charges for the Title Commitment and title policies. (iii) the costs of any Survey obtained by Buyer, (iv) all financing expenses; (v) all costs to cure any Permitted Encumbrance, (vi) its own legal fees, and (vii) any costs, including without limitation, documentary stamp taxes, associated with any financing for the purchase of the Property.

(f) There shall be no proration of any ad valorem and similar taxes and assessments, if any, relating to the Property and Seller will not be responsible for any ad valorem taxes or any assessments.

(g) Buyer shall notify all utility companies that as of the date of Closing, Buyer shall own the Property and that all utility bills are to be sent to Buyer.

(h) Subject to the Lease and other Permitted Encumbrances and the other matters described herein, Seller shall deliver possession of the Property to Buyer on the date of Closing.

12. **Seller’s Covenants.** From and after the Effective Date, Seller shall not (i) enter into any leases for the Property without Buyer’s prior written consent, (ii) enter into any long-term service or maintenance contracts regarding the Property, without Buyer’s prior written consent.

13. **Representations and Warranties.**

(a) **Seller’s representations and Warranties.** Seller represents and warrants to Buyer as follows:
(i) Seller has the power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution, delivery and performance of this Agreement and the other agreements and documents to be executed and delivered by Seller pursuant to the provisions of this Agreement have been duly authorized by all necessary municipal action on the part of Seller.

(ii) Seller is not a "foreign person" as such term is defined in Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended.

(iii) To the best of Seller’s knowledge, there are no pending or threatened condemnation or similar proceedings to take any portion of the Property by power of eminent domain.

(b) Buyer’s Representations and Warranties. Buyer hereby represents and warrants to Seller as follows:

(i) Buyer is one of the following:

(1) a limited liability company duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, or

(2) a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, or

(3) a partnership, limited partnership, or limited liability limited partnership duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, or

(4) one or more natural persons who have full legal rights and capacity to make this Agreement,

(5) a trust or trustee of a trust validly existing under the laws of the jurisdiction of its creation.

(ii) Buyer has the requisite legal power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution, delivery and performance of this Agreement and any other agreements and documents to be executed and delivered by Buyer pursuant to the provisions of this Agreement have been duly authorized by all necessary for action on the part of Buyer. This Agreement has been duly executed and delivered on behalf of Buyer and is a legal, valid, and binding obligation of Buyer enforceable against Buyer in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization or other laws or equitable principles relating to or affecting the enforcement of creditors’ rights.

(iii) Neither the execution, delivery or performance of this Agreement by Buyer nor the consummation of any of the transactions provided for in this Agreement will (i) violate or conflict with any provision of any by laws, articles or operating or other agreements of
(ii) result in any breach of or default by Buyer under any provision of any material contract or agreement of any kind to which Buyer is a party or by which Buyer is bound or to which the properties or assets of the Buyer is subject; or (iii) is prohibited by, or requires Buyer to obtain or make any consent, authorization, approval, registration or filing under, any statute, law, ordinance, regulation, rule, judgment, decree or order of any court or governmental agency, board, bureau, body, department or authority.

(iv) There are no actions, suits, proceedings or investigations, either at law or in equity, or before any commission or other administrative authority in any United States or foreign jurisdiction, of any kind now pending or, to Buyer’s knowledge, threatened or proposed in any manner, or any circumstances which should or could reasonably form the basis of any such action, suit, proceeding or investigation, involving Buyer or any of its respective properties or assets that: (i) questions the validity of this Agreement; or (ii) seeks to delay, prohibit or restrict in any manner any action taken or contemplated to be taken by Buyer under this Agreement.

14. **Brokers/Agents.** Seller and Buyer each represent and warrant to the other that it has not engaged the services of any agent, broker, or other similar party who is seeking a commission in connection with this transaction. Each Party shall indemnify and hold the other party harmless from any and all claims, including attorney’s fees and costs, made by all third parties claiming by or through the Party from whom indemnification is sought, for the payment of any commission, finder’s fee or similar payment due in connection with the purchase by Buyer of the Property.

15. **Notices.** Any notice under this Agreement shall be in writing and shall be deemed to have been served and received (i) when delivered in person to the address set forth below for Seller and the Buyer’s mailing address set forth in this Agreement, (ii) the next business day, if deposited into the custody of FedEx Corporation (“FedEx”) to be sent by FedEx Overnight Delivery or other reputable overnight carrier for next day delivery, addressed to the Party at the address specified for such Party in this Agreement, or (iii) upon transmission if electronically transmitted to the Party at the email address or telexcopy number listed in this Agreement for such Party, provided that the electronic transmission is confirmed by the recipient on the date of the transmission. From time to time either Party may designate another address or telexcopy number under this Agreement by giving the other Party advance written notice of the change.

**Seller’s Address:**

Utility Board of The City of Key West,  
Florida, d/b/a Keys Energy Services  
1001 James Street  
Key West, Florida 33040  
Attn.: Lynne Tejeda, CEO  
and General Manager  
Phone: (305) 295-1040  
Email: Lynne.Tejeda@KeysEnergy.com
16. **Termination, Default, and Remedies**

(a) Buyer acknowledges that Seller is a municipal utility and approval of Seller’s Utility Board will be required prior to execution of this Agreement by Seller. Seller will identify a deadline (“Offer Deadline”) for submittal to Seller of proposals to purchase the Property, and Buyer shall execute this Agreement and deliver to Seller prior to the Offer Deadline. Once executed and delivered to Seller, Buyer may not withdraw its offer to purchase the Property set forth in this Agreement, but if this Agreement is not signed by Seller and an executed copy delivered to Buyer within seventy (70) days after the Offer Deadline, this Agreement will automatically terminate and be of no further force or effect and the Earnest Money will be returned to Buyer.

(b) If Buyer fails or refuses to consummate the purchase of the Property pursuant to this Agreement on or before the date of Closing for any reason other than Seller’s prior failure to perform Seller’s obligations under this Agreement, then Seller, as Seller’s sole and exclusive remedy, shall have the right to terminate this Agreement by giving written notice thereof to Buyer on or before the date of Closing and retain the Earnest Money as liquidated damages and not as a penalty or forfeiture, whereupon neither Party hereto shall have any further rights or obligations hereunder except those which expressly survive termination of the Agreement.

(c) If Seller fails or refuses to consummate the sale of the Property pursuant to this Agreement on or before the date of Closing or fails to perform any of Seller’s obligations hereunder for any reason other than due to Buyer’s prior failure to perform Buyer’s obligations under this Agreement, then Buyer, at Buyer’s option, shall have the sole remedy of terminating this Agreement by giving written notice thereof to Seller on or before the date of Closing and receiving the return of the Earnest Money, and thereafter neither Party hereto shall have any further rights or obligations hereunder except those which expressly survive termination of the Agreement.

(d) **IN NO EVENT SHALL SELLER BE LIABLE FOR ANY SPECIAL, INDIRECT, PUNITIVE, EXEMPLARY, INCIDENTAL OR CONSEQUENTIAL LOSS OR DAMAGES OF ANY NATURE HOWSOEVER CAUSED, AND WHETHER BASED ON CONTRACT, TORT (INCLUDING NEGLIGENCE), INDEMNITY, STRICT LIABILITY OR ANY OTHER THEORY OF THE LAW.**
17. **Entire Agreement.** This Agreement and any written addenda and all exhibits hereto (which are expressly incorporated herein by this reference) shall constitute the entire agreement between Buyer and Seller; no prior written or prior or contemporaneous oral promises or representations shall be binding. All prior understandings and agreements between the Parties with respect to the subject matter of this Agreement are merged within this Agreement, which alone fully and completely sets forth the understanding of the Parties with respect thereto. This Agreement shall not be amended, changed or extended except by written instrument signed by both Parties hereto.

18. **Successors and Assigns.** Subject to the restrictions on transfer set forth in this Agreement, this Agreement shall be binding upon and inure to the benefits of the successors and assigns of the parties hereto. In no event shall Buyer have any right to delay or postpone the Closing to create a partnership, corporation or other form of business association or to obtain financing to acquire title to the Property or to coordinate with any other sale, transfer, exchange or conveyance. This Agreement is for the sole benefit of the Parties hereto and no other person or entity shall be a third party beneficiary hereunder.

19. **Assignment.** This Agreement is personal to Seller and Buyer and Seller and Buyer shall not be entitled to assign such rights under this Agreement without prior written consent of Seller.

20. **Time of the Essence.** Time is of the essence under this Agreement.

21. **Taking Prior to Closing.** If, prior to Closing, the Property or any portion thereof becomes subject to a taking by virtue of eminent domain, Buyer may, in Buyer’s sole discretion, either (i) terminate this Agreement and neither Party shall have any further rights or obligations hereunder, or (ii) proceed with the Closing of the transaction with an adjustment in the Purchase Price to reflect the net square footage of the Property after the taking.

22. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

23. **Attorneys’ Fees.** If any action or proceeding is commenced by either Party to enforce their rights under this Agreement or to collect damages as a result of the breach of any of the provisions of this Agreement, neither Party in such action or proceeding, including any bankruptcy, insolvency or appellate proceedings, shall be entitled to recover costs and expenses, including, without limitation, attorneys’ fees and court costs, in addition to any other relief awarded by the court. The provisions of this Section will survive the Closing or the termination of this Agreement.

24. **Severability.** If any provision of this Agreement is held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability will not affect any other provision, and this Agreement will be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

25. **Business Days.** If the date of Closing or the day for performance of any act required under this Agreement falls on a Saturday, Sunday, or legal holiday, then the date of
Closing or the day for such performance, as the case may be, shall be the next following regular business day.

26. **Counterparts.** This Agreement may be executed in multiple counterparts, each of which will be deemed an original, but which together will constitute one instrument.

27. **Lead Based Paint/Lead Warning Statement.** Buyer acknowledges that the Property may have been built prior to 1978 and lead-based paint and lead-based paint hazards may be present on the Property. Further, Buyer acknowledges receipt of the information set forth in the Provided Information, and that it has received disclosure of information from Seller regarding hazards of Lead Based Paint promulgated by the United States Environmental Protection Agency. Seller has no knowledge of lead-based paint and/or lead-based paint hazards in the Property except as may be set forth in the Provided Materials. As a result, Seller has complied with any and all requirements it may have to notify Buyer of the potential presence of and hazards of lead-based paint at the Property and by its execution hereof, Buyer acknowledges same.

28. **Fire and Other Casualty.** In the event of damage by fire or other casualty to the Property prior to the Closing requiring demolition of a “material portion of the Improvements,” as determined by Seller, Buyer may, in Buyer’s sole discretion, either (i) terminate this Agreement and neither Party shall have any further rights or obligations hereunder (except obligations that survive termination of this Agreement), or (ii) proceed with the Closing. As used herein, the term “material portion of the Improvements” shall mean those Improvements for which the “cost of demolition” would exceed two hundred fifty thousand dollars ($250,000.00). As used herein, the term “cost of demolition” shall mean an estimate of the actual cost of demolition obtained by Buyer from a reputable independent contractor, selected by Buyer and reasonably approved by Seller, regularly doing business in the county in which the Property is located.

29. **Disclaimer.** Buyer represents and warrants that Buyer has inspected or will inspect the Property and Easement Area and will conduct tests and studies of the Property as determined necessary by Buyer, and that Buyer is or will become familiar, in all respects, with the condition of the Property and Easement Area. Buyer represents and warrants that Buyer is acting, and will act only, upon information obtained by Buyer directly from Buyer’s own inspection of the Property and Easement Area and that no person acting on behalf of Seller is authorized to make, and that no person has made, any representation, agreement, statement, warranty, guarantee or promise regarding the Property, Easement Area, or the transaction contemplated herein or the zoning, construction, physical condition or other status of the Property or Easement Area except as may be expressly set forth in this Agreement.

30. **As Is, Where is Condition.** BUYER ACKNOWLEDGES AND AGREES THAT, EXCEPT AS MAY BE EXPRESSLY PROVIDED IN THIS AGREEMENT, NEITHER SELLER NOR ANY OF SELLER’S OFFICERS, DIRECTORS, OFFICIALS, EMPLOYEES, MEMBERS, PRINCIPALS, OR AFFILIATES NOR ANY OF THEIR AGENTS OR REPRESENTATIVES HAS MADE, DOES NOT MAKE AND SPECIFICALLY NEGATES AND DISCLAIMS ANY REPRESENTATIONS, WARRANTIES, OR GUARANTIES OF ANY KIND, WHETHER EXPRESS OR IMPLIED, ORAL OR WRITTEN, PAST, PRESENT
OR FUTURE, OF, AS TO, CONCERNING OR WITH RESPECT TO (I) THE VALUE OF
THE PROPERTY; (II) THE INCOME TO BE DERIVED FROM THE PROPERTY; (III) THE
SUITABILITY OF THE PROPERTY AND EASEMENT AREA FOR ANY AND ALL
ACTIVITIES AND USES WHICH BUYER MAY CONDUCT THEREON; (IV) THE
HABITABILITY, MERCHANTABILITY, MARKETABILITY, PROFITABILITY OR
FITNESS FOR A PARTICULAR PURPOSE OF THE PROPERTY AND EASEMENT AREA;
(V) THE MANNER, QUALITY, STATE OF REPAIR OR LACK OF REPAIR OF THE
PROPERTY AND EASEMENT AREA; (VI) THE NATURE, QUALITY OR CONDITION OF
THE PROPERTY AND EASEMENT AREA; (VII) THE COMPLIANCE OF OR BY THE
PROPERTY AND EASEMENT AREA OR THEIR OPERATION WITH ANY LAWS,
RULES, ORDINANCES OR REGULATIONS OF ANY APPLICABLE GOVERNMENTAL
AUTHORITY OR BODY; (VIII) THE MANNER OR QUALITY OF THE CONSTRUCTION
OR MATERIALS. IF ANY, INCORPORATED INTO THE PROPERTY AND EASEMENT
AREA; (IX) COMPLIANCE WITH ANY ENVIRONMENTAL PROTECTION, POLLUTION
OR LAND USE LAWS, RULES, REGULATIONS, ORDERS OR REQUIREMENTS; (X)
THE PRESENCE OR ABSENCE OF HAZARDOUS SUBSTANCES, MATERIALS OR WASTES,
POLLUTANTS OR CONTAMINANTS, MOLD, OR OTHER CONDITIONS AFFECTING
HEALTH AT, ON, UNDER, OR ADJACENT TO THE PROPERTY OR EASEMENT AREA;
(XI) THE CONFORMITY OF THE IMPROVEMENTS TO ANY PLANS OR
SPECIFICATIONS FOR THE PROPERTY OR EASEMENT AREA; (XII) THE
CONFORMITY OF THE PROPERTY OR EASEMENT AREA TO PAST, CURRENT OR
FUTURE APPLICABLE ZONING OR BUILDING REQUIREMENTS; (XIII) DEFICIENCY
OF ANY DRAINAGE; (XIV) THE EXISTENCE OF VESTED LAND USE, ZONING OR
BUILDING ENTITLEMENTS AFFECTING THE PROPERTY OR EASEMENT AREA; (XV)
THE FACT THAT ALL OR A PORTION OF THE PROPERTY OR EASEMENT AREA MAY
BE LOCATED ON OR NEAR AN EARTHQUAKE FAULT LINE, SINKHOLE, FLOOD
ZONE OR OTHER NATURAL HAZARD; (XVI) SERVICE OF THE PROPERTY OR
EASEMENT AREA BY WATER, POWER AND/OR ANY OTHER UTILITY; OR (XVII)
WITH RESPECT TO ANY OTHER MATTER. AS PART OF BUYER’S AGREEMENT TO
PURCHASE AND ACCEPT THE PROPERTY AND TO ACCEPT THE GRANT OF
EASEMENT FOR THE EASEMENT AREA “AS-IS WHERE-IS,” AND NOT AS A
LIMITATION ON SUCH AGREEMENT, BUYER HEREBY UNCONDITIONALLY AND
IRREVOCABLY WAIVES ANY AND ALL ACTUAL OR POTENTIAL RIGHTS BUYER
MIGHT HAVE REGARDING ANY FORM OF WARRANTY, EXPRESS OR IMPLIED, OF
ANY KIND OR TYPE, RELATING TO THE PROPERTY AND EASEMENT AREA. SUCH
WAIVER IS ABSOLUTE, COMPLETE, TOTAL AND UNLIMITED IN ANY WAY. SUCH
WAIVER INCLUDES, BUT IS NOT LIMITED TO, A WAIVER OF EXPRESS
WARRANTIES, IMPLIED WARRANTIES, WARRANTIES OF FITNESS FOR A
PARTICULAR USE, WARRANTIES OF MERCHANTABILITY, WARRANTIES OF
HABITABILITY, STRICT LIABILITY RIGHTS, AND CLAIMS, LIABILITIES, DEMANDS
OR CAUSES OF ACTION OF EVERY KIND AND TYPE, WHETHER STATUTORY,
CONTRACTUAL OR UNDER TORT PRINCIPLES, AT LAW OR IN EQUITY.

31. Hazardous Materials. If Buyer discovers any hydrocarbon substances,
polychlorinated biphenyls, or any other hazardous or toxic substances, wastes or materials (as
determined under federal, state or local law then in effect), asbestos or asbestos-bearing
materials or other environmental condition subject to legal requirements for corrective action or
affecting the Property or the Easement Area (a "Hazardous Substance"), Buyer shall immediately notify Seller, and if such discovery is made after the Closing, Buyer shall cause the condition to be corrected in accordance with applicable law. FROM AND AFTER THE CLOSING, BUYER SHALL PROTECT, DEFEND, INDEMNIFY AND HOLD SELLER AND ITS AFFILIATES AND THEIR RESPECTIVE OFFICERS, EMPLOYEES, ELECTED OFFICIALS, APPOINTED OFFICIALS, AND AGENTS (COLLECTIVELY, "SELLER ENTITIES") FREE AND HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS (INCLUDING THIRD PARTY CLAIMS), DEMANDS, LIABILITIES, DAMAGES, COSTS AND EXPENSES, INCLUDING, WITHOUT LIMITATION, INVESTIGATORY EXPENSES, CLEAN-UP COSTS AND REASONABLE ATTORNEY'S FEES OF WHATEVER KIND OR NATURE (COLLECTIVELY, "CLAIMS") ARISING FROM OR IN ANY WAY CONNECTED WITH THE PHYSICAL CONDITION OF THE PROPERTY OR EASEMENT AREA OR ANY OTHER ASPECT OF THE PROPERTY OR EASEMENT AREA, NO MATTER WHETHER EARLIER DISCOVERABLE OR NOT AND ANY EFFORT OF BUYER AND/OR BUYER'S CONTRACTORS TO CORRECT THE SAME. THIS INDEMNIFICATION DOES NOT APPLY TO THE EXTENT ANY INDEMNIFIED MATTERS ARE CAUSED BY THE FRAUD, GROSS NEGLIGENCE, OR WILLFUL MISCONDUCT OF ANY SELLER ENTITIES. Buyer’s obligations of indemnity set forth herein shall survive the Closing and shall not be merged with the Deed.

32. **Waiver of Trial By Jury.** BUYER AND SELLER HEREBY AGREE AS FOLLOWS: (A) EACH OF THEM KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LAWSUIT, PROCEEDING, COUNTERCLAIM, OR OTHER LITIGATION (AN "ACTION") BASED UPON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY RELATED DOCUMENTS, INSTRUMENTS, OR AGREEMENTS (WHETHER ORAL OR WRITTEN AND WHETHER EXPRESS OR IMPLIED AS A RESULT OF A COURSE OF DEALING, A COURSE OF CONDUCT, A STATEMENT, OR OTHER ACTION OF EITHER PARTY); (B) NEITHER OF THEM MAY SEEK A TRIAL BY JURY IN ANY SUCH ACTION; (C) NEITHER OF THEM WILL SEEK TO CONSOLIDATE ANY SUCH ACTION (IN WHICH A JURY TRIAL HAS BEEN WAIVED) WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED; AND (D) NEITHER OF THEM HAS IN ANY WAY AGREED WITH OR REPRESENTED TO THE OTHER OF THEM THAT THE PROVISIONS OF THIS SECTION WILL NOT BE FULLY ENFORCED IN ALL INSTANCES.

33. **Radon Gas.** Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health department.

*Signatures appear on the following pages*
IN WITNESS WHEREOF, the Parties have caused these presents to be executed on the day and year indicated above.

"SELLER"

UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, d/b/a Keys Energy Services

By: ____________________________
Name: __________________________
Title: __________________________

Dated: __________________________
IN WITNESS WHEREOF, the Parties have caused these presents to be executed on the day and year indicated above.

**BUYER:**

Rafael Juan Ubeda

By: ____________________________

Name: Rafael Juan Ubeda

Title: __________________________
EXHIBIT “A-1”

LEGAL DESCRIPTION OF PROPERTY

A parcel of land and submerged land on Stock Island, Monroe County, Florida, being more particularly described by metes and bounds as follows:

Commencing at the intersection of the Southerly right-of-way line of Fifth Avenue and the Easterly right-of-way line of Fifth Street, thence South 83°56'00" East, for a distance of 500.00 feet; thence South 06°04'00" West, for a distance of 2242.25 feet; thence South 83°56'00" East, for a distance of 2131.53 feet; thence North 06°04'00" East, for a distance of 988.46 feet to the Point of Beginning; thence South 81°21'11" West, for a distance of 464.14 feet; thence North 09°05'12" West, for a distance of 33.50 feet; thence South 81°26'09" West, for a distance of 222.90 feet; thence North 08°05'20" East, for a distance of 85.99 feet to the Southerly boundary line of a parcel of land as described in Official Records Book 2294, Page 1587, of the Public Records of Monroe County, Florida; thence North 81°50'40" East and along the Southerly boundary line of the said parcel of land as described in Official Records Book 2294, Page 1587, of the Public Records of Monroe County, Florida, for a distance of 716.44 feet to the Southeast corner of the said parcel; thence South 06°04'00" West, for a distance of 117.53 feet back to the Point of Beginning.

EXHIBIT “A-2”

LEGAL DESCRIPTION OF EASEMENT AREA

Together with a nonexclusive easement for ingress and egress as follows:

A parcel of land on Stock Island, Monroe County, Florida, being more particularly described by metes and bounds as follows:

Commencing at the intersection of the Southerly right-of-way line of Fifth Avenue and the Easterly right-of-way line of Fifth Street, thence South 83°56'00" East, for a distance of 500.00 feet; thence South 06°04'00" West, for a distance of 2242.25 feet; thence South 83°56'00" East, for a distance of 2131.53 feet; thence North 06°04'00" East, for a distance of 988.46 feet to the Point of Beginning; thence continue North 06°04'00" East, for a distance of 117.53 feet to the Northerly boundary line of a parcel of land described as Parcel "B" in Official Records Book 359, Page 70, of the Public Records of Monroe County, Florida; thence North 81°50'40" East and along the Northerly boundary line of the said Parcel "B" for a distance of 51.58 feet to the Northeast corner of said Parcel "B"; thence South 06°04'00" West and along the Easterly boundary line of the said Parcel "B", for a distance of 117.07 feet; thence South 81°21'11" West, a distance of 51.70 feet back to the Point of Beginning.
AGENDA ITEM WORDING: Approve Supplemental Resolution #815 and Issuance of Electric System Revenue and Revenue Refunding Bonds Series 2019 in the Amount of $60,000,000.00.

REQUESTED ACTION: Motion to Approve Supplemental Resolution #815 and Issuance of Electric System Revenue and Revenue Refunding Bonds Series 2019 in the Amount of $60,000,000.00.

BRIEF BACKGROUND: At the June 6, 2019 Utility Board meeting, the Utility Board approved the evaluation of the Electric System Revenue and Revenue Refunding Bonds Series 2019 in the amount of $60,000,000.00, with BofA Securities, Inc. as the Underwriter.

The bond proceeds will be used to pay off the line of credit with Bank of America N.A., and to pay associated issuance costs and underwriter’s discount. The remainder of the proceeds, estimated at $31,500,000.00, will fund various capital projects.

The Supplemental Resolution #815 authorizes the Issuance of Electric System Revenue and Revenue Refunding Bonds Series 2019 in the Amount of $60,000,000.00. Pricing of the bonds is scheduled for July 9, 2019, closing is scheduled to take place July 29-30, 2019, and proceeds are expected to be available immediately upon closing.

SUPPORTS STRATEGIC PLAN: Goal #2 - Provide reasonable rates to our customers.

ATTACHMENTS:
Supplemental Resolution (with Exhibits A - C)
Master Resolution

FINANCIAL IMPACT:

| Estimated Average Annual Debt Service: $4,717,000.00 | Budgeted: |
| Estimated Total Term Interest: $39,067,333.33 | In the Proposed Amended FY19 Budget & Five-Year Financial Plan |
| Estimated Premium: $12,252,777.00 | Pending Board Approval |

All above figures are subject to pricing the bonds, scheduled for July 9, 2019

Source of Funds: Bond Sinking Fund
RESOLUTION NO. ___


BE IT RESOLVED BY THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA (DOING BUSINESS AS KEYS ENERGY SERVICES):

ARTICLE I
STATUTORY AUTHORITY, DEFINITIONS AND FINDINGS

SECTION 1.01. AUTHORITY FOR THIS RESOLUTION. This resolution is adopted pursuant to Chapter 69-1191, Laws of Florida, Special Acts of 1969, as amended and supplemented from time to time (the "Act"), and Resolution No. 797, adopted by the Utility Board of the City of Key West, Florida (the "Utility Board"), on October 8, 2014 and effective as of October 1, 2018, (herein the "Master Resolution").

SECTION 1.02. DEFINITIONS. Unless the context otherwise requires, capitalized terms used in this resolution shall have the meanings specified in this Section. Terms not otherwise defined in this Section shall have the meanings specified in the Master Resolution. Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.
"Award Certificate" means a certificate of the proper officer executed in connection with the execution of the Purchase Contract and evidencing compliance with the conditions set forth in Section 5.04 hereof.

"Bond Counsel" means Bryant Miller Olive P.A. or other nationally recognized counsel selected by the Utility Board and experienced in matters relating to the validity of, and the exclusion from gross income for federal income tax purposes of interest on, obligations of states and their political subdivisions.

"Bond Registrar and Paying Agent Agreement" means an agreement between the Utility Board and the Paying Agent and Registrar providing for the authentication of, and payment of the principal of, premium, if any, and interest on, the Series 2019 Bonds, in such form as shall be approved by the Chairman upon the recommendation of the General Manager and CEO with the advice of the Utility Board Attorney and Bond Counsel, such approval to be presumed by the Chairman’s execution thereof.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate the form of which is attached hereto as Exhibit C.

"Financial Advisor" means Dunlap and Associates, as financial advisor to the Utility Board.

"Master Resolution" means Resolution No. 797, duly adopted by the Utility Board on October 8, 2014 and effective as of October 1, 2018, as may be amended and supplemented from time to time.

"Outstanding Parity Bonds" means the Series 2014 Bonds.

"Paying Agent" and "Registrar" means The Bank of New York Mellon Trust Company, N.A. and its successors and assigns, who shall serve pursuant to the Bond Registrar and Paying Agent Agreement.

"Project Fund" means the fund created herein as set forth in Section 3.01 hereof.

"Purchase Contract" means the contract between the Utility Board and the Underwriter in the form attached hereto as Exhibit B, setting forth the conditions upon which the Series 2019 Bonds will be sold by the Utility Board and purchased by the Underwriter and the details of the Series 2019 Bonds, upon the recommendation of the General Manager and CEO with the advice of the Utility Board Attorney and the Financial Advisor.

"Refunded Note" means the Utility's Board's Electric System Subordinate Revenue Note Series 2017 dated October 12, 2017.

"Resolution" means, collectively, the Master Resolution, this Resolution, and all resolutions amendatory hereof or thereof or supplemental hereto or thereto, as applicable.
"Series 2014 Bonds" means the Utility Board’s Electric System Refunding Revenue Bonds, Series 2014, issued pursuant to this Resolution.

"Series 2019 Bonds" means the Utility Board’s Electric System Revenue Bonds, Series 2019, issued pursuant to this Resolution.

"Series 2019 Project" shall mean the Utility Board’s capital improvements to its utility system, as more fully described in Exhibit D hereto.

"Underwriter" means BofA Securities, Inc., as the initial purchaser of the Series 2019 Bonds.

"Utility Board Attorney" shall mean the Utility Board Attorney, or her or his designee or the person succeeding to her or his principal functions.

SECTION 1.03. FINDINGS. It is hereby ascertained, determined and declared that:

A. In order to take advantage of the current low long-term interest rates and to finance the costs of the Series 2019 Project and refinance the Refunded Note as a fixed rate obligation, the Utility Board finds it in the best interest of its ratepayers to provide for the issuance of the Series 2019 Bonds.

B. It is necessary and desirable and in the best interests of the ratepayers of the System that the Utility Board borrow the moneys, through the issuance of the Series 2019 Bonds, in an aggregate principal amount not to exceed $60,000,000. The Utility Board is authorized pursuant to the provisions of the Act to undertake the issuance of the Series 2019 Bonds.

C. Section 5.01(J) of the Master Resolution provides for the issuance of Additional Parity Obligations under the terms, limitations and conditions provided therein.

D. The Utility Board will comply with the terms, limitations and conditions contained in the Master Resolution upon the issuance of the Series 2019 Bonds, and will, therefore, be entitled to issue the Series 2019 Bonds as Additional Parity Obligations.

E. After the issuance of the Series 2019 Bonds, the Series 2019 Bonds and the Outstanding Parity Bonds will be on a parity and rank equally, as to lien on and source and security for payment from, the Net Revenues.

F. The principal of, premium, if any, and interest on the Series 2019 Bonds will be payable solely from the Net Revenues. Neither the City, nor the State of Florida or any political subdivision thereof or governmental authority or body therein, shall ever be required to levy ad valorem taxes to pay the principal of and interest on the Series 2019 Bonds or to make any of the required sinking fund, reserve or other payments required by the Resolution, and the Series 2019 Bonds will not constitute a lien upon the System or upon any properties owned by the Utility Board or owned by or located within the boundaries of the City except the Net Revenues as provided herein. The Utility Board has no taxing powers.
G. The Net Revenues to be derived from the operation of the System are estimated to be sufficient to pay all principal of and interest on the Series 2019 Bonds together with the Outstanding Parity Bonds to be issued hereunder, as the same become due, and to make all other payments required by the Resolution.

H. The Utility Board expects to receive an investment grade rating from Moody's Investors Service, New York, New York, prior to the date of issuance of the Series 2019 Bonds, provided, however, receipt of such rating is not a condition to issuance of the Series 2019 Bonds.

I. A negotiated sale of the Series 2019 Bonds is in the best interest of the Utility Board and is found to be necessary for the following reasons, as to which the following specific findings are hereby made: (1) it is necessary to utilize the marketing services of an underwriter in order to achieve the lowest interest rate on the Series 2019 Bonds; and (2) it is more likely that the Utility Board will secure the market timing necessary to accomplish the lowest and best interest rate by sale through negotiation.

J. It is in the best interests of the Utility Board to authorize the proper officers of the Board to execute a Purchase Contract for the sale of the Series 2019 Bonds on behalf of the Utility Board, subject to certain conditions, in order to enable the timely sale and award of the Series 2019 Bonds.

K. It is necessary and desirable in connection with the issuance and delivery of the Series 2019 Bonds to the Underwriter: (1) to authorize the execution and delivery to the Underwriter, upon payment therefor in accordance with the provisions of the Purchase Contract, of the Series 2019 Bonds in definitive form; (2) to authorize the execution and delivery on behalf of the Utility Board of the Bond Registrar and Paying Agent Agreement; (3) to authorize the execution and delivery of a tax compliance certificate, a tax return, a continuing disclosure undertaking, and such other closing agreements, documents, and certificates as are usual and customary in connection with the delivery of the Series 2019 Bonds, all upon the recommendation of the General Manager and CEO, with the advice of the Utility Board Attorney, the Financial Advisor and Bond Counsel; and (4) to authorize the taking of such further action by the Chairman, General Manager and CEO and Assistant General Manager and Chief Financial Officer, and others employed by or acting on behalf of the Utility Board as is necessary to effect the issuance and delivery of the Series 2019 Bonds and the application of the proceeds thereof to the costs of issuance of the Series 2019 Bonds.

L. In connection with its continuing disclosure obligations under Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), the Utility Board desires to approve the form of, and authorize the execution and delivery of, the Continuing Disclosure Certificate, a form of which is attached hereto as Exhibit C (the "Continuing Disclosure Certificate").

M. The Utility Board finds the 2019 Project to be necessary and important to complete in order to cause the System to carry on stable operations and maintain a reliable power supply by the Board to its customers.
SECTION 1.04. RESOLUTION AND MASTER RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the acceptance of the Series 2019 Bonds authorized to be issued hereunder by those who shall be the Registered Owners of the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Utility Board and such Registered Owners. The covenants and agreements in this Resolution and the Master Resolution, shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Series 2019 Bonds, all of which shall be of equal rank and without preference, priority or distinction of any of the Series 2019 Bonds over any other thereof, except as expressly provided therein and herein.

SECTION 1.05. AUTHORIZATION OF THE 2019 PROJECT; REFUNDING OF REFUNDED NOTE. There is hereby authorized the financing of the 2019 Project from the proceeds of the Series 2019 Bonds and the findings contained in Section 1.03 are determined to be true and correct findings by the Utility Board. Proceeds received from the sale of the Series 2019 Bonds are hereby authorized to be used to pay, or to reimburse the Utility Board for, the cost of the 2019 Project.

Additionally, the refunding of the Refunded Note is hereby authorized in the amount outstanding of the Refunded Note upon the date of the issuance of the Series 2019 Bonds, with such outstanding amounts thereunder paid to Bank of America, N.A. as the holder thereof. Bond Counsel, acting on behalf of the Utility Board, is authorized to provide not less than three (3) Business Days notice of the prepayment to such holder.

ARTICLE II
AUTHORIZATION OF ISSUANCE OF SERIES 2019 BONDS; DESCRIPTION, DETAILS AND FORM OF SERIES 2019 BONDS

SECTION 2.01. DESCRIPTION OF SERIES 2019 BONDS. The Series 2019 Bonds shall be issued in a principal amount not to exceed $60,000,000, shall be dated, shall be numbered sequentially beginning with R-1, shall be in the denominations of $5,000 or integral multiples thereof, shall be subject to redemption prior to maturity in accordance with the Purchase Contract, shall bear interest at the rates, payable on such dates; shall mature on the first day of October in such years and in such amounts and have such other characteristics, consistent with the provisions of the Master Resolution and this Resolution and Section 6.04 hereof and as shall be specified in the Purchase Contract.

The Series 2019 Bonds shall be issued in fully registered form; shall be payable with respect to principal at the office of the Paying Agent; shall be payable in lawful money of the United States of America; and shall bear interest from their date, or from the most recent date to which interest has been paid, payable by check or draft mailed by the Paying Agent to the Registered Owner at his address as it appears upon the books of the Bond Registrar as of the close of business on the 15th day of the month preceding such interest payment date; provided that, for any Registered Owner of One Million Dollars ($1,000,000) or more in principal amount of the Series
2019 Bonds, such payment shall, at the written request of such Registered Owner, be made by wire transfer or other medium acceptable to the Paying Agent and to such Registered Owner.

SECTION 2.02. EXECUTION AND AUTHENTICATION OF SERIES 2019 BONDS. The Series 2019 Bonds shall be executed in the name of the Utility Board by the Chairman, and attested by the Secretary and the corporate seal of the Utility Board or facsimile thereof shall be affixed thereto or reproduced thereon. The signatures of the Chairman and the Secretary may be manual or facsimile signatures imprinted or reproduced thereon.

There shall be a Certificate of Authentication of the Bond Registrar on the Series 2019 Bonds, and no Series 2019 Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under the provisions of this Resolution unless such certificate shall have been duly executed on such Series 2019 Bond. The authorized signature for the Bond Registrar shall be either manual or in facsimile. The authentication by the authenticating agent upon any Series 2019 Bond shall be conclusive evidence that the Series 2019 Bond so authenticated has been duly delivered hereunder and is entitled to the security and benefit hereof.

In case any one or more of the officers who shall have signed or sealed any of the Series 2019 Bonds shall cease to be such officer of the Utility Board before the Series 2019 Bonds so signed and sealed shall have been actually sold and delivered, such Series 2019 Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Series 2019 Bonds had not ceased to hold such office. Any Series 2019 Bond may be signed and sealed on behalf of the Utility Board by such person as at the actual time of the execution of such Series 2019 Bond shall hold the proper office in the Utility Board, although at the date of such Series 2019 Bonds such person may not have held such office or may not have been so authorized.

SECTION 2.03. NEGOTIABILITY AND REGISTRATION. The Series 2019 Bonds shall be and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of Florida, and each successive Registered Owner, in accepting any of said Series 2019 Bonds shall be conclusively deemed to have agreed that the Series 2019 Bonds shall be and have all of the qualities and incidents of such negotiable instruments.

There shall be a Bond Registrar, who may also be the Paying Agent for the Series 2019 Bonds, which shall be a bank or trust company located within or without the State of Florida having a combined capital, surplus, and undivided profit of at least $50,000,000. The Bond Registrar shall be responsible for maintaining the books for the registration of the transfer and exchange of the Series 2019 Bonds. The Utility Board and the Bond Registrar may treat the Registered Owner of any Series 2019 Bond as the absolute owner thereof for all purposes, whether or not such Series 2019 Bond shall be overdue, and shall not be bound by any notice to the contrary.

All Series 2019 Bonds presented for transfer, exchange, redemption or payment (if so required by the Utility Board or the Bond Registrar) shall be accompanied by a written instrument
or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Utility Board or the Bond Registrar, duly executed by the Registered Owner or by his duly authorized attorney.

The Bond Registrar may charge the Registered Owner a sum sufficient to reimburse it for any expenses incurred in making any exchange or transfer after the first such exchange or transfer following the initial delivery of the Series 2019 Bonds. The Bond Registrar or the Utility Board may also require payment from the Registered Owner or his transferee, as the case may be, of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. Such charges and expenses shall be paid before any such new Series 2019 Bonds shall be delivered.

The Utility Board and the Bond Registrar shall not be required to issue, transfer or exchange any Series 2019 Bonds during a period beginning at the opening of business on the 15th day next preceding either any Interest Payment Date or any date of selection of Series 2019 Bonds or parts thereof to be redeemed and ending at the close of business on the Interest Payment Date or day on which the applicable notice of redemption is given.

New Series 2019 Bonds delivered upon any transfer or exchange shall be valid obligations of the Utility Board, evidencing the same debt as the Series 2019 Bonds surrendered, shall be secured by this Resolution, and shall be entitled to all of the security and benefits hereof to the same extent as the Series 2019 Bonds surrendered.

Whenever any Series 2019 Bond shall be delivered to the Bond Registrar for cancellation, upon payment of the principal amount thereof, or for replacement, transfer or exchange, such Series 2019 Bond shall be cancelled and destroyed by the Bond Registrar, and counterparts of a certificate of destruction evidencing such destruction shall be furnished to the Utility Board.

SECTION 2.04. Tax Covenant.

(A) The Utility Board covenants with the Holders of the Series 2019 Bonds that it shall not use the proceeds of such Series 2019 Bonds in any manner which would cause the interest on such Series 2019 Bonds to be or become includable in the gross income of the Holders thereof for federal income tax purposes.

(B) The Utility Board covenants with the Holders of the Series 2019 Bonds that neither the Utility Board nor any Person under its control or direction will make any use of the proceeds of such Series 2019 Bonds (or amounts deemed to be proceeds under the Code) in any manner which would cause such Series 2019 Bonds to be "private activity bonds" within the meaning of Section 141 of the Code or "arbitrage bonds" within the meaning of Section 148 of the Code, and neither the Utility Board nor any other Person under its control or direction shall do any act or fail to do any act which would otherwise cause the interest on such Series 2019 Bonds to become includable in the gross income of the Holders thereof for federal income tax purposes.
(C) The Utility Board hereby covenants with the Holders of the Series 2019 Bonds that it will comply with all provisions of the Code necessary to maintain the exclusion of interest on the Series 2019 Bonds from the gross income of the Holders thereof for federal income tax purposes, including, in particular, the payment of any amount required to be rebated to the United States Treasury pursuant to the Code.

SECTION 2.05. FORM OF BONDS. The text of the Series 2019 Bonds shall be in substantially the form of Exhibit A of the Master Resolution, with such omissions, insertions, and variations as may be necessary and desirable, and as may be authorized or permitted by either the Master Resolution or this Resolution and approved by Utility Board Attorney and Bond Counsel.

SECTION 2.06. BOOK-ENTRY SYSTEM. The Series 2019 Bonds shall be issued in book-entry only form as authorized by Section 2.07 of the Master Resolution. The Series 2019 Bonds shall be registered to Cede & Co. and immobilized in the custody of DTC.

All payments for the principal of, interest and redemption premiums, if any, on the Series 2019 Bonds shall be paid by check, draft or wire transfer by the Paying Agent to Cede & Co., without prior presentation or surrender of any Series 2019 Bond (except for final payment thereof); and shall constitute payment thereof pursuant to, and for all purposes of, this Resolution.

If less than all the outstanding Series 2019 Bonds of a single maturity are to be called for redemption, the Utility Board and the Paying Agent shall have no responsibility for the selection of the book-entry interests in the Series 2019 Bonds to be paid pursuant to the call for redemption, or for notification of that redemption or of that payment, or for payment to the beneficial owners of affected book-entry interests; all of which shall be handled by and in accordance with arrangements of DTC and its participants and others working through those participants.

To the extent permitted by the provisions of the Letter of Representations referred to above, the Utility Board shall issue Series 2019 Bonds directly to beneficial owners of the Bonds other than DTC, or its nominee, in the event that:

A. DTC determines not to continue to act as securities depository for the Series 2019 Bonds; or

B. the Utility Board has advised DTC of its determination that DTC is incapable of discharging its duties; or

C. the Utility Board determines that it is in the best interest of the Utility Board not to continue the book-entry system or that the interests of the beneficial owners of the Series 2019 Bonds might be adversely affected if the book-entry system is continued.

Upon occurrence of the events described in (A) or (B) above, the Utility Board shall attempt to locate another qualified securities depository, and shall notify Registered Owners of the Series 2019 Bonds through DTC if successful. If the Utility Board fails to locate another qualified securities depository to replace DTC, the Utility Board shall cause the Bond Registrar to

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authenticate and deliver replacement Series 2019 Bonds in certificate form to the beneficial owners of the Series 2019 Bonds.

In the event the Utility Board makes the determination noted in (C) above (the Utility Board undertakes no obligation to make any investigation to determine the occurrence of any events that would permit the Utility Board to make any such determination), or if the Utility Board fails to locate another qualified securities depository to replace DTC upon occurrence of the events described in (A) or (B) above, the Utility Board shall mail a notice to DTC for distribution to the beneficial owners of the Series 2019 Bonds stating that DTC will no longer serve as securities depository, the procedures for obtaining such Series 2019 Bonds in certificated form, and the provisions which govern the Series 2019 Bonds including, but not limited to, provisions regarding authorized denominations, transfer and exchange, principal and interest payments, and other related matters.

SECTION 2.07. REDEMPTION OF SERIES 2019 BONDS. The terms of this Section 2.07 shall apply to redemption of Series 2019 Bonds and are as follows:

A. Selection of Bonds to be Redeemed. The Series 2019 Bonds shall be selected for redemption in accordance with Section 3.05 of the Master Resolution.

B. Notice of Redemption. Unless waived by any Registered Owner of Series 2019 Bonds to be redeemed, notice of any redemption of the Series 2019 Bonds shall be made pursuant to Section 3.03 of the Master Resolution.

C. Conditional Redemption. In the case of an optional redemption, any notice of redemption may state that (1) it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent no later than the redemption date or (2) the Utility Board retains the right to rescind such notice on or prior to the scheduled redemption date as described and permitted by Section 3.04 of the Master Resolution.

D. Redemption Parameters for Series 2019 Bonds. The Series 2019 Bonds shall be subject to mandatory redemption, if any, or to optional redemption no later than October 1, 2029 as further provided for and set forth in the Purchase Contract approved pursuant to Section 5.04 hereof.

ARTICLE III
APPLICATION OF SERIES 2019 BOND PROCEEDS; PROJECT FUND

SECTION 3.01. SALE PROCEEDS. The proceeds, including accrued interest and premium, if any, and excluding the discount upon the sale of the Series 2019 Bonds shall be applied by the Utility Board as follows:

A. The accrued interest, if any, on the Series 2019 Bonds shall be deposited into the Sinking Fund.
B. To the extent not paid or reimbursed therefor by the Underwriter of the Series 2019 Bonds, the Utility Board shall pay all Costs of Issuance.

C. The principal amount outstanding of the Refunded Note shall be paid to Bank of America, N.A. as holder thereof.

D. The Utility Board shall establish its "Project Fund" and shall deposit therein a sum equaling the balance of the Series 2019 Bond proceeds which shall be invested in Authorized Investments and as set forth in subsection (E) below, in order to finance the Series 2019 Project, and applied to fund the cost of the Series 2019 Project only in the manner provided herein.

E. Funds in the Project Fund shall be used only for payment of the Costs of the Series 2019 Project. Moneys in the Project Fund, until applied in payment of any item of the Cost of the Series 2019 Project, shall be held in trust by the Utility Board and shall be subject to a lien and charge in favor of the Bondholders and for the further security of such Holders, and the Utility Board may invest in such funds in Authorized Investments as defined in the Master Resolution.

F. No deposit to a Reserve Account for the Series 2019 Bonds is required.

SECTION 3.02. APPROVAL OF PAYMENT OF COSTS OF ISSUANCE. The Costs of Issuance of the Series 2019 Bonds are authorized to be paid in accordance with the not to exceed amounts which have been presented to the Utility Board and finalized and placed on file with the General Manager and CEO.

SECTION 3.03. SEPARATE ACCOUNTS. The moneys required to be accounted for in any funds and accounts established herein or by the Master Resolution may be deposited in a single bank account, and funds allocated to the various funds and accounts established herein maybe invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the moneys on deposit therein and such investments for the various purposes of such funds and accounts as herein provided and for compliance with the tracking of arbitrage in order to comply with rebate rules.

The designation and establishment of the various funds and accounts in and by this Resolution and the Master Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues for certain purposes and to establish certain priorities for application of such revenues as herein provided.
ARTICLE IV
COVENANTS, MODIFICATION OR AMENDMENT,
DEFEASANCE, EVENTS OF DEFAULT, REMEDIES

SECTION 4.01. APPLICATION OF PROVISIONS OF THE MASTER RESOLUTION. The Series 2019 Bonds shall for all purposes be considered to be Additional Parity Obligations issued under the authority of the Master Resolution and shall be entitled to all the protection and security provided therein for the Outstanding Parity Bonds, and shall be in all respects entitled to the same security, rights and privileges enjoyed by the Outstanding Parity Bonds. The statement of the Chief Financial Officer required by Section 5.01(J)(1) of the Master Resolution shall be placed on file with the Board on or prior to the issuance of the Series 2019 Bonds.

The Series 2019 Bonds shall not be or constitute general obligations or an indebtedness of the Utility Board or of the City as "bonds" within the meaning of any constitutional, statutory, or charter provision or limitation, but shall be payable from and secured solely by a lien upon and pledge of the Net Revenues as provided in the Resolution, on a parity with the lien upon and a pledge thereof in favor of the Registered Owners of the Outstanding Parity Bonds. No Registered Owner of any of the Series 2019 Bonds shall ever have the right to compel the exercise of the ad valorem taxing power of the City or taxation in any form of any property of or in the City, for payment of the Series 2019 Bonds or for the making of any payments under the Resolution. The Series 2019 Bonds shall not constitute a lien upon the System or upon any other property of the Utility Board, but shall constitute a lien only upon the Net Revenues in the manner provided in the Resolution.

ARTICLE V
SALE OF SERIES 2019 BONDS

SECTION 5.01. NO VALIDATION. The Utility Board elects not to institute validation proceedings in the Circuit Court for Monroe County, Florida pursuant to the provisions of Chapter 75, Florida Statutes, for validation of the Series 2019 Bonds.

SECTION 5.02. NEGO TIATED SALE OF BONDS. The Utility Board in compliance with Section 218.385(1)(a), Florida Statutes, as amended, hereby finds, determines and declares that, upon the advice of its Financial Advisor, as set forth in the preambles hereto, a negotiated sale to the Underwriter of the Series 2019 Bonds is necessary and desirable and in the best interests of the Utility Board.

SECTION 5.03. DISCLOSURE STATEMENT. The disclosure statement required by Section 218.385(6), Florida Statutes, must be delivered by the Underwriter to the Utility Board upon or prior to the award of the Series 2019 Bonds and executing the Purchase Contract.

SECTION 5.04. DELEGATION OF AUTHORITY TO DETERMINE DATE OF SALE AND DETAILS OF SERIES 2019 BONDS AND TO EXECUTE PURCHASE CONTRACT; CONDITIONS TO EXERCISE OF AUTHORITY; AWARD CERTIFICATE. Any officer of the
Utility Board, is hereby, subject to the conditions hereinafter set forth, authorized and empowered to determine the date of sale, principal amount, maturity dates and amounts, interest rates, dated date, redemption provisions and other details of the Series 2019 Bonds, and to execute the Purchase Contract on behalf of the Utility Board and to deliver an executed copy thereof to the Underwriter. This delegation of authority is expressly made subject to the following conditions, the failure of any of which shall render the Purchase Contract voidable at the option of the Utility Board. The conditions to exercise the authority to execute the Purchase Contract are:

A. The Purchase Contract shall be executed on behalf of the Utility Board by the proper officer on or before October 1, 2019, and shall be in such form and with such provisions as shall be reasonable and customary for purchase contracts in the opinion of the Utility Board Attorney and Bond Counsel.

B. The aggregate principal amount of the Series 2019 Bonds to be sold shall (exclusive of any original issue discount on the sale of the Series 2019 Bonds) not exceed $60,000,000.

C. The Series 2019 Bonds shall mature not later than October 1, 2045 and the Series 2019 Bonds shall be subject to optional redemption at par no later than October 1, 2029. The true interest cost rate for the Series 2019 Bonds shall not exceed 3.75%.

D. The Underwriter shall have delivered to the Utility Board a good faith check in an amount of not less than $600,000.

E. The Financial Advisor shall provide its recommendation to the Utility Board regarding the Utility Board’s acceptance and execution of the Purchase Contract prior to the execution of the Purchase Contract.

In conjunction with the execution of the Purchase Contract, the proper officer shall execute and file with the records of the Utility Board an Award Certificate demonstrating compliance with the foregoing conditions.

SECTION 5.05. APPROVAL OF OFFICIAL STATEMENT; FURTHER ACTION TO DELIVER SERIES 2019 BONDS AUTHORIZED. The execution and delivery to the Underwriter, upon payment therefor in accordance with the provisions of the Purchase Contract, of the Series 2019 Bonds in definitive form is hereby approved. The execution and delivery on behalf of the Utility Board of (1) the Bond Registrar and Paying Agent Agreement, (2) a tax compliance certificate and tax return, (3) the Continuing Disclosure Certificate, and (4) such other closing agreements, documents, and certificates as are usual and customary in connection with the delivery of the Series 2019 Bonds, all upon the recommendation of the General Manager and CEO, with the advice of the Utility Board Attorney, Bond Counsel and the Financial Advisor are hereby approved. The taking of such further action by the Chairman, General Manager and CEO, Assistant General Manager and Chief Financial Officer, the Utility Board Attorney, and others
employed by or acting on behalf of the Utility Board, as is necessary to effect the sale, issuance and delivery of the Series 2019 Bonds is hereby authorized and approved.

SECTION 5.06. BOND REGISTRAR AND PAYING AGENT AND AGREEMENT THEREFOR. The Bank of New York Mellon Trust Company, N.A. is hereby designated Bond Registrar and Paying Agent for the Series 2019 Bonds. The Chairman and Secretary of the Utility Board are hereby authorized to execute the Paying Agent and Registrar Agreement between the Utility Board and the Bond Registrar and Paying Agent.

SECTION 5.07. PRELIMINARY OFFICIAL STATEMENT AND OFFICIAL STATEMENT. The Utility Board hereby approves the form of the Preliminary Official Statement attached hereto as Exhibit A (the "Preliminary Official Statement") (except for permitted omissions), and the distribution and use of that Preliminary Official Statement by the Underwriter in connection with the offering for sale of the Series 2019 Bonds. The proper officers of the Utility Board and each of them are authorized and directed, on behalf of the Utility Board, in their official capacities, to finalize the Preliminary Official Statement upon the pricing of the Series 2019 Bonds by the Underwriter with the advice of the Financial Advisor, counsel to the Utility Board and Bond Counsel with such modifications, changes and supplements as those officers shall approve or authorize for purposes of preparing and determining, and to certify and otherwise represent, that the Preliminary Official Statement as so completed (the "Official Statement") is "final" for purposes of SEC Rule 15c2-12(b)(3) and (4). Those officers and each of them are also authorized to sign and deliver on behalf of the Utility Board, in their official capacities, the final Official Statement and such certificates in connection with the truth and accuracy of the final Official Statement and any amendment thereto as may, in their judgment, be necessary or appropriate, to the Underwriter. The distribution and use of the final Official Statement by the Underwriter in connection with the original issuance of the Series 2019 Bonds is further approved.

SECTION 5.08. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions of this resolution should be held to be contrary to any express provision of law or to be contrary to the policy of express law, though not expressly prohibited, or to be against public policy, or should for any reason whatsoever be held invalid, then such covenants, agreements, or provisions shall be null and void and shall be deemed separate from the remaining covenants, agreements, or provisions of, and in no way affect the validity of, all the other provisions of the Master Resolution or this resolution or of the Series 2019 Bonds.

SECTION 5.09. REPEALING CLAUSE. All resolutions of the Utility Board, or parts thereof, in conflict with the provisions of this Resolution are to the extent of such conflict hereby superseded and repealed.

[Remainder of Page Intentionally Left Blank]
SECTION 5.10. EFFECTIVE DATE. This Resolution shall become effective immediately upon its adoption.

PASSED AND ADOPTED at a special meeting duly called and held this 26th day of June, 2019.

(SEAL) 

UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA

__________________________
Peter Batty, Chairman

ATTESTED: 

__________________________
Lynne E. Tejeda, Secretary

Counsel to the Utility Board

j:\wdox\docs\clients\26002\007\ordres\01473334.doc
EXHIBIT A TO SUPPLEMENTAL RESOLUTION

PRELIMINARY OFFICIAL STATEMENT

[Follows.]
NEW ISSUE - BOOK-ENTRY ONLY

In the opinion of bond counsel, assuming compliance by the Utility Board with certain covenants, under existing statutes, regulations, and judicial decisions, the interest on the Series 2019 Bonds will be excluded from gross income for federal income tax purposes of the holders thereof and will not be an item of tax preference for purposes of the federal alternative minimum tax. See “TAX MATTERS” herein for a description of other tax consequences to holders of the Series 2019 Bonds.

The Electric System Revenue and Revenue Refunding Bonds, Series 2019 (the “Series 2019 Bonds”), of the Utility Board of the City of Key West, Florida, doing business as Keys Energy Services (the “Utility Board”), will be issued only as fully registered bonds in the denomination of $5,000 or any integral multiple thereof and will be initially registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Series 2019 Bonds. The Series 2019 Bonds will be available to purchasers only under the book-entry system maintained by DTC through brokers and dealers who are, or act through, DTC Participants. Purchasers will not receive delivery of the Series 2019 Bonds. So long as any purchaser is the Beneficial Owner (as defined herein) of a Series 2019 Bond, such purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on such Series 2019 Bond. See “DESCRIPTION OF THE SERIES 2019 BONDS - Book-Entry Only System” herein. Interest on the Series 2019 Bonds will be payable semiannually on October 1 and April 1 of each year, commencing April 1, 2020. The Bank of New York Mellon Trust Company, N.A. will serve as initial Paying Agent and Registrar.

The Series 2019 Bonds are subject to optional redemption prior to their respective dates of maturity as described herein.

The Series 2019 Bonds are being issued under the authority of, and in full compliance with, the Constitution and the laws of the State of Florida, including Chapter 69-1191, Laws of Florida, Special Acts of 1969, as amended and supplemented, and other applicable provisions of law, and Resolution No. 797 adopted by the Utility Board on October 8, 2014 and effective as of October 1, 2018 (the “Master Resolution”), particularly as supplemented by Resolution No. 814, adopted on June 26, 2019 (the “Series Resolution”, together with the Master Resolution, the “Resolution”). Proceeds of the Series 2019 Bonds will be used to (i) finance and refinance certain capital improvements to the electric system including, but not limited to, construction of a new warehouse; transmission poles, insulators and hardware replacement and repair; switchgear replacements and substation upgrades; and distribution pole replacements (collectively, the “Series 2019 Project”); (ii) refund the Utility Board’s Electric System Subordinate Revenue Note, Series 2017 dated October 12, 2017 (the “Refunded Note”); and (iii) pay the costs of issuance of the Series 2019 Bonds. See “THE SERIES 2019 PROJECT” and “PLAN OF REFUNDING” herein.

* Preliminary, subject to change.

The Series 2019 Bonds are offered for delivery when, as and if issued and received by the Underwriter, subject to the satisfaction of certain conditions and subject to delivery of an opinion on certain legal matters relating to their issuance by Bryant Miller Olive P.A., Tampa Florida, Bond Counsel to the Utility Board. Certain other legal matters in connection with the Series 2019 Bonds are subject to approval of Nathan Eden, Esq., Key West, Florida, Counsel to the Utility Board and by Bryant Miller Olive P.A., Miami, Florida, Disclosure Counsel to the Utility Board. Dunlap & Associates, Inc., Orlando, Florida, serves as Financial Advisor to the Utility Board. Certain legal matters will be passed on for the Underwriter by its counsel, Marchena and Graham, P.A., Orlando, Florida. It is expected that settlement for the Series 2019 Bonds will occur through the facilities of DTC in New York, New York on or about __________, 2019.

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

BofA Merrill Lynch

Date: __________, 2019
$60,000,000*
UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA
ELECTRIC SYSTEM REVENUE AND REVENUE REFUNDING BONDS, SERIES 2019
MATUREITIES, AMOUNTS, INTEREST RATES, YIELDS, PRICES
AND INITIAL CUSIP NUMBERS

$_________ * Serial Bonds

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$______, ______% Term Bonds due October 1, 20__, Price ____%, Initial CUSIP Number ____

* Preliminary, subject to change.
** The Utility Board nor the Underwriter are responsible for the use of CUSIP Numbers referenced herein nor is any representation made by the Utility Board or the Underwriter as to their correctness. The CUSIP Numbers provided herein are included solely for the convenience of the readers of this Official Statement.
RED HERRING LANGUAGE:

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, the Series 2019 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities laws of such jurisdiction. The Utility Board has deemed this Preliminary Official Statement "final," except for certain permitted omissions, within the contemplation of Rule 15c2-12 promulgated by the Securities and Exchange Commission.
UTILITY BOARD OF
THE CITY OF KEY WEST, FLORIDA
Post Office Box 6100
1001 James Street
Key West, Florida 33041
(305) 295-1000

MEMBERSHIP
Peter Batty, Chairman
Mona C. Clark, Vice Chair
Robert Barrios, Member
Timothy Root, Member
Steven Wells, Member

SENIOR STAFF
Lynne E. Tejeda, General Manager and Chief Executive Officer
John ‘Jack’ Wetzler, Assistant General Manager and Chief Financial Officer
Nick Batty, Director of Legal and Regulatory Services
Fred Culpepper, Director of Transmission & Distribution
Dan Sabino, Director of Engineering
Julio J. Torrado, Director of Human Resources & Communications
Joe Weldon, Director of Generation
Erica Zarate, Director of Customer Services

COUNSEL TO THE UTILITY BOARD
Nathan E. Eden, Esq.
Key West, Florida

BOND COUNSEL
Bryant Miller Olive P.A.
Tampa, Florida

DISCLOSURE COUNSEL
Bryant Miller Olive P.A.
Miami, Florida

FINANCIAL ADVISOR
Dunlap & Associates, Inc.
Orlando, Florida
NO DEALER, BROKER, SALESMAN OR ANY OTHER PERSON HAS BEEN AUTHORIZED BY THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA (THE “UTILITY BOARD”), OR THE UNDERWRITER TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, IN CONNECTION WITH THE OFFERING CONTAINED HEREIN, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE UTILITY BOARD. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES, OTHER THAN THE SECURITIES OFFERED HEREBY, OR AN OFFER OR A SOLICITATION OF AN OFFER OF THE SECURITIES OFFERED HEREBY TO ANY PERSON IN ANY JURISDICTION WHERE SUCH OFFER OR SOLICITATION OF SUCH OFFER WOULD BE UNLAWFUL.

The information set forth herein has been obtained from the Utility Board, and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Utility Board or the Underwriter. The information and expressions of opinions stated herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters covered in the Financial Statements of the Utility Board since the respective dates thereof or in the affairs of the Utility Board since the date hereof.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Upon issuance, the Series 2019 Bonds will not be registered under the Securities Act of 1933, will not be listed on any stock or other securities exchange and neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, other than the Utility Board, will have passed upon the accuracy or adequacy of this Official Statement or approved the Series 2019 Bonds for sale.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2019 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH SERIES 2019 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

References herein to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to this Official Statement they may be obtained from the office of Jack Wetzler, Assistant General Manager and Chief Financial Officer, 1001 James Street, Key West, Florida 33041 (305) 295-1013, upon prepayment of reproduction costs, postage and handling expenses.
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OFFICIAL STATEMENT

Relating to the issuance of

$60,000,000*

UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA
ELECTRIC SYSTEM REVENUE AND REVENUE REFUNDING BONDS, SERIES 2019

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the appendices, is to provide information in connection with the delivery by the Utility Board of the City of Key West, Florida (the “Utility Board”) of its $60,000,000* Electric System Revenue and Revenue Refunding Bonds, Series 2019 (the “Series 2019 Bonds”). There follows in this Official Statement a brief description of the Series 2019 Bonds, the security therefore and information regarding the Utility Board. All financial data and other statistical data included herein have been provided by the Utility Board, except where other sources are noted.

The Series 2019 Bonds are being issued pursuant to and under the authority of Chapter 69-1191, Laws of Florida, Special Acts of 1969, as amended and supplemented, and other applicable provisions of law, and Resolution No. 797 adopted by the Utility Board on October 8, 2014 and effective as of October 1, 2018 (the “Master Resolution”), particularly as supplemented by Resolution No. 814, adopted on June 26, 2019 (the “Series Resolution”, together with the Master Resolution, the “Resolution”). See “Summary of Certain Master Resolution Provisions” herein.

The Series 2019 Bonds are being issued to (i) finance and refinance the Series 2019 Project; (ii) refund the Utility Board’s Electric System Subordinate Revenue Note, Series 2017 dated October 12, 2017 (the “Refunded Note”); and (iii) pay the costs of issuance of the Series 2019 Bonds. See “THE SERIES 2019 PROJECT” and “PLAN OF REFUNDING” herein. The payment of the Series 2019 Bonds will be secured by a lien upon and pledge of the hereinafter defined Net Revenues, on a parity with the Utility Board’s Outstanding Electric System Refunding Revenue Bonds, Series 2014 outstanding in the principal amount of $40,365,000 (the “Series 2014 Bonds” or the “Outstanding Parity Bonds”). The Series 2019 Bonds, the Outstanding Parity Bonds and any Additional Parity Obligations issued pursuant to the Resolution are herein referred to, collectively, as the “Bonds.”

A complete description of the terms and conditions of the Series 2019 Bonds is set forth in the Resolution, the form of which is included in Appendix B of this Official Statement. The description of the Series 2019 Bonds, the documents authorizing and securing the same, and the information from various reports and statements contained herein are not comprehensive or definitive. All references herein to such documents, reports and statements are qualified by their entire, actual content.

Capitalized terms in this Official Statement, unless otherwise defined herein, shall have the meanings assigned to such terms in “APPENDIX B - FORM OF SERIES RESOLUTION” as they relate to the Series Resolution or “APPENDIX C - FORM OF MASTER RESOLUTION” as they relate to the Master Resolution. The assumptions, estimates projections and matters of opinion contained in this Official Statement, whether or not so expressly stated, are set forth as such and not as matters of fact, and no

* Preliminary, subject to change.
representation is made that any of the assumptions or matters of opinion herein are valid or that any projections or estimates contained herein will be realized. Neither this Official Statement nor any other statement which may have been made verbally or in writing in connection with the Series 2019 Bonds, other than the Resolution, is to be construed as a contract with the Registered Owners of the Series 2019 Bonds.

PLAN OF REFUNDING

The Utility Board will currently refund the Refunded Note which was issued to provide funds to finance the Utility Board’s capital costs incurred after September 6, 2017, as a result of Hurricane Irma pursuant to a loan agreement with Bank of America N.A., an affiliate of the Underwriter. It is expected that the Refunded Note will be paid simultaneously with the issuance of the Series 2019 Bonds and will no longer be Outstanding under the Master Resolution, which authorized the Refunded Note.

The Utility Board has determined that the estimated cost of restoration due to the impact of Hurricane Irma was $42,137,497 of which $40,294,361.64 will be paid with Series 2019 Bond proceeds. To date, the Utility Board has expended $38,576,934 for the restoration efforts and only $2,205,638 has been reimbursed by the Federal Emergency Management Agency (“FEMA”). Currently, the Utility Board does not have enough information to determine when and how much will be reimbursed by FEMA.

THE SERIES 2019 PROJECT

A portion of the proceeds of the Series 2019 Bonds will be used to finance the replacement of transmission poles, replacement of 138kV post insulators, replacement of switchgears, acquisition of transformers, construction of warehouse, replacement of shieldwire and replacement of reconductors.
DESCRIPTION OF THE SERIES 2019 BONDS

General

The Series 2019 Bonds will be issued in the aggregate principal amount shown on the cover page hereof, as fully registered bonds in denominations of $5,000 and integral multiples thereof, will be dated their date of issuance, and will bear interest at the rates and mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Series 2019 Bonds (first payment due April 1, 2020, and semiannually thereafter on each October 1 and April 1) will be payable by check or draft of Bank of New York Mellon Trust Company, N.A., Registrar and Paying Agent, made payable to and mailed to the registered owner, as shown on the registration books of the Utility Board on the 15th day of the month next preceding each interest payment date. Principal of the Series 2019 Bonds is payable to the registered owner upon presentation, when due, at the principal corporate trust office of the Registrar and Paying Agent.

Book-Entry Only System

THE FOLLOWING INFORMATION IN THIS SECTION CONCERNING DTC AND DTC’S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE UTILITY BOARD BELIEVES TO BE RELIABLE, BUT THE UTILITY BOARD TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.


DTC will act as securities depository for the Series 2019 Bonds. The Series 2019 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2019 Bond will be issued for each maturity of the Series 2019 Bonds as set forth in the inside cover of this Official Statement, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2019 Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2019 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2019 Bonds, except in the event that use of the book-entry system for the Series 2019 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2019 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2019 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2019 Bonds within a series or maturity of a series are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such series or maturity to be redeemed.
Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2019 Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Utility Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Series 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments, as applicable, on the Series 2019 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 Utility Board or the Paying Agent and Registrar on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent and Registrar, or the Utility Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Utility Board and/or the Paying Agent and Registrar for the Series 2019 Bonds. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2019 Bonds at any time by giving reasonable notice to the Utility Board or Paying Agent and Registrar. Under such circumstances, in the event that a successor depository is not obtained, Series 2019 Bond certificates are required to be printed and delivered.

The Utility Board may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Series 2019 Bond certificates will be printed and delivered to DTC and be subject to transfer and registration as provided in the Resolution and as described under the subheading "—Negotiability, Registration and Transfer" which immediately follows.

THE UTILITY BOARD AND THE PAYING AGENT WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO THE BENEFICIAL OWNERS, DTC PARTICIPANTS OR THE PERSONS FOR WHOM DTC PARTICIPANTS ACT AS NOMINEES WITH RESPECT TO THE SERIES 2019 BONDS, FOR THE ACCURACY OF RECORDS OF DTC, CEDE & CO. OR ANY DTC PARTICIPANT WITH RESPECT TO THE SERIES 2019 BONDS OR THE PROVIDING OF NOTICE OR PAYMENT OF PRINCIPAL, OR INTEREST, OR ANY PREMIUM ON THE SERIES 2019 BONDS, TO DTC PARTICIPANTS OR BENEFICIAL OWNERS, OR THE SELECTION OF BONDS FOR REDEMPTION.

Negotiability, Registration and Transfer

SO LONG AS THE SERIES 2019 BONDS ARE REGISTERED IN THE NAME OF DTC OR ITS NOMINEE, THE FOLLOWING PARAGRAPHS RELATING TO TRANSFER AND EXCHANGE OF SERIES 2019 BONDS DO NOT APPLY TO THE SERIES 2019 BONDS.

The Series 2019 Bonds will be and have all the qualities and incidents of negotiable instruments
under the Uniform Commercial Code - Investment Securities Laws of the State of Florida, subject to the DTC book-entry only system and to the provisions for registration, exchange and transfer contained in the Resolution and in the Series 2019 Bonds.

All Series 2019 Bonds presented for transfer, exchange, redemption, or payment (if so required by the Utility Board or the Registrar) must be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Utility Board or the Registrar, duly executed by the Registered Owner or by his duly authorized attorney.

The Registrar may charge the Registered Owner a sum sufficient to reimburse it for any expenses incurred in making any exchange or transfer after the first such exchange or transfer following the initial delivery of the Series 2019 Bonds. The Registrar or the Utility Board may also require payment from the Registered Owner or his transferee, as the case may be, of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. Such charges and expenses shall be paid before any such new Series 2019 Bonds shall be delivered.

The Utility Board and the Registrar shall not be required to issue, transfer or exchange any Series 2019 Bonds during a period beginning at the opening of business on the 15th day next preceding either any Interest Payment Date or any date of selection of Series 2019 Bonds or parts thereof to be redeemed and ending at the close of business on the Interest Payment Date or day on which the applicable notice of redemption is given.

New Series 2019 Bonds delivered upon any transfer or exchange will be valid obligations of the Utility Board, evidencing the same debt as the Series 2019 Bonds surrendered, will be secured by the Resolution, and will be entitled to all of the security and benefits of the Resolution, to the same extent as the Series 2001 Bonds surrendered.

The Utility Board and the Registrar may treat the Registered Owner of any Series 2019 Bond as the absolute owner thereof for all purposes (whether or not such Series 2019 Bond is overdue) and shall not be bound by any notice to the contrary. The Registrar shall be responsible for maintaining the books for the registration of the transfer and exchange of the Series 2019 Bonds. The Utility Board and the Registrar may treat the Registered Owner of any Series 2019 Bond as the absolute owner thereof for all purposes, whether or not such Series 2019 Bond shall be overdue, and shall not be bound by any notice to the contrary.

Whenever any Series 2019 Bond shall be delivered to the Registrar for cancellation, upon payment of the principal amount thereof, or for replacement, transfer or exchange, such Series 2019 Bond shall be cancelled and destroyed by the Registrar, and counterparts of a certificate of destruction evidencing such destruction shall be furnished to the Utility Board.

Redemption Provisions

Optional Redemption. The Series 2019 Bonds maturing before October 1, ____ shall not be subject to optional redemption prior to maturity. The Series 2019 Bonds maturing on and after October 1, ____ are subject to redemption prior to their maturity, at the option of the Utility Board, on or after October 1, ____ in whole or in part at any time, and if in part as selected by the Utility Board among maturities and by lot by the Paying Agent within a maturity, at a redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest to the redemption date.
**Mandatory Redemption Provisions.** The Series 2019 Bonds maturing on October 1, 20__ are subject to mandatory redemption prior to maturity, by lot, at a redemption price equal to 100% of the principal amount of such Series 2019 Bonds to be redeemed, plus accrued interest to the date of redemption, on October 1 in each of the years and in the following principal amounts in the years specified:

<table>
<thead>
<tr>
<th>October 1</th>
<th>Principal Amount $</th>
</tr>
</thead>
</table>

*Final Maturity

**Notice of Redemption.** Unless waived by any Registered Owner of Series 2019 Bonds to be redeemed, notice of any redemption made pursuant to this section shall be given by the Registrar on behalf of the Utility Board by mailing a copy of an official redemption notice by first class mail, postage prepaid, at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to each Registered Owner of Series 2019 Bonds to be redeemed at the address of such Registered Owner shown on the registration books maintained by the Registrar or at such other address as shall be furnished in writing by such Registered Owner to the Registrar; provided, however, that no defect in any notice given pursuant to the Resolution to any Registered Owner of Series 2019 Bonds to be redeemed nor failure to give such notice shall in any manner defeat the effectiveness of a call for redemption as to all other Registered Owners of Series 2019 Bonds to be redeemed.

Every official notice of redemption shall be dated and shall state:

(i) the redemption date;

(ii) the Redemption Price;

(iii) if less than all outstanding Series 2019 Bonds are to be redeemed, the number (and, in the case of a partial redemption of any Series 2019 Bond, the principal amount) of each Series 2019 Bond to be redeemed;

(iv) that on the redemption date the Redemption Price will become due and payable upon each such Series 2019 Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date; and

(v) that such Series 2019 Bonds to be redeemed, whether as a whole or in part, are to be surrendered for payment of the Redemption Price plus accrued interest at the office of the Paying Agent; and

(vi) the CUSIP number of the Series 2019 Bonds to be redeemed, if assigned.

Prior to or on any redemption date, the Utility Board shall deposit with the Paying Agent an
amount of money sufficient to pay the Redemption Price of and accrued interest on all the Series 2019 Bonds or portions of Series 2019 Bonds which are to be redeemed on that date.

Conditional Redemption. In the case of an optional redemption, any notice of redemption may state that (1) it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent no later than the redemption date or (2) the Utility Board retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a "Conditional Redemption"), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described in the Resolution. Any such notice of Conditional Redemption may be rescinded at any time prior to the redemption date if the Utility Board delivers a written direction to the Paying Agent directing the Paying Agent to rescind the redemption notice. The Paying Agent shall give prompt notice of such rescission to the affected Series 2019 Bondholders. Any Series 2019 Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and neither the rescission nor the failure by the Utility Board to make such funds available shall constitute an Event of Default under the Resolution. The Paying Agent shall give immediate notice to the securities information repositories and the affected Bondholders that the redemption did not occur and that the Series 2019 Bonds called for redemption and not so paid remain Outstanding.

[Remainder of page intentionally left blank]
ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the Series 2019 Bonds will be applied as follows:

Estimated Sources of Funds:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Amount</td>
<td>$</td>
</tr>
<tr>
<td>[Plus][Less] Net Original Issue [Premium][Discount]</td>
<td></td>
</tr>
<tr>
<td>Other Legally Available Funds of the Utility Board</td>
<td></td>
</tr>
<tr>
<td><strong>Total Estimated Sources of Funds</strong></td>
<td>$</td>
</tr>
</tbody>
</table>

Estimated Uses of Funds:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment of Refunded Note</td>
<td></td>
</tr>
<tr>
<td>Deposit to Project Fund</td>
<td></td>
</tr>
<tr>
<td>Underwriter’s Discount</td>
<td></td>
</tr>
<tr>
<td>Costs of Issuance (^1)</td>
<td></td>
</tr>
<tr>
<td><strong>Total Estimated Uses of Funds</strong></td>
<td>$</td>
</tr>
</tbody>
</table>

\(^1\) Includes bond counsel and disclosure counsel fees and expenses, financial advisory fees, and other costs associated with the Series 2019 Bonds.

[Remainder of page intentionally left blank]
SECURITY FOR THE SERIES 2019 BONDS

Sources of Payment

**General.** The principal of and interest on the Series 2019 Bonds will be payable from and secured solely by a lien upon and pledge of the Net Revenues (as defined below) to be derived from the operation of the electric system (the “System”), in the manner described in the Resolution. The lien upon and pledge of the Net Revenues in favor of the holders of the Series 2019 Bonds will be on a parity with the lien upon and pledge of the Net Revenues created in favor of the holders of the Series 2014 Bonds and any Additional Parity Obligations hereafter issued.


**Net Revenues.** Under the terms of the Resolution, the Net Revenues consist of the Gross Revenues during such period plus the amounts, if any, paid from the Rate Stabilization Fund into the Revenue Fund during such period (excluding, for the purpose of avoiding double counting, amounts already included in the Revenues for such period representing interest earnings transferred from the Rate Stabilization Fund to the Reserve Fund) and minus the sum of (a) Operating Expenses and (b) the amounts, if any, paid from the Revenue Fund into the Rate Stabilization Fund during such period.

“Gross Revenues” or “Revenues” shall mean all rates, fees, rentals or other charges or other income, any income from investment of moneys in the funds and accounts created pursuant to the Resolution received by the Utility Board or accrued to the Utility Board or to any board or agency of the City in control of the management and operation of the System, and all parts thereof, from the ownership or operation of said System, all as calculated in accordance with generally accepted accounting principles.

Gross Revenues do not include investment earnings on moneys in a project Construction Trust Fund.

The Utility Board levies rates, fees and charges for the services of the System, which are the basis for the operating revenues component of the Gross Revenues. See the information under this heading and the caption “Covenants Regarding Rates and Additional Debt” and under the heading “THE ELECTRIC SYSTEM” for information regarding rates, fees and charges.

“Operating Expenses” means the then current expenses paid or accrued, of operating, maintenance and repair of said System, as calculated in accordance with generally accepted accounting principles applicable to the Utility Board, and shall include, without limiting the generality of the foregoing, payments under any Conditional Output Contracts, insurance premiums, accounting, legal, engineering and
administrative expenses of the Utility Board relating solely to the System, labor, the cost of materials and supplies used for current operations, and any other current expenses required or permitted to be paid by the Utility Board for the operation, maintenance and repair of said System, under the Master Resolution. "Operating Expenses" shall not include (i) any cost or expense of the construction, acquisition or capital repair of the System, or any part thereof, (ii) any amortization of the costs of issuance of debt obligations, (iii) any allowance for depreciation and amortization or renewals or replacements of capital assets of said System, (iv) payments under Unconditional Output Contracts, (v) any reserves for renewals or replacements, (vi) payments for any extraordinary repairs, (vii) any Unfunded OPEB Expense, (viii) any Unfunded Pension Expense, or (ix) any unfunded expense which may be required with future GASB implementations.

As part of the Operating Expenses, the Utility Board has certain contractual arrangements with the Florida Municipal Power Agency under the All-Requirements Power Supply Project. See the caption “Power Supply Sources and Transmission and Distribution Facilities” below.

**Investment Earnings.** The Utility Board invests the moneys on deposit in the funds and accounts established pursuant to the Resolution in accordance with the investment policy of the Utility Board in Authorized Investments, which is the basis for the investment earnings component of the Gross Revenues. See the information below under the captions “Application of Moneys Under the Master Resolution” and “Investment Policy” for information regarding investments.

**Application of Moneys Under the Master Resolution**

For as long as any of the principal of and interest on any of the Bonds shall be outstanding and unpaid or until (a) there shall have been set apart in the Sinking Fund, established in the Master Resolution, including the Reserve Fund therein, and in the Bond Amortization Fund, established in the Master Resolution, a sum sufficient to pay when due the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon, or (b) provision for payment of the Bonds shall have been made in accordance with the terms of the Master Resolution and the Bonds shall have been defeased, the Utility Board covenants with the Registered Owners of any and all Bonds as follows:

(A) **REVENUE FUND.** The entire Gross Revenues derived from the operation of the System shall upon receipt thereof be deposited into the "Electric System Revenue Fund" (hereinafter called the "Revenue Fund"), created and established by the Master Resolution.

(B) **DISPOSITION OF REVENUES.** All moneys at any time remaining on deposit in the Revenue Fund shall be disposed of on or before the first day of each month, commencing in the month immediately following the delivery of any of the Bonds only in the following manner and in the following order of priority:

(1) Revenues shall be used to pay the current Operating Expenses of the System.

(2) From the moneys remaining in the Revenue Fund, the Utility Board shall next deposit into a separate fund, which is created and designated "Utilities Revenue Bonds Sinking Fund" (hereinafter called "Sinking Fund"), (a) on or before each interest payment date for any of the Bonds the amount required for the interest payable on such date; (b) on or before each principal maturity date, the principal amount of Serial Bonds which will mature and become due and payable on such date; and (c) on or before any redemption date for the Bonds, the amount required for the payment of interest on the Bonds then to be
redeemed; (d) on or before each principal maturity date, the Compounded Amount of Compounded Interest Serial Bonds maturing and becoming due and payable on such date; and (e) on or before each annual payment date or semiannual payment date, the amount of the Amortization Installment for Term Bonds required to be made on such date into a "Bond Amortization Account," which is created and established in said Sinking Fund.

Payments into the Bond Amortization Account shall be credited to a separate special account for each series of Term Bonds outstanding, and if there shall be more than one stated maturity for Term Bonds of a series, then into a separate special account in the Bond Amortization Account for each such separate maturity of Term Bonds. The moneys and investments in each such separate account shall be pledged solely to the payment of principal of the Term Bonds of the series or maturity within a series for which it is established and shall not be available for payment, purchase or redemption of Term Bonds of any other series or within a series, or for transfer to the Sinking Fund to make up any deficiencies in required payments therein.

Upon the sale of any series of Term Bonds, the Utility Board shall, by resolution, establish the amounts and maturities of Amortization Installments for each series, and if there shall be more than one maturity of Term Bonds within a series, the Amortization Installments for the Term Bonds of each maturity. In the event the moneys deposited for retirement of a maturity of Term Bonds are required to be invested, in the manner provided below, then the Amortization Installments may be stated in terms of either the principal amount of the investments to be purchased on, or the cumulative amounts of the principal amount of investments required to have been purchased by, the payment date of such Amortization Installment.

Moneys on deposit in each of the separate special accounts in the Bond Amortization Account shall be used for the open market purchase or the redemption of Term Bonds of the series or maturity of Term Bonds within a series for which such separate special account is established or may remain in said separate special account and be invested until the stated date of maturity of the Term Bonds. The resolution establishing the Amortization Installments for any series or maturity of Term Bonds may limit the use of moneys to any one or more of the uses set forth in the preceding sentence.

(3) To the extent that amounts on deposit in the Reserve Account (or any subaccount therein) are less than the applicable Reserve Account Requirement, the Utility Board shall next make deposits into the Reserve Account (or any subaccount therein) in the manner described below from moneys remaining in the Revenue Fund. Any withdrawals from the Reserve Account (or any subaccount therein) shall be subsequently restored from the first moneys available in the Revenue Fund, after all required current payments for Operating Expenses as set forth above and all current applications and allocations to the Sinking Fund, including all deficiencies for prior payments have been made in full. Notwithstanding the foregoing, in case of withdrawal from the Reserve Account (or any subaccount therein), in no event shall the Utility Board be required to deposit into the Reserve Account (or any subaccount therein) an amount greater than that amount necessary to ensure that the difference between the applicable Reserve Account Requirement and the amounts on deposit in the Reserve Account (or any subaccount therein) on the date of calculation shall be restored not later than sixty (60) months after the date of such deficiency (assuming equal monthly payments into the Reserve Account (or any subaccount therein) for such sixty (60) month period).

Notwithstanding anything in the Master Resolution to the contrary, the Utility Board may establish a separate subaccount in the Reserve Account for any Series of Bonds and provide a pledge of such
subaccount to the payment of such Series of Bonds apart from the pledge provided in the Master Resolution. To the extent a Series of Bonds is secured separately by a subaccount of the Reserve Account, the Registered Owners of such Bonds shall not be secured by any other moneys in the Reserve Account or any other subaccount therein. Moneys in a separate subaccount of the Reserve Account shall be maintained at the Reserve Account Requirement applicable to such Series of Bonds secured by the subaccount; provided the Supplemental Resolution authorizing such Series of Bonds may establish the Reserve Requirement relating to such separate subaccount of the Reserve Account at such level as the Utility Board deems appropriate. If funds in the Reserve Account are less than the amount required, then moneys shall be deposited in the separate subaccounts in the Reserve Account on a pro-rata basis.

Notwithstanding the foregoing, in lieu of or in substitution for the required deposits into the Reserve Account (or any subaccount therein), the Utility Board may cause to be deposited into the Reserve Account (or any subaccount therein) a Reserve Account Insurance Policy and/or a Reserve Account Letter of Credit in an amount equal to the difference between the applicable Reserve Account Requirement and the sums then on deposit in the Reserve Account (or any subaccount therein) plus the amounts to be deposited therein pursuant to the preceding paragraph.

In the event the Reserve Account (or any subaccount therein) contains both a Reserve Account Insurance Policy or Reserve Account Letter of Credit and cash, the cash shall be drawn down completely prior to any draw on the Reserve Account Insurance Policy or Reserve Account Letter of Credit. In the event more than one Reserve Account insurance Policy or Reserve Account Letter of Credit is on deposit in the Reserve Account (or any subaccount therein), amounts required to be drawn thereon shall be done on a pro-rata basis calculated by reference to the maximum amounts available thereunder.

Moneys in the Reserve Account and subaccounts therein shall be used only for the purpose of the payment of Amortization Installments, principal of, or interest on the Bonds secured thereby when the other moneys allocated to the Sinking Fund and Bond Amortization Account are insufficient therefore, and for no other purpose.

In the event of the refunding of any Series of Bonds, the Utility Board may withdraw from the Reserve Account or subaccount securing such Series, all or any portion of the amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts as required by the Supplemental Resolution authorizing the refunding of such Series of Bonds; provided that such withdrawal shall not be made unless (a) immediately thereafter, the Bonds being refunded shall be deemed to have been paid pursuant to the provisions hereof, and (b) the amount remaining in the Reserve Account (or any subaccount therein) after giving effect to the issuance of such refunding obligations and the disposition of the proceeds thereof shall not be less than the applicable Reserve Account Requirement for any Bonds then Outstanding which are secured thereby.

Pursuant to the Series Resolution, there has been no Reserve Account or Subaccount established for the Series 2019 Bonds. Any reserve account established for the benefit of the Series 2014 Bonds will not be available for the holders of the Series 2019 Bonds.

(4) The Utility Board shall next apply moneys in the Revenue Fund to the payment of current debt service requirements for any obligations of the Utility Board issued to finance the cost of additions, acquisitions, extensions and improvements to the System which are junior and subordinate to the lien of the Bonds and any Additional Parity Obligations on the Pledged Revenues.
The Utility Board shall next apply and deposit monthly from moneys in the Revenue Fund into a special account to be known as the "Utility Board of the City of Key West Renewal and Replacement Fund" (hereinafter called the "Renewal and Replacement Fund") which fund is created and established in the Master Resolution, such amount as shall be determined by the Utility Board and set forth in the then current Annual Budget. The moneys in the Renewal and Replacement Fund shall be used only for the purpose of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of the System. Such moneys on deposit in such fund shall also be used to supplement the Reserve Account, if necessary in order to prevent a default in the payment of the principal of and interest on the Bonds. Except to prevent a default in payment of principal and interest on the Bonds as hereinafter provided, no expenditure may be made from deposits in the Renewal and Replacement Fund without the affirmative approval of the Utility Board voting at a regular or special meeting of the Utility Board if the amount to be withdrawn exceeds $50,000. The balance on deposit in the Renewal and Replacement Fund as of May 21, 2019, was $10,213,062.15.

The Board shall next apply and deposit monthly from moneys in the Revenue Fund into a special account to be known as the "Utility Board of the City of Key West Emergency Reserve Fund" (hereinafter called the "Emergency Reserve Fund") which account is created and established in the Master Resolution, an amount equal to one-twelfth (1/12) of ten percent (10%) of the Maximum Emergency Reserve Amount; provided that no deposit shall be required to be made so long as there is an amount on deposit in the Emergency Reserve Fund equal to the Maximum Emergency Reserve Amount. The moneys in the Emergency Reserve Fund shall be used only for the purpose of paying for emergency repairs or replacements of the capital assets of the System which have been damaged or destroyed by catastrophes, acts of God or other disasters. Moneys in the Emergency Reserve Fund shall also be used to supplement the moneys in the Reserve Account in the Sinking Fund to prevent a default in the payment of principal of and interest on the Bonds. To the extent that moneys on deposit in the Emergency Reserve Fund are not needed for the foregoing purposes, such moneys may also be used, following any catastrophe, act of God or other disaster which has had the effect of adversely affecting the ability to bill and collect revenues for the services of the System, for advances to pay Operating Expenses; provided, that any such advance shall be repaid to the Emergency Reserve Fund within twelve (12) months of the withdrawal therefrom. Whenever the amount on deposit in the Emergency Reserve Fund exceeds the Maximum Emergency Reserve Amount, the excess may be withdrawn from the Emergency Reserve Fund and deposited into the Revenue Fund. The balance on deposit in the Emergency Reserve Fund as of May 21, 2019, was $2,000,000.

Moneys on deposit in the Revenue Fund shall next be used to make payments required to be made under Unconditional Output Contracts. As of the date hereof, there are no outstanding Unconditional Output Contracts.

Moneys on deposit in the Revenue Fund may, in the discretion of the Utility Board, next be deposited into a special account to be known as the Rate Stabilization Fund in such amounts as the Utility Board deems necessary or desirable. Each month the Utility Board shall transfer from the Rate Stabilization Fund to the Revenue Fund the amount budgeted for transfer into such Fund for the then current month as set forth in the current Annual Budget or the amount otherwise determined by the Utility Board to be deposited into such Fund for the month. The balance on deposit in the Rate Stabilization Fund as of May 21, 2019, was $450,000.

The Utility Board will next pay to the City as and for the return on the City’s equity in the System a sum equal to the greater of (A) $200,000 (as such amount has been adjusted historically and
continues to be adjusted for changes in the Consumer Price Index) or (B) one percent (1%) of the Gross Revenues derived from sales of electricity at retail (exclusive of Power Cost Revenues, which are defined, for purposes of this paragraph, as (i) revenues determined by reference to the power cost component of base rates, plus or minus (ii) power cost adjustment charges or credits). With the consent of the City, the Utility Board shall be entitled to pay a lesser amount to the City.

(10) The balance of any moneys remaining in the Revenue Fund after the above-required payments have been made may be used (i) for the purchase of Bonds in the open market at such price or prices as shall be determined by the Utility Board, (ii) for the redemption of Bonds, or (iii) for any lawful purpose.

(11) The required deposits into the Sinking Fund, including the Bond Amortization Account therein, shall be reduced by any amounts on hand therein and available to pay the Debt Service Requirement. Upon the issuance of any Additional Parity Obligations under the terms, limitations and conditions as are herein provided, the payments into the several funds in the Sinking Fund and, if Term Bonds are issued, into the Bond Amortization Account, and the Reserve Account, shall be increased in such amounts as shall be necessary to make the payments for the principal of, interest on and reserves for such Additional Parity Obligations and, if Term Bonds are issued, the Amortization Installments, on the same basis as hereinabove provided with respect to the Bonds initially issued under the Resolution.

The Utility Board shall not be required to make any further payments into the Sinking Fund, Bond Amortization Account or Reserve Account when the aggregate amount of money in the Sinking Fund, including the Bond Amortization Account and the Reserve Account therein, are at least equal to the aggregate of the Debt Service Requirements of the Bonds then outstanding, plus the amount of redemption premium, if any, then due and thereafter to become due on such Bonds then outstanding.

(12) Moneys on deposit in the Revenue Fund shall be continuously secured in the manner by which the deposit of public funds are authorized to be secured by the laws of the State of Florida. Moneys on deposit in the Revenue Fund, the Sinking Fund, the Bond Amortization Account and the Rate Stabilization Fund may be invested and reinvested only in Authorized Investments, maturing not later than the date on which the moneys therein will be needed. Moneys to the credit of the Reserve Account and the Renewal and Replacement Fund may be invested and reinvested in Authorized Investments, maturing as determined by the Utility Board. Any and all income received by the Utility Board from such investments as above described shall be deposited into the Revenue Fund.

Summary of Certain Master Resolution Provisions

Rate Covenant. The Utility Board has covenanted in the Resolution to fix, establish, revise from time to time whenever necessary, maintain and collect always such fees, rates, rentals and other charges for the use of the product, services and facilities of the System which will always provide Revenues in each Fiscal Year sufficient to pay, and out of such funds pay, 100% of all Operating Expenses of the System in such year and all reserve or other payments required in the Master Resolution, and 125% of the Debt Service Requirement in such Fiscal Year on the outstanding Bonds and on all outstanding Additional Parity Obligations. Such rates, fees, rentals or other charges shall not be reduced so as to be insufficient to provide Revenues for such purposes.

The Utility Board has further covenanted that the Utility Board will annually within thirty (30) days
after adoption of the budget described in the Resolution revise such fees, rates, rentals and other charges for 
the use of the product, services and facilities of the System to the extent necessary for the estimated Gross 
Revenues to be derived from the operation of the System during the next succeeding Fiscal Year to increase 
over the amount of actual Gross Revenues from the operation of the System for the next preceding Fiscal 
Year by the amount that the estimated Operating Expenditures during such next succeeding Fiscal Year 
shall exceed the actual Operating Expenses of the System during such next preceding Fiscal Year.

The Utility Board will provide annual reports within two hundred ten (210) days after the end of 
each Fiscal Year showing debt service coverage (Net Revenues available for debt service for the preceding 
fiscal year divided by the Debt Service Requirement for such period) for the preceding fiscal year. If such 
schedule at any time shows a debt service coverage of less than 125%, the Utility Board will cause the 
Consulting Engineers to prepare and submit a report within sixty (60) days that determines the level at 
which rates must be set to produce a debt service coverage of 125% and shall revise rates within thirty (30) 
days of receipt of such report to the level recommended in such Consulting Engineer's report. The Utility 
Board shall maintain rates at a level recommended by the Consulting Engineers as necessary to maintain a 
debt service coverage of 125%.

Additional Parity Obligations. No Additional Parity Obligations, payable on a parity from the 
Pledged Revenues with the Bonds, authorized by the Resolution, shall be issued after the issuance of any 
Bonds, authorized by the Resolution, except for the construction and acquisition of additions, extensions 
and improvements to the System or for refunding purposes and except upon the conditions and in the 
manner provided.

(1) There shall been obtained and filed with the Utility Board a statement of the Chief Financial 
Officer: (a) stating that the books and records of the Utility Board relating to the collection and receipt of 
Revenues derived from the operation of the System pledged for the Bonds have been examined by him or 
her; (b) setting forth the amount of Net Revenues, as defined in the Master Resolution, received by the 
Utility Board for any twelve (12) consecutive month period within the eighteen (18) consecutive months 
immediately preceding the date of delivery of such Additional Parity Obligations with respect to which 
such statement is made; (c) stating that the Net Revenues for such preceding twelve (12) month period 
adjusted only as provided in Subparagraphs 2(a) and (b) below will equal at least one hundred twenty 
percent (120%) of the Maximum Debt Service Requirement on (i) all Bonds and all Additional Parity 
Obligations, if any, then Outstanding and (ii) the Additional Parity Obligations with respect to which such 
statement is made.

(2) If desirable, the Net Revenues for such preceding twelve (12) months may be adjusted as 
follows: (a) to reflect for such period changes made in the rates, fees, rentals or other charges from the 
operation of the System prior to the issuance of such Additional Parity Obligations; (b) to reflect any change 
in such Net Revenues caused by any new projects of the System having been placed into use and operation 
subsequent to the date of commencement of such period and prior to the date of such statement provided 
for in paragraph (1) above.

(3) Each Supplemental Resolution authorizing the issuance of Additional Parity Obligations 
will recite that all of the covenants contained in the Master Resolution will be applicable to such Additional 
Parity Obligations.

(4) The Utility Board shall not be in material default in performing any of the covenants and 
obligations assumed under the Resolution, and all payments required by the Resolution to have been made
into the accounts and funds, as provided under the Resolution, shall have been made to the full extent required.

(5) The Utility Board shall not be required to satisfy the provisions of the foregoing paragraphs (1) and (2) with respect to Additional Parity Obligations issued to refund outstanding Bonds where the aggregate Debt Service Requirements on the Additional Parity Obligations proposed to be issued is less than the aggregate Debt Service Requirements on the Bonds being refunded.

**Operation and Maintenance.** The Utility Board has covenanted in the Master Resolution that it will maintain the System and all parts thereof in good condition and will operate the same in an efficient and economical manner making such expenditures for equipment and for renewals, repairs and replacements as may be proper for the economical operation and maintenance thereof.

The Utility Board has covenanted to annually prepare at least forty-five (45) days preceding each of its Fiscal Years, and adopt prior to the beginning of such Fiscal Year, a detailed budget of the estimated expenditures for operation and maintenance of the System during such next succeeding Fiscal Year. No expenditure for the operating and maintenance of the System shall be made in any Fiscal Year in excess of the amount provided therefor in such budget without a written finding and recommendation by the General Manager & Chief Executive Officer or other duly authorized officer in charge thereof, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures, or shall be made until the Board shall have approved such finding and recommendation by a resolution duly adopted.

**No Free Service.** The Utility Board has covenanted in the Master Resolution not to render or cause to be rendered any free electric energy by its System for any user, nor will any preferential rates be established for users of the same class. Whenever the City, including its departments, agencies and instrumentalities, shall avail itself of electric energy of the System, the same rates, fees or charges applicable to other customers receiving electrical services under similar circumstances shall be charged to the City and any such department, agency or instrumentality. Such charges shall be paid as they accrue, and the City shall transfer from its general funds to the Board for deposit into the Revenue Fund sufficient sums to pay such charges or payment of such charges may be withheld by the Board from the payments authorized to be made pursuant to the Resolution. The revenues so received or withheld shall be deemed to be Revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other Revenues derived from such operation of the System.

**Mandatory Cut Off.** The Utility Board has covenanted in the Master Resolution that upon failure of any user to pay for services rendered by the System within eighty (80) days, the Utility Board shall shut off the connection of such user and shall not furnish him or permit him to receive from the System further service until all obligations owed by the user to the Board on account of services shall have been paid in full. This covenant shall not, however, prevent the Utility Board from causing the System connection to be shut off sooner.

**Enforcement of Collections.** The Utility Board has covenanted in the Master Resolution that it will diligently enforce and collect the rates, fees and other charges for the services and facilities of the System pledged in the Master Resolution; will take all steps, actions and proceedings for the enforcement and collection of such rates, charges and fees as shall become delinquent to the full extent permitted or authorized by law; and will maintain accurate records with respect thereof.
**Report Regarding System.** The Utility Board has covenanted in the Master Resolution that it will retain a Consulting Engineer on an annual basis for the purpose of providing to the Utility Board competent counsel affecting the economical and efficient operation of the System and in connection with the making of capital improvements and renewals and replacements to the System. The Utility Board shall at least once every five (5) years cause to be prepared by the Consulting Engineer a report or survey of the System, with respect to the adequacy of the management of the properties thereof, the sufficiency of the rates and charges for services, the proper maintenance of the properties of the System, and the necessity for capital improvements and recommendations thereof. Such a report or survey shall also show any failure of the Utility Board to perform or comply with the covenants contained in the Master Resolution.

If any such report or survey of the Consulting Engineer shall set forth that the provisions of the Resolution or any reasonable recommendations of such Consulting Engineers have not been complied with, the Utility Board shall immediately take such reasonable steps as are necessary to comply with such requirements and recommendations. Copies of each report or survey shall be mailed to each Credit Facility and shall be placed on file with the Secretary of the Utility Board and shall be open to the inspection of any holder of Series 2019 Bonds or other interested parties.

**Joint Electric Power Supply and Transmission Facilities.** The Utility Board is authorized and empowered to join with any other electric utility (including government owned utilities) for the purpose of jointly financing, acquiring, constructing, managing, operating, utilizing, and owning any power production or transmission facilities and related facilities and, in the implementation of such purpose may, by providing in the agreement, create any organization, association or legal entity for the construction or use of joint facilities. In this connection, the Utility Board may enter into leases of generation and similar arrangements, with other electric utilities (including government owned utilities) or group of electric utilities.

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DEBT SERVICE SCHEDULE

The following table sets forth the debt service requirements for the Outstanding Parity Bonds and the Series 2019 Bonds for each period ending October 1.

<table>
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<th>October 1</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
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(1) Debt Service on Outstanding Parity Bonds includes interest paid on April 1, 2019.
* Totals may not add due to rounding.
INVESTMENT CONSIDERATIONS

The Series 2019 Bonds, like other forms of debt obligations, are subject to interest rate risk, principal risk, and market and/or trading risk. Because the Series 2019 Bonds are special, limited obligations, secured primarily by the net revenues after payment of expenses of operation of the System, the Series 2019 Bonds have risks associated with current and possible trends and changes in the electric utility industry that would not be present with respect to bonds secured by taxes or other revenue sources.

Purchasers of the Series 2019 Bonds should review carefully the information in this Official Statement, with particular reference to the material under this heading and under the headings “SECURITY FOR THE SERIES 2019 BONDS,” and “THE ELECTRIC SYSTEM” for a discussion of certain of these risks.

Risk Factors Related to the Electric Utility Industry

The electric utility industry in general has been, and in the future may be, subject to (a) the effects of inflation upon the costs of operation and construction, (b) substantially increased capital outlays and longer construction periods for larger and more complex new generating units, (c) uncertainties in predicting future load requirements, (d) increased financing requirements coupled with limited availability of capital, (e) exposure to cancellation and penalty charges on new generating units under construction, (f) problems of cost and availability of fuel, (g) compliance with rapidly changing environmental, safety and licensing requirements, (h) litigation and proposed legislation designed to delay or prevent construction of generating and other facilities, (i) the uncertain effects of conservation on the use of electric energy, (j) uncertain effects of distributed generation, and (k) uncertainties associated with the development of a national energy policy, which may include heretofore unknown or limited competition for retail electric customers. These factors may delay the construction and increase the cost of new facilities, limit the use of, or necessitate costly modifications to, existing facilities, impair the access of electric utilities to credit markets or increase substantially the cost of credit for electric generating facilities.

Pursuant to the terms of the All-Requirements Power Supply Project Contract between Florida Municipal Power Agency (“FMPA”) and the Utility Board (see “THE ELECTRIC SYSTEM – All-Requirements Power Supply Project” herein), compliance with many of the rules and regulations discussed below have become the responsibility of FMPA. However, any such rules or regulations adopted or promulgated in this area could affect the cost of power under the All-Requirements Power Supply Project Contract and compliance with such rules or regulations for utility assets owned by the Utility Board will remain the obligation of the Utility Board.

The following sections of this caption provide brief discussions of certain of these factors. However, these discussions do not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date of this Official 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. The Utility Board cannot predict at this time the ultimate effect of such factors on the Utility Board’s capital improvement program and its operations.

Energy Policy Act of 1992. The Energy Policy Act of 1992 (the “Energy Policy Act”) made fundamental changes in the federal regulation of the electric utility industry, particularly in the area of transmission access. The purpose of these changes, in part, was to bring about increased wholesale electric competition. In particular, the Energy Policy Act provides the Federal Energy Regulatory Commission (“FERC”) with the authority, upon application by an electric utility, federal power
marketing agency, or other power generator, to require a transmitting utility to provide transmission services to the applicant essentially on a cost-of-service basis. Municipally-owned electric utilities are “transmitting utilities” for purposes of these provisions of the Energy Policy Act. At this time, FERC does not have the authority to require “retail wheeling,” under which a retail customer of one utility could obtain power from another utility or non-utility power generator.

The energy efficiency title of the Energy Policy Act required states and utilities to consider adopting integrated resource planning (“IRP”), which allows utility investments in conservation and other demand-side management techniques to be at least as profitable as supply investments. The Public Service Commission (“PSC”) has adopted IRP as a standard. The most recent IRP was completed in February 2015. The Energy Policy Act also establishes new efficiency standards in industrial and commercial equipment and lighting and requires states to establish commercial and residential building codes with energy efficiency standards. Additionally, the Energy Policy Act requires utilities to consider energy efficiency programs in their IRPs. As a participant in the ARP, the Utility Board participates in the IRP efforts led by FMPA. FMPA on behalf of the member cities, collects current and historical load data, coincident and non-coincident peak information, socioeconomic data, and weather information. FMPA analyzes this information in order to ensure that the portfolio of ARP resources are adequate to fulfill the needs of the Utility Board’s and each member cities’ needs on a long-term basis. FMPA resource planning efforts follow guidelines established for the ARP by the EC including both “hard” guidelines – those that FMPA is required to meet: (i) maintain a minimum of 18 percent Summer Peak Reserves and 15 percent Winter Peak Reserves on a planned basis; (ii) maintain 60 percent on-island generation for Key West; and (iii) comply with all regulatory requirements; and “best efforts” guidelines, such as: (i) plan for lowest net present value cost over the next 20 years; (ii) integrate renewable energy into the ARP power supply portfolio; (iii) reduce electricity demand through demand-side management programs; (iv) responsibly reduce the ARP’s carbon footprint; and (v) achieve the highest fuel diversity possible to minimize energy cost volatility.

**FERC Transmission Initiatives.** On April 24, 1996, FERC issued two final rules and a Notice of Proposed Rulemaking (“NOPR”) to address and implement the transmission access provisions of the Energy Policy Act. Order No. 888 established the terms and conditions under which open access (“OATT”) would be provided, and Order No. 889 established the rules of conduct surrounding the provision of open access, notably the separating of marketing from transmission and power operations. Municipally-owned electric utilities including the Utility Board are not subject to FERC jurisdiction under these orders but may be denied reciprocal transmission services from a FERC-jurisdictional utility if they do not offer comparable transmission services.

In December 1999, FERC issued its Order No. 2000. Order No. 2000 represents a further measure in FERC’s attempt to foster competition in wholesale power markets by encouraging all transmission-owning utilities, including municipal utilities, electric cooperatives and other public power entities, to join Regional Transmission Organizations (“RTOs”). The implications of Order No. 2000 were further clarified and broadened when FERC issued its NOPR for a standard market design (“SMD”) to accompany the formation of ISO/RTOs. Although this has occurred in many areas of the country, interest in forming such an organization in Florida seems to have diminished. The 2005 Energy Policy Act (as defined below) further defused the impact of Order 2000 by making the SMD non-mandatory.

In 2007, the Commission issued Order No. 890, which revised the pro forma OATT to eliminate opportunities for undue discrimination in transmission access. FMPA has developed an Open Access Transmission Tariff (“OATT”) and registered with NERC as a TSP on behalf of itself and its non-zero-
MW-CROD, Transmission Owning, ARP Participants including the Utility Board. The Utility Board entered into a Participating Member Agreement on April 24, 2013 in order to codify the relationship between FMPA and the Utility Board regarding how FMPA will perform as the Transmission Service Provider on behalf of the member city.

2005 Energy Policy Act. The Energy Policy Act of 2005 (the “2005 Energy Policy Act”) was signed into law on August 8, 2005. The 2005 Energy Policy Act addresses, among other things, energy efficiency; appliance standards; low income energy assistance programs; renewable energy; nuclear energy; electricity; and provides incentives for oil and gas production and encourages deployment of clean coal technology. The electricity portion of the bill addresses the following areas: (i) the need for modernization of existing transmission facilities, transmission rate reform and improved operations of existing transmission facilities; (ii) electric reliability standards; (iii) Public Utility Holding Company Act (“PUHCA”) and Public Utility Regulatory Policies Act (“PURPA”) amendments (including repeal of PUHCA); (iv) market transparency, round trip trading prohibition and enforcement; and (v) merger reform. The 2005 Energy Policy Act imposes mandatory electric reliability standards to be defined through the North American Electric Reliability Corporation, successor to the North American Electric Reliability Council (“NERC”) and enforced by FERC.

The 2005 Energy Policy Act also provides for tax incentives that further encourage production, conservation and the use of technology to stabilize energy prices and protect the environment. FERC’s implementation efforts in the 2005 Energy Policy Act include:

Order No. 890: in February 2007, FERC issued Order No. 890 to reform the pro forma OATT. Order No. 890 reaffirmed many elements of Order No. 888, including the comparability requirement under which a transmission owner must provide, to third-party users, service that is comparable to the transmission owner’s use of its system, protections for native load customers, and the reciprocity requirement for non-jurisdictional transmission owners. Order No. 890 also introduced several reforms, including greater consistency and transparency in calculating available transmission capacity; open, coordinated and transparent planning; reforms of penalties for energy imbalances and FERC’s policy on rollover rights; and increased transparency and customer access to information. Order No. 890 also required all public utilities, including RTOs and Independent System Operators (“ISOs”), to file revisions to their OATT to conform to the pro forma OATT established in Order No. 890.

Order No. 693: in 2006, FERC used its authority under section 215 of the FPA to certify NERC as the ERO responsible for the development and enforcement of mandatory reliability standards subject to FERC review and approval. In March 2007, FERC issued Order No. 693, which approved the first set of mandatory reliability standards proposed by the ERO, which apply to all users, owners and operators of the bulk-power system in the United States (other than Alaska or Hawaii). Those initial reliability standards took effect on June 18, 2007. Since then, the FERC has approved and directed modification of many more reliability standards. The Florida Regional Coordinating Council (“FRCC”) is the regional entity with delegated authority from NERC to develop and enforce regional reliability standards within the FRCC region, which includes a majority of the State of Florida. FRCC also is responsible for monitoring and enforcing compliance with approved reliability standards within its region. The NERC and FRCC use the Compliance Monitoring and Enforcement Program (NERC CMEP) and the FRCC Compliance Monitoring and Enforcement Program Implementation Plan (FRCC CMEP IP) to monitor, assess, and enforce compliance with Reliability Standards within the FRCC region.

Order No. 1000: in July 2011, FERC issued Order No. 1000 to build on certain of its reforms in
Order No. 888 and Order No. 890. Order No. 1000's requirements apply only to "new transmission facilities" and include the consideration and evaluation of possible transmission alternatives at a regional transmission planning level and the development of a regional transmission plan; the development of procedures for interregional planning to determine whether interregional transmission facilities are more efficient or cost effective than certain regional facilities; the development of methods for regional and interregional cost allocation that is roughly commensurate with the estimated benefits; and for those projects eligible for cost sharing, removal of transmission providers' "right of first refusal" in order to allow competition from nonincumbent developers.

All public utility transmission providers were required to make compliance filings on regional planning and cost allocation within 12 months of the effective date and on interregional planning and cost allocation within 18 months of the effective date. In general, Order No. 1000 permits each region to develop its own processes and procedures to comply with the requirements. FRCC has developed a process for compliance with Order No. 1000, as discussed herein.

The Utility Board was registered as a Transmission Operator (“TO”) until December 25, 2015, and a Distribution Provider (“DP”) until August 8, 2018. The most recent Critical Infrastructure Protection compliance audit was conducted in March 2014. The audit team evaluated the Utility Board for compliance with two (2) requirements in the 2014 NERC Compliance Monitoring and Enforcement Program and the FRCC CMEP Implementation Plan. The audit team assessed compliance with the NERC Reliability Standards and Regional Reliability Standards as applicable for the period of October 1, 2010 to March 10, 2014. Based on the evidence provided by the Utility Board, no findings were noted for the standards and applicable requirements for the audit.

On August 8, 2018, the Utility Board was deactivated as a DP and functionally registered as an Underfrequency Load Shedding (“UFLS”) only DP. The Utility Board is scheduled to be audited in 2020 for compliance with the limited standards which apply to entities registered as UFLS-only DPs.

Environmental. The Utility Board’s electric utility operations are subject to continuing environmental regulation. Federal, state, regional and local standards and procedures which regulate the environmental impact of the System are subject to changes which may arise from continuing legislative, regulatory and judicial action. Consequently, there is no assurance that the units in operation, or contemplated will remain subject to the regulations currently in effect, will always be in compliance with future regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in increased costs of operating units, reduced operating levels or the complete shutdown of individual electric generating units not in compliance.

Clean Air Interstate Rule. In March 2005, the Environmental Protection Agency (the “EPA”) issued the Clean Air Interstate Rule (“CAIR”) to permanently cap emissions of sulfur dioxide (SO2) and nitrogen oxides (“NOx”) in the eastern United States. At the same time, the EPA issued the Clean Air Mercury Rule (“CAMR”) to permanently cap and reduce mercury emissions from coal-fired power plants. These rules create a multi-pollutant strategy to reduce emissions throughout the United States. CAIR will result in a reduction of SO2 emissions by over 70 percent and NOx emissions by over 60 percent from 2003 levels. CAMR will reduce utility emissions of mercury from 48 tons per year to 15 annual tons, a reduction of almost 70 percent. Both programs established a cap-and-trade system based on EPA’s current Acid Rain Program, which has produced remarkable results, reducing SO2 emissions more effectively and efficiently than expected, and resulting in significant environmental improvements.
The NOX cap was to start in 2009 and the SO2 cap was to start in 2010, followed by a second, more restrictive, phase of implementation in 2015. In summary, the program would have provided electric generating facility owners and/or operators with various options through which to comply with the emission cap requirements including the installation of additional emission control equipment or the purchase of allowances.

On July 11, 2008, in North Carolina v. EPA, the U.S. Court of Appeals for the D.C. Circuit ("D.C. Circuit") vacated CAIR. On December 23, 2008, the D.C. Circuit issued an opinion in response to a petition for rehearing by the EPA, holding that the original CAIR program was to remain in effect until EPA promulgated a new regulation that addressed the flaws identified by the court.

In response to North Carolina, EPA published a final rule, known as the Cross-State Air Pollution Rule ("CSAPR"), that requires twenty-seven states in the eastern half of the United States, including Florida, to significantly improve air quality by reducing power plant emissions that cross state lines and contribute to ground-level ozone and fine particle pollution in other states. Various states, local governments, and other stakeholders challenged CSAPR, and, on August 21, 2012, in EME Homer City Generation, L.P. v. EPA, the D.C. Circuit held that EPA had exceeded its statutory authority in issuing CSAPR and vacated CSAPR along with certain related federal implementation plans. As part of the holding, the D.C. Circuit agreed with the decision in North Carolina that EPA should continue to administer the original CAIR program until EPA promulgates a valid replacement. However, in 2014 the United States Supreme Court granted certiorari and reversed the D.C. Circuit in every respect except that the EPA cannot enforce reduction below what is necessary to achieve attainment in every downwind state or its one-percent threshold.

Mercury and Air Toxics Standards. In May 2005, the EPA issued the Clean Air Mercury Rule ("CAMR") to permanently cap and reduce mercury emissions from fossil-fuel-fired electric utility steam generating units ("EGUs"). CAMR was expected to reduce utility emissions of mercury from 48 tons per year to 38 tons per year in 2010 then to 15 tons per year in 2018. On February 8, 2008, the D.C. Circuit vacated CAMR, and reinstated the status of mercury as a hazardous air pollutant ("HAP") under the Clean Air Act. The result of this decision is that mercury emissions from EGUs are subject to the more stringent requirements of maximum achievable control technology ("MACT") applicable to HAPs. In resolution of the CAMR litigation, the EPA entered into a consent decree that required it to publish final HAP regulations for emissions from fossil-fuel-fired EGUs by November 15, 2011.

On February 16, 2012, EPA published the final rule to reduce emissions of toxic air pollutants from fossil-fuel-fired EGUs and to revise the new source performance standards ("NSPS") for fossil-fuel-fired EGUs. The final rule, known as the Mercury and Air Toxics ("MATS") rule, requires coal-fired electric generation plants to achieve high removal rates of mercury, acid gases and other metals from air emissions. To achieve these standards, coal units with no pollution control equipment installed (uncontrolled coal units) will have to make capital investments and incur higher operating expenses. Coal units with existing controls that do not meet the required standards may need to upgrade existing controls or add new controls to comply. The MATS rule requires generating stations to comply with the new standards three years after the rule takes effect, with specific guidelines for an additional one or two years in limited cases. The rule took effect on April 16, 2012 and was subsequently amended in 2013 and 2014. The final rule set standards for all hazardous air pollutants emitted by coal and oil fired electric generating units with a capacity of 25 megawatts or greater.

In June 2015, the U.S. Supreme Court determined that EPA’s rule did not properly consider costs
in developing the MATS and directed EPA to address costs. In response to the Supreme Court’s decision, on April 14, 2016, EPA issued a cost consideration and a final finding that it is appropriate and necessary to set standards for emissions of air toxics from coal and oil-fired power plants. EPA’s final finding has been challenged in the U.S. Court of Appeals for the District of Columbia. [The Court of Appeals suspended proceedings in that challenge following an EPA request to delay the proceedings.]

Climate Change Policy and Greenhouse Gas Controls. (a) Federal Regulatory Actions. EPA has taken steps to regulate greenhouse gas (“GHG”) emissions under existing law. On April 2, 2007, the U.S. Supreme Court issued a decision in Massachusetts v. EPA holding that the EPA has the authority to regulate GHG emissions under the federal Clean Air Act. Air pollutants, including GHGs, which are regulated by actually controlling emissions under any Clean Air Act program must be taken into account when considering permits issued under other programs, such as the Prevention of Significant Deterioration ("PSD") Permit Program or the Title V Permit Program. A PSD permit is required before commencement of construction of new major stationary sources or major modifications of such sources and contains requirements including but not limited to the application of best available control technologies ("BACT"). Title V permits must be applied for within one year after a source becomes subject to the program. Title V permits are operating permits for major sources that consolidate all Clean Air Act requirements (arising, for example, under the Acid Rain, New Source Performance Standards, National Emission Standards for Hazardous Air Pollutants, and/or PSD programs) into a single document, provide for review of the documents by the EPA, state agencies and the public, and contain monitoring, reporting and certification requirements.

On May 13, 2010, the EPA issued a final rule for determining the applicability of the PSD and Title V programs to GHG emissions from major stationary sources. The rule, known as the "Tailoring Rule," establishes criteria for identifying facilities required to obtain PSD permits and the emissions thresholds at which permitting and other regulatory requirements apply. The applicability threshold levels established by this rule include both a mass-based calculation and a metric known as the carbon dioxide equivalent, or CO2e, which incorporates the global warming potential for each of the six individual gases that comprise the collective GHG defined by EPA. The Tailoring Rule established two initial steps for phasing in the GHG permitting requirements and indicated a third phase would be established at a later date.

The first step became effective on January 2, 2011, and required sources subject to PSD and/or Title V permits due to their non-GHG emissions (such as fossil-fuel based electric generating facilities for their NOx, SO2 and other emissions) 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 ("tpy") on a CO2e basis. New and modified major sources required to obtain a PSD permit would be required to conduct a BACT review for their GHG emissions. According to EPA guidance, most of the initial permitting decisions will focus on improved energy efficiency.

With respect to Title V requirements under the first step of the Tailoring Rule, effective January 2, 2011, sources required to have Title V permits for non-GHG pollutants will be required to address GHGs as part of their Title V permitting. When any source applies for, renews, or revises a Title V permit, Clean Air Act requirements for monitoring, recordkeeping and reporting will be included in the renewed permit. This part of the rule does not create any new emissions controls or limitations for GHGs; it only creates the requirement for these sources to monitor, record and report their GHG emissions. In the
Tailoring Rule, the EPA notes that the existing requirements created by the October 30, 2009 EPA final rule for mandatory monitoring and annual reporting of GHGs from various categories of facilities including electric generating facilities will generally be sufficient to satisfy these new Title V requirements. The GHG monitoring and reporting rule requires facilities to have begun data collection on January 1, 2010. On March 18, 2011, EPA issued a final rule extending the deadline to submit the first annual reports from March 31, 2011 to September 30, 2011. The second step of the Tailoring Rule was effective July 1, 2011, and is applicable to new facilities or modifications to existing facilities that exceed certain GHG emission thresholds, even if the facility is not subject to PSD for non-GHG emissions. The second phase requirements would apply to any new, major sources as well as to any major modifications of existing facilities, depending on their levels of emissions of both GHG and non-GHG pollutants.

On July 12, 2012, the EPA’s final rule for the third step in the Tailoring Rule was published. The final rule maintains the applicability thresholds for GHG-emitting sources at the current levels and includes two permitting streamlining approaches to improve the administration of the PSD and Title V permitting programs. On June 26, 2012, the United States Court of Appeals for the D.C. Circuit ruled in a challenge to the Tailoring Rule that petitioners did not have standing to challenge the Tailoring Rule and dismissed all petitions for review of the Tailoring Rule for lack of jurisdiction.

In the same ruling, the court also rejected challenges to the Timing Rule and upheld EPA’s Endangerment Finding. The Timing Rule required that new controls of GHG emissions from stationary sources be triggered on January 2, 2011. The Endangerment Finding determined that GHG emissions may reasonably be anticipated to endanger public health or welfare. The Utility Board cannot predict whether this decision will be appealed.

In addition to the PSD permit program, EPA is also in the process of developing a GHG regulatory program under the New Source Performance Standards (“NSPS”) provisions of the Clean Air Act. On December 23, 2010, the EPA entered a settlement agreement and agreed to issue NSPS and emissions guidelines for GHG emissions from new and modified fossil-fuel-fired EGUs. On April 13, 2012, the EPA’s proposed rule for standards of performance for GHG emissions for new EGUs was published. On May 4, 2012, the EPA extended the comment period for this proposed rule until June 25, 2012. The EPA published a second version of this program on January 8, 2014. This version was withdrawn due to comments and the final rule was published on October 23, 2015.

In addition to the EPA’s regulatory actions moving towards federal regulation of GHG emissions, the United States Congress has considered several energy and climate change-related pieces of legislation that proposed, among other things, a cap-and-trade system to regulate and reduce the emission of carbon dioxide and other GHGs and a federal renewable energy portfolio standard. Congress may consider new GHG proposals in the future and it is possible that Congress will agree to set limits on GHG emissions or set clean energy standards for the electric utility sector. The timeline and impact of climate change legislation cannot be accurately assessed at this time, but it is expected that any such federal action will have a significant impact on fossil-fueled generation facilities.

(b) State Climate Change Policy Actions. In July 2007, then Governor Crist issued three executive orders relating to climate change policies. Executive Order 07-126 required action from state government agencies and departments, including reductions in GHG emissions. Executive Order 07-127 required, among other things, that the PSC initiate rulemaking to require that utilities produce at least 20 percent of their electricity from renewable sources (a Renewable Portfolio Standard or “RPS”). Executive Order 07-128 established the Governor’s Action Team on Energy and Climate Change (“GAT”) and directed it to
develop an "Energy and Climate Change Action Plan" to meet or exceed the GHG emissions requirements in Executive Order 07 127.

During the 2008 legislative session, the Florida Legislature passed a comprehensive energy bill (HB 7135, or the "2008 Florida Energy Bill"). The 2008 Florida Energy Bill was signed into law by Governor Crist on June 25, 2008. The 2008 Florida Energy Bill contained a number of provisions designed to increase energy efficiency and the use of renewable resources and to reduce GHG emissions in the State of Florida. For example, the bill directed the PSC to begin a rulemaking proceeding to adopt an RPS for investor-owned utilities and authorized the Florida Department of Environmental Protection ("FDEP") to adopt rules to implement a state GHG cap-and-trade regulatory program.

On January 4, 2011, Rick Scott became the 45th governor of Florida. Scott's campaign promised to reduce the size of Florida government and increase jobs and economic activity in Florida. The Florida Legislature, during the 2011 regular session, adopted no legislation on RPS or other substantial renewable energy matter—viewing any measure that could increase costs to ratepayers as an economic detriment. The FDEP's efforts to develop a state GHG cap-and-trade regulatory program were suspended. Action was taken to reorganize the Florida government, including eliminating the Florida Energy and Climate Commission (the "FECC").

During the 2012 legislative session, the Florida Legislature passed an energy bill. The energy bill reinstates tax credits for investments in renewable energy technologies and production, repeals the 2008 Florida Energy Bill and related regulations, evaluates energy resources and current and future capacity issues, and promotes energy efficiency.

During the 2018 legislative session, the Florida Legislature passed a new energy bill (HB 7095). The bill removes the scheduled repeal of the public records exemption for proprietary confidential business information held by a local government electric utility in conjunction with either a due diligence review of an electric project or a project to improve the delivery, cost, or diversification of fuel or renewable energy resources. As a result, these records will remain exempt from disclosure requirements under public records law.

**New Source Review Enforcement Actions.** The EPA is actively pursuing New Source Review ("NSR") enforcement actions for certain modifications made in the past to air emission units without prior approval under the Clean Air Act's NSR requirements. If modifications conducted at the Utility Board facilities in the past were, or in the future are, made without a definitive determination of NSR applicability, such modifications may result in enforcement action under the NSR program, which could include requirements to upgrade facilities deemed to have been modified in violation of Clean Air Act requirements.

**Acid Rain Program.** EPA's acid rain program requires nationwide reductions of SO2 and NOX emissions from electric utility generation units by reducing allowable emission rates and by allocating emission allowances to power plants for SO2 emissions based on historical or calculated levels. Allowable NOX emission rates were also reduced for certain facilities.

**Fresh Water Supplies.** Unprecedented increases in demand for fresh water supply in Florida have had an effect on the electric utility industry, as the regulating agencies develop programs and activities to address local and regional water resource planning. Florida Water Management Districts are undertaking consumptive use permitting rulemaking to ensure consistency among the water management districts.
Electric generators will continue to be required to consider utilization of more expensive alternative sources of water and to limit consumptive use of the state’s water resources.

**National Ambient Air Quality Standards.** The Clean Air Act requires that the EPA establish National Ambient Air Quality Standards ("NAAQS") for certain air pollutants. When a NAAQS has been established, each state must identify areas in its state that do not meet the EPA standard (known as “non-attainment areas”) and develop regulatory measures in its state implementation plan to reduce or control the emissions of that air pollutant in order to meet the standard and become an “attainment area.”

When an area is designated as non-attainment, stricter restrictions on the emissions of that air pollutant are imposed, and it can be more difficult and costly to obtain permits for new major sources or major modifications to existing sources. Existing sources in non-attainment areas are subject to reasonably available control technology set forth in the SIP revisions that are required when an area is designated as non-attainment. All 67 of Florida’s counties are designated as attainment/unclassifiable, with the exception of Duval County. EPA also finalized the extended ozone season in Florida to a 12 month or annual season.

**Risk of Distributed Generation.** Technology related to electric power production is constantly changing, and technological advances may enable commercial or large residential consumers to generate their own power rather than to purchase power from electric utilities. These and other technological developments and concerns could affect the financial results of operations of electric utilities such as the Utility Board.

**Alternative Energy Sources.** Electric generation technology is evolving in ways that could allow for local siting of electric generators to serve facilities requiring as few as 75 kW of capacity, and there are also technical advances being made with respect to fuel cell, wind powered, solar, and other alternative sources of electric energy. It is impossible to predict whether and to what extent these developments could offer energy generation alternatives to the System’s large and small customers, the extent to which any customers would choose to use such alternatives, and the effect that a choice of energy alternatives would have on the System’s financial and operational results.

**Other Risk Factors**

**Cybersecurity.** The Utility Board, like many other governmental entities, relies on a technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurance that any security and operational control measures implemented by the Utility Board will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attack could impact operations and/or digital networks and the costs of remedying any such damage could be significant.

**Climate Change and Natural Disasters.** The State is naturally susceptible to the effects of extreme weather events and natural disasters including floods, droughts, and hurricanes, which could result in negative economic impacts on communities such as Key West, and also the Utility Board. Such effects can be exacerbated by a longer term shift in the climate over several decades (commonly referred to as climate change), including increasing global temperatures and rising sea levels. The occurrence of such extreme weather events could damage local infrastructure that provides essential services to the customers of the
System. The economic impacts resulting from such extreme weather events could include a loss of revenue, interruption of service, and escalated recovery costs.

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THE UTILITY BOARD

General

The Utility Board was initially created by the City Commission of the City of Key West and subsequently was established by an Act of the Florida Legislature in 1945, as a separate governmental entity, to operate and maintain the System. The present Utility Board was created in 1969 by special act of the Florida Legislature, as amended.

The Board is composed of a Chairman and four members. All members are elected for a term of four years by the registered electors of the System’s service area. Any member of the Utility Board may be removed for cause by a two-thirds vote of the City Commission of the City of Key West. The Utility Board exercises exclusive control and management of the System and appoints its Chairman, Vice Chairman and General Manager and Chief Executive Officer. The General Manager and Chief Executive Officer of the System serve as Secretary of the Utility Board and is also responsible for the day-to-day operations of the System, including the hiring of employees. Neither the City, nor any board, officer or agency of the City, has any control over the operation or management of the System or of the Utility Board.

Membership

The membership of the Utility Board and the expiration of their terms of office are as follows:

<table>
<thead>
<tr>
<th>Member</th>
<th>Office</th>
<th>Expiration of Term of Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Batty</td>
<td>Chairman</td>
<td>November, 2020</td>
</tr>
<tr>
<td>Mona C. Clark</td>
<td>Vice-Chairman</td>
<td>November, 2022</td>
</tr>
<tr>
<td>Robert Barrios</td>
<td>Member</td>
<td>November, 2022</td>
</tr>
<tr>
<td>Timothy Root</td>
<td>Member</td>
<td>November, 2020</td>
</tr>
<tr>
<td>Steven Wells</td>
<td>Member</td>
<td>November, 2022</td>
</tr>
</tbody>
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Mr. Peter Batty, has served on the Utility Board since 2005. He is a retired Florida Licensed Real Estate Broker and Florida Supreme Court Certified Circuit and Family Mediator. He has lived in the Florida Keys since 1989. On November 18, 2000, he was ordained as a Permanent Deacon to the Archdiocese of Miami. Mr. Batty received his Bachelor of Science degree from Eastern Michigan University and his Masters degree from St. Thomas University. Mr. Batty is a Board member of the Star of the Sea Foundation and former member of the Florida Keys Community Foundation College Board and former Vice President of the Wesley House Family Services Board of Directors. He also serves on the American Public Power Association’s Policymakers Council.

Mona C. Clark, has served on the Utility Board since 2004 and holds the distinction of being the first female Utility Board member in the Utility Board’s history. By virtue of her 2018 election, she also holds the distinction of being the first Utility Board member elected by all voters within the Utility Board’s service area (Key West to the Seven-Mile Bridge). Previously the Utility Board was elected only by residents of the City. She is a retired educator and administrator for the Monroe County School District, where she worked for 35 years. She was born and raised in the City. Ms. Clark received her Bachelor of Science in Education degree from Florida A & M University and her Masters of
Education/Leadership degree from the University of South Florida. Ms. Clark is a Board member of Womankind, Chair of the Dr. Martin Luther King, Jr. Scholarship and Birthday Celebration Committee, Mentor for the Take Stock in Children program, and a 7th grade CCD teacher at St. Mary’s Star of the Sea Church, and member of the Catholic Daughters of the Americas. Ms. Clark also served on the Florida Keys Community College Board of Trustees from 1993 to 2001, serving as Board Chair from 1999 to 2001. She previously served as Chair of the Mayor’s Revolving Loan Fund for the City of Key West and Chair of the Citizen’s Advisory Task Force for the Florida Keys Housing Authority. Additionally she is the past Sponsor/Director of Tomorrow’s Leaders Today, past Secretary for the Wesley House Family Services Board of Directors, and past Treasurer and Vice President of the local branch of the N.A.A.C.P.

Robert Barrios, has served on the Utility Board since 2018. By virtue of his 2018 election, he holds the distinction of being the first Utility Board member residing outside City limits. Previously only residents of the City could run for a position on the Utility Board. He was born and raised in the City and is currently the Practice Manager of Denise Rohrer & Associates. Mr. Barrios previously worked for the Utility Board for 28 years in numerous positions, including Meter Reader, Engineering Field Representative, and Safety & Risk Officer, prior to his retirement. He is a graduate of Key West High School and Florida Keys Community College.

Timothy Root, has served on the Utility Board since 2013. He has been a general contractor since 1980 and currently works as the chief estimating officer of McKendry Builders Inc. He has lived in the City since 1987. Mr. Root worked on the Little White House and other downtown Key West projects. He has served on the Key West Historic Architectural Review Commission, Board of Directors for Habitat for Humanity and was appointed to the City’s Planning Board, Monroe County’s Affordable Housing Task Force and serves on the Board of Directors of the Tourist Development Council.

Steven Wells, has served on the Utility Board since 2015. By virtue of his 2018 election, he also holds the distinction of being the first Utility Board member elected by all voters within the Utility Board’s service area (Key West to the Seven-Mile Bridge). He was born and raised in the City and is a retired Shift Commander with the City’s Fire Department. Mr. Wells is a graduate of Key West High School and serves on the board of the Southernmost Federal Credit Union.

Description of Financial Practices

Budget. Revenue and expense budgets are prepared on an annual basis in accordance with the covenants contained in the Resolution and are submitted to the Utility Board for approval prior to October 1 of the Fiscal Year. Actual revenues and expenses are compared to the budget on a line item basis (which is the legal level of control) within cost centers and an analysis of variances report is prepared and submitted to the Utility Board each month. Staff can make amendments within the operating budget or the capital budget that do not change the total budget for those categories. Budget appropriations lapse at each Fiscal Year-end except for the capital budget. The budget is adopted on a basis consistent with the System’s basis of accounting except for non-cash items such as depreciation, amortization and unfunded liabilities (Pension and other Post-Employment Benefits). Compliance with the budget is monitored on a continuing basis. Monthly financial and operating statements are prepared and distributed to the members of the Utility Board, its staff and others.

Financial Statements and Annual Audit. An annual audit of all Utility Board accounts and records is required to be made by an independent certified public accountant retained by the Utility Board and paid from Revenues. The Utility Board has retained the firm of Oropeza & Parks, Key West, Florida
and its predecessors, continuously since 2003 for such purpose. The Utility Board has been awarded the Certificate of Achievement by the Government Finance Officers Association of the United States and Canada (GFOA) for Fiscal Years 1994-2017.

The General Purpose Financial Statements of the Utility Board for the Fiscal Years ended September 30, 2017, and September 30, 2018, have been included as Appendix A to this Official Statement. These financial statements have been included in reliance upon the audit of Oropeza & Parks, independent certified public accountants, as described in their report appearing in Appendix A hereto.

The System’s financial statements are prepared on a basis of accounting required by the Federal Energy Regulatory Commission (“FERC”) which is an application of generally accepted accounting principles that is peculiar to electric utilities. Revenues are recognized in the period earned and expenses recognized in the period incurred. The Utility Board maintains a single utility enterprise fund for the System. Budgetary control is maintained through the use of monthly financial reports and the use of purchase orders, work orders, and miscellaneous cash disbursements and approval procedures.

The consent of the Utility Board’s auditor to include in this Official Statement the aforementioned report was not requested, and the annual audit of the Utility Board are provided only as publicly available documents. The auditor was not requested nor did they perform any other procedures with respect to the preparation of this Official Statement or the information presented herein.

The Series 2019 Bonds are payable solely from the Net Revenues as described in the Resolution and the Series 2019 Bonds. The annual audit is presented for general information purposes only.

**Investment Policy.** The Utility Board’s investment policies are governed by state statutes, bond covenants, and the Utility Board’s own investment practices. Utility Board monies must be deposited in banks designated as qualified public depositories by the State of Florida, Department of Insurance and Treasurer. Permissible investments include the obligations of the U.S. Treasury, U.S. agencies; certificates of deposit; repurchase agreements; and commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s and “A-1” by S&P and which matures not more than 270 calendar days after the date of purchase; units of participation in the State of Florida Local Government Surplus Funds Trust Fund; and investment agreements with a bank or insurance company which has an unsecured, uninsured and unguaranteed obligation rated “A3” or better by Moody’s and “A-” or better by S&P.

Collateral is provided for demand deposits and certificates of deposit through the Florida Security for Public Deposits Act. This Act establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements, and characteristics of eligible collateral. Under the Act, a qualified public depository must pledge collateral valued at not less than 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125%, may be required if deemed necessary under certain conditions.

The investment goal of the Utility Board is to invest public funds in a manner which will provide the highest investment return with the maximum security, while meeting the daily cash flow demands of the Utility Board and conforming to all state and local laws governing the investment of public funds. Safety of principal is regarded as the foremost objective of the investment program. Maintaining sufficient liquidity is also an important investment objective.
As of May 21, 2019, all of the Utility Board’s investment portfolio was invested in obligations with maturities of five years or less. The Utility Board’s investment portfolio does not contain any floating rate securities, collateralized mortgage obligations, or reverse repurchase agreements.

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THE ELECTRIC SYSTEM

General

The facilities which originally comprised the System were acquired by the Utility Board in 1943 from the Key West Electric Company through the issuance of $1,500,000 in revenue bonds. At the time of acquisition, the generating plant of the System consisted of seven diesel-powered generating units with an aggregate capacity of 13 MW.

Today, the System facilities consist of electric generation (contractually obligated to Florida Municipal Power Agency), transmission, and distribution facilities located in the chain of islands commonly referred to as the Lower Florida Keys. The System headquarters are located in the City of Key West, Florida (the “City”), and the System facilities extend approximately 44 miles in an east-west direction from the City to Pigeon Key. The System is interconnected with the electric grid of mainland Florida via a 61-mile long, 138 kV transmission line that is jointly owned by the Utility Board and the Florida Keys Electric Cooperative (“FKEC”) and that connects with the Florida Power & Light Company facilities at the Monroe-Dade County boundary line.

Pursuant to an arrangement entered into in April 1998, the System sells all of its energy output to, and purchases substantially all of its energy requirements from, the Florida Municipal Power Agency All-Requirements Power Supply Project (“FMPA” and “ARP”, respectively). FMPA is a “joint action agency” consisting of 31 small to medium-sized municipal electric systems located throughout the State of Florida.

Management and Operations

The Utility Board has organized management and employees of the System into seven departments: Transmission and Distribution; Engineering and System Control Center; Human Resources and Communications; Customer Services; Finance; Legal and Regulatory; and Generation.

The Transmission and Distribution Department is responsible for the operation and maintenance of transmission and distribution facilities. The Engineering and System Control Center Department is responsible for System engineering, load forecasting, and the Control Center. The Human Resources and Communications Department is responsible for employee and labor matters, and customer and media communications. The Customer Services Department is responsible for customer service, collections and metering operations. The Finance Department is responsible for budgeting, System accounting, budget formulation, financial forecasting Information Technologies, Fleets, Facilities, Purchasing and Warehousing. The Legal and Regulatory Department is responsible for legal issues, regulatory issues, strategic planning, risk management and compliance. The Generation Department is responsible for the operation, fueling and maintenance of the generating facilities contractually obligated to Florida Municipal Power Agency.

The staff of the System is under the direction of the General Manager and Chief Executive Officer, who is employed under a contract with the Utility Board. Senior management staff members of the System and their backgrounds are as follows:

*Lynne E. Tejeda,* General Manager and Chief Executive Officer, has been employed by the Utility Board since January 1989, most recently as Assistant General Manager and Chief Operating Officer, prior to being appointed General Manager and Chief Executive Officer in December 2005. Mrs. Tejeda is responsible for the day-to-day management of the System, implementing the decisions of the Utility
Board with respect to utility operations, and keeping the Utility Board informed of the status of the System. Mrs. Tejeda is active in the Florida Municipal Power Agency (FMPA) serving as Vice Chairman of the Executive Committee and Secretary of the Board of Directors and the Florida Municipal Electric Association (FMEA), where she is a Past President. She also serves on the Board of Directors for the American Public Power Association. Mrs. Tejeda holds a Bachelor of Arts degree, with a major in Journalism, from the University of North Carolina at Chapel Hill, and a Master of Business Administration degree from Regis University in Denver, Colorado. Mrs. Tejeda is a Certified Public Manager. She currently serves on the Board of the Key West Chamber of Commerce.

**John ‘Jack’ Wetzler**, Assistant General Manager and Chief Financial Officer, has been employed by the Utility Board since April 1992, most recently as Director of Finance and Chief Financial Officer, prior to being appointed Assistant General Manager and Chief Financial Officer in December 2005.

Mr. Wetzler is responsible for Finance, Information Technology, Fleets, Facilities, Purchasing and the Warehouse. He is active in the FMPA serving on the Finance Committee. Mr. Wetzler has been employed as the Vice President of Finance for several New York-based firms, including Caswell Massey, Ltd., D.F. Sanders & Company, and Concord Limousine Services. He began his career with Coopers & Lybrand, CPA’s (currently known as PricewaterhouseCoopers). Mr. Wetzler holds a Bachelor of Business Administration degree from Hofstra University. Mr. Wetzler serves as an Extra-Ordinary Eucharistic Minister for The Basilica of Saint Mary Star of the Sea Catholic Church.

**Nick Batty**, Director of Legal and Regulatory Services, has been employed by the Utility Board since January 2019. He is responsible for coordinating all legal activities within by the Utility Board and serving as the principal legal officer and key adviser to the Chief Executive Officer and other senior management members. Mr. Batty holds a Bachelor of Science degree, with a major in Journalism, and a Juris Doctorate, both from the University of Florida.

**Fred Culpepper**, Director of Transmission & Distribution, has been employed by the Utility Board since September 1990, most recently as Power System Control Supervisor, prior to being appointed to Director of Transmission & Distribution in December 2015. Mr. Culpepper is responsible for all personnel in the Line and the Electrical sections as well as all electrical facilities and substations. Mr. Culpepper is a Certified Public Manager through Florida State University.

**Dan Sabino**, Director of Engineering, has been employed by the Utility Board since January 2006. In his tenure at the Utility Board, Mr. Sabino has held various positions in the Engineering, Transmission and Distribution, and Generation Departments. Prior to working for the Utility Board, Mr. Sabino was a Principal Engineer for Westinghouse Electric Corporation. Mr. Sabino is responsible for both the Engineering Section (oversees the design/maintenance of the Utility Board’s electrical T&D infrastructure) and the System Control Center (24-hour a day manned control center for the monitoring of the utility’s electrical grid, and the dispatching of system trouble calls). Mr. Sabino holds both Bachelor of Science and Master of Science degrees in Electrical Engineering from the University of Pittsburgh.

**Julio J. Torrado**, Director of Human Resources & Communications, has been employed by the Utility Board since October 2003, most recently as Communications/Marketing Coordinator, prior to being appointed Director of Human Resources & Communications in December 2015. Mr. Torrado is responsible for overseeing the Utility Board’s human resources administration, coordinating communication and marketing strategies for the Utility Board customers, and overseeing internal communications for the Utility Board’s employees. Mr. Torrado holds a Bachelor of Science degree in
Communication - with a double-major in Public Relations and International Studies and a minor in Marketing - from the University of Miami, and a Master of Business Administration degree, with a concentration in Human Resources Management, from Saint Leo University. He is active with the American Public Power Association, having served as Chair of Customer Connections Conference and its Customer Communications Committee, and has helped the Utility Board win numerous awards and accolades over the years for excellence in communications and marketing strategies, including the prestigious Bronze Anvil Award from the Public Relations Society of America. Mr. Torrado currently serves on the Board of Wesley House Family Services and the Harry S. Truman Little White House Auxiliary. In recognition of his dedication to local volunteerism, former Florida Governor Charlie Crist named him as a “Point of Light” in 2009.

Joe Weldon, Director of Generation, has been employed by the Utility Board since March 2018. Mr. Weldon has over 30 years’ experience in engineering, operations, maintenance and testing within the defense, oil & gas, telecommunication, and power generation utility industries. His current responsibilities include the management of the Utility Board’s generation facility. He holds a Bachelor of Engineering degree in Electrical Engineering from SUNY Maritime College, and a Master of Science degree in Electrical Engineering from Rensselaer Polytechnic Institute.

Erica Zarate, Director of Customer Services, has been employed by the Utility Board since July 2005, most recently as Collections Supervisor, prior to being appointed to Director of Customer Services on October 2014. Mrs. Zarate is responsible for Collections, Customer Services, Customer Programs, and Meter Services. Mrs. Zarate holds a Bachelor of Arts degree, with a major in Accounting and a Master of Business Administration degree, both from St. Leo University. Mrs. Zarate also completed the Penn Foster Meterman apprenticeship.

Service Area

The service area of the System consists of the lower Florida Keys, extending approximately 44 miles in an east-west direction from Pigeon Key, adjacent to the service area of Florida Keys Electric Cooperative Association, Inc. (“FKEC”), to the City, and representing approximately 74 square miles. Within its service area, the System currently provides electric utility services to the area between Ohio Key and the City. The major keys included in the service area are Key West, Stock Island, Boca Chica, Big Coppitt Key, Saddlebunch Keys, Sugarloaf Key, Cudjoe Key, Summerland Key, Ramrod Key, Little Torch Key, Big Pine Key, Bahia Honda Key, and Ohio Key (collectively, the “Keys”). The Keys to the east of the System service area are served by FKEC. Approximately [56.3]% of the Utility Board’s customers and approximately [58.8]% of the Utility Board’s electric sales were within the City. The City is located largely on an island of the same name which is approximately 4 miles long and 1.5 miles wide. For additional information regarding the City, reference is made to “APPENDIX D - SUPPLEMENTAL INFORMATION PERTAINING TO THE CITY OF KEY WEST AND ENVIRONS.”

There can be no assurance that other electric utilities, including FKEC, will not be allowed to compete with the Utility Board for customers within the System’s existing service area if the electric utility industry is deregulated. See the information under the heading “INVESTMENT CONSIDERATIONS” herein.

Power Supply Sources and Transmission and Distribution Facilities

Prior to 1987, the System was not interconnected to mainland Florida and relied exclusively on oil-
fired generation units for its capacity and energy requirements. In the early 1980’s, the Utility Board and the FKEC, headquartered in Tavernier, Florida, began construction of a 61-mile long 138 kV transmission line (the “Transmission Line”) to provide service within the FKEC service area and to connect the System with mainland Florida. In 1987 the Transmission Line was energized, and the System began to be able to purchase power from mainland Florida power sources.

After the completion of the Transmission Line, the Utility Board entered into purchased power arrangements directly with Florida Power and Light Corporation and Florida Municipal Power Agency (“FMPA”). On July 7, 1997, the Utility Board elected to become a member of the FMPA All-Requirements Power Supply Project, and as of April 1, 1998, its total power supply requirements are now provided for through the FMPA All-Requirements Power Supply Project.

**All-Requirements Power Supply Project.** The All-Requirements Power Supply Project (the “ARP”) is a contractual arrangement among various FMPA member municipal electric utilities pursuant to which the members agree to purchase all of their capacity and energy requirements through the ARP, less certain excluded resources of some ARP participants. FMPA, in turn, has entered into contracts to purchase capacity and energy from certain of the ARP participants having their own generation facilities and from other sources. ARP is contractually obligated to the Utility Board, subject to certain conditions, to provide and maintain 60% of the peak demand of the generation for on-island generation. The ARP also owns and is developing generation resources. The objectives of the ARP are (1) the pooling of member-owned generating resources and coordinated, cost-effective scheduling of those resources, (2) aggregating of member capacity and energy requirements, (3) bulk purchasing by FMPA from third parties of capacity and energy on behalf of the ARP members, and (4) achieving economics of scale for new generation resource development and construction.

**Florida Municipal Power Agency.** FMPA was created in 1978 for the purpose of assisting in the development of joint power supply projects among its municipal power systems. Currently, FMPA consists of 31 member municipal electric systems, including the Utility Board. One of FMPA’s responsibilities is to develop electric projects and offer participation to its members. Its members individually determine in which project or projects they wish to participate.

**Member Utilities.** As of January 1, 2019, the All-Requirements Power Supply Project included 14 FMPA-member municipal electric utilities in Florida, but there were only 13 members that were being fully supplied by the ARP. The ARP is serving approximately 261,000 customers and incurring a non-coincident summer peak demand of approximately 1,253 MW.

[Remainder of page intentionally left blank]
The major participants of ARP as of September 30, 2018, and their customer information is as follows:

TABLE 1
Major Participants of All-Requirements Power Supply Project

<table>
<thead>
<tr>
<th>Participants</th>
<th>Customers(1)</th>
<th>2018 Summer Coincident Peak</th>
<th>2018 Summer Non-Coincident Peak</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Jacksonville Beach</td>
<td>34,740</td>
<td>158.4</td>
<td>166.3</td>
</tr>
<tr>
<td>City of Ocala</td>
<td>50,534</td>
<td>287.6</td>
<td>287.6</td>
</tr>
<tr>
<td>Kissimmee Utility Authority</td>
<td>73,968</td>
<td>349.9</td>
<td>355.6</td>
</tr>
<tr>
<td>Utility Board of Key West</td>
<td>30,149</td>
<td>135.2</td>
<td>145.0</td>
</tr>
<tr>
<td>All Other</td>
<td>71,609</td>
<td>307.7</td>
<td>298.3</td>
</tr>
<tr>
<td>TOTAL</td>
<td>261,000</td>
<td>1,238.8</td>
<td>1,252.8</td>
</tr>
</tbody>
</table>

Source: Florida Municipal Power Agency.

(1) Annual Average.

Capacity and Energy Sources of FMPA. The resources available to FMPA for the ARP Summer 2019, which total 1,721 MW, are comprised of (i) 1,151.5 MW of FMPA contractually obligated project generation; (ii) 278.5 MW from the generating resources that certain of the project members have assigned to the project; (iv) 243 MW of purchased power resources; and (v) 48 MW of member nuclear resources. The following is a summary of the resources that comprise the FMPA All-Requirements Power Supply Project:

TABLE 2
ARP Capacity and Energy Resources
Summer 2019

<table>
<thead>
<tr>
<th>Resource Category</th>
<th>Summer 2019 Capacity (MW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Nuclear</td>
<td>48.0</td>
</tr>
<tr>
<td>2) ARP Ownership</td>
<td>1,151.5</td>
</tr>
<tr>
<td>3) Member Ownership</td>
<td></td>
</tr>
<tr>
<td>KEYS</td>
<td>36.5</td>
</tr>
<tr>
<td>KUA</td>
<td>242.0</td>
</tr>
<tr>
<td>Subtotal Member Ownership</td>
<td>278.5</td>
</tr>
<tr>
<td>4) Purchase Power</td>
<td>243.0</td>
</tr>
<tr>
<td>Total 2019 ARP Resources</td>
<td>1,721.0*</td>
</tr>
</tbody>
</table>

Source: Florida Municipal Power Agency.

* The totals may not add due to rounding.

[Remainder of page intentionally left blank]
**Contractual Structure.** Under the terms of the All Requirements Power Supply Project Contract between FMPA and the Utility Board dated July 17, 1997, as amended (the “ARP Power Supply Contract”), FMPA is obligated to sell and deliver to the Utility Board, and the Utility Board is obligated to purchase and accept from FMPA, all electric capacity and energy (including associated transmission and dispatch services but excluding amounts purchased by the Utility Board from any Excluded Resource) which the Utility Board requires for the operation of the System for the period which commenced April 1, 1998, and which ends on October 1, 2030 (as of January 1999), subject to automatic one-year extensions each October 1 unless either party provides required written notice prior to an automatic extension date of its intent not to extend.

The Utility Board has agreed in the ARP Power Supply Contract to pay for capacity and energy at the rates established from time to time by FMPA. The Utility Board is obligated to pay FMPA a demand charge for the capacity and energy which it is required to purchase under the ARP Power Supply Contract regardless of whether the capacity and energy is actually made available and/or accepted by the Utility Board. The System’s total capacity and energy needs are met under the ARP Power Supply Contract.

The System also provides capacity and energy to the ARP via a Revised, Amended and Restated Capacity and Energy Sales Contract between the Utility Board and FMPA, dated as of January 1, 2011 (the “ARP Capacity Energy Sales Contract’). Under the terms of the ARP Capacity and Energy Sales Contract, FMPA is obligated to pay a fixed amount of $670,000 to be paid until 2020. This contract is in effect until October 1, 2042, but will be automatically extended for additional one year renewals for so long as there are generating resources subject to its terms.

**Bonded Indebtedness.** As of September 30, 2018, FMPA’s All-Requirements Power Supply Project had outstanding $974,473,000 of senior revenue bonds issued by FMPA, all secured by the revenues of the ARP. Default by one or more ARP participants under their ARP power supply contracts could result in an increased power bill to the non-defaulting participants.

**Transmission Line.** The System is connected to the mainland Florida transmission network through the Transmission Line jointly-owned by the Utility Board and FKEC and which allows interconnection between the System and FKEC at its Marathon Substation. The 138 kV transmission line extends northeast along U.S. 1, through FKEC’s service territory and ties in with Florida Power & Light Company (“FPL”) at the Monroe-Dade County line. The Utility Board’s solely-owned portion of the 138 kV line extends from Marathon Key, in the FKEC service territory, to the Stock Island (U.S.1) Substation. Along this route, the line loops in and out of the Utility Board’s Big Pine and Big Coppitt substations.

Pursuant to the current transmission agreement with FKEC, the Utility Board constructed and jointly owns with FKEC a second 138 kV transmission line, which extends 21 miles from the Tavernier Substation in the FKEC service territory to the Monroe-Dade County line, where it ties into the Florida Power & Light Company 138 kV transmission line. The two transmission lines between Florida City (Farmlife Substation) and Tavernier provide greater reliability and increased import capability to the Utility Board. Through an interagency project, FKEC, FMPA and the Utility Board added state of the art equipment at Stock Island, Big Pine Key and Islamorada that increased the import limit to 320 MW.

**FKEC Transmission Agreement.** To provide the long-term transmission needs of both the Utility Board and FKEC, the parties entered into an agreement in which both the Utility Board and FKEC will maintain an appropriate ownership investment in the Transmission Line between the Monroe/Dade County line and the north end of the Seven Mile Bridge, at the north end of the System’s service area. The
Transmission Agreement is effective for 40 years from its effective date of January 1, 1992, or until all property comprising the Transmission Line has been disposed of and all termination costs have been paid, whichever occurs last.

Based on the estimated usages of the transmission system in 1993 and 2020, and other considerations such as allocations of losses, the parties agreed that the Utility Board will be required to maintain 56.5% of the investment in the transmission system, and FKEC will be required to maintain 43.5% of the investment in the transmission system. Based on the agreement, the Utility Board is entitled, at all times, to 40% of the approximately 122 MW transfer limit of the 138 kV transmission system, which is currently estimated to be approximately 330 MW.

The foregoing allocation percentages are used: (1) to set transmission capacity entitlements, including circumstances where the capacity is fully utilized or limited (provisions have been made for either party to use the unused capacity of the other party by paying a non-firm rate based on the previous year’s costs); (2) to allocate a net investment responsibility, for which capital costs are borne by each owning party, and which costs are used to calculate a fixed charge rate that is paid by either party if their net investment is less than the required investment (in addition to the fixed charge for deficit investments, the deficit party has the responsibility to make the next investment or portion thereof to establish its total net investment approximately equal to the required allocation); and (3) to determine the allocation of operation and maintenance, administration and general, renewals and replacements, upgrades, and other appropriate expenses including taxes (FKEC is responsible for the operation and maintenance of the transmission facilities within its service territory, based on recommendations from a joint operating committee, with the associated costs allocated to the parties).

Each party is also responsible for losses on the transmission system based upon a loss allocation factor for each line segment, which is determined by dividing the energy flow for each party on the line segment by the total flow on the line segment. FKEC has installed substation metering necessary to calculate the loss allocation factor, and FKEC is, therefore, responsible for performing the calculation, which is calculated on an hourly basis.

The Transmission Agreement provides for the construction of future capital additions to the transmission system, which would be paid for jointly by FKEC and the Utility Board on the basis of the allocation percentages. Parity of investment has been achieved under the Transmission Agreement. Any subsequent investment deficiency requires the deficient party to pay a monthly penalty to the other party, based upon a formula set out in the Transmission Agreement, which is based in part on the non-deficient party’s embedded cost of debt capital.

Effective May 26, 2011, the Utility Board and FKEC amended the Transmission Agreement to provide for cost sharing and other details related to the Keys Import Upgrades Project. FKEC, the Utility Board and FMPA agreed to share costs of this project because of the mutual benefits. The first phase of the project was completed in 2012 and Phase II was completed in 2014, bringing the Transmission Lines transfer limit up to its full thermal rating.

Local Transmission Facilities. The System’s local transmission facilities consist of seven-69 kV lines (15 miles) in Key West/Stock Island and three-138 kV lines (51 miles) from Key West to Marathon. Distribution is supplied from the 69 or 138 kV System to the System’s ten distribution substations. Transformation between 138 kV and 69 kV is provided by two auto transformers at the Stock Island (U.S. 1) Substation.
The following table shows the main transmission lines of the System, including voltage, capacity, and miles between related substations.

### TABLE 3
Local Transmission Facilities

<table>
<thead>
<tr>
<th>Transmission Line</th>
<th>Voltage (kV)</th>
<th>Capacity (MVA)</th>
<th>Miles</th>
</tr>
</thead>
<tbody>
<tr>
<td>White Street Substation to Key West Diesel Plant Substation</td>
<td>69</td>
<td>92</td>
<td>1.41</td>
</tr>
<tr>
<td>White Street Substation to Kennedy Drive Substation</td>
<td>69</td>
<td>93</td>
<td>2.54</td>
</tr>
<tr>
<td>Key West Diesel Plant Substation to Thompson Substation</td>
<td>69</td>
<td>92</td>
<td>1.50</td>
</tr>
<tr>
<td>Thompson Substation to Kennedy Substation</td>
<td>69</td>
<td>92</td>
<td>1.90</td>
</tr>
<tr>
<td>Kennedy Drive to Stock Island US1 Substation</td>
<td>69</td>
<td>88</td>
<td>3.05</td>
</tr>
<tr>
<td>Stock Island Power Plant Substation to Kennedy Drive Substation</td>
<td>69</td>
<td>92</td>
<td>3.20</td>
</tr>
<tr>
<td>Stock Island Power Plant to Stock Island Substation</td>
<td>69</td>
<td>92</td>
<td>1.27</td>
</tr>
<tr>
<td>Stock Island Power Substation to Big Coppitt Key Substation (1 of 2)</td>
<td>138</td>
<td>141</td>
<td>7.84</td>
</tr>
<tr>
<td>Stock Island Power Substation to Big Coppitt Key Substation (2 of 2)</td>
<td>138</td>
<td>239</td>
<td>5.51</td>
</tr>
<tr>
<td>Big Coppitt Key Substation to Big Pine Substation</td>
<td>138</td>
<td>174</td>
<td>20.65</td>
</tr>
<tr>
<td>Big Pine Substation to FKEC Marathon Substation</td>
<td>138</td>
<td>174</td>
<td>17.62</td>
</tr>
</tbody>
</table>

Source: Utility Board.

**Distribution Facilities.** The System’s distribution system comprises approximately 230 miles of three-phase equivalent 13.8 kV from the System’s power plants and distribution substations. Distribution at 13.8 kV in various capacities is supplied out of the following substations:

[Remainder of page intentionally left blank]
TABLE 4  
Local Distribution Facilities

<table>
<thead>
<tr>
<th>Substation</th>
<th>Voltage</th>
<th>Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Big Pine</td>
<td>138 kV – 13.8 kV</td>
<td>60 MVA (two units)</td>
</tr>
<tr>
<td>Big Coppitt</td>
<td>138 kV – 13.8 kV</td>
<td>28 MVA</td>
</tr>
<tr>
<td>Stock Island (U.S.1) Auto 1 and 2</td>
<td>138 kV – 69 kV</td>
<td>199 MVA (two units)</td>
</tr>
<tr>
<td>Stock Island (U.S.1)</td>
<td>69 kV - 13.8 kV</td>
<td>42 MVA</td>
</tr>
<tr>
<td>Kennedy Drive No 1 and No 2</td>
<td>69 kV – 13.8 kV</td>
<td>84 MVA (two units)</td>
</tr>
<tr>
<td>White Street No 1 and No 2</td>
<td>69 kV – 13.8 kV</td>
<td>82 MVA (two units)</td>
</tr>
<tr>
<td>Key West Diesel</td>
<td>69 kV – 13.8 kV</td>
<td>64 MVA (two units)</td>
</tr>
<tr>
<td>Thompson Street</td>
<td>69 kV – 13.8 kV</td>
<td>34 MVA</td>
</tr>
<tr>
<td>Cudjoe Key</td>
<td>138 kV – 13.8 kV</td>
<td>42 MVA</td>
</tr>
<tr>
<td>Second Street Substation</td>
<td>69 kV – 19.8 kV</td>
<td>42 MVA</td>
</tr>
</tbody>
</table>

Source: Utility Board.

Local Generation Facilities. The Utility Board operates and maintains seven generating units with a total synchronized rating of 111.0 MW. The units include 4 combustion turbine units, 2 medium speed diesel units at the Stock Island Generating Facility and a converted peaking diesel unit at the Stock Island Generating Facility. Table 5 shows a summary of the System’s generating and purchased power resources.

Under the provisions of the ARP Supply Contract between the Utility Board and FMPA, the output of the Utility Board’s generating facilities is being scheduled by, and purchased in its entirety by, FMPA as part of the ARP, and the Board, in turn, purchases all of its capacity and energy for resale from FMPA through the ARP. (See the further descriptions of ARP under the heading “Purchased Power Arrangements”).

FMPA installed two 15 MW combustion turbines, which became operational in June 1999, and a 42 MW Combustion Turbine (CT No. 4) which became operational in June 2006 at the Stock Island Plant location. These units are part of the facilities of the ARP, but combined with the System’s existing generating units, increased uncommitted local generation capacity to 111.0 MW.

Solar and Wind Projects. The Utility Board will participate in the Florida Municipal Solar Project (the “FMSP”), a large-scale solar energy project that will enable the Utility Board to provide renewable energy to its customers in the most cost-effective way. Designed to generate 223.5-megawatts of solar energy, the planned FMSP will be one of the largest municipal-backed solar projects in the United States. Project plans call for three solar farms expected to generate 74.5-megawatts each.

The FMSP is a joint effort between the Utility Board, 11 additional Florida municipal electric utilities, the Florida Municipal Power Agency (FMPA), and NextEra Florida Renewables, LLC. FMPA is serving as the project coordinator. The builder, owner, and operator of the solar farms is Florida-based NextEra Florida Renewables, LLC. The Utility Board along with fellow participating municipal electric utilities will purchase power from the project. There are no up-front costs for participating municipal electric utilities, and the Utility Board will only pay for the power it purchases.

The Utility Board will purchase five-megawatts of power from the Florida Municipal Solar Project. This will offset 3.5 – 7-percent of the Utility Board purchased power, depending on the time of year. One megawatt serves approximately 200 typical residential electric customers in Florida.
As part of the project, approximately 900,000 solar panels will be installed on three solar farms expected to be built in Osceola and Orange Counties. Combined, the three solar sites will total approximately 1,200 acres, or the equivalent of 900 football fields filled with solar panels. Panels will be installed on a racking system that utilizes single-axis tracking technology, which means a computer-controlled motor will move the panel to track the sun as it moves from east to west, maximizing the panel’s power output.

After an estimated 18-month permitting process, construction is expected to begin in early 2020, and the project is projected to be operational by June 30, 2020.

The Utility Board completed the installation of a 44.16 kW solar photovoltaic system at its Stock Island Generation facility. The solar array is installed on the roof of the Utility Board’s purchasing section and materials warehouse. Energy generated from the system helps offset the energy used within the purchasing section offices and materials warehouse. The system was not designed with a battery back-up for energy storage. The Utility Board also installed a 75kW solar photovoltaic system at its Ralph Garcia Generating Facility on Stock Island.

The Utility Board also installed a 26 kW solar photovoltaic system at the Florida Keys Eco-Discovery Center. The system is jointly owned by FMPA and National Ocean and Atmospheric Administration and is operated by the Utility Board. This project uses a “peel and stick” solar system, which generates electricity with an innovative thin-film solar panel that is mounted to the rooftop using an adhesive material.

The Utility Board installed two wind turbines at its Cudjoe Key Electrical substation. One turbine is installed at a height of 57 feet with the total installation being 63 feet from the ground to the tip of the highest blade. The second turbine is installed at a height of 30 feet, with the total installation being 35 feet from the ground to the tip of the highest blade. The maximum output for each turbine is 2,400 watts and be achieved at a wind speed of 29 miles per hour. The minimum wind speed required for the turbines to rotate is 8 miles per hour, below this the turbines will not rotate. Electricity generated from the turbines will help offset the electricity used within the substation for cooling and lighting equipment.

**Purchased Power Arrangements.** The Utility Board has three categories of purchased power arrangements: (1) the ARP Power Supply Contract; (2) the various capacity and energy entitlement contracts between the Utility Board and FMPA with respect to specific FMPA generation and transmission projects in which the Utility Board participates and which were prior in time to the ARP Power Supply Contract (the “FMPA Project Agreements”), the financial responsibility for which has been transferred to the ARP pursuant to the ARP Capacity Energy Sales Contract; [and (3) the partial requirements purchase contract between the Utility Board and Florida Power and Light Corporation (the “FPL Contract”), which has been assigned by the Utility Board to FMPA.]

All of the power purchases listed herein, require transmission over the Utility Board/FKEC Transmission Line. Subject to the provisions of the FKEC Transmission Agreement discussed herein, the System has approximately 111 MW of transmission capacity available to it at present for importing purchased power. Additional information on the FKEC transmission arrangements is provided in the section herein entitled “FKEC Transmission Agreement” thereunder.

**Purchased Power Contracts.** The Utility Board has contracts to purchase power from two FMPA projects and has transferred payment obligation for those contracts to the ARP, but, nonetheless, remains
obligated under the contracts.

**FMPA Tri-City Project (Stanton 1).** The Utility Board and FMPA entered into a Tri-City Project Power Sales Contract and a Tri-City Project Support Contract (the “Contracts”) pursuant to which the Utility Board agreed to purchase 54.546% of FMPA’s Tri-City Project. FMPA’s Tri-City Project consists of a 5.3012% undivided ownership interest in Curtis H. Stanton Energy Center Stanton Unit No. 1, a 440 MW coal-fired generating unit jointly owned by the Orlando Utilities Commission (“OUC”), the Kissimmee Utility Authority, and FMPA, and operated by OUC. Stanton Unit No. 1 began commercial operation in July 1987. Based upon the unit’s high dispatch rating of 440 MW, the Tri-City Project consists of a 23 MW undivided ownership in Stanton Unit No. 1, and the Utility Board’s share of Unit No. 1 is 12 MW measured at the plant bus bar.

**FMPA Stanton 2 Project.** FMPA has also entered into an agreement with OUC for the Joint Ownership of Stanton Unit No. 2, pursuant to which FMPA has purchased 23.2367% of the 446 MW unit (approximately 102 MW) which began commercial operation in June 1996. The Utility Board entered into a Power Sales Contract and a Project Support Contract with FMPA which entitles the Utility Board to a 9.8932% share of FMPA’s entitlement in Stanton Unit No. 2. Based upon the 446 MW unit design, the Utility Board’s interest in this 102 MW of Unit No. 2 represents approximately 10 MW.

The Curtis H. Stanton Energy Center is located in Orange County, Florida, approximately 12 miles southeast of Orlando. The site consists of approximately 3,200 acres with the initial ultimate development involving the use of approximately 960 acres. Stanton Unit No. 1 consists of a steam generator burning pulverized coal, turbine generator, coal crushers, a natural draft cooling tower, flue gas scrubber and particulate removal equipment, associated auxiliary equipment, and other facilities.

Pursuant to the ARP Capacity and Energy Sales contract the Utility Board transferred its payment obligation for its Power Entitlement Share of the Tri-City and Stanton 2 Project. FMPA uses the power and energy associated with these Power Entitlement Shares to serve the participants (including the Utility Board) in the ARP. FMPA, as a cost of the All-Requirements Power Supply Project, pays the monthly costs under the Power Sales Contract and Power Support Contracts with respect to their Entitlement Shares, and collects these costs through the billings to the participants in the All-Requirements Power Supply Project. However, the transfers do not relieve the Utility Board from its direct obligations to FMPA under the Tri-City and Stanton Unit No. 2 Power Sales and Project Support Contracts.

**FMPA Contracts Generally.** The Power Sales Contracts for the Tri-City and Stanton Unit No. 2 Projects provide for the making of specified payments by the Utility Board to FMPA with respect to any month during any portion of which electric capacity, energy or transmission services are made available to the Utility Board from the respective project (which includes certain related transmission and back-up facilities). All payments made by the Utility Board to FMPA under the Power Sales Contracts are paid as a Cost of Operation and Maintenance of the System, prior to the payment of debt service on any Bonds outstanding under the Resolution.

The Project Support Contracts for the Tri-City and Stanton Unit No. 2 Projects provide for the making of specified payments by the Utility Board to FMPA with respect to any month in which no capacity or energy is made available to the Utility Board from the respective project. All payments made by the Utility Board to FMPA under the Project Support Contracts are paid as subordinated debt of the Utility Board, junior and subordinate to the lien of all Bonds outstanding under the Resolution on the Net Revenues of the System.
Although the Utility Board has assigned its rights to its capacity and energy under the Power Supply Contracts for the Tri-Cities Project and Stanton Unit No. 2 Project to the FMPA All-Requirements Power Supply Project pursuant to the ARP Capacity Energy Sales Contract, the Utility Board remains liable to FMPA for payments required under both the Power Sales Contracts and the Project Support contracts with respect to both the Tri-City Project and the Stanton 2 Project. Therefore, the Utility Board is obligated to make the payments to FMPA under the Project Support contracts even if no capacity, energy, or transmission services are available to the Utility Board from the Tri-City and Stanton 2 Projects.

Summary Table. The following table contains information as to the Utility Board’s sources of purchased power and generated power without regard to the ARP Capacity and Energy Sales Contract, pursuant to which the power from these sources has been assigned to FMPA.

TABLE 5
Electric Generating Resources and Purchased Power Resources Without Regard to ARP

Existing Electric Generating Facilities\(^{(1)}\)

<table>
<thead>
<tr>
<th>Plant</th>
<th>Unit No. (^{(4)})</th>
<th>Type Unit</th>
<th>Installed (Mo/Yr)</th>
<th>Full Load Heat Rate (Btu/kWh)</th>
<th>Nameplate Capability (kW)</th>
<th>Net Continuous Capability (kW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock Island</td>
<td>4</td>
<td>Combustion Turbine #1(^{(3)})</td>
<td>12/78</td>
<td>16,000</td>
<td>25,160</td>
<td>18,000</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>Medium Speed Diesel</td>
<td>6/91</td>
<td>10,800</td>
<td>9,600</td>
<td>6,500</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>Medium Speed Diesel</td>
<td>6/91</td>
<td>10,800</td>
<td>9,600</td>
<td>6,500</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>Combustion Turbine #2</td>
<td>6/99</td>
<td>15,100</td>
<td>17,510</td>
<td>15,000</td>
</tr>
<tr>
<td></td>
<td>8</td>
<td>Combustion Turbine #3</td>
<td>6/99</td>
<td>15,100</td>
<td>17,510</td>
<td>15,000</td>
</tr>
<tr>
<td></td>
<td>9</td>
<td>Combustion Turbine #4</td>
<td>6/06</td>
<td>10,400</td>
<td>61,200</td>
<td>45,000</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>EP2</td>
<td>7/12</td>
<td>10,900</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total Stock Island Plant</td>
<td></td>
<td>142,580</td>
<td>108,000</td>
<td></td>
</tr>
</tbody>
</table>

\(^{(1)}\) Based upon information provided by the Utility Board. All units use fuel type of No. 2 oil.

\(^{(2)}\) Amounts shown reflect nominal capacity ratings based on maximum net continuous capability during the summer season, unless otherwise noted.

\(^{(3)}\) Relocated from Key West to Stock Island in 1996.

\(^{(4)}\) High Speed Diesels were retired in December 2009.

Purchased Power Resources

**Purchased Power Resources Assigned to FMPA:**

<table>
<thead>
<tr>
<th>Contract Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tri-City Project</td>
</tr>
<tr>
<td>Stanton 2 Project</td>
</tr>
<tr>
<td>Total Firm Purchases Assigned to FMPA</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Information based on FMPA’s 2019 Ten-Year Site Plan filed with the Florida Public Service Commission.
Electric Rates

**General.** The Utility Board is empowered and required under the laws pursuant to which it was organized and by its covenants in the Resolution, to fix, establish, revise from time to time whenever necessary, maintain and collect such fees, rates, rentals and other charges for electric power and energy and other related services adequate to provide revenues sufficient for the punctual payment of the principal of, premium, if any, and interest on all of its outstanding indebtedness, to pay for the proper operation and maintenance expenses of the System and to make all necessary repairs, replacements and renewals thereof.

The level of rates charged to each class of customer for electricity is the subject of periodic cost of service studies done by the Utility Board. These studies evaluate the adequacy of the current rate schedule in covering (1) anticipated expenses of operation, maintenance and administration, (2) making required renewals and replacements, (3) paying principal and interest requirements on the Utility Board’s Bonds and other debt obligations, and (4) making payments to the City as required by the Resolution. The Utility Board intends to periodically review its rates and revenue requirements and to make rate adjustments as necessary to comply with its rate covenant under the Resolution and to provide economical electric service.

**Regulation.** The rates charged (except for rate structure) by the Utility Board are not subject to regulation as to amount by the Florida Public Service Commission, the Federal Energy Regulatory Commission, or by any other local, state, or federal regulatory agency. The Florida Public Service Commission does have the power to require that the relationship between rates charged for different classes of customers, (i.e. “rate structure”) be determined in accordance with certain guidelines. The Federal Energy Regulatory Commission, moreover, has the power to require that the Utility Board not set charges for the use of its transmission and distribution facilities that would discriminate against other power generators or resellers who might, in a deregulated electric service environment, wish to serve customers over the Utility Board’s lines.

**Competition.** At present, the rates charged by the Utility Board are also not subject to significant competitive pressures because Florida has not yet deregulated its system of establishing service areas for various municipal, cooperative, and investor-owned utilities. It is not currently known if, when, or how deregulation will occur in the State of Florida, but it is possible that deregulation could take place at any time.

**Rate Formula.** The basic rate formula applied by the Utility Board to all electric customers involves a fixed customer charge, a usage charge based on kilowatt-hours used and a power cost adjustment. Additional charges are applied to specific user classes. The Utility Board bills its customers the greater of the basic rate or the applicable minimum service charge. Most significant among additional charges is the demand charge billed to all non-residential customers establishing a demand in excess of 20 kW. Demand charges are derived by multiplying a specified charge per kW times the maximum kW consumed during any 15 minute interval during the billing period.

Electric rates are not subject to any utility tax for sales of electric power within the City. Instead, pursuant to the Resolution the Utility Board annually pays to the City a sum based on a formula provided in the Resolution. See “SECURITY FOR THE SERIES 2019 BONDS - Application of Moneys under the Master Resolution” herein.

**Power Cost Adjustment.** The Utility Board’s power cost adjustment (“PCA”) is based on purchased power costs and other items for the monthly billing period.
**Rate Adjustments.** In December 2017, an electric rate study was prepared by NewGen Strategies & Solutions. The study determined that then current rates were not sufficient to meet then current and projected costs. The study recommended that the Utility Board adopt the recommended rate plan and perform a comprehensive cost of service study every five-years, or when aligned with a major change in operations such was a new purchased power contract, a new large industrial customer or significant changes in System operations. The rates below became effective on October 2, 2018.

<table>
<thead>
<tr>
<th>Customer Charge</th>
<th>Energy Charge &lt;5000 kWh</th>
<th>Energy Charge &gt;5000 kWh</th>
<th>Demand Charge &lt;20kW</th>
<th>Demand Charge &gt;20 kW</th>
<th>PCA Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential (110)</td>
<td>$18.00</td>
<td>$0.1259</td>
<td>N/A</td>
<td>N/A</td>
<td>$(0.0030)</td>
</tr>
<tr>
<td>Small Commercial (210)</td>
<td>28.50</td>
<td>0.1311</td>
<td>0.1311</td>
<td>N/A</td>
<td>(0.0030)</td>
</tr>
<tr>
<td>Large Commercial (214)</td>
<td>95.00</td>
<td>0.1311</td>
<td>0.1077</td>
<td>$-</td>
<td>11.00</td>
</tr>
<tr>
<td>Large Commercial-Primary (215)</td>
<td>275.00</td>
<td>0.0980</td>
<td>0.0980</td>
<td>11.00</td>
<td>11.00</td>
</tr>
<tr>
<td>Churches (217)</td>
<td>90.00</td>
<td>0.1062</td>
<td>0.1062</td>
<td>3.50</td>
<td>3.50</td>
</tr>
</tbody>
</table>

**Comparison of Rates.** A comparison of average monthly residential electric rates charged by the Utility Board, with the rates for comparable service charged by other comparably-sized municipal electric systems, cooperative electric systems, and investor-owned utilities in the State of Florida is presented in the following table. All charges listed below include the basic rates plus a fuel adjustment charge and applicable franchise fees.

[Remainder of page intentionally left blank]
TABLE 6
Rate Comparisons
(As of April 23, 2019)

<table>
<thead>
<tr>
<th></th>
<th>Residential (1,000 kWh)</th>
<th>Commercial (30 kW; 6,000 kWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utility Board of the City of Key West</td>
<td>$129.00</td>
<td>$725.70</td>
</tr>
<tr>
<td>Other Florida Municipal Utilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fort Pierce Utilities Authority</td>
<td>111.84</td>
<td>737.16</td>
</tr>
<tr>
<td>City of Jacksonville Beach</td>
<td>84.07</td>
<td>483.42</td>
</tr>
<tr>
<td>City of Ocala</td>
<td>119.20</td>
<td>711.22</td>
</tr>
<tr>
<td>Investor Owned Utilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Florida Power &amp; Light</td>
<td>98.22</td>
<td>659.50</td>
</tr>
<tr>
<td>Gulf Power</td>
<td>125.64</td>
<td>682.26</td>
</tr>
<tr>
<td>Duke Energy</td>
<td>125.36</td>
<td>753.42</td>
</tr>
<tr>
<td>Tampa Electric</td>
<td>100.99</td>
<td>566.72</td>
</tr>
<tr>
<td>With 6% Franchise Fee (1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Florida Power &amp; Light</td>
<td>104.11</td>
<td>699.07</td>
</tr>
<tr>
<td>Gulf Power</td>
<td>133.18</td>
<td>723.20</td>
</tr>
<tr>
<td>Duke Energy</td>
<td>132.88</td>
<td>798.63</td>
</tr>
<tr>
<td>Tampa Electric</td>
<td>107.05</td>
<td>600.72</td>
</tr>
</tbody>
</table>


(1) Such fee would be charged if they were serving the local community.

Storm Surcharge

Due to the increase in costs associated with hurricanes and other natural disasters, the Utility Board has had discussions regarding imposing a storm surcharge to pay for repairs and other necessary costs incurred. It is anticipated that if approved, over the next 5 years such surcharge would generate approximately $17 million in additional revenue for such purposes. As of the date hereof, no action has been taken by the Utility Board.
Customers

General. For the Fiscal Year ended September 30, 2018, the Utility Board’s customer base was 30,009, the composition of which is predominantly residential. The number of customers fluctuates on a seasonal basis during each year as a result of servicing an economy heavily dependent on tourism. The type of customers, the annual sale of kWh for each customer group and the revenues earned therefrom for the last five Fiscal Years is included herein under the heading “SELECTED HISTORICAL FINANCIAL INFORMATION AND OPERATING STATISTICS.”

The customers of the Utility Board are situated on eleven islands within the service area of the System with approximately 56.3% of the customers residing on the island of Key West and the other 43.7% on the remaining keys in the service area.

The table below shows the Utility Board’s ten largest customers.

### TEN HIGHEST CONSUMPTION LOCATIONS
As of September 30, 2018

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Customer Account</th>
<th>Demand kW</th>
<th>Energy kWh</th>
<th>Dollars*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>United States Navy</td>
<td>10,500.0</td>
<td>47,550,285</td>
<td>$5,719,778</td>
</tr>
<tr>
<td>2</td>
<td>City of Key West</td>
<td>4,754.0</td>
<td>13,060,051</td>
<td>1,746,519</td>
</tr>
<tr>
<td>3</td>
<td>Monroe County School Board</td>
<td>4,181.0</td>
<td>9,475,904</td>
<td>1,361,171</td>
</tr>
<tr>
<td>4</td>
<td>Key West HMA Inc.</td>
<td>1,149.4</td>
<td>6,636,344</td>
<td>834,505</td>
</tr>
<tr>
<td>5</td>
<td>United States Coast Guard</td>
<td>1,840.0</td>
<td>7,429,130</td>
<td>829,641</td>
</tr>
<tr>
<td>6</td>
<td>Winn Dixie Stores</td>
<td>1,065.9</td>
<td>6,32,239</td>
<td>810,754</td>
</tr>
<tr>
<td>7</td>
<td>Monroe County Detention Center</td>
<td>1,061.8</td>
<td>6,877,500</td>
<td>789,453</td>
</tr>
<tr>
<td>8</td>
<td>Florida Keys Aqueduct Authority</td>
<td>2,263.7</td>
<td>5,660,223</td>
<td>782,462</td>
</tr>
<tr>
<td>9</td>
<td>Publix Supermarkets, Inc.</td>
<td>870.3</td>
<td>5,204,320</td>
<td>647,032</td>
</tr>
<tr>
<td>10</td>
<td>Casa Marina Owner LLC</td>
<td>867.2</td>
<td>4,177,292</td>
<td>532,038</td>
</tr>
</tbody>
</table>


*Excludes accrual for unbilled kWh sales and PCA accrual adjustment

Navy Contract. The United States Navy (the “Navy”) is the largest customer of the Utility Board, having accounted for approximately 6.4% of the Utility Board’s kWh sales and approximately 6.9% of the Utility Board’s revenues from electric sales for the Fiscal Year ended September 30, 2018. Energy consumption of the Navy during recent years has been as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ended September 30th</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Navy Consumption (kWh)*</td>
</tr>
</tbody>
</table>

* Includes accrued unbilled kWh sales.
The Utility Board provides service to the Navy pursuant to a Utility Service Contract, dated as of August 15, 1997 as amended and supplemented, (the “Navy Contract”). Such Navy Contract expired on August 31, 2017. Currently, the Navy is being served non-contractually under the terms of the expired contract.

The Navy Contract provides that the Navy will be charged a rate for service equal to the lowest commercial rate charged by the Utility Board for its largest commercial customers. The Navy Contract further provides that either party may, on or after August 15, 1998, request a change in the rates or terms and conditions of service under the Navy Contract. A failure to agree to any such proposed change will be resolved in accordance with the Disputes Clause of the Contract and the provisions of the Contracts Disputes Act of 1978, as amended, Title 41, United States Code, Sections 601-613, as amended from time to time. Generally, the Disputes Clause provides for resolution of monetary claims by one of the parties to the Navy Contract against the other party; therefore, a failure to adjust rates would presumably be reduced to a claim for monetary damages and be resolved by the Contracting Officer, who is a U.S. Government official.

Under the Navy Contract, the Navy pays a minimum monthly demand charge for service, regardless of whether such service is actually provided or taken and a monthly energy charge for energy actually furnished by the System to the Navy. A list of the various facilities served, the estimated maximum demand of each facility, and the estimated annual consumption are as follows:

### TABLE 7

<table>
<thead>
<tr>
<th>Location</th>
<th>Maximum Demand(kW)(1)</th>
<th>Annual Consumption(kWh)(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Naval Air Station, Boca Chica</td>
<td>2,517</td>
<td>11,059,200</td>
</tr>
<tr>
<td>Sigsbee Park Housing, Key West</td>
<td>2,964</td>
<td>13,680,840</td>
</tr>
<tr>
<td>Trumbo Point, Key West</td>
<td>1,396</td>
<td>6,683,400</td>
</tr>
<tr>
<td>Truman Annex, Key West</td>
<td>2,834</td>
<td>13,571,280</td>
</tr>
<tr>
<td>Various(2)</td>
<td>789</td>
<td>2,555,565</td>
</tr>
<tr>
<td>Total</td>
<td>10,500</td>
<td>47,550,285</td>
</tr>
</tbody>
</table>

Source: Utility Board.

(1) Based on FYE 2018 – excludes accrued unbilled kWh sales.
(2) 6 Separate Locations with Aggregate Estimated Annual Maximum Demand of less than 1,000 kW and Aggregate Estimated Annual Consumption of less than 2,600,000 kWh.

**Customer Billing Procedures**

Customers of the System are billed monthly in 73 routes of approximately 30 days each. It is the general policy of the Utility Board that customer accounts are considered delinquent and subject to a penalty of 5% on any outstanding account balance if payment is not received within thirty days of the meter reading date. Service is discontinued within 15 days after the due date and outstanding balances on accounts that are disconnected are turned over to a collection agency for recovery. The uncollectible account expense is nominal.
Regulatory Matters and Permitting

The Utility Board operates its electric generating facilities in accordance with all applicable federal, state and local environmental laws, regulations, codes and standards. The major environmental permits and approvals required to operate the facilities were obtained through the offices of the Florida Department of Environmental Protection (“FDEP”), and the U.S. Environmental Protection Agency (EPA).

The permits and approvals specify environmental limitations and operating conditions regarding air emissions, wastewater discharges, solid waste disposal, and other operations. The following is a discussion of the status of the key environmental permits and ongoing environmental compliance programs at the generation facility sites.

The electric distribution system has eliminated all transformers and capacitors that constitute either “PCB Equipment” (greater than 500 ppm) or “PCB Contaminated Equipment” (less than 500 ppm but greater than 50 ppm). According to the Utility Board, there is no known PCB Equipment in the System, and the System is considered to be a PCB-free environment.

Waste oil removed from equipment and vehicles is collected and stored in a secured waste oil storage area at the Stock Island Generating Facility. A licensed contractor collects this waste oil and disposes of the oil in an environmentally acceptable manner.

The Clean Air Act Amendments (“CAAA”) of 1990 provided for an annual operating permit program, also known as Title V. Once the states have an approved implementation plan, all affected facilities are required to submit applications quantifying the emissions of regulated pollutants and pay associated emission fees. The State of Florida has promulgated the federal legislation as Rule 62.210 of the Florida Administrative Code. The Title V permit for Big Pine site was issued on March 26, 1999, and is effective until March 26, 2004; for the Cudjoe site was issued August 12, 1999, and is effective through August 12, 2004; and for the Stock Island site was issued January 1, 2000, and is effective through December 31, 2004. The Title V permits, once issued, will incorporate all of the Utility Board’s air emission sources at each site and replace the existing FDEP Air Emission Source Permit to Operating Permits. The Title V permits will be effective for five years.

The CAAA established provisions for air pollution sources to reduce SO$_2$ and NO$_X$ emissions. The provisions, known as Title IV, or Acid Rain, are being implemented as a two-phase program for pollution control. Florida has adopted the federal acid rain provisions by reference. The program requires that affected units obtain allowances based on tons of pollutants emitted, install continuous emission monitoring, and file quarterly data reports (40 CFR Parts 60, 70 and 75). The Utility Board was issued a New Unit Exemption from the EPA Region IV for the Stock Island Generating Facility Medium Speed Diesels, effective January 1, 1999 through December 31, 2003, and exempts the units from obtaining allowances and from certain emission monitoring requirements. The Utility Board’s diesel peaking units and CT peaking unit are exempt due to their size and peaking operation.

The Utility Board has a stated policy with respect to electric and magnetic fields (“EMF”) intensities, that it will act with “prudent avoidance” when planning, siting, constructing, and operating new transmission and distribution facilities, or upgrading and rebuilding existing transmission and distribution facilities. The Utility Board’s stated policy includes taking prudent steps to limit people’s exposure to EMF when this can be accomplished with reasonable amounts of money and effect. The Utility Board’s policy further states it will avoid costly action that is not justified while uncertainty remains. Steps the Utility
Board says it will consider taking to the extent they are reasonable include: (1) designing alternatives considering the special arrangement of phasing of conductors; (2) routing lines to limit exposure to areas of concentrated population and group facilities; (3) installing higher structures; and (4) widening right-of-way corridors. The Utility Board responds to residential customer inquiries by measuring EMF strengths at various locations upon request. The Utility Board furnishes EMF educational information to customers on a case-by-case basis when inquiries are made.

**Labor, Employment, Training and Pension Matters**

All non-management level employees of the Utility Board are covered by a contract between the Utility Board and Local 1990 of the International Brotherhood of Electrical Workers ("IBEW"). The current contract with the IBEW was effective May 1, 2018, and will expire on April 30, 2021. Under the contract the Utility Board (1) recognizes the rights of its employees to bargain collectively through representatives of their choosing; (2) recognizes the Union as the exclusive collective bargaining agent for all non-supervisory employees of the Utility Board; and (3) agrees to meet with the union and bargain collectively in the determination of the rates of pay, hours of work, and all other terms and conditions of employment for employees within the bargaining unit. The Utility Board has had no work stoppages, and considers its employee relations to be good.

The Utility Board conducts training and skills development programs for all employees in an effort to improve and maintain necessary job competencies and to enhance employee satisfaction. Job openings are filled from qualified, existing employee ranks when possible.

The Utility Board’s pension plan for all its employees is a non-contributory defined benefit plan (the “Plan”), which is funded solely by the Utility Board, and administered by the Board of Trustees of the Plan. Annual cost of living adjustments of 3% are provided to Plan members and beneficiaries. The actuarial assumptions included (a) 7.5% investment rate of return, gross of fees and (b) projected salary increases of 4.5%-10% per year. The unfunded actuarial accrued liability is being amortized as a level payment on a closed basis. The remaining amortization period at January 1, 2018 was 30 years.

[Remainder of page intentionally left blank]
The table below shows the net pension liability for the Plan.

Schedule of Changes in Net Pension Liability

<table>
<thead>
<tr>
<th>Total Pension Liability</th>
<th>Plan Fiduciary Net Position</th>
<th>Net Pension Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>(b)</td>
<td>(a)-(b)</td>
</tr>
<tr>
<td>$112,561,577</td>
<td>$80,916,572</td>
<td>$31,645,005</td>
</tr>
</tbody>
</table>

Balance at 12/31/2016

- Service cost: 1,653,371
- Interest: 8,313,210
- Benefit changes: 132,646
- Difference between Actual and Expected Experience: (756,398)
- Assumption Changes: 113,197
- Contributions -employer: -
- Net investment income: -
- Benefit Payments: (5,723,180)
- Administrative Expense: -

Net changes: 3,732,846

Balance at 12/31/2017: $116,294,423

Sensitivity of Net Pension Liability to Changes in the Discount Rate. The following presents the Utility Board’s net pension liability calculated using the discount rate of 7.5%, as well as the net pension liability calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate.

Measurement date: 12/31/2017

<table>
<thead>
<tr>
<th>Discount Rate</th>
<th>1% Decrease</th>
<th>Current Discount Rate</th>
<th>1% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPL</td>
<td>6.50%</td>
<td>7.50%</td>
<td>8.50%</td>
</tr>
<tr>
<td>NPL</td>
<td>$39,464,878</td>
<td>$24,664,946</td>
<td>$12,476,271</td>
</tr>
</tbody>
</table>


Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2018, using the following assumptions:

- Inflation: 2.75% per year
- Payroll Growth Assumption: 3.0% per year, but limited to average annual increase over most recent ten years (1.5%).
- Investment Rate of Return: 7.5%, net of investment expenses

For healthy male participants during employment, RP 2000 Combined Male Healthy Participant Mortality Table, with 50% White Collar/50% Blue Collar Adjustment and fully generational mortality improvements projected to each future decrement date with Scale BB. For healthy female participants during employment, RP 2000 Combined Female Healthy Participant Mortality Table, with White Collar Adjustment and fully generational mortality improvements projected to each future decrement date with Scale BB. For disabled male participants, RP 2000 Disabled Male Mortality Table, setback four years, without projected mortality improvements. For disabled female participants, RP 2000 Disabled Female Mortality Table, set forward two years, without projected mortality improvements.

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the five years ended December 31, 2012.

Discount Rate. A discount rate of 7.5% was used to measure the total pension liability. This discount rate was based on the long-term expected rate of return on Plan investments (net of investment expense) of 7.5%. The projection of cash flows used to determine this discount rate assumed member contributions will be made at the current contribution rate and employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on these assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension – For the year ended September 30, 2018, the Utility Board recognized pension expense $5,650,548. At September 30, 2018 deferred outflows of resources and deferred inflows of resources related to pension were from the following sources:

<table>
<thead>
<tr>
<th>Deferred Outflows of Resources</th>
<th>Deferred Inflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differences between actual and expected experience on liabilities</td>
<td>$165,183</td>
</tr>
<tr>
<td>Changes of assumptions or other inputs</td>
<td>1,072,726</td>
</tr>
<tr>
<td>Net difference between projected and actual earnings on pension plan investments</td>
<td>-</td>
</tr>
<tr>
<td>Contributions made after measurement date</td>
<td>3,174,152</td>
</tr>
<tr>
<td>Total</td>
<td>$4,412,061</td>
</tr>
</tbody>
</table>

Deferred outflows of $3,174,152 related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019.
Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized as pension expense as follows:

<table>
<thead>
<tr>
<th>Year Ending (September 30)</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$1,286,057</td>
</tr>
<tr>
<td>2020</td>
<td>3,467</td>
</tr>
<tr>
<td>2021</td>
<td>(1,255,153)</td>
</tr>
<tr>
<td>2022</td>
<td>(1,327,573)</td>
</tr>
<tr>
<td>2023</td>
<td>-</td>
</tr>
<tr>
<td>Thereafter</td>
<td>-</td>
</tr>
</tbody>
</table>

Post-Employment Benefits

The Utility Board provides life insurance and health care benefits, including prescription drug coverage, for its retired employees. These benefits are provided pursuant to personnel policies as adopted by the Utility Board. The Utility Board is not required to provide contributions to this benefit by statutory, contractual or other authority. Similar to most jurisdictions, the Utility Board has historically funded these benefits on a pay-as-you-go basis, but has been in compliance with Governmental Accounting Standard’s Board’s Statement No. 75 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 75) since Fiscal Year ended September 30, 2018. GASB 75 applies accounting methodology similar to that used for pension liabilities (GASB 68) to other post-employment benefits (“OPEB”) and attempts to more fully reveal the costs of employment by requiring governmental units to include future OPEB costs in their financial statements. While GASB 75 requires recognition and disclosure of the unfunded OPEB liability, there is no requirement that the liability of such plan be funded.

The Utility Board employees hired before June 9, 1999 are eligible for these benefits if they qualify for retirement status while working at the utility. At September 30, 2018, 141 retirees were eligible for and were receiving these benefits. Those employees hired after June 9, 1999, who attain retirement eligibility, have the opportunity to purchase health insurance the same provider at the same rates the Utility Board pays for its active members. These and similar benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Utility Board recognizes the cost of providing these benefits on a pay as you go basis by expensing the insurance premiums for retirees, which was ($3,557,090) for 2018.
The table below shows the Utility Board’s annual OPEB Cost and Net OPEB Obligation for Fiscal Years ended September 30, 2018.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Cost</td>
<td>$1,051,009</td>
</tr>
<tr>
<td>Interest</td>
<td>2,651,415</td>
</tr>
<tr>
<td>Benefit Changes</td>
<td>0</td>
</tr>
<tr>
<td>Difference Between Actual and Expected Experience</td>
<td>(8,417,519)</td>
</tr>
<tr>
<td>Assumption Changes</td>
<td>(21,346,490)</td>
</tr>
<tr>
<td>Benefit Payments</td>
<td>(2,278,362)</td>
</tr>
<tr>
<td>Net Change in Total OPEB Liability</td>
<td>(28,339,947)</td>
</tr>
<tr>
<td>Net OPEB Liability (TOL) – (Beginning of Year)</td>
<td>85,608,994</td>
</tr>
<tr>
<td>Net OPEB Liability (TOL) – (End of Year)</td>
<td>$57,269,047</td>
</tr>
<tr>
<td>Employer Contribution</td>
<td>$9,311,241</td>
</tr>
<tr>
<td>TOL as Percentage of Covered Employee Payroll: (A)(B)</td>
<td>615.05%</td>
</tr>
</tbody>
</table>

**Future Capital Improvements and Funding Sources**

Below is a summary of the Utility Board’s Multi-Year Capital Plan, which was adopted on September [___], 2018, for the five year period of 2019-2024. The projects are expected to be funded with operating revenues, grants and future debt.

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transmission</td>
<td>$8,345,747</td>
<td>$10,828,360</td>
<td>$18,512,000</td>
<td>$14,767,500</td>
<td>$1,565,000</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Distribution</td>
<td>3,935,000</td>
<td>3,090,000</td>
<td>2,485,000</td>
<td>4,716,817</td>
<td>2,826,817</td>
<td>925,000</td>
</tr>
<tr>
<td>Facilities</td>
<td>745,000</td>
<td>525,000</td>
<td>5,025,000</td>
<td>5,025,000</td>
<td>325,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Fleet</td>
<td>188,000</td>
<td>186,000</td>
<td>246,000</td>
<td>174,200</td>
<td>102,000</td>
<td>317,000</td>
</tr>
<tr>
<td>Information Technology</td>
<td>200,000</td>
<td>450,000</td>
<td>760,000</td>
<td>300,000</td>
<td>575,000</td>
<td>470,000</td>
</tr>
<tr>
<td>Total</td>
<td>$13,413,747</td>
<td>$15,079,360</td>
<td>$27,028,000</td>
<td>$24,983,517</td>
<td>$5,393,817</td>
<td>$3,737,000</td>
</tr>
</tbody>
</table>

[Remainder of page intentionally left blank]
BUDGETED FINANCIAL INFORMATION

The following table sets forth certain budgeted to actual information for the six months ended March 31, 2019.

### Statements of Revenues, Expenses and Changes in Net Position

<table>
<thead>
<tr>
<th>Source</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues</strong></td>
<td>Actual</td>
<td>Budget</td>
<td>Variance(^{(1)})</td>
</tr>
<tr>
<td></td>
<td>$44,994,468</td>
<td>$46,548,031</td>
<td>$(1,553,563)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Operating Expenses:</strong></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased Power</td>
<td>21,281,168</td>
<td>23,087,435</td>
<td>(1,806,267)</td>
</tr>
<tr>
<td>Transmission Expenses</td>
<td>3,904,403</td>
<td>3,760,072</td>
<td>144,331</td>
</tr>
<tr>
<td>Distribution Expenses</td>
<td>4,616,962</td>
<td>4,695,618</td>
<td>(78,656)</td>
</tr>
<tr>
<td>Customer Accounts and Collection Expenses</td>
<td>980,629</td>
<td>1,089,613</td>
<td>(108,984)</td>
</tr>
<tr>
<td>Administrative and General Expenses</td>
<td>5,003,272</td>
<td>5,725,517</td>
<td>(722,245)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>4,605,969</td>
<td>4,605,969</td>
<td>-</td>
</tr>
<tr>
<td>Taxes Other than Income Tax</td>
<td>1,043,314</td>
<td>1,308,077</td>
<td>(264,763)</td>
</tr>
</tbody>
</table>

| **Total Operating Expenses:** | 41,435,717 | 44,272,301 | (2,836,584) |

| **Operating Income:** | 3,558,751 | 2,275,730 | 1,283,021 |

<table>
<thead>
<tr>
<th><strong>Non-Operating Revenue and Expenses:</strong></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Income</td>
<td>601,377</td>
<td>133,274</td>
<td>468,103</td>
</tr>
<tr>
<td>Miscellaneous Non-Operating Revenue/(Expense)</td>
<td>907,989</td>
<td>3,197,703</td>
<td>(2,289,714)</td>
</tr>
<tr>
<td>Payment to City of Key West</td>
<td>(425,999)</td>
<td>(505,007)</td>
<td>79,008</td>
</tr>
<tr>
<td>Interest on Debt</td>
<td>(1,040,846)</td>
<td>(1,140,250)</td>
<td>99,404</td>
</tr>
<tr>
<td>Interest on Line of Credit</td>
<td>(528,165)</td>
<td>(435,625)</td>
<td>(92,540)</td>
</tr>
<tr>
<td>Interest on Customer Deposits</td>
<td>-</td>
<td>(6,498)</td>
<td>6,498</td>
</tr>
<tr>
<td>Amortization of Bond (Discount)/Premium</td>
<td>162,801</td>
<td>162,801</td>
<td>-</td>
</tr>
<tr>
<td>Gain/(Loss) on Disposal of Assets</td>
<td>(1,280,734)</td>
<td>(1,280,734)</td>
<td>-</td>
</tr>
<tr>
<td>Net Depreciation in Fair Value of Investments</td>
<td>48,171</td>
<td>-</td>
<td>48,171</td>
</tr>
<tr>
<td>Grant Revenue</td>
<td>888,264</td>
<td>-</td>
<td>888,264</td>
</tr>
<tr>
<td>Grant Expense</td>
<td>(1,184,351)</td>
<td>-</td>
<td>(1,184,351)</td>
</tr>
</tbody>
</table>

| **Total Non-Operating Revenue and (Expenses)** | (1,851,493) | 125,664 | (1,977,157) |

| **Change in Net Position Before Capital Contributions** | 1,707,258 | 2,401,394 | (694,136) |

| **Capital Contributions** | - | - | - |

| **Change in Net Position** | 1,707,258 | 2,401,394 | (694,136) |

| **Net Position, Beginning of Year** | 52,368,891 | 52,368,891 | - |

| **Net Position, End of Period** | $54,076,149 | $54,770,285 | $(694,136) |

Source: Utility Board.

\(^{(1)}\) The Operating Revenue is lower due to decrease in PCA revenue and lower impact fees offset by initial permanent service changes and electric penalty charges.
The Operating Expense is lower than expected due to a lower energy rate offset by higher kWh sales, lower demand rate offset by a higher demand and administrative general expenses decreased because of lower costs of outside services, employee benefits and wages, coupled with lower service expenses.

The following table shows a summary of the current year-to-date versus the prior year-to-date comparison as of March 31st (unaudited).

**Current Year-to-Date to Prior Year-to-Date Comparison as of March 31**(1):

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year 2019</th>
<th>Fiscal Year 2018</th>
<th>Favorable/(Unfavorable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Position, Beginning of Year</td>
<td>$52,368,891</td>
<td>$91,506,724</td>
<td>$(39,137,833) -42.8%</td>
</tr>
<tr>
<td>Operating Revenue</td>
<td>44,994,468</td>
<td>36,929,378</td>
<td>8,065,090 21.8</td>
</tr>
<tr>
<td>Operating Expense</td>
<td>(41,435,717)</td>
<td>(37,103,227)</td>
<td>(4,332,490) -11.7</td>
</tr>
<tr>
<td>Non-Operating Revenue &amp; (Expense)</td>
<td>(1,851,493)</td>
<td>(4,257,052)</td>
<td>2,405,559 56.5</td>
</tr>
<tr>
<td>Change in Net Position</td>
<td>1,707,258</td>
<td>(4,430,901)</td>
<td>6,138,159 -138.5</td>
</tr>
<tr>
<td>Net Position</td>
<td>$54,076,149</td>
<td>$87,075,823</td>
<td>$(32,999,674) -37.9</td>
</tr>
</tbody>
</table>

Source: Utility Board.

(1) However, year to year for same period ending March 31st, Operating Revenue is trending higher due to kWh sales were 11.54% higher and purchased power revenue was higher.

Operating Expense is trending higher due to the increased kWh sales and higher demand, therefore higher energy charge and demand capacity charge. In addition, the transmission and distribution expenses increased.

Non-Operating Revenue and Expense decreased primarily due to decreased grant expense and grant revenue related to estimated FEMA reimbursements offset by increased loss on disposal of assets.
SELECTED HISTORICAL FINANCIAL INFORMATION AND OPERATING STATISTICS

Revenues and Expenses

The following table sets forth certain historical revenue and expense information for the five Fiscal Years ended September 30, 2014 through September 30, 2018 taken from the audited financial statements of the Utility Board.

### TABLE 8
Statement of Revenues and Expenses

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenue</strong></td>
<td>$96,294,969</td>
<td>$86,874,930</td>
<td>$89,843,070</td>
<td>$92,694,656</td>
<td>$87,635,933</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchased Power</td>
<td>52,691,941</td>
<td>45,567,232</td>
<td>46,744,853</td>
<td>51,340,755</td>
<td>44,486,246</td>
</tr>
<tr>
<td>Transmission Expenses</td>
<td>5,653,600</td>
<td>6,024,280</td>
<td>6,446,897</td>
<td>7,167,798</td>
<td>7,681,566</td>
</tr>
<tr>
<td>Distribution Expenses</td>
<td>3,736,558</td>
<td>7,741,375</td>
<td>7,553,159</td>
<td>7,681,620</td>
<td>8,558,458</td>
</tr>
<tr>
<td>Customer Accounts and Collection Expenses</td>
<td>1,222,595</td>
<td>2,052,038</td>
<td>1,935,831</td>
<td>2,117,621</td>
<td>2,062,154</td>
</tr>
<tr>
<td>Administrative and General Expenses</td>
<td>15,723,183</td>
<td>13,428,676</td>
<td>13,577,487</td>
<td>16,160,599</td>
<td>7,340,530</td>
</tr>
<tr>
<td>Depreciation</td>
<td>7,297,266</td>
<td>7,151,518</td>
<td>7,377,387</td>
<td>7,434,250</td>
<td>7,531,883</td>
</tr>
<tr>
<td>Taxes Other than Income Tax</td>
<td>2,493,197</td>
<td>2,240,944</td>
<td>2,145,028</td>
<td>2,315,656</td>
<td>2,208,970</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>88,818,340</td>
<td>84,206,063</td>
<td>85,780,642</td>
<td>94,218,299</td>
<td>79,869,807</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>7,476,629</td>
<td>2,668,867</td>
<td>4,062,428</td>
<td>(1,523,643)</td>
<td>7,766,126</td>
</tr>
<tr>
<td><strong>Non-Operating Revenue and (Expenses)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Income</td>
<td>725,435</td>
<td>735,859</td>
<td>713,099</td>
<td>576,858</td>
<td>955,422</td>
</tr>
<tr>
<td>Miscellaneous Non-Operating Revenue</td>
<td>3,444,872</td>
<td>2,411,268</td>
<td>1,900,661</td>
<td>2,292,265</td>
<td>2,332,505</td>
</tr>
<tr>
<td>BP Settlement, net of $408,244 in fees</td>
<td>-</td>
<td>1,598,388</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Payment to City of Key West</td>
<td>(419,323)</td>
<td>(395,384)</td>
<td>(390,989)</td>
<td>(428,851)</td>
<td>(422,850)</td>
</tr>
<tr>
<td>Interest on Debt</td>
<td>(4,710,816)</td>
<td>(4,376,930)</td>
<td>(3,832,367)</td>
<td>(3,289,035)</td>
<td>(2,706,392)</td>
</tr>
<tr>
<td>Interest on Line of Credit</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest on Customer Deposits</td>
<td>(11,531)</td>
<td>(6,929)</td>
<td>(21,437)</td>
<td>(791)</td>
<td>-</td>
</tr>
<tr>
<td>Amortization of Bond (Discount)/Premium</td>
<td>29,379</td>
<td>798,256</td>
<td>323,885</td>
<td>323,885</td>
<td>323,884</td>
</tr>
<tr>
<td>Issue Cost Series 2014 Bonds</td>
<td>-</td>
<td>(479,666)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gain/(Loss) on Disposal of Assets</td>
<td>(280,530)</td>
<td>(1,436,614)</td>
<td>(616,043)</td>
<td>(263,283)</td>
<td>(149,011)</td>
</tr>
<tr>
<td>Unrealized Loss on Investments</td>
<td>(79,760)</td>
<td>(93,629)</td>
<td>(59,453)</td>
<td>(217,808)</td>
<td>(193,221)</td>
</tr>
<tr>
<td>Realized Loss on Investments</td>
<td>(83,622)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Grant Revenue</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>17,201,796</td>
<td>12,149,424</td>
</tr>
<tr>
<td>Grant Expense</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>281,825</td>
<td>(580,539)</td>
</tr>
<tr>
<td><strong>Total Non-Operating Revenue and (Expenses)</strong></td>
<td>(1,385,896)</td>
<td>(1,245,381)</td>
<td>(1,982,664)</td>
<td>15,913,211</td>
<td>10,931,011</td>
</tr>
<tr>
<td><strong>Change in Net Position Before Special Items:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Contributions</td>
<td>-350</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Change in Net Position</strong></td>
<td>6,091,083</td>
<td>1,423,486</td>
<td>2,079,764</td>
<td>14,389,568</td>
<td>18,697,137</td>
</tr>
<tr>
<td><strong>Net Position, Beginning of Year</strong></td>
<td>81,814,507</td>
<td>87,905,590</td>
<td>75,037,392</td>
<td>77,117,156</td>
<td>91,506,724</td>
</tr>
<tr>
<td>Prior Period Adjustment of OPEB Liability</td>
<td>-</td>
<td>(14,291,684)</td>
<td>-</td>
<td>-</td>
<td>(57,834,970)</td>
</tr>
<tr>
<td>Restated Net Position at Beginning of Year</td>
<td>-</td>
<td>73,613,906</td>
<td>-</td>
<td>-</td>
<td>33,671,754</td>
</tr>
<tr>
<td><strong>Net Position, End of Year</strong></td>
<td>$87,905,500</td>
<td>$75,037,392</td>
<td>$77,117,156</td>
<td>$91,506,724</td>
<td>$92,368,891</td>
</tr>
</tbody>
</table>

Source: Utility Board.

A-67
Historical and Pro Forma Debt Service Coverage

The following table sets forth historical debt service coverage based upon the results of operations of the System for the five Fiscal Years ended September 30, 2014 through September 30, 2018, based upon the audited financial statements of the Utility Board.

**TABLE 9**

**Historical Debt Service Coverage**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Available Revenues(1)</th>
<th>Total Operating Expenses(2)(4)</th>
<th>Net Revenues Available for Coverage</th>
<th>Annual Debt Service(3)</th>
<th>Debt Service Coverage Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$100,465,276</td>
<td>$78,528,630</td>
<td>$21,936,646</td>
<td>$11,258,588</td>
<td>1.95x</td>
</tr>
<tr>
<td>2015</td>
<td>91,620,446</td>
<td>72,975,468</td>
<td>18,644,978</td>
<td>11,228,037</td>
<td>1.66</td>
</tr>
<tr>
<td>2016</td>
<td>92,451,037</td>
<td>74,010,679</td>
<td>18,440,358</td>
<td>11,152,888</td>
<td>1.65</td>
</tr>
<tr>
<td>2017</td>
<td>98,113,779</td>
<td>80,798,159</td>
<td>17,315,620</td>
<td>11,152,888</td>
<td>1.55</td>
</tr>
<tr>
<td>2018</td>
<td>90,923,862</td>
<td>74,293,932</td>
<td>16,629,930</td>
<td>11,152,888</td>
<td>1.49</td>
</tr>
</tbody>
</table>


Note: FY14-FY18 exclude unfunded OPEB and Pension costs (as applicable) per revised Master Resolution.

(1) Total Available Revenues includes Total Operating Revenues, interest income (less amount earned on Construction Fund), charges for new service, miscellaneous non-operating revenues, transfers from (to) Rate Stabilization Fund, less transfers to Capital Improvement Fund and interest earnings on Bond Amortization Account.

(2) Total Operating Expenses includes interest paid to customers for customer deposits held and excludes depreciation and amortization expense.

(3) Current Debt Service on Outstanding Bonds includes total interest expense, less capital lease interest expense and long-term interest expenses accrued for all Capital Appreciation Bonds Outstanding plus forward supply contract purchases. The Outstanding Bonds were the Series 2014 Bonds.

(4) The historical data presented in this table has been adjusted to reflect the amendments to Resolution No. 532 adopted by the Utility Board on November 13, 1985, as amended and supplemented, adopted pursuant to Resolution No. 795 effective on July 22, 2014 providing for Other Post-Employment Benefit expenses to be excluded from Operating Expense for purposes of the calculation of debt service coverage ratio.
The following table sets forth pro-forma debt service coverage for the six Fiscal Years from September 30, 2019 through September 30, 2024 based on estimates and projections of the Utility Board.

### Pro Forma Debt Service Coverage

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Available Revenues&lt;sup&gt;(1)&lt;/sup&gt;</th>
<th>Total Operating Expenses&lt;sup&gt;(2)&lt;/sup&gt;</th>
<th>Net Revenues Available for Coverage</th>
<th>Annual Debt Service</th>
<th>Debt Service Coverage Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$110,121,867</td>
<td>$88,020,295</td>
<td>$22,101,572</td>
<td>$4,682,888</td>
<td>4.72x</td>
</tr>
<tr>
<td>2020</td>
<td>110,205,468</td>
<td>91,815,943</td>
<td>18,389,524</td>
<td>8,870,873</td>
<td>2.07</td>
</tr>
<tr>
<td>2021</td>
<td>111,224,389</td>
<td>90,080,016</td>
<td>21,144,373</td>
<td>8,866,904</td>
<td>2.38</td>
</tr>
<tr>
<td>2022</td>
<td>111,334,970</td>
<td>91,152,295</td>
<td>20,182,675</td>
<td>8,864,904</td>
<td>2.28</td>
</tr>
<tr>
<td>2023</td>
<td>110,833,830</td>
<td>94,881,439</td>
<td>15,952,391</td>
<td>8,854,181</td>
<td>1.80</td>
</tr>
<tr>
<td>2024</td>
<td>113,019,816</td>
<td>97,331,642</td>
<td>15,688,174</td>
<td>8,864,131</td>
<td>1.77</td>
</tr>
</tbody>
</table>

Source: Utility Board.

1) Total Available Revenues includes Total Operating Revenues, interest income (less any amounts expected to be earned on the Construction Fund), charges for new service, miscellaneous non-operating revenues, expected transfers from (to) Rate Stabilization Fund, less expected transfers to Capital Improvement Fund and interest earnings on Bond Amortization Account.

2) Total Operating Expenses includes interest expected to be paid to customers for customer deposits held and excludes anticipated depreciation and amortization expense.

[Remainder of page intentionally left blank]
Selected Operating Statistics

The following table sets forth selected operating statistics for the System for the five Fiscal Years ended September 30, 2014 through September 30, 2018.

### TABLE 10
Selected Operating Statistics

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Energy Sales:</strong> (MWh)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>374,326</td>
<td>326,255</td>
<td>373,314</td>
<td>355,399</td>
<td>347,934</td>
</tr>
<tr>
<td>Commercial &amp; Large Power(^{(1)})</td>
<td>387,558</td>
<td>373,498</td>
<td>376,806</td>
<td>366,630</td>
<td>348,064</td>
</tr>
<tr>
<td>Municipal Lighting(^{(2)})</td>
<td>1,988</td>
<td>2,994</td>
<td>2,152</td>
<td>2,412</td>
<td>2,798</td>
</tr>
<tr>
<td>Area Lighting</td>
<td>811</td>
<td>1,377</td>
<td>778</td>
<td>51</td>
<td>97</td>
</tr>
<tr>
<td><strong>Total Energy Sales</strong></td>
<td>764,683</td>
<td>704,124</td>
<td>753,050</td>
<td>724,492</td>
<td>698,893</td>
</tr>
<tr>
<td><strong>Customers:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>25,306</td>
<td>25,460</td>
<td>25,565</td>
<td>25,584</td>
<td>25,461</td>
</tr>
<tr>
<td>Commercial &amp; Large Power</td>
<td>4,225</td>
<td>4,301</td>
<td>4,406</td>
<td>4,467</td>
<td>4,487</td>
</tr>
<tr>
<td>Municipal Lighting</td>
<td>5</td>
<td>9</td>
<td>9</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Area Lighting</td>
<td>1,323</td>
<td>1,323</td>
<td>1,323</td>
<td>52</td>
<td>54</td>
</tr>
<tr>
<td><strong>Total Customers</strong></td>
<td>30,859</td>
<td>31,093</td>
<td>31,303</td>
<td>30,109</td>
<td>30,009</td>
</tr>
<tr>
<td><strong>Electric Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial &amp; Large Power</td>
<td>46,762,767</td>
<td>41,824,961</td>
<td>42,649,607</td>
<td>45,153,128</td>
<td>41,434,501</td>
</tr>
<tr>
<td>Municipal Lighting</td>
<td>513,997</td>
<td>511,245</td>
<td>514,358</td>
<td>449,628</td>
<td>435,279</td>
</tr>
<tr>
<td>Area Lighting</td>
<td>199,474</td>
<td>193,522</td>
<td>184,898</td>
<td>172,300</td>
<td>160,860</td>
</tr>
<tr>
<td><strong>Total Electric Revenue</strong></td>
<td>94,779,370</td>
<td>85,503,165</td>
<td>87,877,504</td>
<td>91,658,742</td>
<td>85,050,853</td>
</tr>
<tr>
<td><strong>System Net Capability</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Generation Net Capacity – MW(^{(3)})</td>
<td>132.1</td>
<td>132.1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Purchased Power Capacity – MW</td>
<td>68</td>
<td>23</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>200.1</td>
<td>155.1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Peak Demand – MW</strong></td>
<td>145.08</td>
<td>148.1</td>
<td>148.2</td>
<td>148.6</td>
<td>145.9</td>
</tr>
<tr>
<td><strong>System Load Factor</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MWh Distributed # (Peak MW x 365 Days Available x 24 Hours)</td>
<td>60.6%</td>
<td>60.1%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Residential Averages:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue per customer</td>
<td>1,869.25</td>
<td>1,687.88</td>
<td>1,742</td>
<td>1,793</td>
<td>1,690</td>
</tr>
<tr>
<td>KWh per customer</td>
<td>14,792</td>
<td>12,814</td>
<td>14,603</td>
<td>13,891</td>
<td>13,665</td>
</tr>
<tr>
<td>Revenue per kWh – Mills/kWh</td>
<td>126.37</td>
<td>131.72</td>
<td>0.12</td>
<td>0.13</td>
<td>0.12</td>
</tr>
<tr>
<td><strong>Commercial Averages:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue per customer</td>
<td>11,068.11</td>
<td>9,724.47</td>
<td>9,680</td>
<td>10,108</td>
<td>9,234</td>
</tr>
<tr>
<td>KWh per customer</td>
<td>91,730</td>
<td>86,840</td>
<td>85,521</td>
<td>82,075</td>
<td>77,572</td>
</tr>
<tr>
<td>Revenue per kWh – Mills/kWh</td>
<td>120.66</td>
<td>111.99</td>
<td>0.11</td>
<td>0.12</td>
<td>0.12</td>
</tr>
</tbody>
</table>

Source: Utility Board.

\(^{(1)}\) Includes Small & Large Commercial, Churches, City Waste Recovery and Military.

\(^{(2)}\) Includes Street Lighting and Recreation Lighting.

\(^{(3)}\) Less minimum commitment to FKEC of 4 MW.

[Remainder of page intentionally left blank]
REGULATION

General

Operations of the System are subject to regulation by certain Federal, state and local authorities. However, Federal and state standards and procedures that currently regulate and control operations of the System may change from time to time as a result of continuing legislative, regulatory and judicial action. Therefore, there is no assurance that the electric generating units of the System in operation, under construction, or contemplated will always remain subject to the regulations currently in effect, or will always be in compliance with future regulations.

An inability to comply with the various governmental regulations, standards or deadlines could result in reduced operating levels or complete shutdown of electric generating units not in compliance. Furthermore, compliance with governmental regulations, standards or deadlines may substantially increase capital and operating costs.

Rate Regulation

The Utility Board is not subject to the jurisdiction of the Florida Public Service Commission (“FPSC”) or the FERC with regard to the issuance of securities. The FPSC does have jurisdiction to, among other things, prescribe uniform systems of classifications and accounts, to regulate electric impact fees, to establish rules and regulations regarding cogeneration, to require electric power conservation and reliability, to prescribe and enforce safety standards for transmission and distribution facilities, to approve territorial agreements and resolve territorial disputes, and to prescribe rate structures. Pursuant to the rules of the FPSC, rate structure is defined as “. . . the classification system used in justifying different rates and, more specifically, . . . the rate relationship between various customer classes, as well as the rate relationship between members of a customer class.” However, the FPSC and the Florida Supreme Court have determined that the FPSC, other than its rate structure jurisdiction, does not have jurisdiction over municipal electric rates.

Other Regulations

The Florida Legislature, in 1986, amended Florida Statutes Section 366.04, which authorizes the FPSC to prescribe and enforce safety standards for transmission and distribution facilities owned and operated by investor-owned, municipal and cooperatively owned electric utilities within the state. The FPSC has adopted the National Electric Safety Code as its standard in this regard and the Utility Board is in full compliance.

The Florida Electric Power Plant Siting Act gives the FPSC exclusive authority to determine the need for electric power plants. The Florida Transmission Line Siting Act gives the FPSC exclusive authority to determine the need for all transmission lines with voltages 230kV or greater and which cross county lines. The Florida Department of Transportation (“FDOT”) regulates the construction of new transmission lines which cross FDOT rights-of-way. The Florida Department of Environmental Protection (“FDEP”) must approve the construction of transmission lines across FDEP-protected lands. Transmission lines which cross navigable waters are regulated by the Army Corps of Engineers.
Interconnection Regulation

Existing and proposed interconnection agreements with investor-owned utilities are subject to review and approval of FERC.

Environmental Regulations

The Utility Board is subject to regulation as to water and air quality by the United States Environmental Protection Agency (the “EPA”) and FDEP under Federal and state laws and regulations. The System currently has been in substantial compliance with all regulatory requirements of EPA and FDEP and all permits required to operate the System are in order for all units which are on line. For a more complete discussion regarding environmental matters, see “Environmental” under “INVESTMENT CONSIDERATIONS.”

LITIGATION

There is no litigation pending, or to the knowledge of the Utility Board, threatened, to restrain or enjoin the issuance or delivery of the Series 2019 Bonds, or questioning or affecting the validity of the Series 2019 Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization nor existence of the Utility Board, nor the title of the present members of the Utility Board or other officers of the Utility Board of their respective offices is being contested. There is no litigation pending or to the knowledge of the Utility Board threatened which, if it were decided against the Utility Board, would have a materially adverse effect upon the financial affairs of the Utility Board.

LEGAL MATTERS

Legal matters incident to the issuance of the Series 2019 Bonds and with regard to the tax-exempt status of the interest on the Series 2019 Bonds (see “TAX MATTERS”) are subject to the legal opinion of Bryant Miller Olive P.A., whose fees and expenses for legal services as Bond Counsel will be paid by the Utility Board from a portion of the proceeds of the Series 2019 Bonds. The signed legal opinion of Bond Counsel, substantially in the form set forth in Appendix E, dated and premised on law in effect as of the original delivery of the Series 2019 Bonds.

The proposed text of the legal opinion is set forth as Appendix E. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of such opinion. The opinion speaks only as of its date, and subsequent distribution of the opinion by recirculation of the Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expressed any opinion concerning any of the matters referenced in the opinion subsequent to its date.

Certain legal matters will be passed upon for the Utility Board by Nathan Eden, Esq., Key West, Florida, Counsel to the Utility Board and certain legal matters will be passed upon for the Underwriter by Marchena and Graham, P.A., Orlando, Florida.
TAX MATTERS

Series 2019 Bonds

The Code establishes certain requirements which must be met subsequent to the issuance of the Series 2019 Bonds in order that interest on the Series 2019 Bonds be and remain excluded from gross income for purposes of federal income taxation. Non-compliance may cause interest on the Series 2019 Bonds to be included in federal gross income retroactive to the date of issuance of the Series 2019 Bonds, regardless of the date on which such non-compliance occurs or is ascertained. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the Series 2019 Bonds and the other amounts are to be invested and require that certain investment earnings on the foregoing must be rebated on a periodic basis to the Treasury Department of the United States. The Utility Board has covenanted in the Resolution with respect to the Series 2019 Bonds to comply with such requirements in order to maintain the exclusion from federal gross income of the interest on the Series 2019 Bonds.

In the opinion of Bond Counsel, assuming compliance with certain covenants, under existing laws, regulations, judicial decisions and rulings, interest on the Series 2019 Bonds is excluded from gross income for purposes of federal income taxation. Interest on the Series 2019 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax.

Except as described above, Bond Counsel will express no opinion regarding other federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of Series 2019 Bonds. Prospective purchasers of Series 2019 Bonds should be aware that the ownership of Series 2019 Bonds may result in collateral federal income tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry Series 2019 Bonds; (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by fifteen percent (15%) of certain items, including interest on Series 2019 Bonds; (iii) the inclusion of interest on Series 2019 Bonds in earnings of certain foreign corporations doing business in the United States for purposes of the branch profits tax; (iv) the inclusion of interest on Series 2019 Bonds in passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year; and (v) the inclusion of interest on Series 2019 Bonds in “modified adjusted gross income” by recipients of certain Social Security and Railroad Retirement benefits for the purposes of determining whether such benefits are included in gross income for federal income tax purposes.

As to questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the Utility Board, certificates of appropriate officers and certificates of public officials (including certifications as to the use of proceeds of the Series 2019 Bonds and of the property financed or refinanced thereby), without undertaking to verify the same by independent investigation.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE SERIES 2019 BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

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Information Reporting and Backup Withholding

Interest paid on tax-exempt bonds such as the Series 2019 Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Series 2019 Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Series 2019 Bonds, under certain circumstances, to "backup withholding" at the rate specified in the Code with respect to payments on the Series 2019 Bonds and proceeds from the sale of Series 2019 Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Series 2019 Bonds. This withholding generally applies if the owner of Series 2019 Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Series 2019 Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Other Tax Matters

During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Series 2019 Bonds. In some cases, these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Series 2019 Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Series 2019 Bonds and their market value. No assurance can be given that legislative proposals will not be enacted that would apply to, or have an adverse effect upon, the Series 2019 Bonds.

Prospective purchasers of the Series 2019 Bonds should consult their own tax advisors as to the tax consequences of owning the Series 2019 Bonds in their particular state or local jurisdiction and regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Tax Treatment of Original Issue Discount

Under the Code, the difference between the maturity amount of the Series 2019 Bonds maturing on __________ (collectively, the “Discount Bonds”), and the initial offering price to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers, at which price a substantial amount of the Discount Bonds of the same maturity and, if applicable, interest rate, was sold is “original issue discount.” Original issue discount will accrue over the term of the Discount Bonds at a constant interest rate compounded periodically. A purchaser who acquires the Discount Bonds in the initial offering at a price equal to the initial offering price thereof to the public will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period he or she holds the Discount Bonds, and will increase his or her adjusted basis in the Discount Bonds by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or disposition of the
Discount Bonds. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of the Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those above. Bondholders of the Discount Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, redemption or other disposition of the Discount Bonds and with respect to the state and local tax consequences of owning and disposing of the Discount Bonds.

**Tax Treatment of Bond Premium**

The difference between the principal amount of the Series 2019 Bonds maturing on _______________ (collectively, the “Premium Bonds”), and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity and, if applicable, interest rate, was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each of the Premium Bonds, which ends on the earlier of the maturity or call date for each of the Premium Bonds which minimizes the yield on such Premium Bonds to the purchaser. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering is required to decrease such purchaser’s adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Bondholders of the Premium Bonds are advised that they should consult with their own tax advisors with respect to the state and local tax consequences of owning such Premium Bonds.

**RATING**

Moody’s Investors Service, Inc. (“Moody’s”) has assigned an underlying rating of “__” (________ outlook) to the Series 2019 Bonds. Such rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from Moody’s at the following address: 7 World Trade Center, 250 Greenwich St, New York, NY 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward, suspended or withdrawn entirely by Moody’s if in its judgment, circumstances so warrant. Any such downward revision, suspension or withdrawal of the rating may have an adverse effect on the market price of the Series 2019 Bonds.

**DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS**

Rule 69W-400.003, Rules of Government Securities, promulgated by the Office of Financial Regulation of the Financial Services Commission, under Section 517.051(1), Florida Statutes (“Rule 69W-400.003”), requires the Utility Board to disclose each and every default as to the payment of principal and interest with respect to obligations issued by the Utility Board after December 31, 1975. Rule 69W-400.003

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further provides, however, that if the Utility Board in good faith believes that such disclosures would not be considered material by a reasonable investor, such disclosures may be omitted. The Utility Board has not defaulted on the payment of principal or interest with respect to obligations issued by the Utility Board after December 31, 1975.

ADVISORS AND CONSULTANTS

The Utility Board has retained certain advisors and consultants in connection with the authorization, issuance and sale of the Series 2019 Bonds. These advisors and consultants are compensated from a portion of the proceeds of the Series 2019 Bonds, identified as “Cost of Issuance” under the heading “SOURCES AND USES OF FUNDS” herein, and their compensation is, in some instances, contingent upon the issuance of the Series 2019 Bonds and the receipt of the proceeds thereof.

Financial Advisor. The Utility Board has retained Dunlap & Associates, Inc., Orlando, Florida, as financial advisor (the “Financial Advisor”) in connection with the preparation of the Utility Board’s plan of financing and with respect to the authorization and issuance of the Series 2019 Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement.

Bond Counsel and Disclosure Counsel. Bryant Miller Olive P.A., Tampa, Florida, represents the Utility Board as Bond Counsel and Bryant Miller Olive P.A., Miami, Florida, represents the Utility Board as Disclosure Counsel with respect to the issuance of the Series 2019 Bonds. As Bond and Disclosure Counsel, Bryant Miller Olive P.A. is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement.

Independent Certified Public Accountants. Oropeza & Parks, Key West, Florida, independent certified public accountants, have served as the Utility Board’s auditors since 2003. In that connection, they have annually audited the financial statements prepared by the Utility Board.

UNDERWRITING

BofA Securities, Inc., the Underwriter shown on the cover page hereof has agreed, subject to certain conditions precedent set forth in a Bond Purchase Agreement with the Utility Board, to purchase the Series 2019 Bonds from the Utility Board, at a price of $________ (________ par amount, plus net original issue premium of $________ and less underwriter’s discount of $________). The Underwriter has furnished the information on the cover page of this Official Statement pertaining to the public offering prices of the Series 2019 Bonds. The public offering prices of the Series 2019 Bonds may be changed from time to time by the Underwriter, and the Underwriter may allow a concession from the public offering prices to certain dealers.

The Underwriter and its 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 services. Certain of the
Underwriter and its affiliates have, from time to time, performed, and may in the future perform various investment banking services for the Utility Board, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) 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 the Utility Board.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The Underwriter has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”). As part of this arrangement, the Underwriter may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, the Underwriter may compensate MLPF&S as a dealer for their selling efforts with respect to the Series 2019 Bonds.

**Certain Relationships.** The Refunded Note is currently held by an affiliate of the Underwriter and such affiliate may receive a portion of the Series 2019 Bond proceeds.

**CONTINUING DISCLOSURE**

The Utility Board will covenant for the benefit of Series 2019 Bondholders to provide certain financial information and operating data relating to the System not later than 180 days following the end of each Fiscal Year (the “Annual Report”), and to provide, or cause to be provided, notices of the occurrence of certain enumerated events. The Utility Board has agreed to file its Annual Report with each entity authorized and approved by the Securities and Exchange Commission (the "SEC") to act as a repository (each a "Repository") for purposes of complying with Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934 (the "Rule"). Effective July 1, 2009, the sole Repository is the Municipal Securities Rulemaking Board (“EMMA”). The Utility Board has agreed to file notices of certain enumerated material events, when and if they occur, with the Repository.

The specific nature of the financial information, operating data, and of the type of events which trigger a disclosure obligation, and other details of the undertaking are described in “APPENDIX F - FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto. The Continuing Disclosure Certificate shall be executed by the Utility Board prior to the issuance of the Series 2019 Bonds. These covenants have been made in order to assist the Underwriter in complying with the continuing disclosure requirements of the Rule.

With respect to the Series 2019 Bonds, no party other than the Utility Board is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the Rule. Upon
a review earlier this year of the Utility Board’s information on file with EMMA, it was discovered that at various times during the past five years, the Utility Board inadvertently failed to file (i) its annual report for Fiscal Years 2009-2012 and (ii) notices of material events regarding the rating changes of the insurers of its outstanding indebtedness. The Utility Board cured such failure to file of its annual reports on January 23, 2014 and cured its inadvertent failures to file notices of material events regarding the insurers on October 1, 2014. The Utility Board intends to fully satisfy all obligations in connection with its present and prior continuing disclosure undertakings in the future and has instituted certain compliance procedures in connection with it continuing disclosure obligations and has contracted with Digital Assurance Certification (DAC) to act as Dissemination Agent.

ACCURACY AND COMPLETENESS OF OFFICIAL STATEMENT

The references, excerpts, and summaries of all documents, statutes, and information concerning the Utility Board and certain reports and statistical data referred to herein do not purport to be complete, comprehensive and definitive and each such summary and reference is qualified in its entirety by reference to each such document for full and complete statements of all matters of fact relating to the Series 2019 Bonds, the security for the payment of the Series 2019 Bonds and the rights and obligations of the owners thereof and to each such statute, report or instrument.

The information contained in this Official Statement has been compiled from official and other sources, deemed to be reliable, and is believed to be correct as of the date of the Official Statement, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Series 2019 Bonds.

The appendices attached hereto are integral parts of this Official Statement and must be read in their entirety together with all foregoing statements.
AUTHORIZATION OF AND CERTIFICATION
CONCERNING THE OFFICIAL STATEMENT

This Official Statement has been authorized and prepared by the Utility Board. Concurrently with the delivery of the Series 2019 Bonds, the undersigned will furnish a certificate to the effect that, to the best of their knowledge, this Official Statement did not as of its date, and does not as of the date of delivery of the Series 2019 Bonds, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purposes for which this Official Statement is to be used, or which is necessary in order to make the statements contained herein, in light of the circumstances in which they were made, not misleading.

UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA

By: _________________________________________________
    Chairman

By: _________________________________________________
    General Manager and Chief Executive Officer
APPENDIX A TO PRELIMINARY OFFICIAL STATEMENT

AUDITED FINANCIAL STATEMENTS OF THE UTILITY BOARD
OF THE CITY OF KEY WEST, FLORIDA
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2018 AND 2017

(Intentionally Omitted)
APPENDIX B TO PRELIMINARY OFFICIAL STATEMENT

FORM OF SERIES RESOLUTION

(Intentionally Omitted)
APPENDIX C TO PRELIMINARY OFFICIAL STATEMENT

FORM OF MASTER RESOLUTION

(Intentionally Omitted)
APPENDIX D TO PRELIMINARY OFFICIAL STATEMENT
SUPPLEMENTAL INFORMATION PERTAINING TO THE
CITY OF KEY WEST AND ENVIRONS

The following information concerning the City of Key West, Florida (the “City”) is included only for purposes of supplying general information regarding the primary community served by the System. The Series 2019 Bonds are payable solely from the Net Revenues heretofore described and are not payable or secured by other properties of the Utility Board, the City or any political subdivision of the State of Florida.

General Information

The City was first incorporated in 1828 and is the County seat of Monroe County, Florida. It is located near the southern extreme of the Florida Keys which are a string of coral islands extending in a southwesterly are from Biscayne Bay to the Dry Tortugas. The City lies farther south than any other point in the continental United States. The Keys separate the Atlantic Ocean on the south and east from the Gulf of Mexico on the north and west and are approximately 100 miles south of the United States mainland. The City lies 93 miles north of Cuba, approximately 153 miles southwest of Miami and 66.9 nautical miles north of the Tropic of Cancer. The City is the largest seat of population in the Florida Keys and serves as a center for most of the cultural and economic activities in Monroe County.

Physiography and Climate

Substantially all the area comprising the City is an island approximately 4 miles long and 1.5 miles wide. The mean elevation is 8 feet and the highest point is 18 feet above sea level. [The acreage of the island is almost twice the size it was 150 years ago and two additional islands, totaling approximately 500 acres, have been constructed on the northern side of such island.]

Key West has a mild, sub-tropical climate. The average annual temperature is 77 degrees with an average temperature during the winter of 72 degrees. The City’s average maximum temperature is 83 degrees, and the average minimum temperature is 73 degrees. There has been no recorded experience of frost, ice, sleet or snow in Key West. The highest temperature recorded was 97 degrees in 1956 and the lowest temperature recorded was 41 degrees in 1886. Precipitation is characterized by wet and dry seasons in May through October and November through April, respectively.

Government

The City Commission is the governing body of the City and consists of the Mayor and six Commissioners, who are elected at large from and by qualified voters of the City. The Mayor serves for a term of two years and is the titular head of City government under the provisions of the City Charter. Under the provisions of the City Charter, the Commission is empowered to pass ordinances, adopt resolutions, and appoint certain officials and commissions by resolution.

Economic Development

Since the late 1930’s the City has maintained a policy favoring tourism as a major factor in the local economy without alienating traditional economic enterprises such as shrimping and fishing. The
City has been involved in several projects involving historic preservation which cater to both tourists and residents.

**Employment**

The following table sets forth a comparison of the unemployment rate in Monroe County compared to that in the State of Florida.

<table>
<thead>
<tr>
<th>As of</th>
<th>Monroe County</th>
<th>State of Florida</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>6.8%</td>
<td>10.4%</td>
</tr>
<tr>
<td>2010</td>
<td>7.8</td>
<td>11.1</td>
</tr>
<tr>
<td>2011</td>
<td>7.0</td>
<td>10.0</td>
</tr>
<tr>
<td>2012</td>
<td>5.7</td>
<td>8.5</td>
</tr>
<tr>
<td>2013</td>
<td>4.8</td>
<td>7.2</td>
</tr>
<tr>
<td>2014</td>
<td>4.1</td>
<td>6.3</td>
</tr>
<tr>
<td>2015</td>
<td>3.5</td>
<td>5.5</td>
</tr>
<tr>
<td>2016</td>
<td>3.2</td>
<td>4.8</td>
</tr>
<tr>
<td>2017</td>
<td>3.3</td>
<td>4.2</td>
</tr>
<tr>
<td>2018</td>
<td>2.6</td>
<td>3.6</td>
</tr>
</tbody>
</table>


**Tourism**

Tourism to the Florida Keys and the City of Key West represents a major and growing component of the area economy. By virtue of its many historical sites, climate and recreational facilities, Key West and the Lower Keys have become a vacation destination to a growing number of visitors annually.

Current estimates of the Florida Bureau of Tourism are that between [2.7] million tourists visited Key West in 2018. Florida residents comprise a significant proportion of total visitors to Key West, as an estimated [315,000] Floridians traveled to the City in 2018. Out-of-state visitors typically originate from states in the Middle Atlantic, East North Central and South Atlantic regions of the United States. Approximately 45% of total annual tourism to the area occurs in the three-month period January through March.

The city hosts an estimated [7,312] tourist/visitors per day. During special tourist events such as Fantasy Fest, the population can approach an estimated total of [75,000]. Key West contains [63] hotels/motels with [3,838] rooms, [47] guest houses with [453] rooms and [352] other transient lodging facilities with [1,073] rooms. There are [269] full service restaurants and [85] take out restaurants. In 2018, a total of 379 cruise ships with 861,192 passengers called on Key West. For the same period 430,266 passengers arrived by airplane and 90,445 passengers arrived by Ferry.

**Population**

From 1930 to 1970 the population of the City increased by 16,481 or 123.4% and from 1930 to 1960 the population of the City increased by 21,125 or 164.6%. From 1960 to 1985 the population declined by
This population decline is primarily due to the closing or reduction in strength of military personnel, their dependents and civilian civil service forces of the military facilities in and adjacent to the City. Nearly 10,000 military and military related persons have departed the City since 1970.

The 2010 census indicated Key West is home to 25,550 full time residents. The median age was 41.2 years, in contrast to the Florida average of 40.8 years. Sixteen percent of the City’s population were from 0 to 19, 71 percent were from 20 to 64 and 13 percent were 65 and above.

Of the full-time residents, 68.3 percent were white (non-Hispanic), 9.9 percent were black (non-Hispanic), 3.6 percent were of all other races (non-Hispanic), and 18.2 percent were of Hispanic origin (of any race). Another characteristic of the local population is great mobility. Almost two-thirds of the 1990 inhabitants didn’t live in the same dwelling five years previously, and only an estimated 20 percent of residents lived in the same dwelling over 15 years.

### POPULATION STATISTICS

<table>
<thead>
<tr>
<th>Year</th>
<th>City of Key West</th>
<th>Monroe County</th>
<th>State of Florida</th>
</tr>
</thead>
<tbody>
<tr>
<td>1940</td>
<td>12,927</td>
<td>14,078</td>
<td>1,897,415</td>
</tr>
<tr>
<td>1950</td>
<td>26,433</td>
<td>29,957</td>
<td>2,771,305</td>
</tr>
<tr>
<td>1960</td>
<td>33,956</td>
<td>47,921</td>
<td>4,951,560</td>
</tr>
<tr>
<td>1970</td>
<td>29,312</td>
<td>52,586</td>
<td>6,791,418</td>
</tr>
<tr>
<td>1980</td>
<td>24,292</td>
<td>63,098</td>
<td>9,739,992</td>
</tr>
<tr>
<td>1990</td>
<td>24,832</td>
<td>78,024</td>
<td>12,937,926</td>
</tr>
<tr>
<td>2000</td>
<td>25,433</td>
<td>79,589</td>
<td>16,048,887</td>
</tr>
<tr>
<td>2010</td>
<td>24,649</td>
<td>73,090</td>
<td>18,801,310</td>
</tr>
<tr>
<td>2018</td>
<td>25,208(1)</td>
<td>75,027</td>
<td>21,299,325</td>
</tr>
</tbody>
</table>

Source: United States Bureau of the Census.


### Education

The City is served by the District School Board of Monroe County, Florida (the “District”). During the 2017-2018 Fiscal Year, the District operated ten schools, including 3 elementary schools, 4 K-8 schools, a combination of middle high school, 2 high schools; sponsored 6 charter schools with a staff of 1,135. For the school year 2017-2018, the school system served 8,125 students. Special school facilities are provided for exceptional children. The County maintains a public library which was the first public library established in south Florida.
## DEMOGRAPHIC AND ECONOMIC STATISTICS
### FISCAL YEARS 2009 - 2018

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Population</th>
<th>Per Capita Income</th>
<th>Median Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>23,922</td>
<td>$33,549</td>
<td>43</td>
</tr>
<tr>
<td>2010</td>
<td>24,649</td>
<td>34,174</td>
<td>44</td>
</tr>
<tr>
<td>2011</td>
<td>24,626</td>
<td>36,086</td>
<td>42</td>
</tr>
<tr>
<td>2012</td>
<td>24,909</td>
<td>35,074</td>
<td>42</td>
</tr>
<tr>
<td>2013</td>
<td>25,057</td>
<td>34,277</td>
<td>42</td>
</tr>
<tr>
<td>2014</td>
<td>25,550</td>
<td>31,700</td>
<td>43</td>
</tr>
<tr>
<td>2015</td>
<td>25,704</td>
<td>31,566</td>
<td>44</td>
</tr>
<tr>
<td>2016</td>
<td>25,755</td>
<td>34,020</td>
<td>42</td>
</tr>
<tr>
<td>2017</td>
<td>26,990</td>
<td>32,428</td>
<td>40</td>
</tr>
<tr>
<td>2018</td>
<td>25,208</td>
<td>35,944</td>
<td>40</td>
</tr>
</tbody>
</table>


## History

Initial European contact with the Florida Keys, then occupied by the Calusa Indians, occurred in 1513 with Ponce de Leon’s exploration of the Straits of Florida. As a consequence of an Indian war in which the remains of the slain were left to the elements, the island was named Cayo Hueso, or Bone Key, which was later anglicized to Key West. In 1815, the Florida Keys were granted to Juan Pablo Salas by the Spanish governor of Florida. In 1821, Florida became a United States territory. Nevertheless, Salas sold the island in 1822 to John Simonton of Mobile, Alabama for $2,000. In 1823, Commodore David Porter established a United States naval base on the island. During the period immediately following, in excess of 120 vessels, many from the Bahamas were employed in the wrecking business in direct competition with emigrants from New England. The City of Key West was incorporated in 1828. Federal legislation permitting salvaging of property from wrecked ships was the principal reason Key West grew by the 1880’s to the wealthiest city, per capita, in the United States.

In 1831, the first cigar factory was established in Key West, and by 1869, the City became the largest clear-Havana cigar manufacturing city in the United States.

The strategic importance of Key West was demonstrated in 1823, when the West Indian Anti-Piracy Squadron established its base there. Key West’s connection with the military dates from this period, and its fortunes were thereafter linked to federal decisions concerning military presence in the Gulf of Mexico.

The economic importance of Key West was affected by the excellence of its harbor at the time of the completion of the Panama Canal, and its proximity to Cuba. In 1912, the Overseas Railway from Miami to Key West was completed. This constituted building a railroad 128 miles out to sea, spanning 29 islands of the Florida Keys, and connecting Key West and Havana, Cuba by train-ferry with the rest of Florida. An estimated average of 3,000 men labored approximately seven years, at a total cost of $50,000,000, to complete the railroad that for the next twenty-two years would provide a round trip from...
Miami to Havana, including meals, for $2400. In 1938, the State of Florida completed a modern highway on the bed of the railroad tracks permitting motorists to drive from Miami to Key West.

In 1920, the first international air passenger service and the first international air mail routes for the United States were established between Key West and Havana, Cuba, and in 1927, the Key West airport was designated the first Airport of Entry in the United States. Pan American Airlines was established at Key West in 1927.

In 1934, the City was unable to meet its financial responsibilities and yielded all powers to Federal and State control for rehabilitation. Rehabilitation efforts by the Federal Emergency Relief Administration directed a major effort to cause the economy of the City to benefit from tourism without detriment to the natural beauty, quiet and charm of the City. At no time since that event has the City defaulted on a municipal debt.

In 1942, a fresh water pipeline from the mainland was opened. A new pipeline from the mainland, as well as new mainland water treatment facilities and pumping stations was completed in 1982. Those facilities have substantially increased the quantity of water which can be delivered to Key West and the Upper Keys. These facilities are currently administered by the Florida Keys Aqueduct Authority.

In 1946, President Truman created the “Little White House” in Key West on the Naval Annex that bears his name.

Recent development has resulted in substantial historic renovation and restoration and a continuing growth of tourist activity.

The Military

Military activities have contributed substantially to the City’s economy. The United States Naval Station at Key West (the “Naval Station”), was established in 1823 with the formation of the West Indian Anti-Piracy Squadron. Some construction began in 1823 and permanent construction of Naval buildings began in 1856. One hundred years later, the military owned 970 acres of land in the City, or about 25% of the land within the City limits.

In 1974, the Naval Station was disestablished though military operations still exist within the City including a medical facility, substantial barracks and military housing for Boca Chica Air Station and numerous Federal agencies such as the United States Coast Guard and the Department of Agriculture.

The present mission of the various U.S. Military and Coast Guard commands in the Key West area include both air and surface functions. The major military activities center around the Boca Chica Naval Air Station on Boca Chica Key (located immediately to the east of Stock Island and Key West).
## Property Tax Rates
### Direct and Overlapping Governments
### For the last ten fiscal years

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>City</th>
<th>County</th>
<th>School Board</th>
<th>Florida Water Management District</th>
<th>Florida Keys Mosquito Control District</th>
<th>Other*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>2.2794</td>
<td>2.6883</td>
<td>2.9220</td>
<td>0.2549</td>
<td>0.3798</td>
<td>0.3691</td>
<td>8.8935</td>
</tr>
<tr>
<td>2010</td>
<td>2.6414</td>
<td>3.0870</td>
<td>3.3870</td>
<td>0.2549</td>
<td>0.4262</td>
<td>0.3691</td>
<td>10.1623</td>
</tr>
<tr>
<td>2011</td>
<td>2.9132</td>
<td>3.3445</td>
<td>3.8235</td>
<td>0.2549</td>
<td>0.4596</td>
<td>0.3691</td>
<td>11.1648</td>
</tr>
<tr>
<td>2012</td>
<td>2.8627</td>
<td>3.3470</td>
<td>3.5650</td>
<td>0.1785</td>
<td>0.4836</td>
<td>0.2578</td>
<td>10.6946</td>
</tr>
<tr>
<td>2013</td>
<td>2.9185</td>
<td>3.1229</td>
<td>3.6600</td>
<td>0.1757</td>
<td>0.5171</td>
<td>0.2532</td>
<td>10.6474</td>
</tr>
<tr>
<td>2014</td>
<td>2.7976</td>
<td>3.1380</td>
<td>3.6810</td>
<td>0.1685</td>
<td>0.5069</td>
<td>0.2425</td>
<td>10.5345</td>
</tr>
<tr>
<td>2015</td>
<td>2.7743</td>
<td>3.1275</td>
<td>3.6260</td>
<td>0.1577</td>
<td>0.4824</td>
<td>0.2265</td>
<td>10.3944</td>
</tr>
<tr>
<td>2016</td>
<td>2.5908</td>
<td>2.9753</td>
<td>3.5500</td>
<td>0.1459</td>
<td>0.5019</td>
<td>0.2092</td>
<td>9.9731</td>
</tr>
<tr>
<td>2017</td>
<td>2.4896</td>
<td>2.8297</td>
<td>3.4840</td>
<td>0.1359</td>
<td>0.5831</td>
<td>0.1948</td>
<td>9.7171</td>
</tr>
<tr>
<td>2018</td>
<td>2.3466</td>
<td>2.6957</td>
<td>3.3560</td>
<td>0.1275</td>
<td>0.4646</td>
<td>0.1825</td>
<td>9.1729</td>
</tr>
</tbody>
</table>


Note: Fiscal Year information presented above is for the previous calendar year for the tax levy.

Tax rates shown above are per $1,000 of assessed valuation.

Note (1): Overlapping rates are those of local and county governments that apply to property owners within the City.

* Consists of the following districts: Okeechobee Basin Fund, Big Cypress Fund, Everglades Construction Project and Monroe County Road Patrol Law Enforcement.

[Remainder of page intentionally left blank]
<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Real Property Assessed Value</th>
<th>Personal Property Assessed Value</th>
<th>Exemption Allowed for Real Property</th>
<th>Total Net Assessed Value</th>
<th>Total Net Estimated True Value</th>
<th>Ratio Net Assessed to True Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$11,507,171</td>
<td>$375,730</td>
<td>$5,182,044</td>
<td>$6,700,857</td>
<td>$6,700,857</td>
<td>1.0</td>
</tr>
<tr>
<td>2010</td>
<td>10,347,911</td>
<td>371,594</td>
<td>4,894,185</td>
<td>5,825,320</td>
<td>5,825,320</td>
<td>1.0</td>
</tr>
<tr>
<td>2011</td>
<td>8,706,431</td>
<td>368,616</td>
<td>4,101,589</td>
<td>4,973,458</td>
<td>4,973,458</td>
<td>1.0</td>
</tr>
<tr>
<td>2012</td>
<td>8,826,945</td>
<td>360,634</td>
<td>4,218,770</td>
<td>4,968,809</td>
<td>4,968,809</td>
<td>1.0</td>
</tr>
<tr>
<td>2013</td>
<td>8,231,175</td>
<td>323,906</td>
<td>3,463,472</td>
<td>5,091,609</td>
<td>5,091,609</td>
<td>1.0</td>
</tr>
<tr>
<td>2014</td>
<td>8,482,416</td>
<td>323,457</td>
<td>3,516,073</td>
<td>5,289,801</td>
<td>5,289,801</td>
<td>1.0</td>
</tr>
<tr>
<td>2015</td>
<td>8,874,783</td>
<td>300,825</td>
<td>3,519,798</td>
<td>5,655,809</td>
<td>5,655,809</td>
<td>1.0</td>
</tr>
<tr>
<td>2016</td>
<td>9,348,014</td>
<td>298,273</td>
<td>3,541,965</td>
<td>6,104,322</td>
<td>6,104,322</td>
<td>1.0</td>
</tr>
<tr>
<td>2017</td>
<td>9,809,365</td>
<td>289,960</td>
<td>3,687,255</td>
<td>6,412,070</td>
<td>6,412,070</td>
<td>1.0</td>
</tr>
<tr>
<td>2018</td>
<td>10,257,622</td>
<td>274,666</td>
<td>3,682,252</td>
<td>6,850,036</td>
<td>6,850,036</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Note: Fiscal year information presented above is for the previous calendar year for the tax levy.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Tax Levy</th>
<th>Current Tax</th>
<th>Collection Percent of Levy</th>
<th>Delinquent Tax</th>
<th>Outstanding Total Tax</th>
<th>Percent of Levy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$15,273,933</td>
<td>$14,680,697</td>
<td>96.1</td>
<td>$21,279</td>
<td>$14,701,976</td>
<td>96.3%</td>
</tr>
<tr>
<td>2010</td>
<td>15,222,849</td>
<td>14,789,792</td>
<td>97.2</td>
<td>42,251</td>
<td>14,832,043</td>
<td>97.4</td>
</tr>
<tr>
<td>2011</td>
<td>14,414,157</td>
<td>13,995,804</td>
<td>97.1</td>
<td>60,960</td>
<td>14,056,764</td>
<td>97.5</td>
</tr>
<tr>
<td>2012</td>
<td>14,224,210</td>
<td>13,643,432</td>
<td>95.9</td>
<td>75,797</td>
<td>13,719,229</td>
<td>96.4</td>
</tr>
<tr>
<td>2013</td>
<td>14,859,861</td>
<td>13,847,692</td>
<td>93.2</td>
<td>615,050</td>
<td>14,462,742</td>
<td>97.3</td>
</tr>
<tr>
<td>2014</td>
<td>14,798,746</td>
<td>14,316,000</td>
<td>96.7</td>
<td>45,076</td>
<td>14,361,076</td>
<td>97.0</td>
</tr>
<tr>
<td>2015</td>
<td>15,690,912</td>
<td>14,358,235</td>
<td>91.5</td>
<td>42,056</td>
<td>14,400,291</td>
<td>91.8</td>
</tr>
<tr>
<td>2016</td>
<td>15,815,079</td>
<td>14,245,778</td>
<td>90.1</td>
<td>25,265</td>
<td>14,271,043</td>
<td>90.2</td>
</tr>
<tr>
<td>2017</td>
<td>15,963,489</td>
<td>15,429,362</td>
<td>96.7</td>
<td>28,557</td>
<td>15,457,919</td>
<td>96.8</td>
</tr>
<tr>
<td>2018</td>
<td>16,074,295</td>
<td>15,514,225</td>
<td>96.5</td>
<td>58,100</td>
<td>15,572,325</td>
<td>96.9</td>
</tr>
</tbody>
</table>

Note: Fiscal year information presented above is for the previous calendar year for the tax levy.
PRINCIPAL TAXPAYERS
September 30, 2018

<table>
<thead>
<tr>
<th>Name of Taxpayer</th>
<th>2018 Assessed Value</th>
<th>Percent of Total Assessed Valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sunset City, LLC</td>
<td>$98,950,545</td>
<td>1.44%</td>
</tr>
<tr>
<td>Passco Ocean DST</td>
<td>86,946,278</td>
<td>1.27</td>
</tr>
<tr>
<td>Windward Pointe II LLC</td>
<td>85,624,988</td>
<td>1.25</td>
</tr>
<tr>
<td>Galleon Condominium Association Inc.</td>
<td>83,581,695</td>
<td>1.22</td>
</tr>
<tr>
<td>Casa Marina Owner, LLC</td>
<td>79,155,667</td>
<td>1.16</td>
</tr>
<tr>
<td>SH5, LTD</td>
<td>66,281,757</td>
<td>0.97</td>
</tr>
<tr>
<td>Ashford Pier House, LLC</td>
<td>58,388,920</td>
<td>0.85</td>
</tr>
<tr>
<td>Seaboard Associates Limited Partnership</td>
<td>56,891,521</td>
<td>0.83</td>
</tr>
<tr>
<td>Tannex Development, LC</td>
<td>53,188,114</td>
<td>0.78</td>
</tr>
<tr>
<td>PRCP – Key West LLC</td>
<td>48,175,730</td>
<td>0.70</td>
</tr>
<tr>
<td>Totals</td>
<td>717,185,215</td>
<td>10.47</td>
</tr>
</tbody>
</table>


Property Value and Construction
For the last ten fiscal years
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Property Value</th>
<th>Exemptions</th>
<th>Net Total</th>
<th>Number of Permits</th>
<th>New Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$11,882,901</td>
<td>$5,182,044</td>
<td>$6,700,857</td>
<td>4,215</td>
<td>$16,389</td>
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<td>2010</td>
<td>10,719,505</td>
<td>4,894,185</td>
<td>5,825,320</td>
<td>4,297</td>
<td>43,322</td>
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<td>2011</td>
<td>9,075,047</td>
<td>4,101,589</td>
<td>4,973,458</td>
<td>4,504</td>
<td>35,013</td>
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<td>2012</td>
<td>9,187,579</td>
<td>4,218,770</td>
<td>4,968,809</td>
<td>5,124</td>
<td>50,543</td>
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<td>2013</td>
<td>8,555,081</td>
<td>3,463,472</td>
<td>5,091,609</td>
<td>5,467</td>
<td>71,443</td>
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<td>2014</td>
<td>8,805,874</td>
<td>3,516,073</td>
<td>5,289,801</td>
<td>6,187</td>
<td>213,520</td>
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<tr>
<td>2015</td>
<td>9,175,608</td>
<td>3,519,798</td>
<td>5,655,809</td>
<td>5,465</td>
<td>386,381</td>
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<td>2016</td>
<td>9,646,287</td>
<td>3,541,965</td>
<td>6,104,322</td>
<td>6,429</td>
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<td>2017</td>
<td>10,099,325</td>
<td>3,687,255</td>
<td>3,412,070</td>
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<td>2018</td>
<td>10,532,288</td>
<td>3,682,252</td>
<td>6,850,036</td>
<td>3,854</td>
<td>112,065</td>
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</table>


(1) Figures derived from the table entitled “Assessed and Estimated Value of Property” in this Appendix.
APPENDIX E TO PRELIMINARY OFFICIAL STATEMENT

FORM OF BOND COUNSEL OPINION

(Intentionally Omitted)
APPENDIX F TO OFFICIAL STATEMENT

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(Intentionally Omitted)
EXHIBIT B TO SUPPLEMENTAL RESOLUTION

FORM OF PURCHASE CONTRACT

[Follows.]
BOND PURCHASE AGREEMENT

UTILITY BOARD
OF THE CITY OF KEY WEST, FLORIDA

$ ELECTRIC SYSTEM REVENUE AND REVENUE REFUNDING BONDS, SERIES 2019

July _____ 2019

Utility Board of the City of Key West, Florida
d/b/a Keys Energy Services
1001 James Street
Key West, Florida 33040

Ladies and Gentlemen:

BofA Securities, Inc. (the "Underwriter"), offers to enter into this Bond Purchase Agreement (the "Agreement") with the Utility Board of the City of Key West, Florida (the "Issuer"), which, upon your acceptance of this offer, will be binding upon you and upon the Underwriter. The Underwriter is not acting as a fiduciary to the Issuer. This offer is made subject to your acceptance on or before 2:00 p.m., E.S.T., on the date hereof, and if not so accepted, will be subject to withdrawal by the Underwriter upon notice to the Issuer at any time prior to the acceptance hereof by you.

1. **Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations and agreements set forth herein, the Underwriter hereby agrees to purchase from the Issuer on the Closing Date (hereinafter defined) for offering to the public and the Issuer hereby agrees to sell and deliver to the Underwriter for such purpose, all (but not less than all) of the Issuer's Electric System Revenue and Revenue Refunding Bonds, Series 2019 in the original aggregate principal amount of $____________ (the "2019 Bonds"). The 2019 Bonds shall be dated as of their Date of Delivery as defined in the Official Statement described below, shall be issued as serial bonds, shall be issued in such principal amounts and shall bear such rates of interest upon such terms as set forth in Schedule I attached hereto. The 2019 Bonds are subject to mandatory and optional redemption prior to their stated dates of maturity as set forth in Schedule I attached hereto. Interest on the 2019 Bonds shall be payable on April October 1, 2020 and on each April 1 and October 1 thereafter to maturity. The purchase price of the 2019 Bonds shall be $____________ (representing the aggregate principal amount of the 2019 Bonds, [plus an original issue premium] [less an original issue discount] of $___________ and less Underwriter's discount of $_____________).

The proceeds of the 2019 Bonds are being used to (i) finance and refinance certain capital improvements to the electric system including, but not limited to, construction of a new warehouse; transmission poles, insulators and hardware replacement and repair; switchgear replacements and substation upgrades; and distribution pole replacements (collectively, the “Series 2019 Project”); (ii) refund the Utility Board's Electric System Subordinate Revenue Note, Series 2017 dated October 12, 2017 (the “Refunded Note”); and (iii) pay the costs of issuance of the 2019 Bonds.
The 2019 Bonds are being issued under the authority of, and in full compliance with, the Constitution and the laws of the State of Florida, including Chapter 69-1191, Laws of Florida, Special Acts of 1969, as amended and supplemented, and other applicable provisions of law, and Resolution No. 797 adopted by the Utility Board on October 8, 2014 and effective as of October 1, 2018 (the “Master Resolution”), particularly as supplemented by Resolution No. 814, adopted on June 26, 2019 (the “Series Resolution”, together with the Master Resolution, the “Resolution”).

The Issuer acknowledges and agree that: (i) the Underwriter is not acting as a municipal advisor within the meaning of Section 15B of the Securities Exchange Act, as amended, (ii) the primary role of the Underwriter, as an underwriter, is to purchase securities, for resale to investors, in an arm’s length commercial transaction between the Issuer and the Underwriter and the Underwriter has financial and other interests that differ from those of the Issuer; (iii) the Underwriter is acting solely as a principal and is not acting as a municipal advisor, financial advisor or fiduciary to the Issuer and has not assumed any advisory or fiduciary responsibility to the Issuer with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Issuer on other matters); (iv) the only obligations the Underwriter has to the Issuer with respect to the transaction contemplated hereby expressly are set forth in this Agreement; and (v) the Issuer has consulted its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it has deemed appropriate.

2. **Good Faith Deposit.** Delivered to you herewith, as a good faith deposit, is a good faith check of the Underwriter payable to the order of the Issuer in the amount of ____________________ ($____________) as security for the performance by the Underwriter of its obligation to accept and pay for the 2019 Bonds at Closing in accordance with the provisions hereof. In the event that you accept this offer, said check will be held uncashed by the Issuer as a good faith deposit. At the Closing, the check will be returned to the Underwriter. In the event you do not accept this offer, the check shall be immediately returned to the Underwriter. If the Underwriter fails (other than for a reason permitted hereunder) to accept and pay for the 2019 Bonds at the Closing as provided herein, the check may be cashed by you and the proceeds retained by you as and for full liquidated damages for such failure and for any and all defaults hereunder on the part of the Underwriter, and the retention of such amounts shall constitute a full release and discharge of all claims and damages for such failure and for any and all such defaults hereunder on the part of the Underwriter.

In the event that the Issuer fails to deliver the 2019 Bonds at the Closing, or if the Issuer is unable at or prior to the Closing Date to satisfy or cause to be satisfied the conditions to the delivery of the 2019 Bonds contained in this Agreement, or if the obligations of the Underwriter contained herein shall be cancelled or terminated for any reason permitted by this Agreement, the Issuer shall be obligated to immediately return the check to the Underwriter. Upon any such event and the return of such check to the Underwriter, the Issuer shall be fully discharged from its obligations hereunder and shall not be liable for any damages, claims, costs or expenses in connection therewith.

3. **Offering.** It shall be a condition of your obligation to sell and deliver the 2019 Bonds to the Underwriter, and the obligation of the Underwriter to purchase and accept delivery
of the 2019 Bonds, that the entire initial aggregate principal amount of the 2019 Bonds shall be
sold and delivered by you and accepted and paid for by the Underwriter at the Closing.

4. **Preliminary Official Statement and Official Statement.** The Issuer has
approved and delivered or caused to be delivered to the Underwriter a copy of the Preliminary
Official Statement dated June ____, 2019, which, including the cover page and all appendices
thereto, is herein referred to as the “Preliminary Official Statement.” It is acknowledged by the
Issuer that the Underwriter may deliver the Preliminary Official Statement and a final Official
Statement (as hereinafter defined) electronically over the internet and in printed paper form. The
Issuer deems the Preliminary Official Statement final as of its date and as of the date hereof for
purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended
(“Rule 15c2-12”), except for any information which is permitted to be omitted therefrom in
accordance with paragraph (b)(1) of Rule 15c2-12. The Issuer hereby consents to and confirms
that it has heretofore made available to the Underwriter electronically a Preliminary Official
Statement of the Issuer relating to the 2019 Bonds dated their Date of Delivery (which, together
with the cover page and appendices contained therein, is herein called the "Preliminary Official
Statement"), and authorizes the distribution thereof to prospective purchasers and investors.
Within seven (7) business days of the acceptance hereof by the Issuer but in no event later than
two (2) business days prior to the Closing Date, the Issuer shall cause to be delivered such
reasonable number of conformed copies as the Underwriter shall request of the Official
Statement, dated the date hereof (which, together with the cover page and appendices contained
therein, is herein called the "Official Statement"), executed on behalf of the Issuer by the
Chairman and the General Manager and Chief Executive Officer of the Issuer or such other
official which is acceptable to the Underwriter, which shall be sufficient in number to comply
with paragraph (b)(4) of Rule 15c2-12 and with Rule G-32 and all other applicable rules of the
Municipal Securities Rulemaking Board (the "MSRB"). The Issuer hereby agrees to deliver to
the Underwriter an electronic copy of the Official Statement in a form that permits the
Underwriter to satisfy its obligations under the rules and regulations of the MSRB and the U.S.
Securities and Exchange Commission. The Issuer, by its acceptance hereof, ratifies and
approves the Preliminary Official Statement and ratifies and approves and authorizes the
Underwriter to use the Official Statement and all documents described therein in connection with
the public offering and the sale of the 2019 Bonds.

The Issuer hereby authorizes the Underwriter to file, and the Underwriter hereby agrees
to file, the Official Statement with the MSRB's Electronic Municipal Market Access System
("EMMA").

In accordance with Section 218.385, Florida Statutes, the Underwriter hereby discloses
the required information as provided in Attachment I attached hereto and provides a truth in
bonding statement in Section 7 hereof.

In order to assist the Underwriter in complying with Rule 15c2-12 the Issuer will
undertake, pursuant to the Continuing Disclosure Certificate, dated as of the date of Closing (the
"Disclosure Certificate"), to provide annual financial information and notices of the occurrence
of specified events. A description of the Disclosure Certificate is set forth in, and a form of such
certificate is attached as an appendix to, the Preliminary Official Statement and the Official
Statement.
5. **Establishment of Issue Price.**

(a) The Underwriter agrees to assist the Issuer in establishing the issue price of the 2019 Bonds and shall execute and deliver to the Issuer at Closing an “issue price” or similar certificate, substantially in the form attached hereto as Attachment II, together with the supporting pricing wires or equivalent communications, with such modifications as may be deemed appropriate or necessary, in the reasonable judgment of the Underwriter, the Issuer and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the 2019 Bonds. [All actions to be taken by the Issuer under this section to establish the issue price of the 2019 Bonds may be taken on behalf of the Issuer by the Issuer’s municipal advisor identified herein and any notice or report to be provided to the Issuer may be provided to the Issuer’s municipal advisor.]

(b) [Except for the maturities set forth in Schedule A attached hereto,] the Issuer represents that it will treat the first price at which 10% of each maturity of the 2019 Bonds (the “10% Test”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% Test). [If, as of the date hereof, the 10% Test has not been satisfied as to any maturity of the 2019 Bonds for which the Issuer has elected to utilize the 10% Test, the Underwriter agrees to promptly report to the Issuer the prices at which 2019 Bonds of that maturity or maturities have been sold by the Underwriters to the public. That reporting obligation shall continue until the earlier of the date upon which the 10% Test has been satisfied as to the 2019 Bonds of that maturity or maturities or the Closing Date.]

[(c) The Underwriter confirms that the Underwriters have offered the 2019 Bonds to the public on or before the date of this Agreement at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Schedule I attached hereto, except as otherwise set forth therein. Schedule I also sets forth, as of the date of this Agreement, the maturities, if any, of the 2019 Bonds for which the 10% Test has not been satisfied and for which the Issuer and the Underwriter agrees that the restrictions set forth in the next sentence shall apply (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the 2019 Bonds, the Underwriter will neither offer nor sell unsold 2019 Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

1. the close of the fifth (5th) business day after the sale date; or

2. the date on which the Underwriter has sold at least 10% of that maturity of the 2019 Bonds to the public at a price that is no higher than the initial offering price to the public.]

[(c)][(d)] The Underwriter confirms that:

(A)(i) to report the prices at which it sells to the public the unsold 2019 Bonds of each maturity allocated to it until either all 2019 Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% Test has been satisfied as to the 2019 Bonds of that maturity and (ii) to comply with the hold-the-offering-price rule, if applicable, in each
case if and for so long as directed by the Underwriter and as set forth in the related pricing wires, and

(B) to promptly notify the Underwriter of any sales of 2019 Bonds that, to its knowledge, are made to a purchaser who is a related party to the Underwriter participating in the initial sale of the 2019 Bonds to the public (each such term being used as defined below),

(C) to acknowledge that, unless otherwise advised by the Underwriter, dealer or broker-dealer, the Underwriter shall assume that each order submitted by the Underwriter, dealer or broker-dealer is a sale to the public.

[(d)][(e)] The Underwriter acknowledges that sales of any 2019 Bonds to any person that is a related party to the Underwriter participating in the initial sale of the 2019 Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “public” means any person other than an underwriter or a related party to an underwriter,

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the 2019 Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the 2019 Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the 2019 Bonds to the public),

(iii) a purchaser of any of the 2019 Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date of execution of this Agreement by all parties.

6. **Use of Documents.** You hereby authorize the use by the Underwriter of (a) the Resolution, (b) the Preliminary Official Statement, (c) the Official Statement (including any supplements or amendments thereto), (d) the Disclosure Certificate and (e) any other documents
related to the transactions described in the Official Statement in connection with the public offering, sale and distribution of the 2019 Bonds.

7. **Representations and Agreements.** The Issuer hereby represents and agrees as follows:

   (a) Except for information which is permitted to be omitted pursuant to Rule 15C2-12, the Preliminary Official Statement, as of its date and as of the date hereof was and is true and correct in all material respects and did not and does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. As of the date of the Official Statement and at the time of Closing, the statements and information contained in the Official Statement will be true, correct and complete in all material respects and the Official Statement will not contain any untrue statement of a material fact or omit any statement or information which should be included therein for the purposes for which the Official Statement is to be used or which is necessary to make the statements or information contained in the Official Statement in light of the circumstances under which they were made, not misleading.

   (b) Between the date of this Agreement and the Closing Date, other than as disclosed in the Official Statement, the Issuer will not execute any bonds, notes or obligations for borrowed money, other than the 2019 Bonds which pledge the Pledged Revenues as defined in the Resolution, without giving prior written notice thereof to the Underwriter.

   (c) The Issuer was initially created by the City Commission of the City of Key West, Florida and subsequently was established by an act of the Florida Legislature, as a separate governmental entity, with the powers and authority set forth in the Act.

   (d) The Issuer has full legal right, power and authority to: (i) enter into this Agreement, and the Disclosure Certificate, (ii) adopt the Series Resolution and the Master Resolution, (iii) sell, issue and deliver the 2019 Bonds to the Underwriter as provided herein, and (iv) carry out and consummate the transactions specified by this Agreement, the Resolution, the Disclosure Certificate, and the Official Statement, and the Issuer has complied, and at the Closing, will be in compliance, in all respects, with the terms of the Act and with the obligations on its part in connection with the issuance of the 2019 Bonds contained in the Resolution, the 2019 Bonds, the Disclosure Certificate, and this Agreement.

   (e) By all necessary official action, the Issuer has duly adopted the Resolution, has duly authorized and approved the Official Statement, has duly authorized and approved the execution and delivery of, and the performance by the Issuer, of this Agreement, the Disclosure Certificate and all other obligations on its part in connection with the issuance of the 2019 Bonds and the consummation by it of all other transactions specified by this Agreement in connection with the issuance of the 2019 Bonds.

   (f) When delivered to and paid for by the Underwriter at the Closing in accordance with the provisions of this Agreement, and the 2019 Bonds will have been duly authorized, executed, issued and delivered and will constitute legal, valid and binding special obligations of
the Issuer in conformity with the Rule 15c2-12 and the Resolution, and shall be entitled to the benefits of the Resolution.

(g) The adoption of the Resolution and the authorization, execution and delivery of this Agreement, the Disclosure Certificate, and the 2019 Bonds, and compliance with the provisions hereof and thereof will not conflict with, or constitute a breach of or default under any law, administrative regulation, consent decree, ordinance, resolution or any agreement or other instrument to which the Issuer was or is subject, as the case may be, nor will such adoption, execution, delivery, authorization or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Issuer, or under the terms of any law, administrative regulation, ordinance, resolution or instrument, except as expressly provided by the Resolution.

(h) As of the date hereof and at the time of Closing, the Issuer will be in compliance in all respects with the covenants and agreements contained in the Resolution and no event of default and no event which, with the lapse of time or giving of notice, or both, would constitute an event of default under the Resolution will have occurred or be continuing.

(i) Except as provided in the Official Statement, all approvals, consents, authorizations and orders of any governmental authority or agency having jurisdiction in any matter which would constitute a condition precedent to the performance by the Issuer of its obligations hereunder and its obligations under the Resolution have been obtained and are in full force and effect.

(j) The Issuer is lawfully empowered to pledge and grant a lien upon the Pledged Revenues for payment of the principal of and interest on the 2019 Bonds.

(k) Except as disclosed in the Official Statement, to the best knowledge of the Issuer, as of the date hereof and as of Closing, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or threatened against the Issuer, affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the 2019 Bonds or the collection of the Pledged Revenues or contesting or affecting as to the Issuer the validity or enforceability in any respect relating to the 2019 Bonds, the Resolution, this Agreement, the Disclosure Certificate or contesting the tax-exempt status of interest on the 2019 Bonds, or contesting the completeness or accuracy of the Official Statement or any supplement or amendment to either, or contesting the powers of the Issuer or any authority for the issuance of the 2019 Bonds, the adoption of the Resolution or the execution and delivery by the Issuer of this Agreement or the Disclosure Certificate.

(l) The Issuer will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order to (i) qualify the 2019 Bonds for offer and sale under the "blue sky" or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate, and (ii) determine the eligibility of the 2019 Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the 2019 Bonds; provided, however, that the Issuer shall not be required to pay any fees, charges, taxes or other amounts, or execute a general
or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(m) The Issuer will not take or omit to take any action, which action or omission will in any way cause the proceeds from the sale of the 2019 Bonds to be applied in a manner contrary to that provided for in the Resolution and as described in the Official Statement.

(n) Except as disclosed in the Official Statement, the Issuer is not, and has never been, in default at any time after December 31, 1975, as to principal or interest with respect to an obligation issued or guaranteed by the Issuer.

(o) The Issuer has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied upon.

(p) By certificate, as of its date, the Preliminary Official Statement was deemed "final" for purposes of Rule15c2-12, except for "permitted omissions" as therein defined by an official of the Issuer who was heretofore authorized to make such certification.

(q) Any certificate signed by any officer of the Issuer and delivered to the Underwriter shall be deemed to be a representation by the Issuer to the Underwriter as to the statements made therein.

(r) If, after the date of this Agreement and until the earlier of (i) ninety (90) days from the end of the "underwriting period" (as defined in the Rule) or (ii) the time when the Official Statement is available to any person from a nationally recognized repository, but in no case less than twenty-five (25) days following the end of the underwriting period, any event shall occur, or information come to the attention of the Issuer which might or would cause the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Issuer shall notify the Underwriter thereof, and, if in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Issuer will at its own expense forthwith prepare and furnish to the Underwriter a sufficient number of copies of such amendment or supplement (in form and substance satisfactory to the Underwriter) which will supplement or amend the Official Statement, so that the Official Statement will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances existing at such time, not misleading. If such notification shall be given subsequent to the Closing Date, such additional legal opinions, certificates, instruments, and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of any such supplement or amendment to the Official Statement shall be provided by the Issuer to the Underwriter and shall be at Issuer's expense.

(s) If the Official Statement is supplemented or amended as provided herein, at the time of such supplement or amendment thereto up to and including the end of the underwriting period, the Official Statement, as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were
made, not misleading. Between the date hereof and Closing Date, the Issuer will not supplement or amend the Resolution, this Agreement or the Official Statement without the prior consent of the Underwriter.

(i) The representations and agreements of the Issuer contained herein shall be true and correct and complied with as of the date hereof, as of the date of the Closing, and as if made on the Closing Date.

(u) Other than as disclosed in the Preliminary Official Statement and Official Statement, the Issuer has not failed to comply in all material respects for the past five fiscal years with any agreement to provide continuing disclosure information pursuant to Rule 15c2-12.

(v) The following representations and statements are being made to comply with Section 218.385(2) and (3), Florida Statutes, and constitute the truth-in-bonding statement required thereby. The Issuer is proposing to issue $________ of its 2019 Bonds for the purposes described in Section 1 hereof. The 2019 Bonds are expected to be repaid over a period of approximately ___ years. At a true interest rate of ___%, total interest paid over the life of the 2019 Bonds will be $________. The source of repayment for the 2019 Bonds is the Pledged Revenues. Authorizing the 2019 Bonds will result in $__________ (on an average annual basis) of Pledged Revenues not being available to finance other services of the Issuer each year for approximately _______ years.

(w) The financial statements of the Issuer as of September 30, 2018 fairly represent the receipts, expenditures, assets, liabilities and cash balances of such amounts and, insofar as presented, other funds of the Issuer as of the dates and for the periods therein set forth. Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition of the Issuer or in its operations since September 30, 2018 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

8. Closing. At ____ a.m., prevailing local time, on July_______, 2019 or at such time on such earlier or later date as shall be mutually agreed upon, at the offices of the Issuer, other place mutually agreed upon (the "Closing Date"), you will deliver to the Underwriter the documents, certificates and opinions herein mentioned in this Section and the Underwriter will accept such delivery and pay the purchase price of the 2019 Bonds. This delivery and purchase is herein called the "Closing." The 2019 Bonds shall be made available to the Underwriter, The Depository Trust Company, New York, New York, the Trustee, or the Registrar, defined below, as applicable, at least two (2) business days before the Closing for purposes of inspecting. The 2019 Bonds shall be prepared and delivered as fully registered 2019 Bonds in the name of Cede & Co.

The Underwriter entered into this Agreement in reliance upon the representations of the Issuer herein contained and the performance by the Issuer of its obligations hereunder, both as of the date hereof and as of the Closing Date. The obligations of the Underwriter under this Agreement are and shall be subject to the following conditions:
(a) The representations and agreements of the Issuer contained herein shall be true and correct and complied with as of the date hereof and as of the Closing Date, as if made on the Closing Date.

(b) At the time of the Closing, the Resolution shall be in full force and effect in accordance with its terms and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except in any such case as disclosed in the Preliminary Official Statement and as otherwise may have been agreed to by the Underwriter.

(c) At the time of the Closing, all official action of the Issuer relating to this Agreement and the 2019 Bonds shall be in full force and effect in accordance with their respective terms and shall not have been amended, modified or supplemented in any material respect, except in each case as may have been agreed to by the Underwriter.

(d) The Underwriter shall have the right to cancel its obligation to purchase the 2019 Bonds if between the date hereof and the Closing Date:

   (i) legislation shall have been enacted or introduced by the Congress of the United States or the legislature of the State of Florida or shall have been reported out of committee of either body or be pending in committee of either body, or a decision shall have been rendered by a court of the United States or the State, having jurisdiction of the subject matter, or the Tax Court of the United States, or a ruling, resolution, regulation, or temporary regulation, release, or announcement shall have been made or shall have been proposed to be made by the Treasury Department of the United States or the Internal Revenue Service, or other federal or state authority, with respect to federal or state taxation upon revenues or other income of the general character of that to be derived by the Issuer under the Resolution from its operations, or upon interest received on obligations of the general character of the 2019 Bonds that, in the Underwriter's reasonable judgment, materially adversely affects the market for the 2019 Bonds, or the market price generally of obligations of the general character of the 2019 Bonds, or the ability of the Underwriter to enforce contracts for sale of the 2019 Bonds; or

   (ii) there shall exist any event or circumstance that in the Underwriter's reasonable judgment either makes untrue or incorrect in any material respect any statement or information in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make any statement of material fact therein not misleading in any material respect; or

   (iii) there shall have occurred (1) an outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war occurs; or (2) the occurrence of any other calamity or crisis or any change in the financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in clause (1) or (2), in the reasonable judgment of the Underwriter, makes it impracticable or inadvisable to proceed with the offering or the delivery of the 2019 Bonds on the terms and in the manner contemplated in the Preliminary Official Statement or the Official Statement (it being agreed by the Underwriter that there is no outbreak, calamity or crisis of such a character as of the date hereof); or
(iv) there shall be in force a general suspension of trading on the New York Stock Exchange (the "Exchange"), or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the Exchange, whether by virtue of determination by that Exchange or by order of the SEC or any other governmental authority having jurisdiction that, in the Underwriter's reasonable judgment, makes it impracticable for the Underwriter to market the 2019 Bonds or enforce contracts for the sale of the 2019 Bonds; or

(v) a general banking moratorium shall have been declared by federal or state authorities having jurisdiction and be in force that, in the Underwriter's reasonable judgment, makes it impracticable for the Underwriter to market the 2019 Bonds or enforce contracts for the sale of the 2019 Bonds; or

(vi) legislation shall be enacted or be proposed for enactment, or a decision by a court of the United States, having jurisdiction of the subject matter, shall be rendered, or a ruling, regulation, proposed regulation, or official statement by or on behalf of the SEC or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that the 2019 Bonds or any comparable securities of the Issuer, any obligations of the general character of the 2019 Bonds, are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect (the "Securities Act") or of the Trust Indenture Act of 1939 (the "Trust Indenture Act"), as amended and as then in effect, or otherwise, or would be in violation of any provision of the federal securities laws; or

(vii) there shall have been any material adverse change in the affairs of the Issuer that in the Underwriter's reasonable judgment will materially adversely affect the market for the 2019 Bonds or the ability of the Underwriter to enforce contracts for the sale of the 2019 Bonds; or

(viii) there shall be established any new restriction on transactions in securities materially affecting the free market for securities in the United States (including the imposition of any limitation on interest rates) or the extension of credit by, or a change to the net capital requirements of, underwriters established by the Exchange, the SEC, any other federal or State agency or the Congress of the United States, or by Executive Order; or

(ix) a stop order, release, regulation, or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made to the effect that the issuance, offering, or sale of the 2019 Bonds, including all the underlying obligations as contemplated hereby or by the Official Statement, or any document relating to the issuance, offering or sale of the 2019 Bonds is or would be in violation of any provision of the federal securities laws at the Closing Date, including the Securities Act, the Exchange, and the Trust Indenture Act as amended; or

(x) there shall have occurred, after the signing hereof, either a financial crisis or a default with respect to the debt obligations of the Issuer or the State or proceedings under the bankruptcy laws of the United States or of such state shall have been instituted by the Issuer or any agency of such state, in either case the effect of which, in the reasonable judgment of the Underwriter, is such as to materially and adversely affect the market price or the marketability of
the 2019 Bonds or the ability of the Underwriter to enforce contracts of the sale of the 2019 Bonds; or

(xii) any amendment is made to the Official Statement that in the Underwriter's reasonable judgment will materially adversely affect the marketability of the 2019 Bonds or the ability of the Underwriter to enforce contracts for the sale of the 2019 Bonds; or

(xiii) the Issuer fails to sell or deliver its 2019 Bonds to the Underwriter.

(e) At or prior to the date of the Closing, the Underwriter shall receive the following documents:

(i) The Resolution, certified by the Issuer under seal as having been duly adopted by the Issuer;

(ii) A final approving opinion of Bryant Miller Olive P.A., Bond Counsel to the Issuer, addressed to the Issuer, dated the date of the Closing, in substantially the form included in the Official Statement as Appendix E.

(iii) A letter of Bryant Miller Olive P.A., addressed to the Underwriter, and dated the date of Closing, to the effect that their final approving opinion referred to in Section 7(e)(ii) hereof may be relied upon by the Underwriter to the same extent as if such opinion were addressed to the Underwriter.

(iv) A supplemental opinion of Bryant Miller Olive P.A., addressed to you and the Underwriter, and dated the date of Closing, to the effect that, (i) the 2019 Bonds have each been duly authorized, executed and delivered by the Issuer (ii) by its adoption of the Resolution, the Issuer has authorized the distribution of the Official Statement, (iii) an opinion of Bryant Miller Olive P.A., that the statements contained in the Official Statement under the captions "INTRODUCTION," "PLAN OF REFUNDING," "DESCRIPTION OF THE SERIES 2019 BONDS" (except for the subsection entitled "Book-Entry Only System"), and "SECURITY FOR THE SERIES 2019 BONDS" are accurate in all material respects and the information contained under the heading "TAX MATTERS" is accurate in all material respects (excluding financial, statistical and demographic information), (iv) the 2019 Bonds are not subject to the registration requirements of the Securities Act, as amended, and (v) it is not necessary to qualify the Resolution under the Trust Indenture Act, as amended.

(v) An opinion of Nathan E. Eden, Esq., Attorney to the Issuer, addressed to the Issuer and the Underwriter, and dated the date of the Closing, to the effect that, (i) was initially created by the City Commission of the City of Key West, Florida and subsequently was established by an act of the Florida Legislature, as a separate governmental entity, with the powers and authority set forth in the Act, (ii) the Issuer has all requisite power and authority to carry on its business as now conducted, and that the Issuer is authorized and lawfully empowered to adopt the Resolution, this Agreement, the Escrow Agreement and the
Disclosure Certificate and perform its obligations thereunder, and to collect and pledge the Pledged Revenues, (iii) to his knowledge, there is no action, proceeding or investigation pending or threatened which would materially adversely affect the authority of the Issuer to continue to impose and collect the Pledged Revenues or to carry out its obligations under the Resolution, this Agreement and the Disclosure Certificate or which may have a material adverse effect on the financial condition of the Issuer, (iv) the Resolution has been duly adopted by the Issuer and this Agreement, and the Disclosure Certificate have each been duly authorized, executed and delivered by the Issuer and, assuming due execution by the appropriate parties thereto, if applicable, and subject to the extent that the enforceability of the rights and remedies set forth herein, may be limited by bankruptcy, insolvency, or other laws affecting creditors rights, each constitutes valid and binding agreements enforceable in accordance with their respective terms, (v) to his knowledge the execution and delivery of the 2019 Bonds, the adoption of the Resolution and the execution and delivery of this Agreement, and the Disclosure Certificate do not and will not in any material respect conflict with or constitute on the part of the Issuer a breach of or default under any indenture, deed of trust, order, license, lease, assignment, agreement or other instrument to which the Issuer is a party, or result in a breach of any statute, court decree or any administrative or governmental rule or regulation to which the Issuer is subject, (vi) to his knowledge no other action of any type is required on the part of the Issuer in connection with the due authorization, execution, delivery and performance by the Issuer of the obligations of the 2019 Bonds, (vii) to his knowledge there is no action, suit, proceeding or investigation, at law or in equity, before or by any court or public board or body, pending or threatened, against or affecting the Issuer, challenging the validity of the transactions specified in the Official Statement, this Agreement, the Disclosure Certificate, or the validity of the 2019 Bonds, which would materially adversely affect the ability of the Issuer to execute, deliver and carry out its obligations thereunder, (viii) to his knowledge the execution and delivery of the 2019 Bonds, the adoption of the Resolution and the execution and delivery of this Agreement, and the Disclosure Certificate and compliance with the provisions thereof, under the circumstances specified therein, do not and will not in any material respect conflict with or constitute on the part of the Issuer a breach of or default under any indenture, deed of trust or other instrument, of which he has knowledge, or to which the Issuer is a party, or conflict with, violate or result in a breach of any statute or, to my knowledge, any court decree or any administrative regulation to which the Issuer is subject, (ix) as of the date of its execution, General Manager and Chief Executive Officer and/or the Assistant General Manager and Chief Financial Officer of the Issuer were each authorized and empowered to execute the Rule 15c2-12 Certificate (as hereinafter defined); (x) with respect to the information in the Official Statement and based upon his limited review of the Official Statement as Attorney to the Issuer, and without having undertaken to determine independently the accuracy or completeness of the contents of the Official Statement, he has no reason to believe that the Official Statement (except for the financial, statistical and demographic data contained therein and the information relating to DTC and its book-entry system of registration) contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, and (xi) the use of the Preliminary Official Statement by the Underwriter for the purpose of offering the 2019 Bonds for sale has been duly authorized by the Issuer, and the Official Statement has been duly authorized, executed and delivered by the Issuer, and the Issuer has consented to the use thereof by the Underwriter.
(vi) A certificate dated the Closing Date and signed by the General Manager and Chief Executive Officer and/or the Assistant General Manager and Chief Financial Officer of the Issuer, or other person(s) authorized by the Issuer and acceptable to the Underwriter, to the effect that, (i) the representations of the Issuer contained herein are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing, (ii) there is no action, suit, proceeding or investigation involving the Issuer before or by any court or public board or body pending or, to the knowledge of the Issuer, threatened wherein an unfavorable decision, ruling or finding would: (A) affect the creation, organization, existence or powers of the Issuer or the titles of its officials to their respective offices, (B) enjoin or restrain the issuance, sale and delivery of the 2019 Bonds, (C) in any way question or affect any authority for the issuance of the 2019 Bonds or the validity or enforceability of the 2019 Bonds, (D) question or affect this Agreement or the transactions specified therein, or the Official Statement, or any other agreement or instrument to which the Issuer is a party and relating to the 2019 Bonds, or (E) have a material adverse effect on the financial condition of the Issuer, (iii) the Issuer has complied with all agreements and covenants and satisfied all conditions on its part to be complied with or satisfied at or prior to the Closing, (iv) since September 30, 2018, no material adverse change has occurred in the financial position and results of operations of the Issuer and the Issuer has not incurred any material liabilities other than in the ordinary course of business, except as set forth in the Official Statement, and (vi) relating to the Refunded Note, there is not an unfunded materially significant rebate liability owing the Internal Revenue Service.

(vii) An opinion of Bryant Miller Olive P.A., Disclosure Counsel, addressed to the Issuer, and dated the date of Closing, to the effect that based upon their preparation of the Official Statement as Disclosure Counsel and without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, as of the Closing Date nothing has come to the attention of such counsel causing them to believe that (i) the Official Statement as of its date contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except for the financial and statistical information contained in the Official Statement as to which no view need be expressed), or (ii) the Official Statement (as supplemented or amended, if applicable) as of the Closing Date contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except for the financial and statistical information contained in the Official Statement as to which no view need be expressed).

(viii) A letter of Bryant Miller Olive P.A., addressed to the Underwriter and dated the date of Closing, to the effect that their opinion referred to in Section 8(e)(vii) hereof may be relied upon by the Underwriter to the same extent as if such opinion was addressed to the Underwriter.

(ix) An opinion of Marchena and Graham, P.A., Underwriter's Counsel, dated the date of Closing and addressed to the Underwriter in form and substance acceptable to the underwriter.
(x) A certificate of an authorized representative of The Bank of New York Mellon Trust Company, N.A., as paying agent and bond registrar (the "Registrar"), to the effect that (A) the Registrar is a national bank duly organized, validly existing and in good standing under the laws of the United States of America and is duly authorized to exercise trust powers in the State of Florida, (B) the Registrar has all requisite authority, power, licenses, permits and franchises, and has full corporate power and legal authority to execute and perform its functions under the Resolution, (C) the performance by the Registrar of its functions under the Resolution will not result in any violation of the Articles of Association or Bylaws of the Registrar, any court order to which the Registrar is subject or any agreement, indenture or other obligation or instrument to which the Registrar is a party or by which the Registrar is bound, and no approval or other action by any governmental authority or agency having supervisory authority over the Registrar is required to be obtained by the Registrar in order to perform its functions under the Series Resolution, (D) to the best of such authorized representative's knowledge, there is no action, suit, proceeding or investigation at law or in equity before any court, public board or body pending or, to his or her knowledge, threatened against or affecting the Registrar wherein an unfavorable decision, ruling or finding on an issue raised by any party thereto is likely to materially and adversely affect the ability of the Registrar to perform its obligations under the Resolution, and (E) the 2019 Bonds have been authenticated in accordance with the terms of the Resolution.

(xi) A certificate of the General Manager and Chief Executive Officer and/or the Assistant General Manager and Chief Financial Officer of the Issuer deeming the Preliminary Official Statement "final" as of its date for purposes of Rule 15c2-12, except for "permitted omissions" (the "Rule 15c2-12 Certificate").

(xii) A letter from Moody's rating the 2019 Bonds "___" (___ outlook) [and a letter from Fitch rating the 2019 Bonds “___”] and, which rating is in full force and effect on the date of Closing.

(xiii) A copy of IRS Form 8038-G, in a form satisfactory to bond counsel for filing, executed by a duly authorized officer of the Issuer.

(xiv) Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing, of the Issuer's representations contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Issuer on or prior to the Closing of all the agreements then to be performed and conditions then to be satisfied by it.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the 2019 Bonds contained in this Agreement and the Underwriter does not waive such inability in writing, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the 2019 Bonds shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate, the good faith deposit described in Section 2 hereof shall be returned to the Underwriter and neither the Underwriter nor the Issuer shall be under any further obligation hereunder except that the respective obligations of the Issuer and the Underwriter set forth in Section 8 hereof shall continue in full force and effect.

B-15
9. **Expenses.** The Underwriter shall be under no obligation to pay, and the Issuer shall pay, any expense incident to the performance of the Issuer's obligations hereunder including, but not limited to: (a) the fees and disbursements of Bond Counsel, Disclosure Counsel and the Issuer's Attorney; (b) the fees and disbursements of Dunlap & Associates, Inc., the financial advisor to the Issuer; (c) the fees and disbursements of the Issuer's independent certified public accountants, if applicable; (d) the fees and disbursements of any other experts, consultants or advisors retained by the Issuer; (e) fees for bond ratings; (f) the fees and expenses of the Registrar; and (g) the costs of preparing, printing and delivering the Preliminary Official Statement and the Official Statement, and supplements or amendments thereto.

TheUnderwriter shall pay: (a) the cost of preparing, printing and delivery of this Agreement; (b) the cost of all "blue sky" memoranda and related filing fees; if any, (c) the fees and expenses of Counsel to the Underwriter; (d) all advertising expenses; and (e) all other expenses incurred by them or any of them in connection with the public offering of the 2019 Bonds. In the event that either party shall have paid obligations of the other as set forth in this Section 9, adjustment shall be made at the time of the Closing.

The Issuer shall be solely responsible for and shall pay for any expenses incurred by the Underwriter on behalf of the Issuer’s employees and representatives which are incidental to implementing this Agreement, including, but not limited to, meals, transportation, lodging, and entertainment of those employees and representatives.

10. **Notices.** Any notice or other communication to be given to you under this Agreement may be given by mailing the same to Utility Board of the City of Key West, Florida, Keys Energy Services, 1001 James Street, Key West, Florida 33040 attention: Chief Financial Officer, and any such notice or other communication to be given to the Underwriter may be mailed to BofA Securities, Inc., 250 S. Park Avenue, Suite 400, Winter Park, Florida 32789, Attention: Coleman W. Cordell, Managing Director.

11. **Parties in Interest.** This Agreement is made solely for the benefit of the Issuer and the Underwriter and no other party or person shall acquire or have any right hereunder or by virtue hereof. All representations and agreements in this Agreement shall remain operative and in full force and effect and shall survive the delivery of the 2019 Bonds.

12. **Waiver.** Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the Issuer hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter, in its sole discretion, and the approval of the Underwriter when required hereunder or the determination of their satisfaction as to any document referred to herein shall be in writing, signed by an appropriate officer or officers of the Underwriter and delivered to you. The acceptance of the 2019 Bonds by the Underwriter shall conclusively establish that all conditions precedent to the Closing have been satisfied or waived by the Underwriter.

13. **No Liability.** Neither the Issuer, nor any of the members thereof, nor any officer, agent or employee thereof, shall be charged personally by the Underwriter with any liability, or held liable to the Underwriter under any term or provision of this Agreement because of its
execution or attempted execution, or because of any breach or attempted or alleged breach thereof.

14. **Miscellaneous.** This Agreement is made solely for the benefit of the signatories hereto (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. The term "successor" shall not include any holder of any 2019 Bonds merely by virtue of such holding. All representations, warranties, agreements, and indemnities contained in this Agreement shall remain operative and in full force and effect, regardless of delivery of and payment for the 2019 Bonds, and any termination of this Agreement.

15. **Counterparts.** This Agreement may be executed in counterparts with the same force and effect as if all signatures appeared on a single instrument.

16. **Governing Law.** This Agreement, and the terms and conditions herein, shall constitute the full and complete agreement between the Issuer and the Underwriter with respect to the purchase and sale of the 2019 Bonds. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

[Balance of page intentionally left blank.]
Very truly yours,

**BofA Securities, Inc.**, as Underwriter

By: 

Name: Coleman W. Cordell  
Title: Managing Director
[Signature Page Bond Purchase Agreement Utility Board of The City of Key West, Florida, Electric System Revenue and Revenue Refunding Bonds, Series 2019]

ACCEPTED this ___ day of ______________________, 2019 as of _______ a.m. /p.m.

UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, KEYS ENERGY SERVICES

By: _______________________________
Print Name: _______________________
Title: Authorized Officer
Ladies and Gentlemen:

Pursuant to Section 218.385, Florida Statutes, the following information is provided in connection with the sale of the above-captioned obligations (the "2019 Bonds").

1. The nature and estimated amount of expenses which the Underwriter expects to incur with respect to the 2019 Bonds is as follows:

<table>
<thead>
<tr>
<th>Expense</th>
<th>Per $1,000</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>i-Deal Bookrunning</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i-Deal Wire Charges</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i-Deal Order Monitor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CUSIP Charge &amp; Disclosure Fee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DTC Service Fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Out of Pocket Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Underwriter's Counsel</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total*                           $  $        

* May not add due to rounding.

2. There are no finders, as defined in Section 218.386, Florida Statutes, who have been retained or who will be paid by the Underwriter in connection with the issuance of the 2019 Bonds.

3. The amount of the Underwriter's discount expected to be realized with respect to the 2019 Bonds is $________ per $1,000 ($_________) which includes $________ per
$1,000 ($____________) for average takedown and $_______ per $1,000 ($__________) for expenses and $____ for management fee.

4. Except as set forth above, no fee, bonus or other compensation is to be paid by the Underwriter in connection with the 2019 Bonds to any person not regularly employed or retained by it.

5. The Underwriter is BofA Securities, Inc.

[SIGNATURE PAGE TO FOLLOW]
Very truly yours,

BofA Securities, Inc., as Underwriter

By:____________________________________
Name: Coleman W. Cordell
Title: Managing Director
SCHEDULE I
UTILITY BOARD OF THE CITY
OF KEY WEST, FLORIDA

ELECTRIC SYSTEM REVENUE AND REVENUE REFUNDING BONDS, SERIES 2019

Maturities, Amounts, Interest Rates, Yields and Prices

$____________ Serial Bonds

<table>
<thead>
<tr>
<th>Maturity (October 1)</th>
<th>Amount</th>
<th>Interest Rate</th>
<th>Yield</th>
<th>Price</th>
</tr>
</thead>
</table>

* Yield and price calculated to first optional redemption date of October 1, ___
Optional Redemption

The 2019 Bonds maturing before October 1, 20[28] shall not be subject to optional redemption prior to maturity. The 2019 Bonds maturing on and after October 1, 20[28] are subject to redemption prior to their maturity, at the option of the Utility Board, on or after October 1, 20[27] in whole or in part at any time, and if in part as selected by the Utility Board among maturities and by lot by the Paying Agent within a maturity, at a redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest to the redemption date.

Mandatory Redemption

The 2019 Bonds maturing on October 1, 20__ are subject to mandatory redemption prior to maturity, by lot, at a redemption price equal to 100% of the principal amount of such 2019 Bonds to be redeemed, plus accrued interest to the date of redemption, on October 1 in each of the years and in the following principal amounts in the years specified:

<table>
<thead>
<tr>
<th>October 1</th>
<th>Principal Amount $</th>
</tr>
</thead>
</table>

*Final Maturity
ATTACHMENT II
FORM OF ISSUE PRICE CERTIFICATE OF THE UNDERWRITER

The undersigned, on behalf of BofA Securities, Inc. (“BofAS”) hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “2019 Bonds”).

[Select appropriate provisions below]

1. [Alternative 1 – All Maturities Use General Rule: Sale of the 2019 Bonds. As of the date of this certificate, for each Maturity of the 2019 Bonds, the first price at which at least 10% of such Maturity of the 2019 Bonds was sold to the Public is the respective price listed in Schedule A.] [Alternative 2 – Select Maturities Use General Rule: Sale of the General Rule Maturities. As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity of the 2019 Bonds was sold to the Public is the respective price listed in Schedule A.]

2. Initial Offering Price of the [2019 Bonds] [Hold-the-Offering-Price Maturities].

   a) [Alternative 1 – All Maturities Use Hold-the-Offering-Price Rule: BofAS offered the 2019 Bonds to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the 2019 Bonds is attached to this certificate as Schedule B.] [Alternative 2 – Select Maturities Use Hold-the-Offering-Price Rule: BofAS offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the 2019 Bonds is attached to this certificate as Schedule B.]

   b) [Alternative 1 – All Maturities use Hold-the-Offering-Price Rule: As set forth in the Agreement, BofAS has agreed in writing that, (i) for each Maturity of the 2019 Bonds, it would neither offer nor sell any of the unsold 2019 Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. BofAS has not offered or sold any Maturity of the unsold 2019 Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the 2019 Bonds during the Holding Period. [Alternative 2 - Select Maturities Use Hold-the-Offering-Price Rule: As set forth in the Agreement, BofAS has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the unsold 2019 Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-
offering-price rule. BofAS has not offered or sold any unsold 2019 Bonds of any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the 2019 Bonds during the Holding Period.]

3. **Defined Terms.**

   (a) **General Rule Maturities** means those Maturities of the 2019 Bonds listed in Schedule A hereto as the “General Rule Maturities.”

   (b) **Hold-the-Offering-Price Maturities** means those Maturities of the 2019 Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

   (c) **Holding Period** means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which the BofAS has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

   (d) **Issuer** means Utility Board of The City of Key West, Florida.

   (e) **Maturity** means 2019 Bonds with the same credit and payment terms. 2019 Bonds with different maturity dates, or 2019 Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

   (f) **Public** means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

   (g) **Sale Date** means the first day on which there is a binding contract in writing for the sale of a Maturity of the 2019 Bonds. The Sale Date of the 2019 Bonds is [DATE].

   (h) **Underwriter** means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the 2019 Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the 2019 Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the 2019 Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents BofAS interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the 2019 Bonds, and by Bryant Miller Olive P.A. in connection with rendering its opinion that the interest on the 2019 Bonds is excluded from gross income for
federal income tax purposes, the preparation of Internal Revenue Service Form 8038[-G][-GC][-TC], and other federal income tax advice it may give to the Issuer from time to time relating to the 2019 Bonds. The representations set forth herein are not necessarily based on personal knowledge and, in certain cases, the undersigned is relying on representations made by the other members of the Underwriting Group.

BOFA Securities, Inc., as Underwriter

By: __________________________________________
Coleman W. Cordell
Title: Managing Director

Dated: [ISSUE DATE]
SCHEDULE A

SALE PRICES OF THE GENERAL RULE MATURITIES AND INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES

(Intentionally Omitted)
SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION
(Intentionally Omitted)
EXHIBIT C TO SUPPLEMENTAL RESOLUTION

FORM OF CONTINUING DISCLOSURE CERTIFICATE

[Follows.]
FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Utility Board of the City of Key West, Florida (the "Utility Board" or "Issuer") in connection with the issuance by the Utility Board of its $__________ Electric System Revenue and Revenue Refunding Bonds, Series 2019 (the “Series 2019 Bonds”). The Series 2019 Bonds are being issued under the authority of, and in full compliance with, the Constitution and the laws of the State of Florida, including Chapter 69-1191, Laws of Florida, Special Acts of 1969, as amended and supplemented, and other applicable provisions of law, and Resolution No. 797 adopted by the Utility Board on October 8, 2014 and effective as of October 1, 2018 (the “Master Resolution”), particularly as supplemented by Resolution No. 814, adopted on June 26, 2019 (the “Series Resolution”, together with the Master Resolution, the “Resolution”).

SECTION 1. PURPOSE OF THE DISCLOSURE CERTIFICATE. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and Beneficial Owners (defined below) of the Series 2019 Bonds and in order to assist the Participating Underwriters in complying with the continuing disclosure requirements of the Rule (defined below).

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

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

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2019 Bonds (including persons holding Series 2019 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2019 Bonds for federal income tax purposes.

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


"Event of Bankruptcy" shall be considered to have occurred when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.
"Obligated Person" shall mean any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Series 2019 Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity or credit facilities).

"Participating Underwriters" shall mean the original underwriters of the Series 2019 Bonds required to comply with the Rule in connection with offering of the Series 2019 Bonds.

"Repository" shall mean each entity authorized and approved by the Securities and Exchange Commission from time to time to act as a repository for purposes of complying with the Rule. As of the date hereof, the Repository recognized by the Securities and Exchange Commission for such purpose is the MSRB, which currently accepts continuing disclosure submissions through EMMA.

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

"State" shall mean the State of Florida.

SECTION 3. PROVISION OF ANNUAL REPORTS.

(a) The Issuer shall, or shall cause the Dissemination Agent to, by not later than May 1, 2020 following the end of the prior Fiscal Year, beginning with the Fiscal Year ending September 30, 2019 with respect to the report for the 2018-2019 Fiscal Year, provide to any Repository, in electronic format as prescribed by such Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date provided, further, in such event unaudited financial statements are required to be delivered as part of the Annual Report in accordance with Section 4(a) below. If the Issuer's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5.

(b) If on the fifteenth (15th) day prior to the annual filing date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Issuer shall either (i) provide the Dissemination Agent with an electronic copy of the Annual Report no later than two (2) business days prior to the annual filing date, or (ii) instruct the Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Agreement, state the date by which the Annual Report for such year will be provided and instruct the Dissemination Agent that a failure to file has occurred and to immediately send a notice to the Repository in substantially the form attached as Exhibit A, accompanied by a cover sheet completed by the Dissemination Agent in the form set forth in Exhibit B.
(c) The Dissemination Agent shall:

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

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

(iii) if the Dissemination Agent has not received an Annual Report by 6:00 p.m. Eastern time on the annual filing date (or, if such annual filing date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a failure to file shall have occurred and the Issuer irrevocably directs the Dissemination Agent to immediately send a notice to the Repository in substantially the form attached as Exhibit A without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Dissemination Agent in the form set forth in Exhibit B.

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

(a) the audited financial statements of the Issuer for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement dated ______, 2019 (the "Official Statement"), and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; and

(b) updates of the historical financial and operating data set forth in the Official Statement in tables under the captions:

(i) Table 8 Statement of Revenues and Expenses;
(ii) Table 9 Historical and Pro Forma Debt Service Coverage;
(iii) Table 10 Selected Operating Statistics

The information provided under Section 4(b) may be included by specific reference to documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the Repository's Internet Web site or filed with the Securities and Exchange Commission.

The Issuer reserves the right to modify from time to time the specific types of information provided in its Annual Report or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Issuer; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule.
SECTION 5. REPORTING OF SIGNIFICANT EVENTS.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2019 Bonds. Such notice shall be given in a timely manner not in excess of ten (10) business days after the occurrence of the event, with the exception of the event described in number 15 below, which notice shall be given in a timely manner:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Series 2019 Bonds, or other material events affecting the tax status of the Series 2019 Bonds;
7. modifications to rights of the holders of the Series 2019 Bonds, if material;
8. Series 2019 Bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the Series 2019 Bonds, if material;
11. ratings changes;
12. an Event of Bankruptcy or similar event of an Obligated Person;
13. the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. appointment of a successor or additional trustee or the change of name of a trustee, if material; and
15. notice of any failure on the part of the Issuer to meet the requirements of Section 3 hereof.

(b) The notice required to be given in paragraph 5(a) above shall be filed with any Repository, in electronic format as prescribed by such Repository.

SECTION 6. IDENTIFYING INFORMATION. In accordance with the Rule, all disclosure filings submitted in pursuant to this Disclosure Certificate to any Repository must be accompanied by identifying information as prescribed by the Repository. Such information may include, but not be limited to:

(a) the category of information being provided;
(b) the period covered by any annual financial information, financial statement or other financial information or operation data;
(c) the issues or specific securities to which such documents are related (including CUSIPs, issuer name, state, issue description/securities name, dated date, maturity date, and/or coupon rate);
(d) the name of any Obligated Person other than the Issuer;
(e) the name and date of the document being submitted; and
(f) contact information for the submitter.

SECTION 7. TERMINATION OF REPORTING OBLIGATION. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2019 Bonds, so long as there is no remaining liability of the Issuer, or if the Rule is repealed or no longer in effect. If such termination occurs prior to the final maturity of the Series 2019 Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 8. DISSEMINATION AGENT. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

SECTION 9. AMENDMENT; WAIVER. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2019 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
The amendment or waiver either (i) is approved by the holders or Beneficial Owners of the Series 2019 Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of holders or Beneficial Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or Beneficial Owners of the Series 2019 Bonds.

Notwithstanding the foregoing, the Issuer shall have the right to adopt amendments to this Disclosure Certificate necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. ADDITIONAL INFORMATION. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. DEFAULT. The continuing disclosure obligations of the Issuer set forth herein constitute a contract with the holders of the Series 2019 Bonds. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or Beneficial Owner of the Series 2019 Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate; provided, however, the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with the provisions of this Disclosure Certificate shall be an action to compel performance. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution.

SECTION 12. DUTIES, IMMUNITIES AND LIABILITIES OF DISSEMINATION AGENT. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the
Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2019 Bonds.

[Remainder of Page Intentionally Left Blank]
SECTION 13. BENEFICIARIES. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and holders and Beneficial Owners from time to time of the Series 2019 Bonds, and shall create no rights in any other person or entity.

Dated as of _________________, 2019

UTILITY BOARD OF KEY WEST, FLORIDA

(SEAL)

By: ______________________________________
   Chairman

Attest:

By: ______________________________________
   Secretary
EXHIBIT A TO CONTINUING DISCLOSURE CERTIFICATE

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Issuer: Utility Board of the City of Key West, Florida

Obligated Person: Utility Board of the City of Key West, Florida

Name(s) of Bond Issue(s): Electric System Revenue and Revenue Refunding Bonds, Series 2019

Date(s) of Issuance: ____________________, 2019

Date(s) of Disclosure Agreement: ____________________, 2019

CUSIP Number: ________________________________

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Series 2019 Bonds as required by the Continuing Disclosure Certificate. [The Issuer has notified the Dissemination Agent that it anticipates that the Annual Report will be filed by ___________].

Dated: ________________________________

Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent, on behalf of the Issuer

cc:
EXHIBIT B TO CONTINUING DISCLOSURE CERTIFICATE

EVENT NOTICE COVER SHEET

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer’s and/or Other Obligated Person’s Name:

Utility Board of the City of Key West, Florida

Issuer’s Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the Series 2019 Bonds to which this event notice relates:

Number of pages attached: _____

___ Description of Notice Events (Check One):

1. ___ "Principal and interest payment delinquencies;"
2. ___ "Non-Payment related defaults, if material;"
3. ___ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. ___ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. ___ "Substitution of credit or liquidity providers, or their failure to perform;"
6. ___ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. ___ "Modifications to rights of securities holders, if material;"
8. ___ "Bond calls, if material;"
9. ___ "Defeasances;"
10. ___ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. ___ "Rating changes;"
12. ___ "Tender offers;"
13. ___ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. ___ "Merger, consolidation, or acquisition of the obligated person, if material;"
15. ___ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"
16. ___ "Incurrence of a financial obligation of the Issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer or obligated person, any of which affect security holders, if material; and"
17. ___ "Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the Issuer or obligated person, any of which reflect financial difficulties."

___ Failure to provide annual financial information as required.
___ Change in Fiscal Year of the Issuer.
I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

____________________________________________________________________________________________

Name: ____________________________________ Title: ____________________________________________

Digital Assurance Certification, L.L.C.
315 E. Robinson Street
Suite 300
Orlando, FL 32801
407-515-1100

Date: _____________________
EXHIBIT D TO SUPPLEMENTAL RESOLUTION

PROJECT DESCRIPTION

In addition to the refunding of the Refunded Note, the Proceeds of the Series 2019 Bonds will be used to finance and refinance certain capital improvements to the System including but not limited to the replacement of transmission poles, replacement of 138kV post insulators, replacement of switchgears, acquisition of transformers, construction of warehouse, replacement of shieldwire and replacement of reconductors.
UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA
(KEYS ENERGY SERVICES)

Electric System Revenue Bonds

MASTER BOND RESOLUTION

Resolution No. 797

Adopted October 8, 2014
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MASTER BOND RESOLUTION

A RESOLUTION AMENDING AND RESTATING IN ITS ENTIRETY A RESOLUTION ENTITLED: "A RESOLUTION AUTHORIZING THE REFUNDING OF PRESENTLY OUTSTANDING REVENUE OBLIGATIONS OF THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA; PROVIDING FOR THE ISSUANCE FROM TIME TO TIME OF ELECTRIC SYSTEM REVENUE BONDS AND ELECTRIC SYSTEM REVENUE REFUNDING BONDS IN ONE OR MORE SERIES; PROVIDING FOR THE RIGHTS, SECURITY AND REMEDIES OF THE HOLDERS OF SUCH BONDS; MAKING OTHER COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; PROVIDING AN EFFECTIVE DATE;" AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA:

ARTICLE I.
STATUTORY AUTHORITY, DEFINITIONS AND FINDINGS

SECTION 1.01 AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to Chapter 69-1191, Laws of Florida, Special Acts of 1969, as amended and supplemented from time to time, and other applicable provisions of law.

SECTION 1.02 DEFINITIONS. The following terms shall have the following meanings in this Resolution unless the context otherwise expressly requires. Words importing singular number shall include the plural number in each case and vice versa, words of one gender shall be deemed to include the other genders, and words importing persons shall include firms and corporations.

"Accountant" shall mean the Certified Public Accountant or firm of Certified Public Accountants at the time employed by the Board to perform and carry out the duties imposed on the Accountant by this resolution.


"Additional Parity Obligations" shall mean additional bonds, notes, or other evidences of indebtedness of the Board issued in compliance with the terms, conditions, and limitations contained in Section 5.01 of this Resolution.

"Amortization Installment" with respect to any Current Interest Paying Term Bonds, shall mean an amount so designated which is established for the Current Interest Paying Term Bonds, provided that (i) each such installment shall be deemed to be due on such interest or principal maturity date of each applicable year as is fixed by subsequent resolution of the Board, and (ii) the aggregate of such installments shall equal the aggregate principal amount of Current Interest Paying Term Bonds authenticated and delivered on original issuance; and with respect to any Term Bonds issued as Capital Appreciation Bonds, shall mean the Compounded Amounts so designated by subsequent resolution of the Board, provided that each such installment shall be deemed to be due on such date of each applicable year as is fixed by subsequent resolution of the Board.

"Authorized Investments" shall mean any of the following if and to the extent the same are at the time legal for investment of funds of the Issuer:

(i) Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, including obligations issued or
held in book-entry form on the books of the Department of the Treasury of the United States, and
obligations of the Federal agencies set forth in clause (iii) below to the extent unconditionally
guaranteed by the United States of America;

(ii) Any bonds or other obligations of any state of the United States of America or of
any agency, instrumentality or local governmental unit of any such state (a) which are (x) not
callable prior to maturity or (y) as to which irrevocable instructions have been given to the trustee
of such bonds or other obligations by the obligor to give due notice of redemption and to call such
bonds for redemption on the date or dates specified in such instructions, (b) which are insured and
thereby rated by, or are otherwise rated by, a nationally recognized bond rating agency within its
three highest rating categories or which are secured as to principal, redemption premium, if any,
and interest by a fund consisting only of cash or bonds or other obligations of the character
described in clause (i) hereof which fund may be applied only to the payment of such principal of
and interest and redemption premium, if any, on such bonds or other obligations on the maturity
date or dates thereof or the specified redemption date or dates pursuant to such irrevocable
instructions, as appropriate, and (c) to the extent not insured, as to which the principal of and
interest on the bonds and obligations of the character described in clause (i) hereof which have been
deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal
of and interest and redemption premium, if any, on the bonds or other obligations described in this
clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in the
irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate, and any
certificates or any other evidences of an ownership interest in obligations or specified portions
thereof (which may consist of specified portions of the interest thereon) of the character described
in this clause (ii);

(iii) Bonds, debentures, or other evidences of indebtedness issued or guaranteed by
any agency or corporation which has been or may hereafter be created pursuant to an Act of
Congress as an agency or instrumentality of the United States of America and whose obligations
represent full faith and credit obligations of the United States;

(iv) New housing authority bonds or project notes issued by public agencies or
municipalities and fully secured as to the payment of both principal and interest by a pledge of
annual contributions or a requisition or payment agreement with the United States of America;

(v) Direct and general obligations of any state of the United States of America, to the
payment of which the full faith and credit of said state is pledged, which at the time of investment
are rated by any nationally recognized bond rating agency by a rating which denotes a security
with investment characteristics of a security presently rated by Moody's Investors Service
("Moody's"), Standard and Poor's Ratings Services ("S&P"), or Fitch Ratings, Inc. ("Fitch") in one of the
three highest rating categories (without regard to gradations);

(vi) Certificates of deposit, whether negotiable or non-negotiable, issued by any bank,
savings and loan association, trust company or national banking association (including the trustee,
if any, and Paying Agent) which are members of the Federal Deposit Insurance Corporation or the
Federal Savings and Loan Insurance Corporation; provided, that such are (a) fully insured by the
Federal Deposit Insurance Corporation or FSLIC or (b) secured, to the extent not insured by the
Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, by
such securities in clauses (i) through (v) above, having a market value (exclusive of accrued interest,
other than accrued interest paid in connection with the purchase of such securities) at least equal to
the principal amount of such certificates of deposit (or portion thereof not insured by the Federal
Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation) which shall be lodged with the Board, by such bank, trust company, national banking association or savings and loan association, and such bank, trust company, national banking association or savings and loan association shall furnish the Board with an undertaking satisfactory to it that the aggregate market value of all such obligations securing such certificates of deposit will at all times be an amount which meets the requirements of this clause (vi) and the Board shall be entitled to rely each such undertaking:

(vii) Repurchase agreements with any bank, trust company or national banking association insured by the Federal Deposit Insurance Corporation (which may include the trustee, if any or the co-trustee, if any) or with any government bond dealer reporting to, trading with and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is (A) fully and continuously secured by obligations described in clause (i), (ii), (iii), (iv), (v) or (ix) of this definition, which obligations have been delivered to the Board’s designee free and clear of any claims by third parties and are held in trust by the Board’s designee for the benefit of the Bondholders, (b) subject to a perfected security interest of the Board, and (C) has a term not to exceed two hundred seventy (270) days;

(viii) Units of participation in the Local Government Surplus Funds Trust Fund established pursuant to Part IV, Chapter 218, Florida Statutes, or any similar common trust fund which is established pursuant to law as a legal depository of public moneys and for which the Florida State Board of Administration acts as custodian;

(ix) commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's, "A-1" by S&P and "F-1" by Fitch and which matures not more than 270 calendar days after the date of purchase; and

(x) investment agreements and guaranteed investment contracts permitted under the investment policy of the Board, which may be changed from time to time, which investment contract further shall be evidenced by (a) a written consent to the investment agreement or guaranteed investment contract by any Credit Facility Provider then providing credit enhancement for the Bond issue of which are being invested, or (b) an opinion of bond counsel that the investment agreement satisfies such provisions.

"Average Annual Debt Service Requirement" shall mean, as of each date on which a Series of Bonds is issued, the total amount of Debt Service Requirement which is to become due on all Bonds deemed to be Outstanding immediately after the issuance of such Series of Bonds divided by the total number of years for which Bonds are deemed to be Outstanding.

"Board" or "Issuer" shall mean the Utility Board of the City of Key West, Florida, d/b/a/ Keys Energy Services, a public body corporate and politic, organized and existing under and pursuant to the laws of the State.

"Bond Registrar" shall mean the person or corporation designated by the Board to maintain the registration books required to be maintained hereunder and to serve as paying agent for purposes of making payments of principal and of interest on the Bonds to the Registered Owners.

"Bond Year" shall mean the annual period ending on a principal maturity date.

"Bonds" shall mean the Series 2014 Bonds and any Additional Parity Obligations hereafter issued under the terms and conditions set forth in this Resolution.
"Book-Entry Form" or "Book-Entry System" shall mean a form or system, as applicable, under which (i) Bonds are issued to a Depository or to its nominee, as Registered Owner, (ii) Bonds are held by and "immobilized" in the custody of such Depository, and (iii) records are maintained by the Depository and/or other persons to identify and record the transfer of beneficial interests in the Bonds.

"Cede & Co." shall mean Cede & Co., as nominee for DTC.

"Chairman" shall mean the Chairman or Vice Chairman of the Board.

"City" shall mean the City of Key West, Florida, a municipal corporation of the State of Florida.

"Compounded Amounts" shall mean the accreted value of Compounding Interest Bonds, determined in accordance with a table of accreted values, as of any particular date of calculation. For purposes of calculating the Debt Service Requirement and the required payments into the Sinking Fund under the provisions of Article III of this Resolution, the Compounded Amount of any Compounding Interest Bonds shall be treated as principal maturing on the maturity date of Serial Bonds or as Amortization Installments due on Term Bonds, as the case may be.

"Compounding Interest Bonds" shall mean the Bonds of a series, the interest on which shall be compounded on a periodic basis and be payable at maturity.

"Conditional Output Contract" shall mean any contract or other arrangement with a Supplier, as defined herein, pursuant to which the Board is obligated to purchase either electric capacity and energy or transmission services, or both, and to make payment for such electric capacity and energy or transmission services or both with respect to any computation period (for purposes of such computation not to exceed one calendar month or thirty-one (31) days) during any portion of which such electric capacity and energy or transmission services or both, were made available to the Board, regardless of whether such services were actually taken or used by the Board and shall include, but not by way of limitation of the generality of the foregoing, the All Requirements Power Supply Contract between the Florida Municipal Power Agency and the Board dated July 17, 1997.

"Conditional Redemption" shall have the meaning set forth in Section 3.04 hereof.

"Consulting Engineer" shall mean such qualified and recognized consulting engineers or utility consultants, having a favorable reputation for skill and experience as consulting engineers or utility consultants to facilities similar to the System, from time to time retained to perform the acts and carry out the duties as herein provided for such consultant. The functions of the consulting engineer or utility consultants hereunder may be divided between or among more than one firm.

"Costs of Issuance" shall mean but shall not necessarily be limited to: expenses for estimates of costs; the fees of fiscal agents, accountants, verification agents, financial advisors, consulting engineers and other consultants with regard to the issuance of the Bonds; legal fees and expenses; administrative expenses; the cost of establishment of reasonable interest reserves for the payment of debt service on the Bonds; discount upon the sale of the Bonds; the expenses and costs of issuance of the Bonds; the cost of purchasing any Credit Facility with respect to the Bonds; such other expenses as may be necessary or incidental to the financing authorized by this Resolution, to the Refunding, and to the accomplishing thereof, and reimbursement to the Board for any sums expended for the foregoing purposes.

"Credit Facility" shall mean an insurance company or bank or other organization from whom the Board has purchased a policy of municipal bond insurance or a debt service reserve surety or has obtained a letter of credit, or other credit support in connection with the issuance of any Bonds.

"Current Interest Paying Bonds" shall mean the Bonds of a series, the interest on which shall be payable on a semiannual or other periodic basis.
"Debt Service Requirement" as of any date of calculation and with respect to any period, as applied to the then outstanding Bonds shall mean the sum of:

1. the amount required to pay the interest becoming due on the Bonds during such period, except to the extent that such interest shall have been provided from proceeds of the Bonds;
2. the amount required to pay the principal of Serial Bonds maturing in such period; and
3. the amount of the Amortization Installment for the Term Bonds for such Bond Year. In computing the Debt Service Requirement for any Bond Year for Bonds, the Board shall assume that an amount of the Term Bonds equal to the Amortization Installment for the Term Bonds for such Bond Year will be retired by purchase or redemption in such Bond Year or that payment of such amount of Term Bonds at maturity will be fully provided for in such Bond Year. When determining the amount of principal of and interest on the Bonds which mature in any year, for purposes of this Resolution or the issuance of any Additional Parity Obligations, the stated maturity date of Term Bonds shall be disregarded, and the Amortization Installments, if any, applicable to Term Bonds in such year shall be deemed to mature in such year.

4. For purposes of determining the Debt Service Requirement with respect to Designated Maturity Obligations, the unamortized principal coming due on the final maturity date thereof shall not be included and in lieu thereof there shall be added to the Debt Service Requirement for the Bond Year in which such final maturity occurs and to each Bond Year thereafter through the 25th anniversary of the final maturity of such Designated Maturity Obligation (the "Reamortization Period") the amount of substantially level principal and interest payments (using the same interest rate actually applicable to such unamortized Bonds before maturity) that if paid in each year during the Reamortization Period would be sufficient to pay in full the unamortized portion of such Designated Maturity Obligations by such anniversary (the "Amortization Payment"); provided, however, for the current Bond Year interest coming due on such Designated Maturity Obligations shall be deducted from the Amortization Payment.

5. For purposes of determining the Debt Service Requirement pursuant to this Section 1.02 the interest rate on outstanding Variable Rate Bonds shall be assumed to be one hundred ten percent (110%) of the greater of (i) the daily average interest rate on such Variable Rate Bonds during the twelve months ending with the month preceding the date of calculation, or such shorter period that such Variable Rate Bonds shall have been outstanding, or (ii) the rate of interest on such Variable Rate Bonds on the date of calculation. For purposes of determining the Maximum Debt Service Requirement for the issuance of Additional Parity Obligations pursuant to Section 5.01 of this Resolution, the interest rate on Variable Rate Bonds outstanding on the date of calculation shall be the same as the rate used in calculating the Debt Service Requirement as described above, and the interest on Variable Rate Bonds proposed to be issued as Additional Parity Obligations under the provisions of Section 5.01 shall be deemed to be the interest rate quoted as the 25 Revenue Bonds Bond Buyer Index for the last week of the month preceding the date of calculation as published in CREDIT MARKETS, or if that index is no longer published, the interest rate for the last week of such month as published in an index that a qualified independent consultant deems substantially equivalent. If Variable Rate Bonds are payable at the option of the Registered Owner and if funds for the payment thereof are being made available through an arrangement with a Credit Facility, the "put" date or dates shall be
ignored and the stated maturity dates thereof shall be used for purposes of this calculation; otherwise, the earliest "put" date shall be used for purposes of this calculation.

"Designated Maturity Obligations" shall mean all of the Bonds of a Series or a particular maturity thereof, so designated by the Issuer by resolution prior to the issuance thereof, for which no Amortization Installments have been established.

"Director of Engineering" shall mean the Director of Engineering of the Board.

"DTC" shall mean The Depository Trust Company, New York, New York, a securities depository.

"Effective Date" shall have the meaning set forth in Section 6.04 hereof.

"Federal Securities" means direct obligations of the United States of America or obligations, the principal of and interest on, which are unconditionally guaranteed by the United States of America, none of which permit redemption prior to maturity at the option of the obligor.

"Fiscal Year" shall mean the 12-month period used by the Board for its general accounting purposes as the same may be changed from time to time, said fiscal year currently extending from October 1 through September 30th.

"General Manager and CEO" shall mean the General Manager and Chief Executive Officer of the Board.

"Gross Revenues" or "Revenues" shall mean all rates, fees, rentals or other charges or other income, any income from investment of moneys in the funds and accounts created pursuant to this Resolution received by the Board or accrued to the Board or to any board or agency of the City in control of the management and operation of the System, and all parts thereof, from the ownership or operation of said System, all as calculated in accordance with generally accepted accounting principles. Gross Revenues do not include investment earnings on moneys in a project Construction Trust Fund.


"Maximum Debt Service Requirement" shall mean, as of any particular date of calculation, the Debt Service Requirement for the then current or any future Bond Year which is largest in dollar amount.

"Maximum Emergency Reserve Amount" shall mean a sum equal to $1,000,000, or such greater amount as the Board may at a later date determine by resolution upon the written recommendation of the Consulting Engineer to be necessary to provide for emergency repairs or replacements of the capital assets of the System damaged or destroyed by catastrophes, acts of God or other disasters.

"Net Revenues" shall mean the Gross Revenues during such period plus the amounts, if any, paid from the Rate Stabilization Fund into the Revenue Fund during such period (excluding, for the purpose of avoiding double counting, amounts already included in the Revenues for such period representing interest earnings transferred from the Rate Stabilization Fund to the Reserve Fund) and minus the sum of (a) Operating Expenses and (b) the amounts, if any, paid from the Revenue Fund into the Rate Stabilization Fund during such period.

"Operating Expenses" shall mean the then current expenses paid or accrued, of operating, maintenance and repair of said System, as calculated in accordance with generally accepted accounting principles applicable to the Issuer, and shall include, without limiting the generality of the foregoing, payments under any Conditional Output Contracts, insurance premiums, accounting, legal, engineering and administrative expenses of the Board relating solely to the System, labor, the cost of materials and supplies used for current operations, and any other current expenses required or permitted to be paid by
the Board for the operation, maintenance and repair of said System, under this Resolution. "Operating Expenses" shall not include (i) any cost or expense of the construction, acquisition or capital repair of the System, or any part thereof, (ii) any amortization of the costs of issuance of debt obligations, (iii) any allowance for depreciation and amortization or renewals or replacements of capital assets of said System, (iv) payments under Unconditional Output Contracts, (v) any reserves for renewals or replacements, (vi) payments for any extraordinary repairs, (vii) any Unfunded OPEB Expense, (viii) any Unfunded Pension Expense, or (ix) any unfunded expense which may be required with future GASB implementations.

"Original Resolution" shall mean Resolution No. 532, duly adopted by the Board on November 13, 1985, as amended and supplemented from time to time, replaced as of the Effective Date.

"Outstanding" refers to all obligations of the class concerned which shall have been issued and delivered with the exception of (a) obligations in lieu of which other obligations have been issued in exchange therefor or under agreement to replace lost, mutilated or destroyed obligations, and (b) obligations paid or for the payment of which provision has been made.

"Pledged Revenues" shall mean the Net Revenues.

"Power Cost Revenues" shall have the meaning set forth in Section 4.03(B)(8) hereof.

"Record Date" shall mean the fifteenth day prior to an interest payment date for the Bonds, or such other date as may be specified by Supplemental Resolution for Variable Rate Bonds.

"Registered Owner" shall mean any person who shall be the owner of any outstanding Bond or Bonds as shown on the books maintained by the Bond Registrar.

"Reserve Account Insurance Policy" shall mean an insurance policy or surety bond deposited in the Reserve Account in lieu of or in substitution for cash on deposit therein pursuant to Section 3.03(B)(3) hereof, if the claims paying ability of the company issuing such policy is rated, at the time of deposit, in one of the three highest rating categories of either Moody’s, S&P or Fitch, without regard to gradation.

"Reserve Account Letter of Credit" shall mean an unconditional irrevocable letter of credit or line of credit (other than a Reserve Account Insurance Policy) deposited in the Reserve Account in lieu of or in substitution for cash on deposit therein pursuant to Section 3.03(B)(3) hereof, if the claims paying ability of the company issuing such letter of credit is rated at the time of deposit in one of the three highest rating categories of either Moody’s, S&P or Fitch, without regard to gradation.

"Reserve Account Requirement" shall be 50% of the lesser of (i) the Maximum Debt Service Requirement with respect to Bonds secured by the Reserve Account and/or any subaccount created therein, (ii) one hundred twenty-five percent (125%) of the Average Annual Debt Service Requirement with respect to Bonds secured by the Reserve Account and/or any subaccount created therein, or (iii) the largest amount as shall not adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes with respect to Bonds secured by the Reserve Account and/or any subaccount created therein; provided. The Board may establish by Supplemental Resolution a different Reserve Account Requirement or no Reserve Account Requirement at all for a Series of Bonds.

"Resolution" shall mean this Resolution together with all Supplemental Resolutions hereafter adopted by the Board amendatory hereof or supplemental hereto.

"Secretary" shall mean the Secretary of the Board.

"Serial Bonds" shall mean the Bonds which shall be stated to mature in annual installments.
“Series” or “Series of Bonds” or “Bonds of a Series” shall mean all Bonds designated as being of the same Series issued and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter delivered in lieu thereof or in substitution therefor pursuant to this Resolution.

“Series 2014 Bonds” shall mean the Board’s Utility System Revenue Refunding Bonds, Series 2014, as approved by Supplemental Resolution adopted simultaneously to this Resolution on the date hereof.

“Series 2014 Resolution” shall mean Resolution No. 798 adopted by the Board on the date hereof authorizing the issuance of the Series 2014 Bonds.

“State” shall mean the State of Florida.

“Supplemental Resolution” shall mean any resolution of the Board amending or supplementing this Resolution enacted and becoming effective in accordance with the terms of Section 4.02 hereof.

“Supplier” shall mean any entity with which the Board has entered into a Conditional Output Contract or an Unconditional Output Contract, payments under which are pledged, assigned, or hypothecated by the Supplier to secure payment of debt service on any of such Supplier’s debt obligations, whether outstanding or to be outstanding and shall include, without limiting the generality of the foregoing, the Florida Municipal Power Agency.

“System” shall mean the complete combined electric and power supply system for the production, supply, distribution and sale of electricity now owned by the City and operated and maintained or caused to be operated and maintained by the Board, including all electric production, generation, transmission, distribution, general plant, fuel inventory and any other related facilities and any mine, well, pipeline, plant, structure or other facility for the development, production, manufacture, storage, transportation, fabricating or processing of fossil, nuclear or other fuel of any kind, together with any and all improvements, extensions and additions thereto hereafter constructed of acquired and any joint venture or ownership facility or any interest therein or any right to use the capacity from any facilities or services thereof. This definition shall be broadly interpreted to facilitate the purposes hereof.

“Taxable Bond” shall mean any Bond which states, in the body thereof, that the interest income thereon is includable in the gross income of the Registered Owner thereof for federal income tax purposes (provided that a Bond which states that interest thereon is not so excluded while the Bond is held by a "substantial user," as such term is used in the Code, shall not solely thereby be deemed to be a Taxable Bond).

“Term Bonds” shall mean the Bonds of a series all of which shall be stated to mature on one date and which shall be subject to retirement through mandatory redemption in installments by operation of the Bond Amortization Account created pursuant to Section 3.03 of this Resolution.

“Unfunded OPEB Expense” shall mean the noncash portion of the OPEB expense calculated pursuant to GASB Statement No. 45.

“Unfunded Pension Expense” shall mean the noncash portion of the pension expense calculated pursuant to GASB Statement No. 68; provided that for the purpose of calculating pension related operating expenses and debt service coverage ratio, an amount equal to the greater of 75% of annual required contribution or actual contribution shall be used.

“Unconditional Output Contract” shall mean any contract or any other agreement under which the Board is obligated to purchase either electric capacity and energy or transmission services, or both, to make payment for such electric capacity and energy or transmission services or both with respect to any computation period (for purposes of such computation period not to exceed one month or thirty-one (31)
calendar days), regardless of whether such capacity and energy or transmission services or both are made available to the Board during such computation period, and which the Board cannot, at its option, terminate without giving at least one year's notice to the Supplier, as defined herein, and shall include, specifically, the All Requirements Power Supply Contract between the Florida Municipal Power Agency and the Board, dated July 17, 1997.

"Variable Rate Bonds" shall mean any Bonds not bearing interest throughout their term at a fixed rate or rates determined at the time of issuance of the Bonds.

ARTICLE II.
DESCRIPTION, DETAILS, AND FORM
OF BONDS

SECTION 2.01 AUTHORIZATION OF BONDS. Subject and pursuant to the provisions of this Resolution, obligations of the Board to be known as "Electric System [Refunding] Revenue Bonds" are hereby authorized to be issued by the Board in such aggregate principal amount as shall be determined by the Board at the time of sale of such Bonds by Supplemental Resolution.

SECTION 2.02 DESCRIPTION OF BONDS. The Bonds may be issued in one or more series and in installments and if issued in more than one series or installment, shall bear an appropriate suffix designation to distinguish each series or installment from any other. The Bonds of each series or installment shall all be dated as of a date to be fixed by Supplemental Resolution of the Board in accordance with the terms of this Resolution but not later than their date of delivery; may be Term Bonds, Serial Bonds, Current Interest Paying Bonds, Compounding Interest Bonds, Variable Rate Bonds, or a combination thereof; shall be numbered; shall be in the denominations set by the Board; shall bear interest at such rate or rates not exceeding the maximum rate allowable by law, which may be a variable rate, at the time of their issuance, such interest to be payable periodically or at maturity, and shall mature on such dates and in such years and amounts; all as shall be determined by Supplemental Resolution of the Board adopted at or prior to the time of sale of the Bonds.

The Bonds shall be issued in fully registered form; shall be payable with respect to principal at the office of the Bond Registrar, as paying agent, or such other paying agent as shall be subsequently determined by the Board; shall be payable in lawful money of the United States of America; and shall bear interest from their date, payable by check or draft mailed to the Registered Owner at his address as it appears upon the books of the Bond Registrar on the Record Date.

Notwithstanding any other provisions of this section, the Board may, at its option, elect to use an immobilization system or book entry system with respect to issuance of the Bonds, provided adequate records will be kept with respect to the ownership of Bonds issued in book entry form or the beneficial ownership of Bonds issued in the name of a nominee. As long as Bonds are outstanding in book-entry form, the provisions of Section 2.03 and 2.04 of this Resolution shall not be applicable to such Bonds. The details of any alternative system of Bonds book-entry system as described in this paragraph, shall be set forth in a Supplemental Resolution of the Board duly adopted.

SECTION 2.03 EXECUTION OF BONDS. The Bonds shall be executed in the name of the Board by its Chairman and its corporate seal or a facsimile thereof shall be affixed thereto or imprinted or reproduced thereon and attested by the Secretary. The signatures of the Chairman and Secretary may be manual or facsimile signatures. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to hold such office with the Board before the Bonds so signed and sealed shall have been actually sold and delivered, the Bonds may nevertheless be sold and delivered as herein provided and may be issue as if the person who signed or sealed such Bonds had not ceased to hold such
office. Any Bond may be signed and sealed on behalf of the Board by such person as at the actual time of the execution of such Bonds shall hold the proper office with the Board, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

The certificate of authentication of the Bond Registrar shall appear on the Bonds, and no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Resolution unless such certificate shall have been duly executed on such Bond. The authorized signature of the Bond Registrar shall be either manual or in facsimile in accordance with law.

SECTION 2.04 NEGOTIABILITY AND REGISTRATION. The Bonds shall be and shall have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code Investment Securities laws of the State of Florida, and each successive Registered Owner in accepting any of the Bonds shall be conclusively deemed to have agreed that the Bonds shall be and have all of said qualities and incidents of such negotiable instruments.

There shall be a Bond Registrar, which shall be a duly qualified bank or trust company located within or without the State of Florida. The Bond Registrar shall be responsible for maintaining the books for the registration of the transfer and exchange of the Bonds.

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

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

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

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

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

Whenever any Bond shall be delivered to the Bond Registrar for cancellation, upon payment of the principal amount thereof, or for replacement, transfer or exchange, such Bond shall be cancelled and destroyed by the Bond Registrar, and counterparts of a certificate of destruction evidencing such destruction shall be furnished to the Board.
SECTION 2.05 BONDS, MUTILATED DESTROYED, STOLEN OR LOST. In case any Bonds shall become mutilated, or be destroyed, stolen or lost, the Bond Registrar may in its discretion issue and deliver a new Bond, of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Registered Owner furnishing the Bond Registrar proof of his ownership thereof and satisfactory indemnity in favor of both the Board and the Bond Registrar and complying with such other reasonable regulations and conditions as the Bond Registrar and the Board may prescribe and paying such expenses as the Bond Registrar and the Board may incur. All Bonds so surrendered shall be canceled. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Bond Registrar may pay the same, upon being indemnified, as aforesaid, and if such Bond be lost, stolen or destroyed without surrender thereof.

Therefore, a Bond or Bonds of the same maturity, in definitive form in the authorized denominations and for the same aggregate principal amount as the Bond or Bonds in temporary form surrendered. The expense of such exchange shall be paid by the Board and there shall be made no charge therefor to any Bondholder.

SECTION 2.06 FORM OF BONDS. The text of the Bonds shall be in substantially the form attached as Exhibit A hereto, with such omissions, insertions and variations as may be necessary, desirable, authorized or permitted by this Resolution or by any Supplemental Resolution adopted prior to the issuance of a Series of Bonds, or as may be necessary if such Bonds or a portion thereof are issued as Current Interest Paying Bonds, Compounding Interest Bonds, Variable Rate Bonds, or as may be necessary to comply with applicable laws, rules and regulations of the United States and of the State in effect upon the issuance thereof.

SECTION 2.07 BOOK-ENTRY SYSTEM. The Bonds may be issued in book-entry only form as referenced in Section 2.02 hereof.

All payments for the principal, interest and redemption premiums, if any, on the Bonds shall be paid by check, draft or wire transfer by the paying agent to the book-entry agent, without prior presentation or surrender of any Bond (except for final payment thereof); and shall constitute payment thereof pursuant to, and for all purposes of, the Resolution.

If less than all the outstanding Bonds of a single maturity are to be called for redemption, the Board and the paying agent shall have no responsibility for the selection of the book-entry interests in the Bonds to be paid pursuant to the call for redemption, or for notification of that redemption or of that payment, or for payment to the beneficial owners of affected book-entry interests; all of which shall be handled by and in accordance with arrangements of the book-entry agent and its participants and others working through those participants.

To the extent permitted by the provisions of a letter of representations, the Board shall issue Bonds directly to beneficial owners of the Bonds other than the book-entry agent, or its nominee, in the event that:

A. The agent determines not to continue to act as securities depository for the Bonds; or

B. the Board has advised the agent of its determination that it is incapable of discharging its duties; or

C. the Board determines that it is in the best interest of the Board not to continue the book-entry system or that the interests of the beneficial owners of the Bonds might be adversely affected if the book-entry system is continued.
Upon occurrence of the events described in (a) or (b) above, the Board shall attempt to locate another qualified securities depository, and shall notify holders of the Bonds through the agent if successful. If the Board fails to locate another qualified securities depository to replace the agent, the Board shall cause the Bond Registrar to authenticate and deliver replacement Bonds in certificate form to the beneficial owners of the Bonds.

In the event the Board makes the determination noted in (c) above (the Board undertakes no obligation to make any investigation to determine the occurrence of any events that would permit the Board to make any such determination), or if the Board fails to locate another qualified securities depository to replace the agent upon occurrence of the events described in (a) or (b) above, the Board shall mail a notice to the agent for distribution to the beneficial owners of the Bonds stating that the agent will no longer serve as securities depository, the procedures for obtaining such Bonds in certificated form, and the provisions which govern the Bonds including, but not limited to, provisions regarding authorized denominations, transfer and exchange, principal and interest payments, and other related matters.

ARTICLE III.
REDEMPTION OF BONDS

SECTION 3.01 PROVISIONS FOR REDEMPTION. Bonds subject to redemption prior to maturity pursuant to their terms or to the terms of a Supplemental Resolution shall be redeemable, upon notice given as provided in this Article III, at such times, at such Redemption Prices and upon such terms in addition to or different than the terms contained in this Article III as may be specified in such Bonds or in the Supplemental Resolution authorizing the Series of which such Bonds are a part.

SECTION 3.02 SELECTION OF BONDS TO BE REDEEMED. The Board shall, at least five (5) days prior to the notice period for a redemption date (unless a shorter time period shall be satisfactory to the Registrar) notify the Registrar of such redemption date and of the principal amount of Bonds to be redeemed. For purposes of any redemption of less than all of the Outstanding Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected by the Registrar from the Outstanding Bonds of the maturity or maturities designated by the Board by such method and at such time as the Registrar shall deem fair and appropriate and which may provide for the selection for redemption of Bonds or portions of Bonds.

If less than all of the Outstanding Bonds of a single maturity are to be redeemed, the Registrar shall promptly notify the Board and Paying Agent (if the Registrar is not the Paying Agent for such Bonds) in writing of the Bonds or portions of Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

SECTION 3.03 NOTICE OF REDEMPTION. Unless waived by any Holder of Bonds to be redeemed, notice of any redemption made pursuant to this section shall be given by the Registrar on behalf of the Board by mailing a copy of an official redemption notice by first class mail, postage prepaid, at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to each Holder of Bonds to be redeemed at the address of such Holder shown on the registration books maintained by the Registrar or at such other address as shall be furnished in writing by such Holder to the Registrar; provided, however, that no defect in any notice given pursuant to this section to any Holder of Bonds to be redeemed nor failure to give such notice shall in any manner defeat the effectiveness of a call for redemption as to all other Holder of Bonds to be redeemed.

Every official notice of redemption shall be dated and shall state:

(i) the redemption date;
(ii) the Redemption Price;

(iii) if less than all outstanding Bonds are to be redeemed, the number (and, in the case of a partial redemption of any Bond, the principal amount) of each Bond to be redeemed;

(iv) that on the redemption date the Redemption Price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date;

(v) that such Bonds to be redeemed, whether as a whole or in part, are to be surrendered for payment of the Redemption Price plus accrued interest at the office of the Paying Agent; and

(vi) the CUSIP number of the Bonds to be redeemed, if assigned.

Prior to or upon any redemption date, the Board shall deposit with the Paying Agent an amount of money sufficient to pay the Redemption Price of and accrued interest on all the Bonds or portions of Bonds which are to be redeemed on that date.

SECTION 3.04 CONDITIONAL REDEMPTION. In the case of an optional redemption, any notice of redemption may state that (1) it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent no later than the redemption date or (2) the Board retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a "Conditional Redemption"), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described in this subsection. Any such notice of Conditional Redemption may be rescinded at any time prior to the redemption date if the Board delivers a written direction to the Paying Agent directing the Paying Agent to rescind the redemption notice. The Paying Agent shall give prompt notice of such rescission to the affected Bondholders. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and neither the rescission nor the failure by the Board to make such funds available shall constitute an Event of Default under this Resolution. The Paying Agent shall give immediate notice to the securities information repositories and the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain Outstanding.

ARTICLE IV.
BONDS NOT DEBT OF BOARD, PLEDGE OF REVENUES;
APPLICATION OF REVENUES

SECTION 4.01 BONDS NOT DEBT OF BOARD. Neither the bonds nor the interest thereon shall be or constitute general obligations or indebtedness of the Board or of the City or constitute "bonds" of the Board or of the City within the meaning of any constitutional, statutory, or charter provision or limitation, but shall be payable solely from and secured by a first lien upon and a pledge of the Pledged Revenues as herein provided. No Registered Owner or Owners of any Bonds issued hereunder shall ever have the right to compel the exercise of the ad valorem taxing power, if any, of the Board or of the City or taxation in any form of any property of or in the City to pay such Bonds or the interest thereon or be entitled to payment of such principal and interest from any other funds of the Board or of the City except from the Pledged Revenues in the manner provided herein. Neither the Bonds nor the interest thereon shall have or be a lien upon any property of the Board, other than the Pledged Revenues in the manner provided in this Resolution, or any property of or located within the boundaries of the City.

SECTION 4.02 PLEDGE OF PLEDGED REVENUES. The payment of the principal of and interest on the Bonds shall be secured forthwith equally and ratably by a first lien on the Pledged
Revenues and the Board hereby pledges such Pledged Revenues to the payment of the principal of and interest on the Bonds, for the reserves therefor and for all other required payments hereunder.

SECTION 4.03 APPLICATION OF REVENUES. For as long as any of the principal of and interest on any of the Bonds shall be outstanding and unpaid or until (a) there shall have been set apart in the Sinking Fund, herein established, including the Reserve Fund therein, and in the Bond Amortization Fund, herein established, a sum sufficient to pay when due the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon, or (b) provision for payment of the Bonds shall have been made in accordance with the terms of this Resolution and the Bonds shall have been defeased, the Board covenants with the Registered Owners of any and all Bonds as follows:

(A) REVENUE FUND. The entire Gross Revenues derived from the operation of the System shall upon receipt thereof be deposited into the "Electric System Revenue Fund" (hereinafter called the "Revenue Fund"), hereby created and established.

(B) DISPOSITION OF REVENUES. All moneys at any time remaining on deposit in the Revenue Fund shall be disposed of on or before the first day of each month, commencing in the month immediately following the delivery of any of the Bonds only in the following manner and in the following order of priority:

1. Revenues shall be used to pay the current Operating Expenses of the System.

2. From the moneys remaining in the Revenue Fund, the Board shall next deposit into a separate fund, which is hereby created and designated "Utilities Revenue Bonds Sinking Fund" (hereinafter called "Sinking Fund"), (a) on or before each interest payment date for any of the Bonds the amount required for the interest payable on such date; (b) on or before each principal maturity date, the principal amount of Serial Bonds which will mature and become due and payable on such date; and (c) on or before any redemption date for the Bonds, the amount required for the payment of interest on the Bonds then to be redeemed; (d) on or before each principal maturity date, the Compounded Amount of Compounded Interest Serial Bonds maturing and becoming due and payable on such date; and (e) on or before each annual payment date or semiannual payment date, the amount of the Amortization Installment for Term Bonds required to be made on such date into a "Bond Amortization Account," which is hereby created and established in said Sinking Fund.

Payments into the Bond Amortization Account shall be credited to a separate special account for each series of Term Bonds outstanding, and if there shall be more than one stated maturity for Term Bonds of a series, then into a separate special account in the Bond Amortization Account for each such separate maturity of Term Bonds. The moneys and investments in each such separate account shall be pledged solely to the payment of principal of the Term Bonds of the series or maturity within a series for which it is established and shall not be available for payment, purchase or redemption of Term Bonds of any other series or within a series, or for transfer to the Sinking Fund to make up any deficiencies in required payments therein.

Upon the sale of any series of Term Bonds, the Board shall, by resolution, establish the amounts and maturities of Amortization Installments for each series, and if there shall be more than one maturity of Term Bonds within a series, the Amortization Installments for the Term Bonds of each maturity. In the event the moneys deposited for retirement of a maturity of Term Bonds are required to be invested, in the manner provided below, then the Amortization Installments may be stated in terms of either the principal amount of the investments to be purchased on, or the
cumulative amounts of the principal amount of investments required to have been purchased by, the payment date of such Amortization Installment.

Moneys on deposit in each of the separate special accounts in the Bond Amortization Account shall be used for the open market purchase or the redemption of Term Bonds of the series or maturity of Term Bonds within a series for which such separate special account is established or may remain in said separate special account and be invested until the stated date of maturity of the Term Bonds. The resolution establishing the Amortization Installments for any series or maturity of Term Bonds may limit the use of moneys to any one or more of the uses set forth in the preceding sentence.

(3) To the extent that amounts on deposit in the Reserve Account (or any subaccount therein) are less than the applicable Reserve Account Requirement, the Board shall next make deposits into the Reserve Account (or any subaccount therein) in the manner described below from moneys remaining in the Revenue Fund. Any withdrawals from the Reserve Account (or any subaccount therein) shall be subsequently restored from the first moneys available in the Revenue Fund, after all required current payments for Operating Expenses as set forth above and all current applications and allocations to the Sinking Fund, including all deficiencies for prior payments have been made in full. Notwithstanding the foregoing, in case of withdrawal form the Reserve Account (or any subaccount therein), in no event shall the Board be required to deposit into the Reserve Account (or any subaccount therein) an amount greater than that amount necessary to ensure that the difference between the applicable Reserve Account Requirement and the amounts on deposit in the Reserve Account (or any subaccount therein) on the date of calculation shall be restored not later than sixty (60) months after the date of such deficiency (assuming equal monthly payments into the Reserve Account (or any subaccount therein) for such sixty (60) month period).

Notwithstanding anything herein to the contrary, the Board may establish a separate subaccount in the Reserve Account for any Series of Bonds and provide a pledge of such subaccount to the payment of such Series of Bonds apart from the pledge provided herein. To the extent a Series of Bonds is secured separately by a subaccount of the Reserve Account, the Registered Owners of such Bonds shall not be secured by any other moneys in the Reserve Account or any other subaccount therein. Moneys in a separate subaccount of the Reserve Account shall be maintained at the Reserve Account Requirement applicable to such Series of Bonds secured by the subaccount; provided the Supplemental Resolution authorizing such Series of Bonds may establish the Reserve Requirement relating to such separate subaccount of the Reserve Account at such level as the Board deems appropriate. If funds in the Reserve Account are less than the amount required, then moneys shall be deposited in the separate subaccounts in the Reserve Account on a pro-rata basis.

Notwithstanding the foregoing, in lieu of or in substitution for the required deposits into the Reserve Account (or any subaccount therein), the Board may cause to be deposited into the Reserve Account (or any subaccount therein) a Reserve Account Insurance Policy and/or a Reserve Account Letter of Credit in an amount equal to the difference between the applicable Reserve Account Requirement and the sums then on deposit in the Reserve Account (or any subaccount therein) plus the amounts to be deposited therein pursuant to the preceding paragraph.

In the event the Reserve Account (or any subaccount therein) contains both a Reserve Account Insurance Policy or Reserve Account Letter of Credit and cash, the cash shall be drawn down completely prior to any draw on the Reserve Account Insurance Policy or Reserve Account
Letter of Credit. In the event more than one Reserve Account insurance Policy or Reserve Account Letter of Credit is on deposit in the Reserve Account (or any subaccount therein), amounts required to be drawn thereon shall be done on a pro-rata basis calculated by reference to the maximum amounts available thereunder.

Moneys in the Reserve Account and subaccounts therein shall be used only for the purpose of the payment of Amortization Installments, principal of, or interest on the Bonds secured thereby when the other moneys allocated to the Sinking Fund and Bond Amortization Account are insufficient therefore, and for no other purpose.

In the event of the refunding of any Series of Bonds, the Board may withdraw from the Reserve Account or subaccount securing such Series, all or any portion of the amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts as required by the Supplemental Resolution authorizing the refunding of such Series of Bonds; provided that such withdrawal shall not be made unless (a) immediately thereafter, the Bonds being refunded shall be deemed to have been paid pursuant to the provisions hereof, and (b) the amount remaining in the Reserve Account (or any subaccount therein) after giving effect to the issuance of such refunding obligations and the disposition of the proceeds thereof shall not be less than the applicable Reserve Account Requirement for any Bonds then Outstanding which are secured thereby.

(4) The Board shall next apply moneys in the Revenue Fund to the payment of current debt service requirements for any obligations of the Board issued to finance the cost of additions, acquisitions, extensions and improvements to the System which are junior and subordinate to the lien of the Bonds and any Additional Parity Obligations on the Pledged Revenues.

(5) The Board shall next apply and deposit monthly from moneys in the Revenue Fund into a special account to be known as the "Utility Board of the City of Key West Renewal and Replacement Fund" (hereinafter called the "Renewal and Replacement Fund") which fund is herein created and established, such amount as shall be determined by the Board and set forth in the then current Annual Budget. The moneys in the Renewal and Replacement Fund shall be used only for the purpose of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of the System. Such moneys on deposit in such fund shall also be used to supplement the Reserve Account, if necessary in order to prevent a default in the payment of the principal of and interest on the Bonds. Except to prevent a default in payment of principal and interest on the Bonds as hereinafter provided, no expenditure may be made from deposits in the Renewal and Replacement Fund without the affirmative approval of the Board voting at a regular or special meeting of the Board if the amount to be withdrawn exceeds $50,000.

(6) The Board shall next apply and deposit monthly from moneys in the Revenue Fund into a special account to be known as the "Utility Board of the City of Key West Emergency Reserve Fund" (hereinafter called the "Emergency Reserve Fund") which account is herein created and established, an amount equal to one-twelfth (1/12) of ten percent (10%) of the Maximum Emergency Reserve Amount; provided that no deposit shall be required to be made so long as there is an amount on deposit in the Emergency Reserve Fund equal to the Maximum Emergency Reserve Amount. The moneys in the Emergency Reserve Fund shall be used only for the purpose of paying for emergency repairs or replacements of the capital assets of the System which have been damaged or destroyed by catastrophes, acts of God or other disasters. Moneys in the Emergency Reserve Fund shall also be used to supplement the moneys in the Reserve
Account in the Sinking Fund to prevent a default in the payment of principal of and interest on the Bonds. To the extent that moneys on deposit in the Emergency Reserve Fund are not needed for the foregoing purposes, such moneys may also be used, following any catastrophe, act of God or other disaster which has had the effect of adversely affecting the ability to bill and collect revenues for the services of the System, for advances to pay Operating Expenses; provided, that any such advance shall be repaid to the Emergency Reserve Fund within twelve (12) months of the withdrawal therefrom. Whenever the amount on deposit in the Emergency Reserve Fund exceeds the Maximum Emergency Reserve Amount, the excess may be withdrawn from the Emergency Reserve Fund and deposited into the Revenue Fund.

(7) Moneys on deposit in the Revenue Fund shall next be used to make payments required to be made under Unconditional Output Contracts.

(8) Moneys on deposit in the Revenue Fund may, in the discretion of the Board, next be deposited into a special account to be known as the Rate Stabilization Fund in such amounts as the Board deems necessary or desirable. Each month the Board shall transfer from the Rate Stabilization Fund to the Revenue Fund the amount budgeted for transfer into such Fund for the then current month as set forth in the current Annual Budget or the amount otherwise determined by the Board to be deposited into such Fund for the month.

(9) The Board will next pay to the City as and for the return on the City's equity in the System a sum equal to the greater of (A) $200,000 (as such amount has been adjusted historically and continues to be adjusted for changes in the Consumer Price Index) or (B) one percent (1%) of the Gross Revenues derived from sales of electricity at retail (exclusive of Power Cost Revenues, which are defined, for purposes of this paragraph, as (i) revenues determined by reference to the power cost component of base rates, plus or minus (ii) power cost adjustment charges or credits). With the consent of the City, the Board shall be entitled to pay a lesser amount to the City.

(10) The balance of any moneys remaining in the Revenue Fund after the above-required payments have been made may be used (i) for the purchase of Bonds in the open market at such price or prices as shall be determined by the Board, (ii) for the redemption of Bonds, or (iii) for any lawful purpose.

(11) The required deposits into the Sinking Fund, including the Bond Amortization Account therein, shall be reduced by any amounts on hand therein and available to pay the Debt Service Requirement. Upon the issuance of any Additional Parity Obligations under the terms, limitations and conditions as are herein provided, the payments into the several funds in the Sinking Fund and, if Term Bonds are issued, into the Bond Amortization Account, and the Reserve Account, shall be increased in such amounts as shall be necessary to make the payments for the principal of, interest on and reserves for such Additional Parity Obligations and, if Term Bonds are issued, the Amortization Installments, on the same basis as hereinabove provided with respect to the Bonds initially issued under this Resolution.

The Board shall not be required to make any further payments into the Sinking Fund, Bond Amortization Account or Reserve Account when the aggregate amount of money in the Sinking Fund, including the Bond Amortization Account and the Reserve Account therein, are at least equal to the aggregate of the Debt Service Requirements of the Bonds then outstanding, plus the amount of redemption premium, if any, then due and thereafter to become due on such Bonds then outstanding.
(12) Moneys on deposit in the Revenue Fund shall be continuously secured in the manner by which the deposit of public funds are authorized to be secured by the laws of the State of Florida. Moneys on deposit in the Revenue Fund, the Sinking Fund, the Bond Amortization Account and the Rate Stabilization Fund may be invested and reinvested only in Authorized Investments, maturing not later than the date on which the moneys therein will be needed. Moneys to the credit of the Reserve Account and the Renewal and Replacement Fund may be invested and reinvested in Authorized Investments, maturing as determined by the Board. Any and all income received by the Board from such investments as above described shall be deposited into the Revenue Fund.

SECTION 4.04 SEPARATE ACCOUNTS. The moneys required to be accounted for in each of the foregoing funds and accounts established herein may be deposited in a single bank account, and funds allocated to the various funds and accounts established herein may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the moneys on deposit therein and such investments for the various purposes of such funds and accounts as herein provided.

The designation and establishment of the various funds and accounts in and by this Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues for certain purposes and to establish certain priorities for application of such revenues as herein provided.

ARTICLE V.

COVENANTS OF THE BOARD, MODIFICATIONS OR AMENDMENT,
DEFEASANCE, EVENTS OF DEFAULT

SECTION 5.01 COVENANTS OF THE BOARD. For as long as any of the principal of and interest on any of the Bonds shall be outstanding and unpaid or until (a) there shall have been set apart in the Sinking Fund including the Reserve Fund therein, and in the Bond Amortization Fund a sum sufficient to pay when due the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon, or (b) provision for payment of the Bonds shall have been made in accordance with the terms of this Resolution and the Bonds shall have been defeased, the Board covenants with the Registered Owners of any and all Bonds as follows:

(A) OPERATION AND MAINTENANCE. The Board will maintain the System and all parts thereof in good condition and will operate the same in an efficient and economical manner making such expenditures for equipment and for renewals, repairs and replacements as may be proper for the economical operation and maintenance thereof.

The Board shall annually prepare at least forty-five (45) days preceding each of its Fiscal Years, and adopt prior to the beginning of such Fiscal Year, a detailed budget of the estimated expenditures for operation and maintenance of the System during such next succeeding Fiscal Year. No expenditure for the operating and maintenance of the System shall be made in any Fiscal Year in excess of the amount provided therefor in such budget without a written finding and recommendation by the General Manager and Chief Executive Officer or other duly authorized officer in charge thereof, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures, or shall be made until the Board shall have approved such finding and recommendation by a resolution duly adopted.

(B) RATE RESOLUTION. The Board covenants to fix, establish, revise from time to time whenever necessary, maintain and collect always such fees, rates, rentals and other charges for the use of
the product, services and facilities of the System which will always provide Revenues in each Fiscal Year sufficient to pay, and out of such funds pay, 100% of all Operating Expenses of the System in such year and all reserve or other payments herein required, and 125% of the Debt Service Requirement in such Fiscal Year on the outstanding Bonds and on all outstanding Additional Parity Obligations. Such rates, fees, rentals or other charges shall not be reduced so as to be insufficient to provide Revenues for such purposes.

The Board further covenants and agrees that the Board will annually within thirty (30) days after adoption of the budget described in the preceding Paragraph 5.01(A) revise such fees, rates, rentals and other charges for the use of the product, services and facilities of the System to the extent necessary for the estimated Gross Revenues to be derived from the operation of the System during the next succeeding Fiscal Year to increase over the amount of actual Gross Revenues from the operation of the System for the next preceding Fiscal Year by the amount that the estimated Operating Expenditures during such next succeeding Fiscal Year shall exceed the actual Operating Expenses of the System during such next preceding Fiscal Year.

The Board will provide annual reports within two hundred ten (210) days after the end of each Fiscal Year showing debt service coverage (Net Revenues available for debt service for the preceding fiscal year divided by the Debt Service Requirement for such period) for the preceding fiscal year. If such schedule at any time shows a debt service coverage of less than 125%, the Board will cause the Consulting Engineers to prepare and submit a report within sixty (60) days that determines the level at which rates must be set to produce a debt service coverage of 125% and shall revise rates within thirty (30) days of receipt of such report to the level recommended in such Consulting Engineer’s report. The Board shall maintain rates at a level recommended by the Consulting Engineers as necessary to maintain a debt service coverage of 125%.

(C)  NO FREE SERVICE. The Board will not render or cause to be rendered any free electric energy by its System for any user, nor will any preferential rates be established for users of the same class. Whenever the City, including its departments, agencies and instrumentalities, shall avail itself of electric energy of the System, the same rates, fees or charges applicable to other customers receiving electrical services under similar circumstances shall be charged to the City and any such department, agency or instrumentality. Such charges shall be paid as they accrue, and the City shall transfer from its general funds to the Board for deposit into the Revenue Fund sufficient sums to pay such charges or payment of such charges may be withheld by the Board from the payments authorized to be made pursuant to Section 3.03(B)(10) of this Resolution. The revenues so received or withheld shall be deemed to be Revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other Revenues derived from such operation of the System.

(D)  MANDATORY CUT OFF. Upon failure of any user to pay for services rendered by the System within eighty (80) days, the Board shall shut off the connection of such user and shall not furnish him or permit him to receive from the System further service until all obligations owed by the user to the Board on account of services shall have been paid in full. This covenant shall not, however, prevent the Board from causing the System connection to be shut off sooner.

(E)  ENFORCEMENT OF COLLECTIONS. The Board will diligently enforce and collect the rates, fees and other charges for the services and facilities of the System herein pledged; will take all steps, actions and proceedings for the enforcement and collection of such rates, charges and fees as shall become delinquent to the full extent permitted or authorized by law; and will maintain accurate records with respect thereof.
(F) REPORT REGARDING SYSTEM. The Board will retain a Consulting Engineer on an annual basis for the purpose of providing to the Board competent counsel affecting the economical and efficient operation of the System and in connection with the making of capital improvements and renewals and replacements to the System. The Board shall at least once every five (5) years cause to be prepared by the Consulting Engineer a report or survey of the System, with respect to the adequacy of the management of the properties thereof, the sufficiency of the rates and charges for services, the proper maintenance of the properties of the System, and the necessity for capital improvements and recommendations thereof. Such a report or survey shall also show any failure of the Board to perform or comply with the covenants herein contained.

If any such report or survey of the Consulting Engineer shall set forth that the provisions hereof or any reasonable recommendations of such Consulting Engineers have not been complied with, the Board shall immediately take such reasonable steps as are necessary to comply with such requirements and recommendations. Copies of each report or survey shall be mailed to each Credit Facility and rating agency and shall be placed on file with the Secretary of the Board and shall be open to the inspection of any holder of Bonds or other interested parties.

(G) BOOKS AND RECORDS. The Board shall also keep or cause to be kept books and records of the Revenues of the System which such books and records shall be kept separate and part from all other books, records and accounts of the board and any Credit Facility any Registered Owner of any Bonds shall have the right at all reasonable times to inspect all records, accounts and data of the Board relating thereto.

(H) ANNUAL AUDIT. The Board shall also, at least once a year, within two hundred ten (210) days after the close of its Fiscal Year, cause the financial statements of the Board to be audited by the Accountant or by the Auditor General of the State of Florida. Such financial statements shall contain a complete report of operations of the System including, but not limited to, a comparison with the current operating budget and with the operations of the previous year, the balance sheet, a schedule of insurance in existence, a schedule of the application of all Revenues of the System, a schedule of reserves and investments and income therefrom, and a certificate by the Accountant stating no material default on the part of the Board of any covenant herein has been disclosed by reason of such audit. The certificate shall state that no default on the part of the Board under the provisions of Section 3.03(B) hereof was continuing at the time thereof. A copy of such annual audit shall regularly be furnished to any Credit Facility and to any Registered Owner of any Bonds who shall have requested in writing that a copy of such audits be furnished him.

(I) ISSUANCE OF OTHER OBLIGATIONS. The Board will not issue any other obligations except under the conditions and in the manner provided herein, payable from the Pledged Revenues, nor voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrances or other charge having priority to or being on a parity with the lien of the Bonds and the interest thereon, upon said Pledged Revenues. Any other obligations issued by the Board in addition to the Bonds or Additional Parity Obligations provided for below, payable from such Pledged Revenues, shall contain an express statement that such obligations are junior and subordinate in all respects to the Bonds as to lien on and source and security for payment from such Pledged Revenues.

(J) ISSUANCE OF ADDITIONAL PARITY OBLIGATIONS. No Additional Parity Obligations, payable on a parity from the Pledged Revenues with the Bonds, herein authorized, shall be issued after the issuance of any Bonds, herein authorized, except for the construction and acquisition of additions, extensions and improvements to the System or for refunding purposes and except upon the conditions and in the manner provided.
(1) There shall be obtained and filed with the Board a statement of the Chief Financial Officer: (a) stating that the books and records of the Board relating to the collection and receipt of Revenues derived from the operation of the System pledged for the Bonds have been examined by him or her; (b) setting forth the amount of Net Revenues, as defined herein, received by the Board for any twelve (12) consecutive month period within the eighteen (18) consecutive months immediately preceding the date of delivery of such Additional Parity Obligations with respect to which such statement is made; (c) stating that the Net Revenues for such preceding twelve (12) month period adjusted only as provided in Subparagraphs 2(a) and (b) below will equal at least one hundred twenty percent (120%) of the Maximum Debt Service Requirement on (i) all Bonds and all Additional Parity Obligations, if any, then Outstanding and (ii) the Additional Parity Obligations with respect to which such statement is made.

(2) If desirable, the Net Revenues for such preceding twelve (12) months may be adjusted as follows: (a) to reflect for such period changes made in the rates, fees, rentals or other charges from the operation of the System prior to the issuance of such Additional Parity Obligations; (b) to reflect any change in such Net Revenues caused by any new projects of the System having been placed into use and operation subsequent to the date of commencement of such period and prior to the date of such statement provided for in paragraph (1) above.

(3) Each Supplemental Resolution authorizing the issuance of Additional Parity Obligations will recite that all of the covenants herein contained will be applicable to such Additional Parity Obligations.

(4) The Board shall not be in material default in performing any of the covenants and obligations assumed hereunder, and all payments herein required to have been made into the accounts and funds, as provided hereunder, shall have been made to the full extent required.

(5) The Board shall not be required to satisfy the provisions of the foregoing paragraphs (1) and (2) with respect to Additional Parity Obligations issued to refund outstanding Bonds where the aggregate Debt Service Requirements on the Additional Parity Obligations proposed to be issued is less than the aggregate Debt Service Requirements on the Bonds being refunded.

(K) NO MORTGAGE OR SALE OF THE SYSTEM. The Board will not sell, lease, mortgage, pledge or otherwise encumber the System, or any substantial part thereof, or any Revenues to be derived therefrom, except as herein provided.

The foregoing provision notwithstanding, the Board shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System. However, if such property has a value of 1% or more of the fixed assets of the System according to the most recent audit and operating report, the Board and the Director of Engineering in collaboration with the Chief Financial Officer shall make in writing a joint finding that the estimated Net Revenues to be derived by the Board from the System in the five (5) Fiscal years immediately succeeding the sale or other disposition of such property will be not less than the amount required pursuant to Section 5.01(B) of this Resolution, and the Board shall by resolution duly adopted authorize such sale or other disposition of said property.

Anything in this Paragraph K to the contrary notwithstanding, nothing herein shall restrict the governing body of the Board from authorizing the sale or other disposition of any of the property comprising a part of the System, if the Consulting Engineers certify that the Revenues of the System will not be materially adversely affected by reason of such sale or disposition.

If the proceeds derived from any such sale or other disposition of property are in excess of 10% of the value of the fixed assets of the System according to the most recent annual audit and operating report,
such proceeds shall be used for the retirement of outstanding Bonds. If the proceeds derived from any such sale or other disposition of property are less than 10% of the value of the fixed assets of the System according to the most recent annual audit and operating report, such proceeds shall be placed in the Renewal and Replacement Fund or used for the retirement of Outstanding Bonds, in such proportions to be determined by the Board.

The Board may lease any properties or parts of the System to other electric utilities (including government owned utilities), as further provided below, as long as the Manager of the System certifies that the lease will not adversely affect the Revenues to be derived from the System (which will include rent under the lease) to such an extent that the Board will fail to comply with the covenants in this Resolution, and particularly the covenants contained in Section 5.01(B) hereof.

(L) INSURANCE. For so long as any of the Bonds are Outstanding, the Board will carry insurance on all buildings and structures of the works and properties of the System which are subject to loss, will carry adequate public liability insurance, and will otherwise carry insurance of all kinds and in the amounts normally carried in the operation of similar facilities and properties in Florida. Any such insurance shall be carried for the benefit of the Registered Owners of the Bonds. All moneys received for losses under any of such insurance, except public liability, are hereby pledged by the Board as security for the Bonds, until and unless such proceeds used to remedy the loss or damage for which such proceeds are received, either by repairing the property damaged or replacing the property destroyed as soon as practicable. The Board may elect to be a self-insurer through a pool, as to any or all of the foregoing.

(M) JOINT ELECTRIC POWER SUPPLY AND TRANSMISSION FACILITIES. The Board is authorized and empowered to join with any other electric utility (including government owned utilities) for the purpose of jointly financing, acquiring, constructing, managing, operating, utilizing, and owning any power production or transmission facilities and related facilities and, in the implementation of such purpose may, by providing in the agreement, create any organization, association or legal entity for the construction or use of joint facilities. In this connection, the Board may enter into leases of generation and similar arrangements, with other electric utilities (including government owned utilities) or group of electric utilities.

(N) MANAGEMENT OF SYSTEM. The Board will employ a competent manager to supervise and direct the operation and maintenance of the System.

(O) REMEDIES. The Registered Owners of not less than fifty-one percent (51%) in aggregate amount of Outstanding Bonds issued under the provisions hereof, or any trustee acting for the holders of such Bonds may sue, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights, including the right to the appointment of a receiver, existing under the laws of the State of Florida, or granted and contained herein, and may enforce and compel the performance of all duties herein required or by any applicable statutes to be performed by the Board or by any officer thereof. Nothing herein, however, shall be construed to grant to any Owner of Bonds any lien on any property of the Board other than the Pledged Revenues in the manner provided herein. Notwithstanding anything to the contrary herein, if the Board shall fail to make timely payment of principal or interest on any Bonds, a Credit Facility Issuer shall be deemed to be the sole Registered Owner of all such Bonds to which the Credit Facility may be in effect, with the exclusive right to direct the exercise of the remedies set forth herein.

SECTION 5.02 MODIFICATION OR AMENDMENT. No adverse material modification or amendment of this Resolution or of any resolution or ordinance amendatory hereof or supplemental thereto may be made without the consent in writing of any Credit Facility and of the Registered Owners of fifty-one percent (51%) or more in the principal amount of the Bonds then outstanding; provided,
however, that no modification or amendment shall permit a change in the maturity of such Bonds or a reduction in the rate of interest thereon or in the amount of the principal obligation thereof or affecting the promise of the Board to pay the principal of and interest on the Bonds as the same shall become due from the Pledged Revenues or reduce the percentage of the Registered Owners of the Bonds required to consent to any material modification or amendment thereof without the consent of the Registered Owner or Owners of all such Bonds.

Without the consent of the Registered Owners of any Bonds or any notice to any Registered Owners, the Board at any time and from time to time, may amend this Resolution for any of the following purposes:

(1) to add to the covenants of the Board for the benefit of the Registered Owners of the Bonds, or to surrender any right or power herein conferred upon the Board; or

(2) to any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Resolution which shall not be consistent with the provisions of this Resolution, provided such action shall not adversely affect the interests of the Registered Owners of the Bonds; or

(3) to subject to the lien of this Resolution and the Bonds additional revenues; properties or collateral. Any such modifications or amendments, to the extent they relate to Bonds as to which a Credit Facility has provided credit support, shall be made only with the consent of such Credit Facility.

The foregoing provisions notwithstanding, a Credit Facility Issuer shall be entitled to consent to any such modifications or amendments on behalf of the Registered Owners of all Bonds as to which such Credit Facility may be in effect, and any such modifications or amendments, to the extent they relate to Bonds as to which a Credit Facility applies, shall be made only with the consent of such Credit Facility Issuer.

SECTION 5.03 DEFEASANCE. If, at any time, the Board shall have paid, or shall have made provisions for payment of, the principal, interest and redemption premiums, if any, with respect to the Bonds, then, and in that event, the pledge of and lien on the Pledged Revenues in favor of the Registered Owners of the Bonds shall be no longer in effect. For purposes of the preceding sentence, deposit of Federal Securities shall be considered "provision for payment". Nothing herein shall be deemed to require the Board to call any of the Outstanding Bonds for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the Board in determining whether to exercise any such option for early redemption. In the event that the principal of or interest on any Bonds shall be paid by the Credit Facility, all of the covenants and agreements and other obligations of the Board to the Registered Owners pursuant to this Resolution shall continue to exist and the Credit Facility shall be subrogated to the rights of such Registered Owners.

SECTION 5.04 ARBITRAGE. No use will be made of the proceeds of the Bonds initially issued hereunder which, if reasonably expected on the date of issuance of the Bonds, would cause the same to be "arbitrage bonds" within the meaning of the Internal Revenue code of 1986, as amended. The Board at all times while the Bonds initially issued hereunder and interest thereon are outstanding will comply with the requirements of Section 103(c) of the Internal Revenue Code of 1986, as amended, and any valid and applicable rules and regulations promulgated thereunder.

SECTION 5.05 EVENTS OF DEFAULT. It shall be an Event of Default under this Resolution if the Board shall:
A. fail to deposit with the paying agent on or before each interest payment date sufficient funds to pay the portion of the Debt Service Requirement becoming due and payable on such interest payment date;

B. fail to comply in any material respect with any other covenant made in the Resolution, if (a) such failure shall continue for more than thirty (30) days following written notice of such failure to the Board or (b) the Board shall not (within thirty (30) days of receipt of such notice) have initiated steps to cure such default and thereafter have proceeded diligently to cure such default; provided, however, that a Credit Facility Issuer may waive any such defect if compliance shall be determined to be impossible of performance; or

C. the Board files a voluntary petition under the federal bankruptcy laws or any other applicable federal or state bankruptcy or insolvency law. In determining whether any Event of Default described in paragraph (1) above has occurred, no effect shall be given to any payments made pursuant to a Credit Facility.

The Board will provide or cause to be provided immediate notice to the Credit Facility Issuer of any Event of Default described in paragraph (1) above and notice within thirty (30) days of any other Event of Default.

ARTICLE VI.
MISCELLANEOUS PROVISIONS

SECTION 6.01 SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions herein contained shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other provisions hereof or of the Bonds issued hereunder.

SECTION 6.02 REPEAL OF INCONSISTENT INSTRUMENTS. All ordinances and resolutions of the Board or parts thereof in conflict herewith are hereby repealed.

SECTION 6.03 NO RECOURSE ON THE BONDS. No recourse shall be had for the payment of the principal or of interest on the Bonds or for any claim based thereon or on the Resolution against any present or former member or officer of the Board or any person executing the Bonds.

SECTION 6.04 EFFECTIVE DATE. This Resolution shall become effective on October 1, 2018, the final maturity date of the Board’s Electric System Refunding Revenue Bonds, Series 1991 (the “Series 1991 Bonds”), or such earlier date that the Series 1991 Bonds are defeased within the meaning of Section 5.03 of the Original Resolution. On such date, this Resolution shall become effective with respect to all of the Board’s outstanding Bonds (including the Series 2014 Bonds as described above) and, with no further action by the Board, will replace and stand in lieu of the Original Resolution.

SECTION 6.05 SERIES 2014 BONDHOLDER CONSENT. Purchase by the initial Registered Owners of the Series 2014 Bonds shall constitute consent to this Resolution. Consent of the Registered Owners of the Series 2014 Bonds shall be binding on all future Registered Owners of the Series 2014 Bonds and shall provide the consent required by Section 5.02 of the Original Resolution. On and after the Effective Date, the Series 2014 Resolution shall be supplemental to this Resolution and not to the Original Resolution.
PASSED AND ADOPTED at a meeting duly called and held this 8th day of October, 2014.

(SEAL)

UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA

Chairman

APPROVED AS TO FORM AND LEGAL SUFFICIENCY:

ATTESTED:

Secretary

Bond Counsel
AGENDA ITEM WORDING: Approve the Costs Associated with the Issuance of Electric System Revenue and Revenue Refunding Bonds Series 2019 in the Issuance Amount of $60,000,000.00.

REQUESTED ACTION: Motion to Approve the Costs Associated with the Issuance of Electric System Revenue and Revenue Refunding Bonds Series 2019 in the Issuance Amount of $60,000,000.00 in the not-to-exceed amount of $482,200.00.

BRIEF BACKGROUND: At the June 6, 2019 Utility Board meeting, the Board approved the evaluation of the issuance of Electric System Revenue and Revenue Refunding Bonds Series 2019 in the amount of $60,000,000, using level interest payments and with BoA Securities, Inc. as the Underwriter. Additionally, the Board authorized Dunlap & Associates, Financial Advisor, to negotiate issuance costs with appropriate firms. At the June 26, 2019 Utility Board meeting, the Board approved Resolution #815 authorizing the issuance of Electric System Revenue and Revenue Refunding Bonds Series 2019. Certain costs will be incurred in relation to the issuance, including:

<table>
<thead>
<tr>
<th>Cost Of Issuance</th>
<th>Not-To-Exceed Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond Counsel, including expenses (Bryant Miller Olive)</td>
<td>$65,000.00</td>
</tr>
<tr>
<td>Disclosure Counsel, including expenses (Bryant Miller Olive)</td>
<td>44,000.00</td>
</tr>
<tr>
<td>Financial Advisor, including expenses (Dunlap &amp; Associates)</td>
<td>68,750.00</td>
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<tr>
<td>KEYS General Counsel (Nathan Eden)</td>
<td>40,000.00</td>
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<tr>
<td>Moody’s Rating</td>
<td>45,050.00</td>
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<tr>
<td>Fitch’s Rating</td>
<td>25,000.00</td>
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<tr>
<td>Paying Agent-Registrar (BNY Mellon)</td>
<td>5,000.00</td>
</tr>
<tr>
<td>Official Statement</td>
<td>6,000.00</td>
</tr>
<tr>
<td>Underwriter’s Discount</td>
<td>157,200.00</td>
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<tr>
<td>Miscellaneous</td>
<td>26,200.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$482,200.00</strong></td>
</tr>
</tbody>
</table>

Dunlap & Associates has reviewed and compared the above not-to-exceed issuance costs to recent and comparable bond issues. The costs have been determined to be fair and competitive.

FINANCIAL IMPACT:

<table>
<thead>
<tr>
<th>Not-To-Exceed Cost: $482,200.00</th>
<th>Budgeted: No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source of Funds: Included in the Issuance of Electric System Revenue Bonds Series 2019</td>
<td></td>
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</tbody>
</table>