

ORDINANCE NO. 03-15

AN ORDINANCE OF THE CITY OF KEY WEST, FLORIDA, AMENDING AND RESTATING IN ITS ENTIRETY AMENDED ORDINANCE NO. 92-46 ENTITLED: "AN ORDINANCE AUTHORIZING THE ADVANCE REFUNDING OF THE OUTSTANDING SEWER SYSTEM REVENUE BONDS, SERIES A 1986, OF THE CITY OF KEY WEST, FLORIDA; AUTHORIZING THE ISSUANCE OF NOT EXCEEDING \$35,000,000 SEWER SYSTEM REFUNDING REVENUE BONDS, SERIES 1992, OF THE CITY TO BE APPLIED TO ADVANCE REFUND SUCH PRESENTLY OUTSTANDING OBLIGATIONS AND FOR CERTAIN OTHER PURPOSES MORE FULLY DESCRIBED HEREIN; PROVIDING FOR THE PAYMENT OF SUCH PROPOSED REFUNDING BONDS FROM THE REVENUES OF ITS PUBLIC SEWER SYSTEM; MAKING OTHER COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; PROVIDING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE DATE."; AUTHORIZING THE CURRENT REFUNDING OF THE OUTSTANDING SEWER SYSTEM REFUNDING REVENUE BONDS, SERIES 1993 OF THE CITY OF KEY WEST, FLORIDA; AUTHORIZING THE ISSUANCE OF NOT EXCEEDING \$33,000,000 SEWER SYSTEM REFUNDING REVENUE BONDS, SERIES 2003, OF THE CITY TO BE APPLIED TO CURRENTLY REFUND SUCH PRESENTLY OUTSTANDING SERIES 1993 BONDS AND FOR CERTAIN OTHER PURPOSES MORE FULLY DESCRIBED HEREIN; PROVIDING FOR THE PAYMENT OF SUCH PROPOSED REFUNDING BONDS FROM CERTAIN REVENUES RELATING TO ITS PUBLIC SEWER SYSTEM; MAKING OTHER COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; PROVIDING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE DATE

BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF KEY WEST, FLORIDA:

SECTION 1. AUTHORITY FOR THIS ORDINANCE. This Ordinance is enacted pursuant to Chapter 166, Part II, Florida Statutes, and other applicable provisions of law.

SECTION 2. DEFINITIONS. Unless the context otherwise requires, the terms defined in this section shall have the meanings specified in this section. Words importing the singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

"Act" shall mean Chapter 166, Part II, Florida Statutes, the municipal charter of the Issuer, and other applicable provisions of law.

"Additional Parity Obligations" shall mean additional obligations issued in compliance with the terms, conditions and limitations contained in this Ordinance and which shall have an equal lien on the Net Revenues (together with any Qualified Derivative Receipts) as herein defined.

"Additional Security" shall mean any other revenues from time to time pledged and applied pursuant to the provisions of Sections 16 and 21 of this Ordinance to secure the Bonds Outstanding hereunder.

"Adjusted Net Revenues" shall mean the Net Revenues together with any Qualified Derivative Receipts, after deduction of (i) income and earnings on the investment of proceeds of the Bonds not deposited in the Debt Service Fund, (ii) the proceeds of the sale or other disposition of the System or any part thereof, and (iii) the proceeds of insurance and condemnation awards received with respect to the System.

"Amortization Installment" with respect to any Term Bonds of a series, shall mean an amount so designated which is established for the Term Bonds of such series; provided, that each such installment shall be deemed to be due on a principal maturity anniversary date of each applicable year and that the aggregate of such installments for each series shall equal the aggregate principal amount of Term Bonds of such series authenticated and delivered on original issuance.

"Bond Insurance Policy" shall mean, with respect to the 2003 Bonds, the municipal bond new issue insurance policy issued by the Bond Insurer for the 2003 Bonds that guarantees payment of principal of and interest on such 2003 Bonds, and, with respect to all other series of Bonds, it shall have the meaning, if any, set forth in the resolution enacted in connection with the issuance thereof.

"Bond Insurer" shall mean, with respect to the 2003 Bonds, Financial Guaranty Insurance Company, a New York stock insurance corporation, or any successor thereto, and, with respect to all other Bonds, it shall have the meaning, if any, set forth in the resolution enacted in connection with the issuance thereof.

"Bond Registrar" shall mean any bank or trust company or any successor bank or trust company appointed by resolution of the Issuer as Bond Registrar hereunder. Nothing herein shall prohibit the Issuer from appointing one or more Bond Registrars or from serving as Bond Registrar hereunder.

"Bond Service Requirement" for any Bond Year, as applied to the Bonds of any series, shall mean the sum of:

1. The amount required to pay the interest becoming due on the Bonds of such series during such Bond Year.
2. The amount required to pay the principal of Serial Bonds of such series maturing in such Bond Year.
3. The Amortization Installment for the Term Bonds of such series for such Bond Year;

provided, however that in computing such Bond Service Requirement, any Variable Rate Bonds which are not subject to a Qualified Derivative Agreement shall be assumed to bear interest at the highest of (i) the actual rate on the date of calculation, or if such Variable Rate Bonds are not yet Outstanding, the initial rate (if established and binding), (ii) if such Variable Rate Bonds have been Outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, or if such Variable Rate Bonds have not been Outstanding for the twelve prior months under this Ordinance, the average rate borne by reference to an index comparable to that to be utilized in determining the interest rate for such Variable Rate Bonds to be issued, and (iii) (A) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Internal Revenue Code of 1986, as amended, the most recently published Bond Buyer "Revenue Bond Index" (or comparable index if no longer published), or (B) if

interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities; provided, however, that for purposes of Section 17(E) hereof, Variable Rate Bonds shall be deemed to bear interest at the actual rate per annum applicable during the test period.

In computing the Bond Service Requirement for any Bond Year, the Issuer shall assume that an amount of the Term Bonds of such series equal to the Amortization Installment for the Term Bonds of such series for such Bond Year will be retired by purchase or redemption in such Bond Year. When determining the amount of principal of and interest on the Bonds which matures in any year, for purposes of this Ordinance or the issuance of any Additional Parity Obligations, the stated maturity date of Term Bonds shall be disregarded, and the Amortization Installment, if any, applicable to Term Bonds in such year shall be deemed to mature in such year.

The amount of the Bond Service Requirement for any Bond Year shall be reduced by the amount deposited into the Principal Account, Interest Account, Bond Amortization Account or Qualified Derivatives Obligations Account in the Debt Service Fund, from legally available funds, for payment of the principal of, interest on and/or Amortization Installments for the Bonds and for any Qualified Derivative Payments.

If a series of Variable Rate Bonds is subject to purchase by the Issuer pursuant to a mandatory or optional tender by the holder, the "tender" date or dates shall be ignored and the stated maturity dates thereof shall be used for purposes of this calculation.

If the Issuer has entered into a Qualified Derivative Agreement with respect to certain Variable Rate Bonds Outstanding hereunder or to be issued hereunder, the interest coming due on such Variable Rate Bonds for purposes of this definition shall be deemed to be based upon the synthetic fixed interest rate under the Qualified Derivative Agreement, without giving any regards to fees and expenses incurred in connection with the purchase of a liquidity facility.

"Bond Year" shall mean the annual period beginning on October 2 of each year and ending on the next succeeding October 1.

"Bonds" shall mean the 2003 Bonds, together with any Additional Parity Obligations hereinafter issued under the terms, conditions and limitations contained in this Ordinance.

"2003 Bonds" shall mean the not to exceed \$33,000,000 City of Key West, Florida, Sewer System Refunding Revenue Bonds, Series 2003, herein authorized to be issued.

"Capital Appreciation Bonds" shall mean the aggregate principal amount of the Bonds that bear interest payable solely at maturity or upon redemption prior to maturity in the amounts determined by reference to the Compounded Amounts, all as shall be determined by subsequent resolution of the Issuer. In the case of Capital Appreciation Bonds that are convertible to Bonds with interest payable prior to maturity or redemption of such Bonds, such Bonds shall be considered Capital Appreciation Bonds only during the period of time prior to such conversion.

"Capital Appreciation and Income Bonds" shall mean those Bonds initially issued as Capital Appreciation Bonds and which become Current Interest Bonds when the Compounded Amount equals \$5,000 principal amount or an integral multiple thereof as determined by subsequent resolution of the Issuer.

"City Clerk" shall mean the City Clerk of the Issuer or any person authorized to act on the City Clerk's behalf to satisfy responsibilities of the City Clerk hereof.

"City Commission" shall mean the City Commission of the City of Key West, Florida.

"City Manager" shall mean that person designated City Manager or any person authorized to act on the City Manager's behalf to satisfy responsibilities of the City Manager hereof.

"Compounded Amounts" shall mean, as of the date of computation with respect to any Capital Appreciation Bonds, an amount equal to the principal amount of such Bonds (the principal amount at the date of issuance) plus the interest accrued on such Bonds from the date of original issuance of such Bonds to the Interest Payment Date next preceding the date of computation or the date of computation if an Interest Payment Date, such interest to accrue at an interest rate per annum of the Capital Appreciation Bonds, as set forth in the resolution awarding the sale of such Bonds, compounded on the interest payment dates of each year, plus, with respect to matters related to the payment upon redemption of such Bonds, if such date of computation shall not be an Interest Payment Date, a portion of the difference between the Compounded Amount as of the immediately preceding Interest Payment Date (or the date of original issuance if the date of computation is prior to the first Interest Payment Date succeeding the date of original issuance) and the Compounded Amount as of the immediately succeeding Interest Payment Date, calculated based on the assumption that the Compounded Amount accrues during any period in equal daily amounts on the basis of a year of twelve 30-day months. A table of Compounded Amounts for the Capital Appreciation Bonds shall be incorporated in the resolution awarding the sale of any Capital Appreciation Bonds.

"Connection Fees" shall mean connection charges or fees collected by the Issuer relating to the System pursuant to Section 74-203, Code of Ordinances, City of Key West, Florida.

"Construction Fund" shall mean the City of Key West, Florida, Construction Fund created and established pursuant to Section 18 of this Ordinance.

"Contributions in Aid of Construction" shall mean any amount or item of money, services, or property received by the Issuer, which represents an addition or transfer to the capital of the System, and which is utilized to offset the acquisition, improvement or construction costs of the System.

"Cost of Operation and Maintenance" of the System shall mean the current expenses, paid or accrued, of operation, maintenance and repair of the System, as calculated in accordance with sound accounting practice, but shall not include "non-direct" administrative expenses allocated from non-utility system departments (but shall include the cost of billings and collections), payments in lieu of taxes, any reserve for renewals and replacements (including, without limitation, deposits to the Improvement Fund), extraordinary repairs, any allowance for depreciation, any principal or interest expense, or expenses associated with the disposal of assets of the System.

"Credit Facility" or "Credit Facilities" shall mean either individually or collectively, as appropriate, any Bond Insurance Policy, surety bond, letter of credit, line of credit, guaranty or other instrument or instruments that would enhance the credit of the Bonds. The term Credit Facility shall not include any bond insurance, surety bond or other

credit enhancement deposited into or allocated to the Reserve Account in the Debt Service Fund.

"Credit Facility Issuer" shall mean the provider of a Credit Facility including a Bond Insurer.

"Current Interest Bonds" shall mean the aggregate principal amount of the Bonds that bear interest payable on Interest Payment Dates shall be determined by resolution of the City Commission of the Issuer adopted on or prior to the sale of the Bonds.

"Debt Service Fund" shall mean the City of Key West, Florida, Sewer System Debt Service Fund created and established pursuant to Section 17(B)(2) of this Ordinance.

"Defeasance Obligations" shall mean cash, direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS, or defeased municipal bonds rated AAA by S&P or Aaa by Moody's (or any combination of the foregoing).

"Director of the Utilities Department" shall mean the Director of the Utilities Department or any other person authorized to act on the Director of the Utilities Department's behalf to satisfy responsibilities of the Director of the Utilities Department hereof.

"Escrow Deposit Agreement" shall mean that certain Escrow Deposit Agreement by and between the Issuer and a bank or trust company to be approved by subsequent resolution of the Issuer, for the purpose of providing for the payment of the Refunded Bonds, which agreement shall be in substantially the form approved by such subsequent resolution.

"Finance Director" shall mean the person designated as Finance Director for the Issuer or any person authorized to act on the Finance Director's behalf to satisfy responsibilities of the Finance Director hereof.

"Fiscal Year" shall mean the period commencing on October 1 of each year and ending on the succeeding September 30 or such other annual period as may be prescribed by law from time to time for the Issuer.

"Gross Revenues" or **"Revenues"** shall mean all income or earnings derived by the Issuer from the operation of the System, including cost recovery for shared treatment facilities, proceeds of the sale, condemnation and/or insurance on the System, and any income from the investment of the Operating Fund, the Debt Service Fund and the Improvement Fund as herein provided. Gross Revenues shall also include any special assessments lawfully levied by the Issuer upon users of the System, but shall not include Connection Fees, Impact Fees, federal or state grants or Contributions in Aid of Construction.

"Impact Fees" shall mean charges levied upon and collected from new users of the System which represent a pro rata share of the costs of the System which are attributable to the increased demand such additional connections create upon the System.

"Improvement Fund" shall mean the City of Key West, Florida, Sewer System Capital Improvement Fund created and established pursuant to Section 17(B)(6) of this Ordinance.

"Insurance Consultant" shall mean one or more qualified and recognized insurance consultants, having favorable repute, skill and experience with respect to the duties of the Insurance Consultant, as shall from time to time be retained by the Issuer to perform the acts and carry out the duties herein provided for such consultant.

"Interest Payment Date" shall mean for each series of Current Interest Bonds, such dates on which interest on the applicable series of Bonds is payable, as set forth in the proceedings of the City Commission of the Issuer providing for the issuance of the applicable series of Bonds.

"Investment Securities" shall mean any of the following, if and to the extent the same are legal for investment under the Act and the investment policy of the Issuer:

(A) Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America ("U.S. Government Securities").

(B) Direct obligations of the following federal agencies which are fully guaranteed by the full faith and credit of the United States of America: the Export-Import Bank of the United States; debentures of the Federal Housing Administration; participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMAs"); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; local authority bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; and guaranteed transit bonds of the Washington Metropolitan Area Transit Authority.

Direct, general obligations of the following federal agencies which are not fully guaranteed by the full faith and credit of the United States of America: senior debt obligations rated "Aaa" by Moody's Investors Service ("Moody's) and "AAA" by Standard & Poor's Corporation ("S&P") of the Federal National Mortgage Association ("FMNAs") and the Federal Home Loan Mortgage Corporation ("FHLMCs"); consolidated debt obligations of Federal Home Loan Banks; and debt obligations of the Student Loan Marketing Association and the Resolution Funding Corporation.

The following are explicitly excluded from the securities enumerated in this subsection (B): all derivative obligations, including without limitation inverse floaters, residuals, interest-only, principal-only and range notes; obligations that have a possibility of returning a zero or negative yield if held to maturity; obligations that do not have a fixed par value or those whose terms do not promise a fixed dollar amount or call date; or Collateralized Mortgage-Backed Obligations ("CMOs").

(C) Direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A2" or better by Moody's and "A" or better by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A2" or better by Moody's and "A" or better by S&P.

(D) Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-1" by Moody's and "A-1" or better by S&P.

(E) Certificates of deposit, savings accounts, deposit accounts or money market deposits in amounts that are continuously and fully insured by the Federal Deposit Insurance Corporation ("FDIC"), including the Bank Insurance Fund and the Savings Association Insurance Fund.

(F) Certificates of deposit, deposit accounts, federal funds or bankers' acceptances (in each case having maturities of not more than 365 days following the date of purchase) of any domestic commercial bank or United States branch office of a foreign bank, provided that such bank's short-term certificates of deposit are rated "P-1" by Moody's and "A-1" or better by S&P (not considering holding company ratings).

(G) Investments in money-market funds rated "AAAm" or "AAAm-G" by S&P.

(H) State-sponsored investment pools rated "AA-" or better by S&P.

(I) Repurchase agreements that meet the following criteria:

(1) A master repurchase agreement or specific written repurchase agreement, substantially similar in form and substance to the Public Securities Association or Bond Market Association master repurchase agreement, governs the transaction.

(2) Acceptable providers shall consist of (i) registered broker/dealers subject to Securities Investors' Protection Corporation ("SIPC") jurisdiction or commercial banks insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed rating of "A3/P-1" or better by Moody's and "A-/A-1" or better by S&P, or (ii) domestic structured investment companies approved by Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto ("FGIC") so long as FGIC insures any Bonds issued under this Ordinance, and rated "Aaa" by Moody's and "AAA" by S&P.

(3) The repurchase agreement shall require termination thereof if the counterparty's ratings are suspended, withdrawn or fall below "A3" or "P-1" from Moody's, or "A-" or "A-1" from S&P. Within ten (10) days, the counterparty shall repay the principal amount plus any accrued and unpaid interest on the investments.

(4) The repurchase agreement shall limit acceptable securities to U.S. Government Securities and to the obligations of GNMA, FNMA or FHLMC described in subsection (B) above. The fair market value of the securities in relation to the amount of the repurchase obligation, including principal and accrued interest, is equal to a collateral level of at least 104% for U.S. Government Securities and 105% for GNMA's, FNMA's or FHLMC's. The repurchase agreement shall require (i) the Paying Agent to value the collateral securities no less frequently than weekly, (ii) the delivery of additional securities if the fair market value of the securities is below the required level on any valuation date, and (iii) liquidation of the repurchase securities if any deficiency in the required percentage is not restored within two (2) business days of such valuation.

(5) The repurchase securities shall be delivered free and clear of any lien to the Paying Agent, and such Paying Agent is (i) a Federal Reserve Bank, or (ii) a

bank which is a member of the FDIC and which has combined capital, surplus and undivided profits or, if appropriate, a net worth, of not less than \$50 million, and the Paying Agent shall have received written confirmation from such third party that such third party holds such securities free and clear of any lien, as agent for the Paying Agent.

(6) A perfected first security interest in the repurchase securities shall be created for the benefit of the Paying Agent, and the Issuer and the Paying Agent shall receive an opinion of counsel as to the perfection of the security interest in such repurchase securities and any proceeds thereof.

(7) The repurchase agreement shall have a term of one year or less, or shall be due on demand.

(8) The repurchase agreement shall establish the following as events of default, the occurrence of any of which shall require the immediate liquidation of the repurchase securities, unless FGIC (so long as FGIC insures any Bonds issued under this Ordinance) directs otherwise:

(i) insolvency of the broker/dealer or commercial bank serving as the counterparty under the repurchase agreement;

(ii) failure by the counterparty to remedy any deficiency in the required collateral level or to satisfy the margin maintenance call under subsection (I)(4) above; or

(iii) failure by the counterparty to repurchase the repurchase securities on the specified date for repurchase.

(J) Investment agreements (also referred to as guaranteed investment contracts) that meet the following criteria:

(1) A master agreement or specific written investment agreement governs the transaction.

(2) Acceptable providers of uncollateralized investment agreements shall consist of (i) domestic FDIC-insured commercial banks, or U.S. branches of foreign banks, rated at least "Aa2" by Moody's and "AA" by S&P; (ii) domestic insurance companies rated "Aaa" by Moody's and "AAA" by S&P; and (iii) domestic structured investment companies approved by FGIC (so long as FGIC insures any Bonds issued under this Ordinance) and rated "Aaa" by Moody's and "AAA" by S&P.

(3) Acceptable providers of collateralized investment agreements shall consist of (i) registered broker/dealers subject to SIPC jurisdiction, if such broker/dealer has an uninsured, unsecured and unguaranteed rating of "A1" or better by Moody's and "A+" or better by S&P; (ii) domestic FDIC-insured commercial banks, or U.S. branches of foreign banks, rated at least "A1" by Moody's and "A+" by S&P; (iii) domestic insurance companies rated at least "A1" by Moody's and "A+" by S&P; (iii) domestic insurance companies rated at least "A1" by Moody's and "A+" by S&P; and (iv) domestic structured investment companies approved by FGIC (so long as FGIC insures any Bonds issued under this Ordinance) and rated "Aaa" by Moody's and "AAA" by S&P. Required collateral levels shall be as set forth subsection (J)(6) below.

(4) The investment agreement shall provide that if the provider's ratings fall below "Aa3" by Moody's or "AA-" by S&P, the provider shall within ten (10) days either (i) repay the principal amount plus any accrued and interest on the investment; or (ii) deliver Permitted Collateral as provided below.

(5) The investment agreement must provide for termination thereof if the provider's ratings are suspended, withdrawn or fall below "A3" from Moody's or "A-" from S&P. Within ten (10) days, the provider shall repay the principal amount plus any accrued interest on the agreement, without penalty.

(6) The investment agreement shall provide for the delivery of collateral described in (i) or (ii) below ("Permitted Collateral") which shall be maintained at the following collateralization levels at each valuation date:

(i) U.S. Government Securities at 104% of principal plus accrued interest; or

(ii) Obligations of GNMA, FNMA or FHLMC (described in subsection (B) above) at 105% of principal and accrued interest.

(7) The investment agreement shall require the Paying Agent to determine the market value of the Permitted Collateral not less than weekly and notify the investment agreement provider on the valuation day of any deficiency. Permitted Collateral may be released by the Paying Agent to the provider only to the extent that there are excess amounts over the required levels. Market value, with respect to collateral, may be determined by any of the following methods:

(i) the last quoted "bid" price as shown in Bloomberg, Interactive Data Systems, Inc., The Wall Street Journal or Reuters;

(ii) valuation as performed by a nationally recognized pricing service, whereby the valuation method is based on a composite average of various bid prices; or

(iii) the lower of two bid prices by nationally recognized dealers. Such dealers or their parent holding companies shall be rated investment grade and shall be market makers in the securities being valued.

(8) Securities held as Permitted Collateral shall be free and clear of all liens and claims of third parties, held in a separate custodial account and registered in the name of the Paying Agent.

(9) The provider shall grant the Paying Agent a perfected first security interest in any collateral delivered under an investment agreement. For investment agreements collateralized initially and in connection with the delivery of Permitted Collateral under subsection (J)(6) above, the Paying Agent and FGIC (so long as FGIC insures any Bonds issued under this Ordinance) shall receive an opinion of counsel as to the perfection of the security interest in the collateral.

(10) The investment agreement shall provide that moneys invested under the agreement must be payable and puttable at par to the Paying Agent without condition, breakage fee or other penalty, upon not more than two (2) business days' notice, or immediately on demand for any reason for which the funds invested may

be withdrawn from the applicable fund or account established under the authorizing document, as well as the following:

- (i) In the event of a deficiency in the Debt Service Fund;
- (ii) Upon acceleration, if applicable, after an event of default;
- (iii) Upon refunding of the Bonds in whole or in part;
- (iv) Reduction of the Reserve Account Requirement; or
- (v) If a determination is later made by Bond Counsel that investments must be yield-restricted.

(11) The investment agreement shall establish the following as events of default, the occurrence of any of which shall require the immediate liquidation of the investment securities:

- (i) Failure of the provider or the guarantor (if any) to make a payment when due or to deliver Permitted Collateral of the character, at the times or in the amounts described above;
- (ii) Insolvency of the provider or the guarantor (if any) under the investment agreement;
- (iii) Failure by the provider to remedy any deficiency with respect to required Permitted Collateral;
- (iv) Failure by the provider to make a payment or observe any covenant under the agreement;
- (v) The guaranty (if any) is terminated, repudiated or challenged;
or
- (vi) Any representation of warranty furnished to the Paying Agent or the Issuer in connection with the agreement is false or misleading.

(12) The investment agreement must incorporate the following general criteria:

- (i) "Cure periods" for payment default shall not exceed (2) business days;
- (ii) The agreement shall provide that the provider shall remain liable for any deficiency after application of the proceeds of the sale of any collateral, including costs and expenses incurred by the Paying Agent or FGIC (so long as FGIC insures any Bonds issued under this Ordinance);
- (iii) Neither the agreement or guaranty agreement, if applicable, may be assigned (except to a provider that would otherwise be acceptable under these guidelines) or amended without the prior consent of FGIC (so long as FGIC insures any Bonds issued under this Ordinance);
- (iv) If the investment agreement is for the Reserve Account, reinvestments of funds shall be required to bear interest at a rate at least equal to the original contract rate;

(v) The provider shall be required to immediately notify FGIC (so long as FGIC insures any Bonds issued under this Ordinance) and the Paying Agent of any event of default or any suspension, withdrawal or downgrade of the provider's ratings;

(vi) The agreement shall be unconditional and shall expressly disclaim any right of set-off or counterclaim;

(vii) The agreement shall require the provider to submit information reasonably requested by FGIC (so long as FGIC insures any Bonds issued under this Ordinance), including balance invested with the provider, type and market value of collateral and other pertinent information.

(K) Forward delivery agreements in which the securities delivered mature on or before each interest payment date (for debt service or the Reserve Account) or draw down date (Construction Fund) that meet the following criteria:

(1) A specific written investment agreement governs the transaction.

(2) Acceptable providers shall be limited to (i) any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "A3/P-1" or better by Moody's and "A-/A-1" or better by S&P; (ii) any commercial bank insured by the FDIC, if such bank has an uninsured, unsecured and unguaranteed obligation rated "A3/P-1" or better by Moody's and "A-/A-1" or better by S&P; and (iii) domestic structured investment companies approved by FGIC (so long as FGIC insures any Bonds issued under this Ordinance) and rated "Aaa" by Moody's and "AAA" by S&P.

(3) The forward delivery agreement shall provide for termination or assignment (to a qualified provider hereunder) of the agreement if the provider's ratings are suspended, withdrawn or fall below "A3" or "P-1" from Moody's or "A-" or "A-1" from S&P. Within ten (10) days, the provider shall fulfill any obligations it may have with respect to shortfalls in market value. There shall be no breakage fee payable to the provider in such event.

(4) Permitted securities shall include the investments listed in subsections (A), (B) and (C) above.

(5) The forward delivery agreement shall include the following provisions:

(i) The permitted securities must mature at least one (1) business day before a debt service payment date or scheduled draw. The maturity amount of the permitted securities must equal or exceed the amount required to be in the applicable fund on the applicable valuation date.

(ii) The agreement shall include market standard termination provisions, including the right to terminate for the provider's failure to deliver qualifying securities or otherwise to perform under the agreement. There shall be no breakage fee or penalty payable to the provider in such event.

(iii) The provider must submit at closing a bankruptcy opinion to the effect that upon any bankruptcy, insolvency or receivership of the provider, the securities will not be considered to be a part of the provider's estate, and otherwise acceptable to FGIC (so long as FGIC insures any Bonds issued under this Ordinance).

(iv) The agreement may not be assigned (except to a provider that would otherwise be acceptable under these guidelines) or amended without the prior written consent of FGIC (so long as FGIC insures any Bonds issued under this Ordinance).

(L) Forward delivery agreements in which the securities delivered mature after the funds may be required but provide for the right of the Issuer or the Paying Agent to put the securities back to the provider under a put, guaranty or other hedging arrangement, only with the prior written consent of FGIC (so long as FGIC insures any Bonds issued under this Ordinance).

(M) Maturity of investments shall be governed by the following:

(a) Investments of monies (other than the Reserve Account) shall be in securities and obligations maturing not later than the dates on which such monies will be needed to make payments.

(b) Investments shall be considered as maturing on the first date on which they are redeemable without penalty at the option of the holder or the date on which the Paying Agent may require their repurchase pursuant to repurchase agreements.

(c) Investments of monies in the Reserve Account not payable upon demand shall be restricted to maturities of five years or less.

(N) Units of participation in the Local Government Surplus Funds Trust Fund established pursuant to Part IV, Chapter 218, Florida Statutes, or any similar state administered pool investment fund which is established pursuant to statutory law as a legal depository of public moneys.

(O) Any other investment agreed to in writing by FGIC (so long as FGIC insures any Bonds issued under this Ordinance).

"Issuer" shall mean the City of Key West, Florida.

"Maximum Bond Service Requirement" shall mean, as of any date of calculation, the greatest amount of Bond Service Requirement in the current or any future Bond Year.

"Mayor" shall mean the person designated as Mayor or Vice Mayor for the Issuer or any person authorized to act on the Mayor's behalf to satisfy responsibilities of the Mayor hereof.

"Net Revenues" of the System shall mean the Revenues or Gross Revenues after deduction of the Cost of Operation and Maintenance.

"Operating Fund" shall mean the City of Key West, Florida, Sewer System Operating Fund created and established pursuant to Section 17(A) of this Ordinance.

"Ordinance" shall mean this Ordinance of the Issuer and any ordinances supplemental hereto or resolutions hereinafter enacted by the Issuer in connection herewith or therewith.

"Outstanding" shall mean, when used with respect to the Bonds, all Bonds theretofore issued and delivered except:

(a) Bonds paid and canceled; and

(b) Bonds deemed to have been paid in accordance with Sections 17 and 21 of this Ordinance.

"Paying Agent" shall mean any bank or trust company or any successor bank or trust company appointed by resolution of the Issuer to serve as Paying Agent hereunder. Nothing herein shall prohibit the Issuer from appointing one or more Paying Agents or from serving as Paying Agent hereunder.

"Projects" shall mean the acquisition, construction and equipping of additions, extensions and improvements to the System which are funded with proceeds from the sale of Additional Parity Obligations, to the extent authorized by subsequent resolution of the Issuer, all in accordance with plans and specifications as amended from time to time, filed with and approved by the Director of the Utilities Department.

"Qualified Derivative Agreement" means an interest rate exchange agreement, such as an interest rate swap, collar, cap, or forward purchase contract, put option contract, call option contract or other functionally similar agreement or financial product, between the Issuer and a counterparty whose long-term unsecured debt at the time of entering into such Agreement is rated at least "AA-" by S&P and "Aa3" by Moody's, which is entered into by the Issuer as a debt management tool provided that the payments to be made by the counterparty thereunder have been pledged to the payment of the Bonds.

"Qualified Derivative Payments" means the payment obligations of the Issuer arising under a Qualified Derivative Agreement, which are calculated on the basis of interest on a notional amount which may correspond with the principal amount of certain Bonds issued hereunder, or a particular series or maturity thereof, based upon a fixed or a variable rate index or formula, provided that the payments by such counterparty under such Agreement are used in the calculation of the Bond Service Requirement. Qualified Derivative Payments include only regularly scheduled payments under a Qualified Derivative Agreement determined by reference to interest on a notional amount and shall not include any other payments under such Agreement (for example any termination fee, indemnification obligations or other fees payable to the counterparty).

"Qualified Derivative Receipts" means the payment obligations of the counterparty to the Issuer arising under a Qualified Derivative Agreement, which are calculated on the basis of interest on a notional amount which may correspond with the principal amount of certain Bonds issued hereunder, or a particular series or maturity thereof, based upon a fixed or a variable rate index or formula. Qualified Derivative Receipts include only regularly scheduled payments under a Qualified Derivative Agreement determined by reference to interest on a notional amount and shall not include any other payments under such Agreement (for example any termination fee, indemnification obligations or other fees payable by the counterparty).

"Qualified Independent Consultant" shall mean one or more qualified and recognized independent consultants, having favorable repute, skill and experience with respect to the duties of the Qualified Independent Consultant, as shall from time to time be retained by the Issuer to perform the acts and carry out the duties herein provided for such consultants.

"Rebate Account" means the Rebate Account established pursuant to Section 24 of this Ordinance.

"Rebate Amount" means the excess of the future value, as of the computation date, of all receipts on all nonpurpose investments (as defined in Section 1.148-1(b) of the Income Tax Regulations) over the future value, as of that date, of all payments on nonpurpose investments, all as provided by the Income Tax Regulations under the Code implementing Section 148 thereof.

"Rebate Year" means, with respect to a particular series of Bonds issued hereunder, a one-year period (or shorter period from the date of issue) that ends at the close of business on the day in the calendar year selected by the Issuer as the last day of a Rebate Year. The final Rebate Year with respect to a particular series of Bonds issued hereunder, however, shall end on the date of final maturity of that series of Bonds.

"Record Date" shall mean the 15th day of the month immediately preceding an Interest Payment Date for the Bonds.

"Refunded Bonds" shall mean all outstanding Sewer System Refunding Revenue Bonds, Series 1993 of the Issuer.

"Registered Owner" shall mean any person who shall be the owner of any outstanding Bond or Bonds as shown on the books of the Issuer maintained by the Bond Registrar.

"Reserve Account" shall mean the Reserve Account in the Debt Service Fund which is hereby created pursuant to Section 17(B)(3).

"Reserve Account Requirement" shall be the lesser of (i) the Maximum Bond Service Requirement; (ii) 125% of the average annual Bond Service Requirement, or (iii) 10% of the aggregate stated original principal amount of the Bonds (except that, in determining the aggregate stated original principal amount of the Bonds for purposes of (iii), the issue price of the Bonds (net of pre-issuance accrued interest) shall be substituted for the original stated principal amount if the Bonds are sold at either a net original issue discount or premium exceeding two percent (2%) of its stated redemption price at maturity).

"Serial Bonds" shall mean the Bonds of a series which shall be stated to mature in annual installments.

"Special Users" shall mean such users of the Sewer System which qualify for reductions in the rates, fees and charges for use of the Sewer System based upon low income or elderly qualifications to be determined by ordinance from time to time passed by the City Commission.

"State" shall mean the State of Florida.

"Subordinated Debt" shall mean any obligations payable from the Subordinated Debt Service Fund pursuant to Section 17(B)(5) hereof.

"Subordinated Debt Service Fund" shall mean the City of Key West, Florida, Subordinated Debt Service Fund created pursuant to Section 17(B)(5) hereof.

"System" or **"Sewer System"** shall mean the existing properties and assets, real and personal, tangible and intangible, owned or operated by the Issuer, used or useful for the collection, transmission, treatment, disposal and reclamation of wastewater, and all properties and assets hereafter constructed or acquired as additions, improvements and betterments thereto and extensions thereof, which may be located within or outside of the corporate limits of the Issuer.

"Taxable Bond" shall mean any Bond which states, in the body thereof, that the interest thereon is includable in the gross income of the holder thereof for federal income tax purposes or that such interest is subject to federal income taxation.

"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 mandatory redemption by operation of the Bond Amortization Account.

"Variable Rate Bonds" shall mean Bonds which may be either Serial Bonds or Term Bonds, issued with a variable, adjustable, convertible or other similar rate which is not fixed in percentage for the entire term thereof at the date of issue.

SECTION 3. FINDINGS. It is hereby ascertained, determined and declared that:

(A) The Issuer has previously issued the Refunded Bonds, of which \$28,795,000 principal amount is outstanding and unpaid as of the date hereof.

(B) The Issuer deems it necessary and in its best interest to provide for the current refunding of the Refunded Bonds. The refunding program herein described will be advantageous to the Issuer by reducing debt service payments owed by the Issuer and by revising certain terms and covenants previously made for the benefit of the holders of the Refunded Bonds, to the advantage of the Issuer.

(C) From the proceeds of the 2003 Bonds and other funds available therefor, there shall be deposited pursuant to the Escrow Deposit Agreement, a sum which, together with the principal and income from the Defeasance Obligations to be purchased pursuant to such agreement, will be sufficient to make timely payments of all presently outstanding principal, redemption premium, if any, and interest in respect to the Refunded Bonds, as the same come due and/or redeemable. Such funds and principal and income from investments shall also be sufficient to pay when due all expenses described in the Escrow Deposit Agreement.

(D) The costs associated with such refunding program shall be deemed to include legal expenses, fiscal expenses, rating agency fees, expenses for estimates of costs and of revenues, accounting expenses, municipal bond insurance premiums, costs of printing, fees of financial advisor, fees for the escrow agent, fees for verification, accrued and capitalized interest, provisions for reserves, and such other expenses as may be necessary or incidental for the financing herein authorized.

(E) The Revenues are not pledged or encumbered in any manner except for the prior payment from the Net Revenues of the principal of and interest on the Refunded Bonds, which pledge and encumbrance shall be defeased pursuant to the refunding herein authorized, and as to the Subordinated Debt as hereinafter described.

(F) On February 9, 2001, the Issuer and the State of Florida Department of Environmental Protection (the "FDEP") entered a Clean Water State Revolving Fund Construction Loan Agreement (the "SRF Loan") which pledges certain revenues from the System on a basis which is junior, inferior and subordinate in all respect to the Refunded Bonds and provides that the pledge of Net Revenues for any bonds issued to refund the Refunded Bonds (i.e., the 2003 Bonds) shall be senior to the pledge of the SRF Loan. Pursuant to Sections 7.02 and 1.01(17)(d) of the SRF Loan, consent of FDEP is not required as a condition to issuing the 2003 Bonds, and the pledge on certain revenues in favor of FDEP will be junior, inferior and subordinate in all respects to the pledge on Net Revenues and any Qualified Derivative Receipts in favor of the holders of the 2003 Bonds. The SRF Loan constitutes "Subordinate Debt" hereunder.

(G) The principal of and interest on the Bonds and all required Debt Service Fund and other payments (including, without limitation, any Qualified Derivative Payments) shall be payable solely from the Net Revenues (together with any Qualified Derivative Receipts). The Issuer shall never be required to levy ad valorem taxes on any real property therein to pay the principal of and interest on the Bonds or to make any other payments specified herein. Neither the Bonds nor any Qualified Derivative Receipts shall constitute a lien upon any other property owned by or located within the boundaries of the Issuer.

(H) The estimated Net Revenues (together with any Qualified Derivative Receipts) will be sufficient to pay all principal of and interest on the Bonds to be issued hereunder, as the same become due, and to make all required Debt Service Fund, reserve or other payments required by this Ordinance (including, without limitation, any Qualified Derivative Payments) and to pay principal and interest on Subordinated Debt.

SECTION 4. AUTHORIZATION OF REFUNDING. There is hereby authorized the refunding of the Refunded Bonds in the manner provided herein.

SECTION 5. THIS ORDINANCE TO CONSTITUTE CONTRACT. In consideration of the acceptance of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the Issuer and such holders. The covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the legal holders of any and all of the Bonds, all of which shall be of equal rank and without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided therein and herein.

SECTION 6. AUTHORIZATION OF 2003 BONDS. Subject and pursuant to the provisions hereof, obligations of the Issuer to be known as "Sewer System Refunding Revenue Bonds, Series 2003," herein defined as the "2003 Bonds," are authorized to be issued in the aggregate amount of not exceeding \$33,000,000 to refund the Refunded Bonds in the manner provided herein.

SECTION 7. DESCRIPTION OF BONDS. Each series of the Bonds shall be issued as determined by subsequent resolution of the Issuer on or prior to the sale of such series of Bonds not inconsistent with the provisions of this Ordinance as Capital Appreciation Bonds, Capital Appreciation and Income Bonds, Current Interest Bonds, or any combination thereof; shall be numbered from R-1 upward or in such other manner agreed between the Issuer and the Bond Registrar; shall be in the denomination of \$5,000 each or integral multiples thereof; shall bear interest at a fixed or floating rate not

exceeding the maximum rate fixed by applicable law, such interest to be payable semiannually or at such other intervals determined by the City Commission of the Issuer; and shall be dated and shall mature on such dates and in such years and amounts as will be provided by resolution of the City Commission of the Issuer adopted on or prior to the sale of such series of Bonds.

The Bonds shall be issued in fully registered form without coupons; shall be payable with respect to principal (and Compounded Amount or appreciated value in the case of Capital Appreciation Bonds or Capital Appreciation and Income Bonds, whichever is applicable) at the office of the Paying Agent; shall be payable by check or draft in lawful money of the United States of America; and shall bear interest from their date, payable, in the case of Current Interest Bonds, by mail to the Registered Owners at their addresses as they appear on the registration books of the Issuer maintained by the Bond Registrar; provided, however, that in the case of a Registered Owner of \$1,000,000 or more in aggregate principal amount of Bonds, upon written request of such Registered Owner to the Registrar 10 days prior to the Record Date for such Interest Payment Date, such interest shall be paid on the Interest Payment Date in immediately available funds by wire transfer, at the expense of such Registered Owner.

Notwithstanding any other provisions of this section, the Issuer may, at its option, prior to the date of issuance of any series of Bonds, elect to use an immobilization system or book-entry system with respect to issuance of such series of Bonds, provided adequate records will be kept with respect to the ownership of such series of Bonds issued in book-entry form or the beneficial ownership of Bonds issued in the name of a nominee. As long as any Bonds are outstanding in book-entry form, the provisions of this Ordinance inconsistent with such system of book-entry registration shall not be applicable to such Bonds. The details of any alternative system of issuance, as described in this paragraph, shall be set forth in a subsequent resolution of the Issuer duly adopted at or prior to the sale of such series of Bonds.

SECTION 8. EXECUTION AND AUTHENTICATION OF BONDS. The Bonds shall be executed in the name of the Issuer by its Mayor and attested by its City Clerk, and the corporate seal of the Issuer or a facsimile thereof shall be affixed thereto or reproduced thereon. The facsimile signatures of the Mayor and the City Clerk may be imprinted or reproduced on the Bonds. The certificate of authentication of the Bond Registrar shall appear on the Bonds, and no Bonds shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Ordinance unless such certificate shall have been duly executed on such Bonds. The authorized signature for the Bond Registrar shall be either manual or in facsimile; provided, however, that at least one of the signatures, including that of the authorized signature for the Bond Registrar, appearing on the Bonds, shall at all times be a manual signature. In case any one or more of the officers of the Issuer who shall have signed or sealed any of the Bonds shall cease to be such officer or officers of the Issuer before the Bonds so signed and sealed shall have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as if the persons who signed or sealed such Bonds had not ceased to hold such offices. Any Bonds may be signed and sealed on behalf of the Issuer by such person who at the actual time of the execution of such Bonds shall hold the proper office, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

SECTION 9. NEGOTIABILITY. The Bonds issued hereunder shall be and shall have all of the qualities and incidents of negotiable instruments under the laws of the

State of Florida, and each successive holder, in accepting any of the Bonds, shall be conclusively deemed to have agreed that such Bonds shall be and shall have all of the qualities and incidents of negotiable instruments under the laws of the State of Florida.

SECTION 10. REGISTRATION. All Bonds presented for transfer, exchange, redemption or payment (if so required by the Issuer 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 Issuer or the Bond Registrar, duly executed by the 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 Issuer 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 Issuer 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.

Interest on the Bonds shall be paid to the Registered Owners whose names appear on the books of the Bond Registrar on the Record Date.

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

The Issuer 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 may be deemed the Registered Owner thereof by the Issuer and the Bond Registrar, and any notice to the contrary shall not be binding upon the Issuer or the Bond Registrar.

Notwithstanding the foregoing provisions of this section, the Issuer reserves the right, on or prior to the delivery of the Bonds, to amend or modify the foregoing provisions relating to registration of the Bonds in order to comply with all applicable laws, rules, and regulations of the United States and/or the State of Florida relating thereto.

SECTION 11. DISPOSITION OF BONDS PAID OR REPLACED. 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 canceled and destroyed by the Bond Registrar, and counterparts of a certificate of destruction evidencing such destruction shall be furnished to the Issuer.

SECTION 12. BONDS MUTILATED, DESTROYED, STOLEN OR LOST.

In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bond 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 Issuer proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer may incur. All Bonds so surrendered shall be canceled by the Issuer. If any of the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this section shall constitute original, additional contractual obligations on the part of the Issuer whether or not the lost, stolen or destroyed Bonds be at any time found by anyone, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien on and source and security for payment from the funds, as hereinafter pledged, to the same extent as all other Bonds issued hereunder.

SECTION 13. PROVISIONS FOR REDEMPTION. Each series of Bonds may be subject to redemption prior to maturity at such times and in such manner as shall be established by subsequent resolution of the Issuer adopted with respect to any series of Bonds on or before the time of delivery of those Bonds. Unless otherwise provided by subsequent resolution with respect to a series of Bonds, notice of redemption shall be given by the deposit in the U. S. mails of a copy of said redemption notice, postage prepaid, at least thirty days before the redemption date to all registered owners of the Bonds or portions of Bonds to be redeemed at their addresses as they appear fifteen days prior to the date such notice is mailed on the registration books to be maintained in accordance with provisions hereof. Failure to mail any such notice to a registered owner of a Bond, or any defect therein, shall not affect the validity of the proceedings for redemption of any Bond or portion thereof with respect to which no failure or defect occurred.

Each notice shall set forth the date fixed for redemption of the Bond being redeemed, the redemption price to be paid, the original issue date of such Bonds, the maturity date and rate of interest borne by each Bond being redeemed, the name, address and telephone number of the person designated by the Registrar to be responsible for such redemption and, if less than all of the redeemable Bonds then Outstanding shall be called for redemption, the distinctive numbers and letters, including CUSIP Numbers, if any, of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. If any Bond is to be redeemed in part only, the notice of redemption which relates to such Bond shall also state that on or after the redemption date, upon surrender of such Bond, new Bond or Bonds in a principal amount equal to the unredeemed portion of such Bond will be issued.

Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the owner of such Bond receives such notice.

The Issuer may provide that a notice of redemption may be contingent upon the occurrence of certain condition(s) and that if such condition(s) do not occur, the notice will be

rescinded; provided notice of rescission shall be mailed in the manner described above to all affected Bondholders not later than three business days prior to the date of redemption.

In addition to the mailing of the notice described above, each notice of redemption and payment of the redemption price shall meet the requirements of this paragraph; provided however, that failure of such notice or payment to comply with the terms of this paragraph shall not in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above in this Section:

(a) Each notice of redemption shall be sent at least thirty-five (35) days before the redemption date by registered or certified mail or overnight delivery service or telecopy to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds (such depositories now being The Depository Trust Company, New York, New York, Midwest Securities Trust Company, Chicago, Illinois and Philadelphia Depository Trust Company, Philadelphia, Pennsylvania) and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

(b) Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

SECTION 14. FORM OF BONDS. The text of the Bonds and the certificate of authentication shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized and permitted by this Ordinance or by any subsequent resolution adopted prior to the issuance thereof:

SEE REVERSE SIDE FOR ADDITIONAL
PROVISIONS AND DEFINITIONS

CUSIP: _____
\$ _____

UNITED STATES OF AMERICA
STATE OF FLORIDA
COUNTY OF MONROE
CITY OF KEY WEST
SEWER SYSTEM [REFUNDING] REVENUE BOND, SERIES _____

MATURITY DATE: INTEREST RATE: DATED DATE: CUSIP

Registered Owner:

Principal Amount:

KNOW ALL MEN BY THESE PRESENTS that the City of Key West, Florida (hereinafter called "City"), for value received, hereby promises to pay to the order of the Registered Owner identified above, or registered assigns, as herein provided, on the

Maturity Date identified above, upon the presentation and surrender hereof at the principal corporate trust office of _____, in the City of _____, (the "Paying Agent"), from the special funds hereinafter mentioned, the Principal Amount identified above in any coin or currency of the United States of America which on the date of payment thereof is legal tender for the payment of public and private debts, and to pay, solely from said sources, to the registered owner hereof by check mailed to the Registered Owner at his address as it appears on the Bond registration books of the City, at the Interest Rate per annum identified above, interest on said principal sum on each _____ 1 and _____ 1 commencing _____, ____ from the interest payment date next preceding the date of registration and authentication of this Bond, unless this Bond is registered and authenticated as of an interest payment date, in which case it shall bear interest from said interest payment date, or unless this Bond is registered and authenticated prior to the first interest payment date, in which event such Bond shall bear interest from the Dated Date; provided, however, that if at the time of authentication interest is in default, this Bond shall bear interest from the date to which interest shall have been paid.

This Bond is one of an authorized issue of bonds, issued to finance _____, under the authority of and in full compliance with the Constitution and Statutes of the State of Florida, including particularly Chapter 166, Part II, Florida Statutes, the municipal charter of the City, and other applicable provisions of law, and Amended Ordinance No. 92-46 enacted by the City Commission of the City on September 10, 1992, as amended and restated in its entirety by Ordinance No. 03-__ enacted by the City Commission of the City on _____, 2003, as amended and supplemented from time to time (hereinafter collectively called "Ordinance"), and is subject to all the terms and conditions of such Ordinance. All capitalized undefined terms used herein shall have the meaning set forth in the Ordinance.

This Bond is payable solely from and secured by a first lien upon and pledge of the Net Revenues (together with any Qualified Derivative Receipts), all in the manner provided in the Ordinance.

This Bond does not constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision or limitation, and it is expressly agreed by the registered owner of this Bond that such registered owner shall never have the right to require or compel the exercise of the ad valorem taxing power of the City for the payment of the principal of and interest on this Bond or the making of any sinking fund, reserve or other payments specified in the Ordinance.

It is further agreed between the City and the Registered Owner of this Bond that this Bond and the indebtedness evidenced thereby shall not constitute a lien upon the System, or any part thereof, or on any other property of or in the City, but shall constitute a lien only on the Net Revenues (together with any Qualified Derivative Receipts), all in the manner provided in the Ordinance.

The City in the Ordinance has covenanted and agreed with the Registered Owners of the Bonds of this issue to enact a rate ordinance and 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 products, services and facilities of the System which will always provide Adjusted Net Revenues in each year of not less than 125% of all Bond Service Requirements becoming due in such year on the Outstanding Bonds and all Outstanding

Additional Parity Obligations; and that such rates, fees, rentals and other charges will not be reduced so as to be insufficient to provide Revenues for such purposes; provided, however, in any Fiscal Year in which Additional Security is pledged, Adjusted Net Revenues shall not be less than 110%, and Adjusted Net Revenues plus Additional Security shall not be less than 125%, of the annual Bond Service Requirement in such year. Bond Service Requirement may be adjusted under terms of the Ordinance. The City has entered into certain further covenants with the Registered Owners of the Bonds of this issue for the terms of which reference is made to the Ordinance.

(To be inserted where appropriate on face of bond:

"Reference is hereby made to the further provisions of this Bond set forth on the reverse side hereof, and such further provisions shall for all purposes have the same effect as if set forth on this side.")

This Bond may be transferred only upon the registration books kept by the Bond Registrar upon surrender hereof at the principal office of the Bond Registrar with an assignment duly executed by the registered owner or his duly authorized attorney, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Ordinance, and upon surrender and cancellation of this Bond. Upon any such transfer, there shall be executed and the Bond Registrar shall deliver, a new fully registered bond or bonds, payable to the transferee, in authorized denominations and in the same aggregate principal amount, series, maturity and interest rate as this Bond.

In like manner, subject to and upon the payment of such charges, if any, the registered owner of this Bond may surrender the same (together with a written authorization for exchange satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney) in exchange for an equal aggregate principal amount of fully registered bonds in authorized denominations and of the same series, maturity and interest rate as this Bond.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this bond exist, have happened and have been performed in regular and due form and time as required by the Statutes and Constitution of the State of Florida applicable thereto; and that the issuance of this bond and of the issue of bonds of which this Bond is one, does not violate any constitutional or statutory limitation.

This Bond is and has all the qualities and incidents of a negotiable instrument under the laws of the State of Florida.

(Insert redemption provisions and mandatory tender, if applicable)

Notice of such redemption shall be given in the manner provided in the Ordinance.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Ordinance until the certificate of authentication hereon shall have been duly executed by the Bond Registrar.

IN WITNESS WHEREOF, the City of Key West, Florida, has issued this Bond and has caused the same to be executed by its Mayor and attested by its City Clerk, either manually or with their facsimile signatures, and the corporate seal of the City, or a facsimile thereof to be impressed, imprinted or otherwise reproduced hereon, all as of the Dated Date set forth above.

CITY OF KEY WEST, FLORIDA

(SEAL)

By _____
Mayor

ATTESTED:

City Clerk

CERTIFICATE OF AUTHENTICATION OF BOND REGISTRAR

This Bond is one of the bonds of the issue described in the Ordinance.

As Bond Registrar

By: _____
Authorized Signature

Date of Authentication

The following abbreviations, when used in the inscription on the face of the within bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common
TEN ENT -as tenants by the entireties
JT TEN -as joint tenants with right of survivorship and not as tenants in common

UNIF GIF MIN ACT - _____
(Cust.)
Custodian for _____
(Minor)
under Uniform Gifts to Minors Act of _____
(State)

Additional abbreviations may also be used though not in list above.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers to

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

the within bond and does hereby irrevocably constitute and appoint _____ as his agent to transfer the bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature guaranteed:

(Bank, Trust company or Firm)

(Authorized Officer)

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever

[End of Bond Form]

SECTION 15. APPLICATION OF BOND PROCEEDS. The proceeds, including accrued interest received from the sale of each series of the Bonds shall be applied by the Issuer as set forth in a subsequent resolution adopted by the Issuer prior to or simultaneously with the delivery of each series of Bonds.

SECTION 16. SPECIAL OBLIGATIONS OF ISSUER. The Bonds shall not be or constitute general obligations or indebtedness of the Issuer as "bonds" within the meaning of the Constitution of Florida, but shall be payable solely from and secured by a lien upon and a pledge of the Net Revenues (together with any Qualified Derivative Receipts) as herein provided and any Additional Security pledged pursuant to any resolution supplemental hereto or ordinance enacted in connection therewith. No Registered Owners, any Credit Facility Issuer or any counterparty under a Qualified Derivative Agreement shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer or taxation in any form of any real property therein to pay such principal and interest from any other funds of the Issuer, except from the special funds in the manner provided herein.

The payment of the principal of and interest on the Bonds and any Qualified Derivative Payments shall be secured forthwith, equally and ratably, by an irrevocable first lien on the Net Revenues (together with any Qualified Derivative Receipts), prior and

superior to all other liens or encumbrances on such Net Revenues (together with any Qualified Derivative Receipts), and the Issuer does irrevocably pledge such Net Revenues (together with any Qualified Derivative Receipts) to the payment of the principal of and interest on the Bonds and for all other required payments.

The Issuer covenants and agrees that all funds and accounts created and maintained pursuant to this Ordinance and all moneys on deposit therein shall be trust funds in the hands of the Issuer and shall be used and applied only in the manner and for the purposes expressly provided for in this Ordinance.

The Net Revenues (together with any Qualified Derivative Receipts) shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer. Such funds may be commingled as provided in Section 17(B)(10) hereof without destroying the lien and pledge created by this Ordinance.

By resolution supplemental hereto or ordinance enacted in connection thereto, the Issuer may pledge in trust for the benefit of the Bondholders forever or until release pursuant to this Ordinance, all of its right, title and interest in and to the Additional Security.

Upon receipt of a certificate of the Finance Director stating that for the immediate preceding Fiscal Year, the Adjusted Net Revenues were at least one hundred thirty-five percent (135%) of the annual Bond Service Requirement for such year, then upon a declaration by resolution of the Issuer, the lien impressed on the Additional Security for payment of the Bonds shall be released; provided, however, that the Additional Security shall not be released unless all payments and deposits required by the Ordinance shall be current and the Issuer shall not otherwise be in default hereunder.

Under Section 679.1091(4)(n), Florida Statutes, transfers by a government or a governmental unit are exempt from the perfection and priority requirements of Chapter 679, Florida Statutes (Uniform Commercial Code – Article 9), and therefore, the filing of financing statements is not necessary in order to protect the security interest of the Bondholders.

SECTION 17. COVENANTS OF THE ISSUER. For so long as any of the principal of and interest on any of the Bonds shall be outstanding and unpaid or until there shall have been set apart in the Debt Service 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, and all payment obligations under any Qualified Derivative Agreement, the Issuer covenants with the Registered Owners of any and all Bonds and any counterparty under a Qualified Derivative Agreement as follows:

(A) **OPERATING FUND.** The entire Gross Revenues derived from the operation of the System shall upon receipt thereof be deposited in the "City of Key West, Florida, Sewer System Operating Fund" (hereinafter called the "Operating Fund"), hereby created and established. Such Operating Fund shall constitute a trust fund for the purposes herein provided, and shall be kept separate and distinct from all other funds of the Issuer and used only for the purposes and in the manner herein provided.

(B) **DISPOSITION OF REVENUES AND ANY QUALIFIED DERIVATIVE RECEIPTS.** All Revenues at any time remaining on deposit in the

Operating Fund shall be disposed of on or before the 25th day of each month commencing in the month immediately following the delivery of the 2003 Bonds, only in the following manner and in the following order of priority:

(1) Revenues shall first be used to pay the Cost of Operation and Maintenance.

(2) Money remaining in the Operating Fund together with any Qualified Derivative Receipts shall next be deposited into the following accounts in the "City of Key West, Florida, Sewer System Debt Service Fund" (herein called the "Debt Service Fund"), which fund and which accounts are hereby created and established, on a parity with each other:

(a) Interest Account. Such sum as will be sufficient to pay one-sixth (1/6) of all interest becoming due on the Bonds on the next semiannual Interest Payment Date; provided, however, if the period to elapse between Interest Payment Dates will be other than six months, the monthly deposits to the Interest Account will be adjusted as appropriate; and

(b) Principal Account. Such sum as will be sufficient to pay one-sixth (1/6) of all principal maturing semiannually on the Serial Bonds on the next maturity date and one-twelfth (1/12) of all principal maturing annually on the Serial Bonds on the next maturity date; provided, however, that if the period between delivery of any Bonds and the first principal maturity date or the period between the principal maturity dates will be other than 6 or 12 months, the monthly deposits to pay principal shall be adjusted as appropriate.

(c) Bond Amortization Account. If and to the extent required, a sum equal to one-twelfth (1/12) of the amount of any annual Amortization Installment for Term Bonds which shall become due and payable during the next succeeding Bond Year; provided, however, that such deposits shall be subject to adjustment, as appropriate, if the period between Amortization Installments is less than 12 months.

(d) Qualified Derivative Obligations Account. A sum equal to a pro rata estimated amount necessary to build up over time the amount of any Qualified Derivative Payment which will next be due and payable or reasonably expected to be due and payable under any Qualified Derivative Agreement on the next payment date thereunder; provided, however, that the monthly amount to be so deposited may be adjusted, as appropriate, to reflect the frequency of payment dates thereunder (e.g., if Qualified Derivative Payments are required to be made semi-annually, the Issuer shall be required to monthly deposit an amount which is estimated to equal one-sixth (1/6th) of the next Qualified Derivative Payment).

Additionally, if Variable Rate Bonds are Outstanding on the 25th day of such month, the Issuer shall deposit into the Interest Account in lieu of the one-sixth (1/6) interest deposit described above, the interest actually accruing on such Variable Rate Bonds for such month, assuming the interest rate thereon on the 25th day of such month

will continue through the end of such month, plus any deficiencies in interest deposits for the preceding month.

All such payments, as provided in (a) through (d) above, shall include an amount sufficient to pay the fees and charges of the paying agents if not otherwise provided. Such monthly payments shall be increased proportionately to the extent required to pay principal, interest and Qualified Derivative Payments becoming due during the first Bond Year, after making allowance for the amounts of money, if any, which will be deposited in the Debt Service Fund out of proceeds from the sale of any series of Bonds as accrued interest.

(3) Money remaining in the Operating Fund shall next be applied by the Issuer to maintain in the Reserve Account in the Debt Service Fund, which Reserve Account is hereby created and established, a sum equal to the Reserve Account Requirement. Any withdrawals from the Reserve Account or any deficiencies in the Reserve Account shall be subsequently restored from the first moneys available in the Operating Fund, after all required current payments for Cost of Operation and Maintenance and all current applications and allocations to the other accounts in the Debt Service Fund, including all deficiencies for prior payments have been made in full. The Issuer shall be required to fully fund the Reserve Account with Bond proceeds or other legally available moneys at the time of issuance of any series of Bonds hereunder, or unless it provides on the date of issuance of the Bonds, in lieu of such funds, or following the issuance of the Bonds, it substitutes in lieu of such funds, (x) bond insurance or a surety bond or bonds issued by a reputable and recognized municipal bond insurer as described below, or (y) an irrevocable letter of credit issued by a qualified national bank as described below, in an amount equal to the difference between the Reserve Account Requirement and the sums then on deposit in the Reserve Account plus the amounts, if any, to be deposited therein pursuant to clause (i) above, which shall be payable on any interest or principal payment date (provided adequate notice is given) on which a deficiency exists which cannot be cured by funds in any other account held pursuant to this Ordinance and available for such purpose, and which shall name the Paying Agent in its capacity as the trustee of the Reserve Account as the beneficiary thereof. The municipal bond insurer described in clause (x) above, shall be one whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in the highest rating category by Standard & Poor's Corporation and Moody's Investor's Service, Inc. or their successors. The qualified national bank described in clause (y) above, shall be one having a capital and surplus or net capital of not less than \$100,000,000. The Issuer's repayment of any draws under a surety bond on deposit in the Reserve Account and related reasonable expenses incurred by the provider of such surety bond or bonds (together with interest thereon at a rate equal to the lower of (i) the prime rate of Morgan Guaranty Trust Company of New York in effect from time to time plus 2% per annum and (ii) the highest rate permitted by law) shall enjoy the same priority as the obligation to maintain and refill the Reserve Account. Repayment of draws, expenses and accrued interest (collectively, "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12th of the aggregate of Policy Costs related to such draw. If and to the extent that cash has also been deposited in the Reserve Account, all such cash shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing under the surety bond, and repayment of any Policy Costs shall be made prior to replenishment of any such cash amounts. If, in addition to the surety bond,

any other reserve fund substitute instrument ("Additional Reserve Policy") is provided, drawings under the surety bond or bonds and any such Additional Reserve Policy, and repayment of Policy Costs and reimbursement of amounts due under the Additional Reserve Policy, shall be made on a pro rata basis (calculated by reference to the maximum amounts available thereunder) after applying all available cash in the Reserve Account and prior to replenishment of any such cash draws, respectively.

If the Issuer shall fail to repay any Policy Costs as described above, the provider(s) of the surety bond and any Additional Reserve Policy shall be entitled to exercise any and all remedies available at law or under this Ordinance other than remedies which would adversely affect Bondholders.

As security for the Issuer's repayment obligations with respect to the surety bond and any Additional Reserve Policy, the provider(s) thereof are hereby granted a lien on and source and security for payment from Net Revenues which is junior and subordinate in all respects and to that of the Bondholders.

The Paying Agent, as custodian of any surety bond issued by the Bond Insurer for the 2003 Bonds and any Additional Reserve Policy, if applicable, is required to ascertain the necessity for a claim upon any surety bond or Additional Reserve Policy and to provide notice to the provider(s) thereof in accordance with its terms at least two business days prior to each interest payment date.

Notwithstanding the foregoing, moneys on deposit in the Reserve Account shall only be applied for payment of Amortization Installments, principal of or interest on the Bonds.

(4) Upon the issuance of any Additional Parity Obligations under the terms, limitations and conditions as are herein provided, the payments into the Debt Service Fund 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 Ordinance.

(5) The Issuer shall next apply and deposit the money in the Operating Fund into a special account to be known as the "City of Key West, Florida, Subordinated Debt Service Fund" (hereinafter called the "Subordinated Debt Service Fund"), which fund is hereby created and established. The Issuer shall deposit such amount if and to the extent required to be paid as provided in the resolution or ordinance authorizing such Subordinated Debt for principal, interest, mandatory redemption payments, if any, and debt service reserve payments, if any, on Subordinated Debt, or for termination payments related to a Qualified Derivative Agreement, but for no other purposes.

(6) The Issuer shall next apply and deposit the money in the Operating Fund into a special account to be known as the "City of Key West, Florida, Sewer System Capital Improvement Fund" (hereinafter called the "Improvement Fund"), which fund is hereby created and established. Beginning on the 25th day of the month following delivery of the 2003 Bonds, the Issuer shall deposit into the Improvement Fund an amount equal to 1/12 of 10% of the average of the Adjusted Net Revenues (for this purpose only, "Adjusted Net Revenues" shall not include any Qualified Derivative Receipts) during the

three immediately preceding Fiscal Years. Notwithstanding the foregoing, whenever the unappropriated balance in the Improvement Fund is equal to or greater than \$1,500,000 or such other amount as determined in writing by the Qualified Independent Consultant, no further deposits shall be required to be made to such Improvement Fund. For purposes of this determination, investments in the Improvement Fund shall be valued at cost. Money on deposit in the Improvement Fund shall be used to supplement the Debt Service Fund, if necessary, in order to prevent a default in the payment of the principal of and interest on the Bonds. *If not used or needed for such purpose, the money in the Improvement Fund shall next 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, and repairs thereto, or for the purchase or redemption of Bonds.* The money on deposit in the Improvement Fund shall be withdrawn only upon the authorization of the City Manager. Notwithstanding the foregoing, any excess money in the Improvement Fund shall be deposited in the Operating Fund.

(7) Any money remaining in the Operating Fund, after the above required payments have been made, may be transferred to the general fund of the Issuer as payments in lieu of taxes to be used for any lawful purpose. Such transfers in any Fiscal Year shall not exceed fifteen percent (15%) of Gross Revenues received by the Issuer in such Fiscal Year.

(8) The balance of any money remaining in the Operating Fund, after the above required payments have been made, may be used for any lawful purpose relating to the System (including payment of non-direct administrative expenses of the System).

(9) The Operating Fund, the Debt Service Fund, the Improvement Fund, the Construction Fund and any other special funds herein established and created shall constitute trust funds for the purpose provided herein for such funds. The money in all such funds shall be continuously secured in the same manner as municipal deposits are authorized to be secured by the laws of the State of Florida.

Money on deposit in the Operating Fund, the Debt Service Fund and the Improvement Fund may be invested and reinvested in Investment Securities which mature not later than the dates on which the money on deposit therein will be needed for the purpose of such funds. Moneys on deposit in the Construction Fund shall be invested pursuant to the requirements of Section 18 hereof. Investment Securities so purchased as an investment of moneys in any such Fund or account therein shall be valued at the cost thereof at the time of purchase.

(10) In determining the amount of any of the payments required to be made pursuant to this subsection 17(B), credit shall be given for all investment income accruing to the respective funds and accounts described herein.

(11) The cash required to be accounted for in each of the funds and accounts described in subsections 17(A), (B) and (C) of this Ordinance may be deposited in a single bank account, provided that adequate accounting records are maintained to reflect and control the restricted allocations of the cash on deposit therein 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 Ordinance 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 and assets of the System for certain purposes and to establish certain priorities for application of such revenues and assets as herein provided.

(12) On the date of issuance of the 2003 Bonds, the Issuer shall transfer the funds on hand in the various funds and accounts established for the Refunded Bonds in such manner as shall be approved by a certificate of the Mayor or Finance Director executed prior to or simultaneously with the issuance of the 2003 Bonds.

(C) OPERATION OF BOND AMORTIZATION ACCOUNT. Money held for the credit of the Bond Amortization Account shall be applied to the retirement of Term Bonds as follows:

(1) Subject to the provisions of paragraph (3) below, the Issuer shall endeavor to purchase Term Bonds then outstanding, at the most advantageous price obtainable with reasonable diligence, such price not to exceed the principal of such Term Bonds and the redemption premium which would be applicable if the money applied to such purchase were otherwise applied to the redemption of Term Bonds under paragraphs (2) or (3) below. The Issuer shall pay the interest accrued on such Term Bonds to the date of delivery thereof from the Interest Account in the Debt Service Fund and the purchase price from the Bond Amortization Account, but no such purchase shall be made by the Issuer within the period of 45 days immediately preceding any Interest Payment Date on which such Term Bonds are subject to call for redemption, except from money in excess of the amounts set aside or deposited for the redemption of Term Bonds.

(2) Subject to the provisions of paragraph (3) below, the Issuer shall call for redemption on each Interest Payment Date on which Term Bonds are subject to redemption from money in the Bond Amortization Account, such amount of Term Bonds then subject to redemption as will exhaust the money then held in the Bond Amortization Account as nearly as may be practicable. Prior to calling Term Bonds for redemption, the Issuer shall withdraw from the Interest Account and from the Bond Amortization Account and set aside in separate accounts for deposit with the paying agents the respective amounts required for paying the interest on the Term Bonds so called for redemption.

(3) Money in the Bond Amortization Account shall be applied by the Issuer in each Bond Year to the retirement of Term Bonds then outstanding in the following order:

(i) The Term Bonds of each series to the extent of the Amortization Installment, if any, for such Bond Year for the Term Bonds of each such series then outstanding and, if the amount available in such Bond Year shall not be sufficient therefor, then in proportion to the Amortization Installment, if any, for such Bond Year for the Term Bonds of each such series then outstanding; provided, however, that if the Term Bonds of any series shall not then be subject to redemption from money in the Bond Amortization Account and if the Issuer shall at any time be unable to exhaust the money applicable to the Term Bonds of such series under the provisions of this clause in the purchase of such Term Bonds under the provisions of paragraph (1) above, such money or the balance of such money, as the case may be, shall be retained in the Bond Amortization Account and, as soon as it is feasible, applied to the retirement of Term Bonds of such series; and

(ii) any balance then remaining, other than money retained under the first clause of this paragraph, shall be applied to the retirement of such Bonds as the Issuer in its sole discretion shall determine, but only, in the case of the redemption of Bonds of any series, in such amounts and on such terms as may be provided in the resolution authorizing the issuance of the Bonds of such series.

(4) The Issuer shall deposit into the Bond Amortization Account, Amortization Installments for the amortization of the principal of the Term Bonds, together with any deficiencies for prior required deposits, such Amortization Installments to be in such amounts and to be due in such years as shall be determined by resolution of the City Commission of the Issuer prior to the sale of each series of the Bonds for which Amortization Installments have been established.

The Issuer shall pay from the Debt Service Fund all expenses in connection with any such purchase or redemption.

(D) OPERATION AND MAINTENANCE. The Issuer 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.

(E) RATE COVENANT. The Issuer will enact a rate ordinance, and the Issuer 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 products, services and facilities of the System which will always provide Adjusted Net Revenues in each year of not less than 120% of all Bond Service Requirements becoming due in such year on the Outstanding Bonds and on all Outstanding Additional Parity Obligations together with any Policy Costs. Such rates, fees, rentals or other charges shall not be reduced so as to be insufficient to provide Revenues for such purposes.

In any Fiscal Year in which Additional Security is pledged, Adjusted Net Revenues shall not be less than 110% of the annual Bond Service Requirement coming due in such year together with any Policy Costs. Adjusted Net Revenues plus Additional Security shall not be less than 125% of the annual Bond Service Requirement in such year together with any Policy Costs. Bond Service Requirement for purposes of this subsection 17(E) may be reduced by deducting (i) any legally available amounts actually transferred to the Debt Service Fund during the first ninety (90) days of each Fiscal Year which do not derive from either Revenues or Qualified Derivative Receipts and (ii) any funds received as a federal or State grant or subsidy so long as such funds are deposited to the Bond Service Fund.

(F) BOOKS AND ACCOUNTS; AUDIT. The Issuer shall keep proper books, records and accounts, separate and apart from all other records and accounts, showing correct and complete entries of all transactions of the System. The Registered Owners of any of the Bonds or any duly authorized agent or agents of such Registered Owners shall have the right at any and all reasonable times to inspect such books, records and accounts.

The Issuer shall, in compliance with the provisions of the laws of the State but not less than once a year, cause the books, records and accounts relating to the collection of the Gross Revenues to be properly audited by a firm of independent certified public accountants licensed in the State of Florida, in accordance with generally accepted accounting principles.

Copies of each such audit report shall be placed on file with the Issuer and be made available at reasonable times for inspection by Registered Owners.

(G) **NO MORTGAGE OR SALE OF SYSTEM.** The Issuer shall not sell, mortgage, lease or otherwise dispose of or encumber the properties of the System; provided, however, that the Issuer from time to time (i) may sell, lease or otherwise dispose of all the properties comprising the System if simultaneously with such sale or other disposition thereof, provision is made for the payment of cash and/or Defeasance Obligations into the Debt Service Fund, the principal of and interest on which is sufficient to pay the principal of, applicable redemption premium and interest on all Bonds then outstanding in full in accordance with the requirements of this Ordinance and any supplemental resolution; (ii) may sell, lease or otherwise dispose of any portion of the properties of the System which shall have become unserviceable, inadequate, obsolete, worn out, or unfit to be used in the operation of the System or no longer necessary, material to, or useful in such operation; (iii) may sell, lease or otherwise dispose of any part of the System provided that prior to such sale, lease or disposition, (a) a Qualified Independent Consultant shall make a finding in writing, adopted and confirmed by resolution of the Issuer, determining that such sale, lease, exchange or other disposition will not materially restrict the Issuer's ability to realize Adjusted Net Revenues in compliance with the requirements therefor as set forth herein, and (b) the Issuer shall declare by resolution that such sale, lease, exchange or other disposition is in the economic best interests of the Issuer. Each right reserved to the Issuer by the exceptions contained in clauses (i), (ii) and (iii) of the preceding sentence shall not be exclusive of each other right so reserved, but shall be cumulative and shall be in addition to each other right so reserved, and each such right may be exercised without exhausting and without regard to each other right so reserved.

(H) **INSURANCE.** The Issuer shall carry insurance on the properties comprising the System of the kinds, against such risks, accidents or casualties, and in at least the amounts, which are usually and customarily carried upon similar properties, including, without limiting the generality of the foregoing, fire, extended coverage and general liability, and also all additional insurance covering such risks as shall be deemed necessary or desirable by the Issuer; provided, however, the Issuer is not required to carry such insurance to the extent customary with utilities operating like properties or to the extent that the Insurance Consultant determines that it is in the best economic interest of the System. In the event of any loss or damage to the properties of the System covered by insurance, the Issuer shall with respect to each such loss, promptly repair and reconstruct to the extent necessary for the proper conduct of the operations of the System, the lost or damaged portion thereof, and shall apply the proceeds of any insurance policy or policies covering such loss or damage for that purpose to the extent required therefor, unless such repair and reconstruction is not necessary for the efficient operation of the System.

(I) **NO FREE SERVICE.** So long as any Bonds are Outstanding and to the extent not contrary to contracts of the City in force and effect on the date of enactment of this Ordinance, the Issuer shall not furnish or supply the facilities, services and commodities of the System free of charge to any person, firm or corporation, public or private. Furthermore, except for discounted rates to Special Users, the Issuer will not create any preferential rates among users of the same class. To the full extent permitted or authorized by law, the Issuer shall promptly enforce the payment of any and all accounts owing to the Issuer and delinquent, by discontinuing service or by filing suits, actions or proceedings, or by both discontinuance of service and filing suit.

(J) ENFORCEMENT OF COLLECTIONS. The Issuer 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. All such fees, rates, charges and revenues herein pledged shall, as collected, be held in trust to be applied as provided in this Ordinance.

(K) DEFAULTS AND REMEDIES.

Except as provided below, if any of the following events occur, it is hereby defined as and declared to be and to constitute an "Event of Default:"

(1) Default in the due and punctual payment of any interest on the Bonds;

(2) Default in the due and punctual payment of the principal of and premium, if any, on any Bond, at the stated maturity thereof, or upon proceedings for redemption thereof;

(3) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer contained in this Ordinance, in the Bonds and the continuance thereof for a period of thirty (30) days after written notice to the Issuer given by the Holders of not less than twenty-five percent (25%) of aggregate principal amount of Bonds then Outstanding, whichever is applicable (provided, however, that with respect to any obligation, covenant, agreement or condition which requires performance by a date certain, if the Issuer performs such obligation, covenant, agreement or condition within thirty (30) days of written notice as provided above, the default shall be deemed to be cured);

(4) Failure by the Issuer promptly to remove any execution, garnishment or attachment of such consequence as will materially impair its ability to carry out its obligations hereunder; or

(5) Any act of bankruptcy or the rearrangement, adjustment or readjustment of the obligations of the Issuer under the provisions of any bankruptcy or moratorium laws or similar laws relating to or affecting creditors' rights.

Notwithstanding the foregoing, the occurrence of any default under a Qualified Derivative Agreement, including without limitation failure on the part of the Issuer to make Qualified Derivative Payments or to pay a termination fee thereunder, shall not be construed as or deemed to constitute an "Event of Default" hereunder; rather, such occurrence shall be remedied pursuant to such Qualified Derivative Agreement and applicable legal and equitable principles taking into account the parity status as to lien on Net Revenues which the counterparty to such Qualified Derivative Agreement enjoys as to Qualified Derivative Payments only, relative to that of the Bondholders and their rights to payments hereunder.

For purposes of subsection 17(K)(1) and (2) hereof, no effect shall be given to any payments made under any Credit Facility.

Any Registered Owner of Bonds or any trustee acting for the Registered Owners of such Bonds, may either at law or in equity, by suit, 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 required herein or by any applicable statutes to be performed by the Issuer or by any officer thereof. Nothing herein, however, shall be construed to grant to any Registered Owner of the Bonds any lien on any property of the Issuer not specifically granted by this Ordinance.

The trustee acting for the Registered Owners of Bonds shall, to the extent there are no other available funds held under the Ordinance, use the remaining funds in the Construction Fund to pay principal of or interest on the Bonds in the event of a payment default, but only to the extent that proceeds of a series of Bonds were used to make a deposit into the Construction Fund and such proceeds remain unspent therein.

If the Bonds are insured by a Credit Facility, and the Credit Facility Issuer is not then in default in its payment obligations under such Credit Facility, except the giving of notice of default to Bondholders, the Credit Facility Issuer shall be deemed to be the sole Registered Owner of all Bonds it has insured for the purposes of this subsection 17(K).

The Credit Facility Issuer shall be included as a party in interest and as a party entitled to (i) notify the Issuer, any trustee acting for the Registered Owners of Bonds, or any applicable receiver of the occurrence of an event of default, and (ii) request such trustee or receiver to intervene in judicial proceedings that affect the Bonds or the security therefor. Such trustee or receiver shall be required to accept notice of default from the Credit Facility Issuer.

(L) PAYMENT OF TAXES, ASSESSMENTS AND OTHER CLAIMS. The Issuer shall from time to time duly pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges, or payments in lieu thereof, lawfully imposed upon the properties constituting the System or the Revenues when the same shall become due, as well as all lawful claims for labor and materials and supplies which, if not paid, might become a lien or charge upon such properties, or any part thereof, or which might in any way impair the security of the Registered Owners of the Bonds, except assessments, charges, or claims which the Issuer shall in good faith contest by proper legal proceedings.

(M) NO COMPETING SYSTEM. To the full extent permitted by law, the Issuer will not grant, or cause, consent to, or allow the granting of, any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever, for the furnishing of utility services which the Issuer determines will materially adversely affect the Revenues of the System.

(N) ISSUANCE OF OTHER OBLIGATIONS. The Issuer will not issue any other obligations payable from the Net Revenues (together with any Qualified Derivative Receipts), nor voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien of the Registered Owners of the Bonds upon the Net Revenues (together with any Qualified Derivative Receipts) except under the conditions and in the manner provided herein. Any obligations issued by the Issuer other than the 2003 Bonds herein authorized provided for in subsection O below, payable from such Net Revenues (together with any Qualified Derivative Receipts), shall contain an express statement that such obligations are junior and subordinate in all respects to the 2003 Bonds herein authorized and Additional Parity Obligations theretofore issued which are still Outstanding, as to lien on and source

and security for payment from such Net Revenues (together with any Qualified Derivative Receipts).

(O) ISSUANCE OF ADDITIONAL PARITY OBLIGATIONS. No Additional Parity Obligations, payable on a parity from the Net Revenues (together with any Qualified Derivative Receipts) with the 2003 Bonds herein authorized, shall be issued after the issuance of any 2003 Bonds herein authorized, except upon the conditions and in the manner hereinafter provided:

(1) The Finance Director of the Issuer shall certify at the time of the issuance of the Additional Parity Obligations that the Issuer is not in default of any of the provisions, covenants and agreements hereof.

(2) The Finance Director of the Issuer shall certify at the time of the issuance of the Additional Parity Obligations that the ratio of 1/2 of the Adjusted Net Revenues during the two Fiscal Years next preceding the Fiscal Year in which the Additional Parity Obligations are to be issued to the Maximum Bond Service Requirement on all Outstanding Bonds plus the Additional Parity Obligations proposed to be issued together with any Policy Costs shall not be less than 120%, during any Fiscal Year in which Additional Parity Obligations proposed to be issued will be outstanding. If any changes have been made and are in effect at the time of the issuance of the Additional Parity Obligations in the rates and charges for the services, facilities and commodities of the System which were not in effect during all or any part of the two Fiscal Years next preceding the Fiscal Year in which the Additional Parity Obligations are to be issued, the Adjusted Net Revenues for such two Fiscal Years shall be further adjusted by the Finance Director of the Issuer to reflect any changes which would have occurred in the Adjusted Net Revenues if the changes in the rates and charges had been in effect during all of such two Fiscal Years. If any improvements have been made to the System which were not in service during all or any part of the two Fiscal Years next preceding the Fiscal Year in which the Additional Parity Obligations are to be issued, the Adjusted Net Revenues shall be further adjusted by the Finance Director of the Issuer to reflect any changes in the Adjusted Net Revenues as if such improvements had been in service during all of such two Fiscal Years. If the Issuer has acquired by purchase, annexation, condemnation or otherwise facilities which have become a part of the System during all or any part of the two Fiscal Years next preceding the Fiscal Year in which the Additional Parity Obligations are to be issued, the Adjusted Net Revenues shall be further adjusted by the Finance Director of the Issuer to reflect any changes in the Adjusted Net Revenues as if such facilities had been a part of the System during all of such two Fiscal Years. If the purpose for which the Additional Parity Obligations are to be issued is to acquire by purchase, annexation, condemnation or otherwise facilities which will become a part of the System and/or to expand service to such facilities and customers, the Adjusted Net Revenues shall be further adjusted by the Finance Director of the Issuer to reflect any changes in the Adjusted Net Revenues as if such facilities had been a part of the System during all of the two Fiscal Years next preceding the Fiscal Year in which the Additional Parity Obligations are to be issued. If the purpose for which the Additional Parity Obligations are to be issued is to acquire or construct additions, extensions or improvements to the System for the provision of the services, facilities and commodities thereof to a person for the furnishing by such person of such services, facilities and commodities to its inhabitants, pursuant to an agreement between the Issuer and such person, the Adjusted Net Revenues for the two Fiscal Years next preceding the Fiscal Year in which the Additional Parity Obligations are to be issued

shall be further adjusted by the Finance Director of the Issuer by adding the average of the amount of the increase in the Adjusted Net Revenues estimated to be derived pursuant to such agreement during each of the three Fiscal Years next succeeding the date upon which the additions, improvements and extensions are anticipated to be ready for use. Any certificate of the Finance Director of the Issuer shall be conclusive and shall be the only evidence to show compliance with the provisions and requirements hereof.

If Additional Security has or will be pledged on the date Additional Parity Obligations are issued, the ratio of Adjusted Net Revenues, as may be adjusted by provisions of the preceding paragraphs, to the Maximum Bond Service Requirement on all Outstanding Bonds including the proposed Additional Parity Obligations together with any Policy Costs is not less than 110% and the ratio of Adjusted Net Revenues, as may be adjusted by provisions of the preceding paragraphs, plus the proceeds of Additional Security to the Maximum Bond Service Requirement on all Outstanding Bonds including the proposed Additional Parity Obligations together with any Policy Costs is not less than 125%. The foregoing shall be certified to by the Finance Director.

If the purpose of the Additional Parity Obligations are to refund all or a portion of the Outstanding Bonds, such Additional Parity Obligations may be issued upon enactment of an ordinance by the Issuer authorizing such refunding and certification by the Finance Director that the refunding bonds bear a lower net average interest cost rate than the bonds to be refunded.

Notwithstanding anything herein to the contrary, no Additional Parity Obligations may be issued hereunder if any Policy Costs are due and owing.

9 **SECTION 18. CONSTRUCTION FUND.** The "City of Key West, Florida, Sewer System Construction Fund" (hereinafter called the "Construction Fund") is hereby created. Such Construction Fund shall constitute a trust fund for the purposes herein provided, and shall be kept separate and distinct from all other funds of the Issuer and used only for the purposes and in the manner herein provided. From time to time, there shall be paid into the Construction Fund sufficient funds to pay that portion of the cost of the Projects to be funded hereunder. There is hereby created a lien upon such funds in favor of the Bondholders until applied as herein provided, but only to the extent that proceeds of a Series of Bonds were used to make a deposit into the Construction Fund and such proceeds remain unspent therein. Any funds on deposit in the Construction Fund that, in the opinion of the Issuer, are not immediately necessary for expenditure, as hereinabove provided, shall be held and may be invested, in the manner provided by law, in Investment Securities. Earnings on such Investment Securities shall be deposited in the Construction Fund unless the Director of the Utilities Department certifies that such earnings are not required to complete the Projects, in which event they shall be used first to cure any deficiencies in the Reserve Account, and then all such remaining earnings shall be, in the Issuer's discretion, either used for Projects as specified by the Issuer or deposited into the Debt Service Fund and utilized for purposes thereof. Any liquidated damages or settlement payments received by the Issuer as a result of the breach by any contractor, subcontractor or supplier working or supplying goods for the Projects, of any representation, warranty or performance guaranty, and all insurance and condemnation proceeds received with respect to damages to or the taking of the Projects during construction shall be deposited into the Construction Fund to insure completion of the Projects.

If applicable, the Issuer covenants to commence the acquisition, construction and equipping of the Projects promptly upon the delivery of the Bonds and to thereafter work with due diligence to complete the Projects. The Issuer may, however, abandon any portion of the Projects if it first obtains the written opinion of the Qualified Independent Consultant that such abandonment (and the use of the remaining proceeds set aside for the acquisition, construction, and equipping of such portion of the Projects to redeem Bonds according to the following paragraph) will have a more favorable effect on the Issuer's ability to meet its rate covenant set forth in Section 17(E) hereof and other obligations hereunder than if such portion were completed. To the extent the cost of the Projects is to be paid in part from revenues of the Issuer, such funds shall be transferred to and deposited into the Construction Fund and used in accordance with the provisions of this Section. If funds for the Projects are to come from other sources (for example, from self funding or state or federal grants or loans), the Issuer shall take all legally available actions to ensure the receipt of such funds and shall cause such funds to be deposited into the Construction Fund or otherwise set aside in a separate fund or account and used for the purposes herein provided.

Upon completion of the Projects, or upon abandonment of a portion thereof pursuant to the foregoing, any amounts allocated to such portion then remaining in the Construction Fund and not reserved by the Issuer for the payment of any remaining part of the cost of construction, acquisition, and equipping of the Projects, shall be transferred to the Debt Service Account and used to pay the principal and/or interest of Bonds, Qualified Derivative Payments, or to purchase or redeem Bonds, and the Construction Fund shall be closed.

SECTION 19. COST OF PROJECTS. The cost of the Projects, in addition to the items set forth in the plans and specifications for the Projects, may include, but need not be limited to, the repayment of any advances made by the Issuer for the purposes of the Projects, the acquisition of any lands or interest therein or any other properties deemed necessary or convenient therefor; engineering expenses, legal and financing expenses, including fees and expenses relating to the issuance of the Bonds and the issuance of any municipal bond insurance, liquidity provisions or other forms of credit enhancement; expenses for estimates of costs and of revenues; expenses for plans, specifications and surveys; fees of fiscal agents, financial advisors, engineers or consultants; administrative expenses relating solely to the construction and acquisition of the Projects; the capitalization of interest for a reasonable period after the issuance of the obligations; the creation and establishment of reasonable reserves for debt service; the discount on the sale of the obligations, if applicable; and such other costs and expenses as may be necessary or incidental to the financing herein authorized and the construction, acquisition and engineering of the Projects and the placing of the same in operation.

SECTION 20. QUALIFIED DERIVATIVE AGREEMENTS. The Issuer may enter into one or more Qualified Derivative Agreements with respect to one or more series of Bonds (or portions thereof); provided, however, that if such Qualified Derivative Agreement is not entered into at the time of initial issuance of the series of Bonds to which it relates, the requirements of Section 17(O) above must be met, applying the same as if \$1.00 in principal amount of Additional Parity Obligations is being issued as of the effective date of such Qualified Derivative Agreement. Qualified Derivative Payments payable by the Issuer under any such agreement shall be payable from the Qualified Derivative Obligations Account on a parity with principal, interest and Amortization Installment payments with respect to Bonds issued and Outstanding hereunder.

SECTION 21. AMENDING AND SUPPLEMENTING OF ORDINANCE WITHOUT CONSENT OF REGISTERED OWNERS OF BONDS. The Issuer, from time to time and at any time and without the consent or concurrence of any Registered Owner of any Bond, may enact an ordinance amendatory hereof or supplemental hereto, if the provisions of such supplemental ordinance shall not adversely affect the rights of the Registered Owners of the Bonds then Outstanding, for any one or more of the following purposes:

(A) To make any changes or corrections in this Ordinance as to which the Issuer shall have been advised by counsel that are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or omission or mistake or manifest error contained in this Ordinance, or to insert in this Ordinance such provisions clarifying matters or questions arising under this Ordinance as are necessary or desirable;

(B) To add additional covenants and agreements of the Issuer for the purpose of further securing the payment of the Bonds and the counterparty to any Qualified Derivative Agreement;

(C) To surrender any right, power or privilege reserved to or conferred upon the Issuer by the terms of this Ordinance;

(D) To confirm as further assurance any lien, pledge or charge, or the subjection to any lien, pledge or charge, created or to be created by the provisions of this Ordinance including the pledging of Additional Security and all matters reasonably pertaining thereto;

(E) To grant to or confer any additional right, remedies, powers, authority or security that lawfully may be granted to or conferred upon them;

(F) To assure compliance with Federal "arbitrage" provisions in effect from time to time;

(G) To provide such changes which, in the opinion of the Issuer, based upon such certificates and opinions of the independent certified public accountants, Bond Counsel, Insurance Consultants, Qualified Independent Consultants, financial advisors or other appropriate advisors as the Issuer may deem necessary or appropriate, will not materially adversely affect the security of the Registered Owners, including but not limited to such changes as may be necessary in order to adjust the terms hereof so as to facilitate the issuance of Variable Rate Bonds, Capital Appreciation Bonds, Capital Appreciation and Income Bonds, or to facilitate the execution of a Qualified Derivative Agreement or the issuance of other types of obligations, including but not limited to bonds, notes, certificates, warrants or other evidences of indebtedness;

(H) To bring all or a portion of the System into compliance with applicable state or federal laws; and

(I) To modify any of the provisions of this Ordinance in any other respects provided that such modification shall not be effective until after the Bonds Outstanding at the time such supplemental ordinance is enacted shall cease to be Outstanding, or until the holders thereof consent thereto pursuant to Section 22 hereof, and any Bonds issued subsequent to any such modification shall contain a specific reference to the modifications contained in such supplemental ordinance.

(J) To authorize the issuance of Additional Parity Obligations and to enter into a Qualified Derivative Agreement, each consistent with the provisions of this Ordinance.

Any amendment or supplement to the Ordinance shall be subject to the prior written consent of all Credit Facility Issuers. Any rating agency rating the Bonds must receive notice of each amendment and a copy thereof at least 15 days in advance of its enactment. All Credit Facility Issuers shall be provided with a full transcript of all proceedings relating to the enactment of any such amendment or supplement.

SECTION 22. AMENDMENT OF ORDINANCE WITH CONSENT OF REGISTERED OWNER OF BONDS. Except as provided in Section 21 hereof, no material modification or amendment of this Ordinance or of any resolution or ordinance amendatory hereof or supplemental hereto may be made without the consent in writing of the Registered Owners of fifty-one percent or more in the principal amount of the Bonds of each series so affected and then outstanding and any counterparty to a Qualified Derivative Agreement; 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 reduce the percentage of the Registered Owners of the Bonds required to consent to any material modification or amendment hereof without the consent of the Registered Owner or Registered Owners of all such obligations. For purposes of this Section, to the extent any Bonds are secured by a Credit Facility and such Bonds are then rated in one of the two highest rating categories (without regard to gradation) by either Standard & Poor's Corporation or Moody's Investors Service, Inc., or successors and assigns, then the consent of the Credit Facility Issuer shall be deemed to constitute the consent of the Registered Owner of such Bonds and in such case no consent of the Registered Owners of such Bonds shall be required; provided, however, a copy of such amendment shall be provided to such rating agencies not less than thirty (30) days prior to the effective date thereof.

Any amendment or supplement to the Ordinance shall be subject to the prior written consent of all Credit Facility Issuers. Any rating agency rating the Bonds must receive notice of each amendment and a copy thereof at least 15 days in advance of its enactment. All Credit Facility Issuers shall be provided with a full transcript of all proceedings relating to the enactment of any such amendment or supplement.

SECTION 23. DEFEASANCE. If, at any time, the Issuer shall have paid, or shall have made provision for the payment of, the principal, interest and redemption premiums, if any, with respect to the Bonds, and all Qualified Derivative Payments, then, and in that event, the pledge of and lien on the Net Revenues in favor of the Registered Owners of the Bonds shall be no longer in effect. For purposes of the preceding sentence, deposit of sufficient cash and/or principal and interest of Defeasance Obligations, in irrevocable trust with a banking institution or trust company, for the sole benefit of the Registered Owners, to make timely payment of the principal, interest, and redemption premiums, if any, on the outstanding Bonds, shall be considered "provision for payment." Nothing herein shall be deemed to require the Issuer 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 Issuer in determining whether to exercise any such option for early redemption.

As to Variable Rate Bonds, the amount required for the interest thereon shall be calculated at the maximum rate permitted by the terms of the provisions which authorized the issuance of such Variable Rate Bonds. All references to the discharge and satisfaction of Bonds shall include the discharge and satisfaction of any issue of Bonds, any portion of an issue of Bonds, any maturity or maturities of an issue of Bonds, any portion of a maturity of an issue of Bonds or any combination thereof.

This Ordinance shall not be discharged until all Policy Costs shall have been paid in full.

SECTION 24. FEDERAL INCOME TAX COVENANTS; TAXABLE BONDS.

(A) It is the intention of the Issuer and all parties under its control that the interest on the Bonds issued hereunder that are not Taxable Bonds be and remain excluded from gross income for federal income tax purposes and to this end the Issuer hereby represents to and covenants with each of the holders of the Bonds issued hereunder that are not Taxable Bonds that it will comply with the requirements applicable to it contained in Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Internal Revenue Code of 1986, as amended (the "Code") to the extent necessary to preserve the exclusion of interest on the Bonds issued hereunder that are not Taxable Bonds from gross income for federal income tax purposes. Specifically, without intending to limit in any the generality of the foregoing, the Issuer covenants and agrees:

- (1) to make or cause to be made all necessary determinations and calculations of the Rebate Amount and required payments of the Rebate Amount;
- (2) subject to first satisfying the requirements of Section 17(B) hereof, to set aside sufficient moneys in the Rebate Account or elsewhere, from the Net Revenues (together with any Qualified Derivative Receipts) or other legally available funds of the Issuer, to timely pay the Rebate Amount to the United States of America;
- (3) to pay the Rebate Amount to the United States of America from the Net Revenues (together with any Qualified Derivative Receipts) or from any other legally available funds, at the times and to the extent required pursuant to Section 148(f) of the Code;
- (4) to maintain and retain all records pertaining to the Rebate Amount with respect to the Bonds issued hereunder that are not Taxable Bonds and required payments of the Rebate Amount with respect to the Bonds that are not Taxable Bonds for at least six years after the final maturity of the Bonds that are not Taxable Bonds or such other period as shall be necessary to comply with the Code;
- (5) to refrain from taking any action that would cause any Bonds issued hereunder that are not Taxable Bonds and are not issued with the intent that such Bonds shall be private activity bonds (within the meaning of Section 141(a) of the Code), to be classified as private activity bonds under Section 141(a) of the Code; and
- (6) to refrain from taking any action that would cause the Bonds issued hereunder that are not Taxable Bonds to become arbitrage bonds under Section 148 of the Code.

The Issuer understands that the foregoing covenants impose continuing obligations on the Issuer that will exist as long as the requirements of Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Code are applicable to the Bonds.

Notwithstanding any other provision of this Ordinance, including, in particular Section 23 hereof, the obligation of the Issuer to pay the Rebate Amount to the United States of America and to comply with the other requirements of this Section shall survive the defeasance or payment in full of the Bonds that are not Taxable Bonds.

(B) Rebate Account. The Issuer shall deposit into the Rebate Account, from investment earnings on moneys deposited in the other funds and accounts created hereunder, or from any other legally available funds of the Issuer, an amount equal to the Rebate Amount for such Rebate Year. The Issuer shall use such moneys deposited in the Rebate Account only for the payment of the Rebate Amount to the United States as required by this Section. In complying with the foregoing, the Issuer may rely upon any instructions or opinions from Bond Counsel.

If any amount shall remain in the Rebate Account after payment in full of all Bonds issued hereunder that are not Taxable Bonds and after payment in full of the Rebate Amount to the United States in accordance with the terms hereof, such amounts shall be available to the Issuer for any lawful System purpose.

The Rebate Account shall be held separate and apart from all other funds and accounts of the Issuer, shall not be impressed with a lien in favor of the Bondholders and the moneys therein shall be available for use only as herein provided.

(C) The Issuer may, if it so elects, issue one or more series of Taxable Bonds the interest on which is (or may be) includable in the gross income of the Registered Owner thereof for federal income tax purposes, so long as each Bond of such series states in the body thereof that interest payable thereon is (or may be) subject to federal income taxation and provided that the issuance thereof will not cause the interest on any other Bonds theretofore issued hereunder to be or become includable in the gross income of the Registered Owner thereof for federal income tax purposes. The covenants set forth in paragraphs (A) and (B) above shall not apply to any Taxable Bonds.

SECTION 25. SUPPLEMENTAL RESOLUTIONS. Any supplemental resolutions of the City Commission of the Issuer which, among other things, fix the remaining fiscal details of the Bonds shall, to the extent necessary, contain such other provisions as may be desirable to facilitate interpretation of the provisions of this Ordinance.

SECTION 26. SEVERABILITY. If any one or more of the covenants, agreements or provisions of this Ordinance should be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separate from the remaining covenants, agreements or provisions of this Ordinance or of the Bonds issued thereunder.

[Remainder of page intentionally left blank]

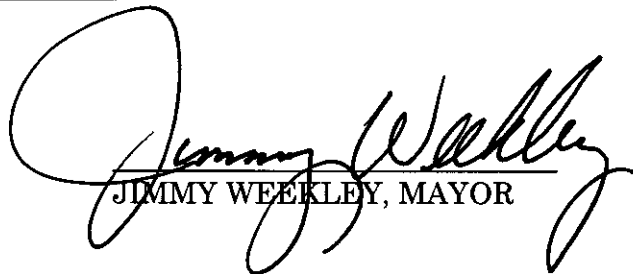
SECTION 27. EFFECTIVE DATE. This Ordinance shall become effective immediately upon the occurrence of the following two conditions: (i) its enactment, and (ii) at such time as the Refunded Bonds are no longer "Outstanding" under Amended Ordinance No. 92-46 enacted by the City Commission of the Issuer on September 10, 1992, as amended and supplemented from time to time.

Read and passed on first reading at a regular meeting held this 3 day of June, 2003.


Read and passed on final reading at a regular meeting held this 17 day of June, 2003.

Authenticated by the presiding officer and Clerk of the Commission on 19 day of June, 2003.

Filed with the Clerk June 19, 2003.


JIMMY WEEKLEY, MAYOR

ATTEST:


CHERYL SMITH, CITY CLERK



To: Julio Avel, City Manager

From: Roger D. Wittenberg, Finance Director

Date: 5/27/2003

Re: Sewer Bond refunding issue

The City of Key West, Florida (the "City") has previously issued its Sewer System Refunding Revenue Bonds, Series 1993 (the "1993 Bonds") pursuant to Ordinance No. 92-46, as amended (the "Original Ordinance"). The 1993 Bonds are currently outstanding in the principal amount of \$28,795,000. The proposed ordinance would amend and restate the Original Ordinance and would provide for the refunding of the 1993 Bonds through the issuance of the City's not exceeding \$33,000,000 Sewer System Refunding Revenue Bonds, Series 2003 (the "2003 Bonds"). Such refunding program would be advantageous to the City by reducing debt service payments owed by the City and by revising certain terms and covenants previously made for the benefit of the holders of the Refunded Bonds, to the advantage of the City. The City's Financial Advisor estimated that, as of May 23, 2003, the present value savings from the refunding equals 13.5% (approximately \$3,887,767). The actual present value savings to the City will change based on market conditions at the time the 2003 Bonds are actually sold.

The Ordinance authorizes the City to issue the 2003 Bonds and to deposit a portion of the proceeds of such 2003 Bonds with an escrow agent to be used for payment of the 1993 Bonds. The proceeds of the 2003 Bonds would also be used for certain costs of issuance of the 2003 Bonds. The revenues pledged for the 2003 Bonds consist of the net revenues of the Sewer System and are not pledged or encumbered in any manner except for the payment of the principal of and interest on the 1993 Bonds and certain subordinated debt. The estimated Net Revenues will be sufficient to pay all principal of and interest on the 2003 Bonds, as the same become due, and to make all required payments required by the Ordinance and to pay principal and interest on all subordinated debt. Payment of principal and interest on the 2003 Bonds would be insured by Financial Guaranty Insurance Company, giving the 2003 Bonds the highest investment grade rating.

The City will never be required to levy ad valorem taxes on any real property therein to pay the principal of and interest on the 2003 Bonds or to make any other payments specified in the Resolution.



City of Key West, Florida

Sewer System Refunding Revenue Bonds, Series 2003

Post-Financing Summary



July 23, 2003

Table of Contents

	Tab
Closing Memorandum	1
Transaction Summary	2
Official Statement and Preliminary Official Statement Covers	3
Pricing Wires	4
Market Commentary	5
Marketing Materials	6
Credit Rating Reports	7
Final Cashflows	8
Working Group List	9

TAB 1

Closing Memorandum



TO: City of Key West, Florida – Working Group

FROM: Citigroup

DATE: July 23, 2003

City of Key West, Florida

\$29,315,000 Sewer System Refunding Revenue Bonds, Series 2003

(the “Series 2003 Bonds”)

Closing Memorandum

Closing will occur by the DTC FAST system and must occur no later than 12 noon Eastern time on July 23, 2003. The pre-closing will take place on July 22, 2003 beginning at approximately 3:00 p.m. at the City Hall Annex building located at 604 Simonton Street. Please call Doug Draper at (813) 223-5011 if you have any comments or changes to these procedures.

SUMMARY OF WIRES

DAY OF CLOSING:		
Individual Responsible for Wires	Amount to be Wired / Deposited	Wire Instructions
Roger Wittenberg City of Key West Phone: 305-292-8222	\$1,042,956.67 ¹	Bank: SunTrust Bank, N.A. ABA#: 061-000-104 A/C #: 9088000265 Attn: Trust Orlando Re: 56021376900210 N/O Key West Swr Esc Notify: Holly Jeske SD 280-7009 Contact: Holly Jeske 305-579-7009
Mary Jo Murphy or Jim Quinn Citigroup Phone: 212-723-7095	\$144,587.46	Bank: Bank of America /k/a NCNB Tampa ABA#: 063-100-277 Acct. Name: State Board of Administration Acct. No: 201011 Reference: City of Key West Contact: Roger Wittenberg 305-292-8222
Mary Jo Murphy or Jim Quinn Citigroup Phone: 212-723-7095	\$202,602.04	Bank: Bankers Trust ABA#: 021-001-033 Acct. No.: 50-256-127 Policy Nos.: 03010814 – NI 03010815 – Surety For: Credit to FGIC Contact: Joan Shichtman (212) 312-3431
Mary Jo Murphy or Jim Quinn Citigroup Phone: 212-723-7095	\$29,074,490.89 ¹	Bank: SunTrust Bank, N.A. ABA#: 061-000-104 A/C #: 9088000265 Attn: Trust Orlando Re: 56021376900210 N/O Key West Swr Esc Notify: Holly Jeske SD 280-7009 Contact: Holly Jeske 305-579-7009

¹ **Note:** SunTrust Bank, acting as Escrow Agent, is to hold in escrow all funds wired from Citigroup and the City in a central account until such time as Citigroup verbally instructs their release to be further wired or credited to any other accounts.

CLOSING – July 23, 2003

Below is described the flow of funds which is to occur for the Closing of the above referenced bond issue, scheduled for Wednesday, July 23, 2003 beginning at 9:00 a.m.

I. PURCHASE PRICE AND BOND TRANSFER

A. Determination of Purchase Price At Settlement

The purchase price for the financing is **\$29,421,680.39**, which represents the principal amount of the Series 2003 Bonds plus net original issue premium less underwriter's discount.

The amount is determined as follows:

Par Amount of Bonds	\$29,315,000.00
Plus: Net Original Issue Premium	297,037.80
Less: Underwriters' Discount	(190,357.41)
Purchase Price	<u><u>\$29,421,680.39</u></u>

The Series 2003 Bonds are to be held in registered form in the name of Cede & Co. as bondholder and nominee of The Depository Trust Company ("DTC"), New York, New York. They are dated July 23, 2003 and will be delivered on July 23, 2003. Specific information (maturity, par amount, coupon, CUSIP) for the Series 2003 Bonds are as follows:

Maturity (October 1)	Par Amount	Coupon	CUSIP
2004	\$ 885,000	2.000%	493224EG0
2005	895,000	2.000%	493224EH8
2006	915,000	2.000%	493224EJ4
2007	935,000	2.000%	493224EK1
2008	950,000	2.250%	493224EL9
2009	975,000	2.600%	493224EM7
2010	1,000,000	2.875%	493224EN5
2011	1,030,000	3.100%	493224EP0
2012	1,060,000	3.250%	493224EQ8
2013	1,095,000	3.400%	493224ER6
2014	1,130,000	3.500%	493224ES4
2015	1,175,000	5.250%	493224ET2
2016	1,235,000	5.250%	493224EU9
2017	1,295,000	5.250%	493224EV7
2018	1,365,000	5.250%	493224EW5
2023	7,835,000	4.250%	493224EX3
2026	5,540,000	4.375%	493224EY1
	<u><u>\$29,315,000</u></u>		

II. USES OF FUNDS - SERIES 2003 BONDS

Summary of Deposits and Disbursements of Series 2003 Bond Proceeds

The Series 2003 Bonds purchase price at settlement, **\$29,421,680.39** plus debt service fund monies of **\$1,042,956.67** made available by the City of Key West (the "City") equals the total available funds at settlement, **\$30,464,637.06**, and will be used as detailed below:

	Uses of Funds
For Credit to Cost of Issuance Fund Account	144,587.46
Deposit to the Escrow Fund ⁽¹⁾	30,117,447.56
Insurance and Surety Premium (FGIC)	202,602.04
Total Uses of Funds	<u>\$ 30,464,637.06</u>

⁽¹⁾ Includes a \$0.56 cash deposit.

A. Wire to Financial Guaranty Insurance Company ("FGIC")

Citigroup will wire Federal Funds in the amount of **\$202,602.04** to FGIC for payment of the insurance and surety premium on the Series 2003 Bonds.

Wire Instructions for FGIC are as follows:

Bank: Bankers Trust
ABA#: 021-001-033
Acct. No.: 50-256-127
Policy Nos.: 03010814 - NI 03010815 - Surety
For: Credit to FGIC
Contact: Joan Shichtman (212) 312-3431

The contact at Citigroup is Mary Jo Murphy or Jim Quinn at (212) 723-7095.

B. Wire to the City

Citigroup will wire to the City **\$144,587.46** for the costs of issuance as detailed below.

Costs of Issuance:

Description	Fees Payable
Bond Counsel Fee	\$41,041.00
Bond Counsel Expenses	5,000.00
Financial Advisory Fee	29,486.25
Financial Advisor Expenses	3,000.00
S&P Rating Fee	16,000.00
Fitch Rating Fee	14,000.00
Moodys Rating Fee	14,150.00
Registrar and Paying Agent	500.00
Escrow Agent	750.00
Printer	8,000.00
Verification Agent	1,000.00
Miscellaneous	11,660.21
Total:	<u>\$144,587.46</u>

Wire Instructions for the City are as follows:

Bank: Bank of America f/k/a NCNB Tampa
ABA#: 063-100-277
Acct. Name: State Board of Administration
Acct. No: 201011
Reference: City of Key West
Contact: Roger Wittenberg 305-292-8222

The contact at Citigroup is Mary Jo Murphy or Jim Quinn at (212) 723-7095.

Invoices for Costs of Issuance should be sent to:

City of Key West, Florida
P.O. Box 1409
Key West, FL 33041-1409
Attn: Roger Wittenberg - Director, Finance Department

C. Wire from Citigroup to the Escrow Agent¹

On Wednesday, July 23, 2003, Citigroup will wire Federal Funds in the amount of **\$29,074,490.89*** for purchase of the Escrow Securities as detailed below:

Bank: SunTrust Bank, N.A.
ABA#: 061-000-104
A/C #: 9088000265
Attn: Trust Orlando
Re: 56021376900210 N/O Key West Swr Esc
Notify: Holly Jeske SD 280-7009
Contact: Holly Jeske 305-579-7009

* A cash deposit of \$0.56 will be held as an uninvested cash balance.

Wire from the City to the Escrow Agent ("City Contribution")¹

On Wednesday, July 23, 2003, the City will wire **\$1,042,956.67** (representing monies from the Debt Service Fund of the Series 1993 Bonds) for purchase of the Escrow Securities as detailed below:

Bank: SunTrust Bank, N.A.
ABA#: 061-000-104
A/C #: 9088000265
Attn: Trust Orlando
Re: 56021376900210 N/O Key West Swr Esc
Notify: Holly Jeske SD 280-7009
Contact: Holly Jeske 305-579-7009

The contact at the City is Roger Wittenberg at (305) 292-8222.

¹ **Note:** SunTrust Bank, acting as Escrow Agent, is to hold in escrow all funds wired from Citigroup and the City in a central account until such time as Citigroup verbally instructs their release to be further wired or credited to any other accounts.

D. Purchase of Escrow Securities

On Wednesday, July 23, 2003, upon the confirmation of the above wire transfers, release of the FGIC insurance and surety policies and execution and delivery of all closing documents and legal opinions, SunTrust, acting as Escrow Agent, will use the following proceeds:

Bond Proceeds	\$29,074,490.89
City Contribution	<u>1,042,956.67</u>
Available Proceeds	<u><u>\$30,117,447.56</u></u>

to purchase State and Local Government U.S. Treasury Securities (as detailed below).

Security	Type	Maturity Date	Coupon	Par Amount	Total Cost
SLG	Certificate	10/1/2003	0.86%	\$30,117,447	\$30,117,447

The remaining \$0.56 will be held in the Escrow Account as an uninvested cash balance.

E. Reconciliation of the Purchase Price

Total Purchase Price	\$29,421,680.39
Less: Underwriter Wires at Settlement:	
Wires to Escrow Agent	(\$29,074,490.89)
Wire to the City	(144,587.46)
Wire to FGIC	(202,602.04)
Balance	<u><u>(29,421,680.39)</u></u>
	<u><u>\$0.00</u></u>

Upon confirmation of the above wire transfers, release of the FGIC insurance and surety policies and execution and delivery of all closing documents and legal opinions, Bond Counsel and Citigroup shall contact SunTrust, as Registrar and Paying Agent, to release the Series 2003 Bonds to DTC for the account of the Underwriter. The financing will then be closed and the City should return the Good Faith Check in the amount of \$293,150 delivered pursuant the Bond Purchase Agreement. All monies wired from Citigroup and the City prior to the release of the Series 2003 Bonds shall be held in escrow and not re-distributed or applied, under any circumstances, prior to Citigroup's verbal authorization or the release of the Series 2003 Bonds.

TAB 2

Transaction Summary

Transaction Summary

CITY OF KEY WEST, FLORIDA Sewer System Refunding Revenue Bonds, Series 2003

SUMMARY OF TERMS

Dated Date:	July 23, 2003
Pricing Date:	June 8, 2003
Sale Date:	June 10, 2003
Settlement Date:	July 23, 2003
Purpose:	The Series 2003 Bonds are being issued to provide funds, together with other legally available funds of the City, to (i) accomplish the current refunding of the Refunded Bonds, and (ii) pay costs of issuance of the Series 2003 Bonds, including premiums for the Bond Insurance Policy and Reserve Surety.
Credit Rating:	Moody's "Aaa", S&P "AAA/A" Fitch "AAA/A"
Optional Redemption:	October 1, 2013 @ 100%
Restricted Rate:	4.123807%
TIC:	4.230405%

TAB 3

*Official Statement and
Preliminary Official Statement Covers*

\$29,315,000
CITY OF KEY WEST, FLORIDA
Sewer System Refunding Revenue Bonds,
Series 2003

Dated: Date of Delivery

Due: October 1, as shown on the inside cover page

The City of Key West, Florida (the "City") is issuing its Sewer System Refunding Revenue Bonds, Series 2003 (the "Series 2003 Bonds") in the form of fully registered bonds in denominations of \$5,000 or integral multiples thereof. Interest on the Series 2003 Bonds will be payable on April 1 and October 1 of each year (each, an "Interest Payment Date") until maturity or earlier redemption, commencing on October 1, 2003, to the Registered Owners of the Series 2003 Bonds shown on the registration books of the City held by SunTrust Bank, Miami, Florida, as Registrar and Paying Agent on the fifteenth day of the month immediately preceding an Interest Payment Date (the "Record Date") by check or draft mailed to such Registered Owners; provided, however, that in the case of a Registered Owner of \$1,000,000 or more in aggregate principal amount of Series 2003 Bonds, upon written request of such Registered Owner to the Registrar 10 days prior to the Record Date for such Interest Payment Date, such interest shall be paid on such Interest Payment Date in immediately available funds by wire transfer, at the expense of such Registered Owner. The principal of and redemption premium, if any, on the Series 2003 Bonds will be payable upon presentation and surrender of the Series 2003 Bonds at the principal corporate trust office of the Registrar and Paying Agent in Miami, Florida. Upon initial issuance, the Series 2003 Bonds will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company ("DTC"), an automated depository for securities and clearinghouse for securities transactions. So long as DTC, or its nominee, is the Registered Owner of the Series 2003 Bonds, payment of the principal of and interest on the Series 2003 Bonds will be provided directly to DTC or its nominee, which is to remit such payments to the DTC Participants, which in turn are to remit such payments to Beneficial Owners of the Series 2003 Bonds. See "DESCRIPTION OF THE SERIES 2003 BONDS." The Series 2003 Bonds are subject to optional and mandatory sinking fund redemption prior to their stated maturities as described under "DESCRIPTION OF THE SERIES 2003 BONDS—Redemption Provisions." All capitalized terms used on this cover page and not otherwise defined have the meaning set forth in the Ordinance (defined below).

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.

The Series 2003 Bonds are being issued pursuant to the authority of Chapter 166, Part II, Florida Statutes, the municipal charter of the City, Amended Ordinance No. 92-46 enacted by the City on September 10, 1992, as amended and supplemented, as amended and restated in its entirety by Ordinance No. 03-15 enacted by the City on June 17, 2003, as supplemented by Resolution No. 03-220 adopted by the City on June 17, 2003 (collectively, the "Ordinance"), and other applicable law. The Series 2003 Bonds will provide funds, together with other legally available funds of the City, to (i) accomplish the current refunding of all of the City's \$33,400,000 Sewer System Refunding Revenue Bonds, Series 1993 currently outstanding in the principal amount of \$28,795,000, and (ii) pay costs of issuance of the Series 2003 Bonds, including premiums for a municipal bond insurance policy and a reserve account surety bond in an amount equal to the Reserve Account Requirement for the Series 2003 Bonds. See "PURPOSE OF THE SERIES 2003 BONDS" and "PLAN OF REFUNDING." Upon the issuance of the Series 2003 Bonds, there will be no other Bonds Outstanding under the Ordinance, although the City will have certain outstanding Subordinated Debt, as more fully described herein. The City may issue Additional Parity Obligations and additional Subordinated Debt under the terms, conditions and limitations set forth in the Ordinance and, with respect to Subordinated Debt, the additional terms, conditions and limitations set forth in certain other contractual arrangements of the City. See "SECURITY FOR THE BONDS—Additional Parity Obligations' and 'Subordinated Debt'."

Payment of the principal of and interest on the Series 2003 Bonds when due will be insured by a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2003 Bonds by Financial Guaranty Insurance Company. See "MUNICIPAL BOND INSURANCE."

FGIC Financial Guaranty Insurance
Company

FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

See the inside cover hereof for maturities, principal amounts, interest rates, prices or yields and initial CUSIP numbers.

The Series 2003 Bonds shall not be or constitute general obligations or indebtedness of the City as "bonds" within the meaning of the Constitution of Florida, but shall be payable solely from and secured by a lien upon and pledge of the Net Revenues as provided in the Ordinance and any Additional Security pledged pursuant to any resolution supplemental to the Ordinance or ordinance enacted in connection therewith. No Registered Owners or any Credit Facility Issuer 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 real property therein to pay such principal and interest from any other funds of the City, except from the Net Revenues and any Additional Security in the manner provided in the Ordinance. See "SECURITY FOR THE BONDS." The City has not pledged, and does not currently anticipate pledging, any Additional Security to the payment of the Series 2003 Bonds.

In the opinion of Bond Counsel, assuming continuing compliance by the City with various covenants in the Ordinance, under existing statutes, regulations, and judicial decisions, the interest on the Series 2003 Bonds will be excluded from gross income for federal income tax purposes of the holders thereof and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Series 2003 Bonds are, under existing laws and regulations, also exempt from intangible taxes imposed pursuant to Chapter 199, Florida Statutes. See "TAX MATTERS" herein for a description of alternative minimum tax treatment and certain other tax consequences to holders of the Series 2003 Bonds.

The Series 2003 Bonds are offered when, as and if issued by the City and accepted by the Underwriter, subject to the approval of legality by Bryant Miller & Olive P.A., Tampa, Florida, Bond Counsel. Certain legal matters will be passed upon for the City by Robert Tischenkel, Esq., City Attorney. Certain legal matters will be passed upon for the Underwriter by its counsel, Ruden, McClosky, Smith, Schuster & Russell, Fort Lauderdale, Florida. Public Financial Management, Inc., Orlando, Florida is serving as Financial Advisor to the City in connection with the issuance of the Series 2003 Bonds. It is expected that the Series 2003 Bonds will be available for delivery through The Depository Trust Company in New York, New York on or about July 23, 2003.

Citigroup

Dated: July 10, 2003

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES OR YIELDS
AND INITIAL CUSIP NUMBERS**

\$15,940,000 Serial Series 2003 Bonds

Maturity Date (October 1)	Principal Amount	Interest Rate	Price or Yield	Initial CUSIP No.
2004	\$885,000	2.000%	1.000%	493224EG0
2005	895,000	2.000	1.330	493224EH8
2006	915,000	2.000	1.630	493224EJ4
2007	935,000	2.000	2.020	493224EK1
2008	950,000	2.250	2.330	493224EL9
2009	975,000	2.600	2.630	493224EM7
2010	1,000,000	2.875	2.970	493224EN5
2011	1,030,000	3.100	3.200	493224EP0
2012	1,060,000	3.250	3.350	493224EQ8
2013	1,095,000	3.400	3.490	493224ER6
2014	1,130,000	3.500	3.650	493224ES4
2015	1,175,000	5.250	112.419	493224ET2
2016	1,235,000	5.250	111.166	493224EU9
2017	1,295,000	5.250	110.282	493224EV7
2018	1,365,000	5.250	109.580	493224EW5

\$7,835,000 4.250% Term Series 2003 Bonds Due October 1, 2023 Yield 4.400%
Initial CUSIP No. 493224EX3

\$5,540,000 4.375% Term Series 2003 Bonds Due October 1, 2026 Yield 4.470%
Initial CUSIP No. 493224EY1

NEW ISSUE-Full Book-Entry-Only

\$28,120,000*

CITY OF KEY WEST, FLORIDA
Sewer System Refunding Revenue Bonds,
Series 2003

Due: October 1, as shown on the inside cover page

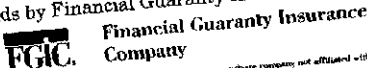
Dated: Date of Delivery

The City of Key West, Florida (the "City") is issuing its Sewer System Refunding Revenue Bonds, Series 2003 (the "Series 2003 Bonds") in the form of fully registered bonds in denominations of \$5,000 or integral multiples thereof. Interest on the Series 2003 Bonds will be payable on April 1 and October 1 of each year (each, an "Interest Payment Date") until maturity or earlier redemption, commencing on October 1, 2003, to the Registered Owners of the Series 2003 Bonds shown on the registration books of the City held by SunTrust Bank, Miami, Florida, as Registrar and Paying Agent on the fifteenth day of the month immediately preceding an Interest Payment Date (the "Record Date") by check or draft mailed to such Registered Owners; provided, however, that in the case of a Registered Owner of \$1,000,000 or more in aggregate principal amount of Series 2003 Bonds, upon written request of such Registered Owner to the Registrar 10 days prior to the Record Date for such Interest Payment Date, such interest shall be paid on such Interest Payment Date in immediately available funds by wire transfer, at the expense of such Registered Owner. The principal of and redemption premium, if any, on the Series 2003 Bonds will be payable upon presentation and surrender of the Series 2003 Bonds at the principal corporate trust office of the Registrar and Paying Agent in Miami, Florida. Upon initial issuance, the Series 2003 Bonds will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company ("DTC"), an automated depository for securities and clearinghouse for securities transactions. So long as DTC, or its nominee, is the Registered Owner of the Series 2003 Bonds, payment of the principal of and interest on the Series 2003 Bonds will be provided directly to DTC or its nominee, which is to remit such payments to the DTC Participants, which in turn are to remit such payments to Beneficial Owners of the Series 2003 Bonds. See "DESCRIPTION OF THE SERIES 2003 BONDS." The Series 2003 Bonds are subject to optional and mandatory sinking fund redemption prior to their stated maturities as described under "DESCRIPTION OF THE SERIES 2003 BONDS—Redemption Provisions." All capitalized terms used on this cover page and not otherwise defined have the meaning set forth in the Ordinance (defined below).

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.

The Series 2003 Bonds are being issued pursuant to the authority of Chapter 166, Part II, Florida Statutes, the municipal charter of the City, Amended Ordinance No. 92-46 enacted by the City on September 10, 1992, as amended and supplemented, as amended and restated in its entirety by Ordinance No. 03-15 enacted by the City on June 17, 2003, as supplemented by Resolution No. 03-220 adopted by the City on June 17, 2003 (collectively, the "Ordinance"), and other applicable law. The Series 2003 Bonds will provide funds, together with other legally available funds of the City, to (i) accomplish the current refunding of all of the City's \$33,400,000 Sewer System Refunding Revenue Bonds, Series 1993 currently outstanding in the principal amount of \$28,795,000, and (ii) pay costs of issuance of the Series 2003 Bonds, including premiums for a municipal bond insurance policy and a reserve account surety bond in an amount equal to the Reserve Account Requirement for the Series 2003 Bonds. See "PURPOSE OF THE SERIES 2003 BONDS" and "PLAN OF REFUNDING." Upon the issuance of the Series 2003 Bonds, there will be no other Bonds Outstanding under the Ordinance, although the City will have certain outstanding Subordinated Debt, as more fully described herein. The City may issue Additional Parity Obligations and additional Subordinated Debt under the terms, conditions and limitations set forth in the Ordinance and, with respect to Subordinated Debt, the additional terms, conditions and limitations set forth in certain other contractual arrangements of the City. See "SECURITY FOR THE BONDS—Additional Parity Obligations" and "Subordinated Debt."

Payment of the principal of and interest on the Series 2003 Bonds when due will be insured by a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2003 Bonds by Financial Guaranty Insurance Company. See "MUNICIPAL BOND INSURANCE."



See the inside cover hereof for maturities, principal amounts, interest rates, prices or yields and initial CUSIP numbers.

The Series 2003 Bonds shall not be or constitute general obligations or indebtedness of the City as "bonds" within the meaning of the Constitution of Florida, but shall be payable solely from and secured by a lien upon and pledge of the Net Revenues as provided in the Ordinance and any Additional Security pledged pursuant to any resolution supplemental to the Ordinance or ordinance enacted in connection therewith. No Registered Owners or any Credit Facility Issuer 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 real property therein to pay such principal and interest from any other funds of the City, except from the Net Revenues and any Additional Security in the manner provided in the Ordinance. See "SECURITY FOR THE BONDS." The City has not pledged, and does not currently anticipate pledging, any Additional Security to the payment of the Series 2003 Bonds.

In the opinion of Bond Counsel, assuming continuing compliance by the City with various covenants in the Ordinance, under existing statutes, regulations, and judicial decisions, the interest on the Series 2003 Bonds will be excluded from gross income for federal income tax purposes of the holders thereof and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Series 2003 Bonds are, under existing laws and regulations, also exempt from intangible taxes imposed pursuant to Chapter 199, Florida Statutes. See "TAX MATTERS" herein for a description of alternative minimum tax treatment and certain other tax consequences to holders of the Series 2003 Bonds.

The Series 2003 Bonds are offered when, as and if issued by the City and accepted by the Underwriter, subject to the approval of legality by Bryant Miller & Olive P.A. Tampa, Florida, Bond Counsel. Certain legal matters will be passed upon for the City by Robert Tischenkel, Esq., City Attorney. Certain legal matters will be passed upon for the Underwriter by its counsel, Ruden, McClosky, Smith, Schuster & Russell, Fort Lauderdale, Florida. Public Financial Management, Inc., Orlando, Florida is serving as Financial Advisor to the City in connection with the issuance of the Series 2003 Bonds. It is expected that the Series 2003 Bonds will be available for delivery through The Depository Trust Company in New York, New York on or about July __, 2003.

Citigroup

Dated: _____, 2003

*Preliminary, subject to change.

This Preliminary Official Statement and any information contained herein are subject to completion and amendment. The Series 2003 Bonds may not be sold and offers to buy may not be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances may this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2003 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES
PRICES OR YIELDS AND INITIAL CUSIP NUMBERS***

\$22,625,000* Serial Series 2003 Bonds

<u>Maturity Date</u>	<u>Principal Amount*</u>	<u>Interest Rate</u> %	<u>Price or Yield</u> %	<u>Initial CUSIP No.</u>
2004	\$ 835,000			
2005	850,000			
2006	865,000			
2007	885,000			
2008	895,000			
2009	915,000			
2010	935,000			
2011	965,000			
2012	990,000			
2013	1,020,000			
2014	1,070,000			
2015	1,125,000			
2016	1,180,000			
2017	1,240,000			
2018	1,300,000			
2019	1,370,000			
2020	1,435,000			
2021	1,510,000			
2022	1,580,000			
2023	1,660,000			

\$5,495,000* ___% Term Series 2003 Bonds Due October 1, 2026 to Yield ___% Initial CUSIP No. __

*Preliminary, subject to change.

TAB 4

Pricing Wires

Wires

Wire Details

Actions: Electronic Order Entry Go Print Close

Rec'd Date/Time (EST) Sender ST Wire Type/Title Master Message #
 07/09/03 09:30 AM Citigroup Global Mk FL PRELIMINARY PRICING WIRE 2105825

RE: \$29,205,000*
 CITY OF KEY WEST, FLORIDA
 Sewer System Refunding Revenue Bonds,
 Series 2003

 WE HAVE A RELEASE.

ORDER PERIOD UNITL 12:00EST TODAY, WEDNESDAY 7/9/03.

MOODY'S: NR S&P: AAA / A FITCH: AAA / A
 FGIC INSURED
 DATED: 07/23/2003 FIRST COUPON: 10/01/2003
 DUE: 10/01

MATURITY	AMOUNT*	COUPON	PRICE	CONCESSION (pts)	ADD'L TAKEDOWN (pts)
10/01/2004	870M	2.00 %	1.00 (Approx. \$ Price 101.178)	-	1/8
10/01/2005	885M	2.00 %	1.33 (Approx. \$ Price 101.439)	-	1/4
10/01/2006	905M	2.00 %	1.65 (Approx. \$ Price 101.081)	-	3/8
10/01/2007	925M	2.00 %	2.02 (Approx. \$ Price 99.918)	-	3/8
10/01/2008	935M	2.25 %	2.35 (Approx. \$ Price 99.512)	-	3/8
10/01/2009	960M	2.60 %	2.63 (Approx. \$ Price 99.827)	-	3/8
10/01/2010	985M	2.875 %	2.97 (Approx. \$ Price 99.386)	-	3/8
10/01/2011	1,015M	3.10 %	3.20 (Approx. \$ Price 99.281)	-	3/8
10/01/2012	1,045M	3.25 %	3.35 (Approx. \$ Price 99.211)	-	3/8
10/01/2013	1,080M	3.40 %	3.49 (Approx. \$ Price 99.23)	-	3/8
10/01/2014	1,115M	5.25 %	3.64 (Approx. \$ PTC 10/01/2013	-	1/2 113.598)
10/01/2015	1,175M	5.25 %	3.77 (Approx. \$ PTC 10/01/2013	-	1/2 112.419)
10/01/2016	1,235M	5.25 %	3.92 (Approx. \$ PTC 10/01/2013	-	1/2 111.077)

10/01/2017	1,300M	5.25 %	4.01	-	1/2
			(Approx. \$ PTC	10/01/2013	110.282)
10/01/2018	1,370M	5.25 %	4.10	-	1/2
			(Approx. \$ PTC	10/01/2013	109.493)
10/01/2023	7,850M	4.25 %	4.42	-	1/2
			(Approx. \$ Price	97.739)	
10/01/2026	5,555M	4.375 %	4.48	-	1/2
			(Approx. \$ Price	98.489)	

CALL FEATURES: Optional call in 10/01/2013 @ 100.00

* - APPROXIMATE SUBJECT TO CHANGE

--

--

Order period until 12:00 Noon, E.D.T., today, Wednesday, 07/09/03.
Please enter orders using Electronic Order Entry.

The manager reserves the right to terminate or extend the order period prior to or later than the above mentioned time and date and to confirm bonds at their discretion.

The compliance addendum MSRB Rule G-11 will apply.

The award is expected on Thursday, July 10, 2003.

Delivery is expected on July 23, 2003.

This issue is book entry through DTC.

Citigroup Global Markets Inc.

By: Citigroup Global Markets Inc. Tampa, FL

Close

Â© 1981-2003 i-Deal LLC, All rights reserved, Trademarks

Wires

Wire Details

Actions: [View Deal](#) [Inbox](#) [Go](#)

[Print](#) [Close](#)

Rec'd Date/Time (EST)	Sender	ST	Wire Type/Title	Master Message #	Deal Type
07/09/03 09:50 AM	Citigroup Global Mk	FL	2018 TERMINATED	2105859	Neg

RE: \$29,205,000
CITY OF KEY WEST, FLORIDA
Sewer System Refunding Revenue Bonds,
Series 2003

EFFECTIVE IMMEDIATELY NO MORE ORDERS IN 2018 MATURITY.

Citigroup Global Markets Inc.

By: Citigroup Global Markets Inc. Tampa, FL

[Close](#)

Â© 1981-2003 i-Deal LLC, All rights reserved, Trademarks

Wires

Wire Details

Actions: [View Deal Inbox](#) [Go](#)

[Print](#) [Close](#)

Rec'd Date/Time (EST)	Sender	ST	Wire Type/Title	Master Message #	Deal Type
07/09/03 10:22 AM	Citigroup Global Mk	FL	2016 TERMINATED	2105939	Neg

RE: \$29,205,000
CITY OF KEY WEST, FLORIDA
Sewer System Refunding Revenue Bonds,
Series 2003

EFFECTIVE IMMEDIATELY NO MORE ORDERS IN 2016 MATURITY.

Citigroup Global Markets Inc.

By: Citigroup Global Markets Inc. Tampa, FL

[Close](#)

Â© 1981-2003 i-Deal LLC, All rights reserved, Trademarks

Wires

Wire Details

Actions: [View Deal](#) [Inbox](#) [Go](#)

[Print](#) [Close](#)

Rec'd Date/Time (EST)	Sender	ST	Wire Type/Title	Master Message #	Deal Type
07/09/03 10:55 AM	Citigroup Global Mk	FL	2004, 06, 08 TERMINATED	2106012	Neg

RE: \$29,205,000
CITY OF KEY WEST, FLORIDA
Sewer System Refunding Revenue Bonds,
Series 2003

EFFECTIVE IMMEDIATLEY NO MORE ORDERS IN 2004, 2006 & 2008 MATURITIES.
EARLIER WE ALSO TERMINATED 2016 AND 2018 MATURITIES.

Citigroup Global Markets Inc.

By: Citigroup Global Markets Inc. Tampa, FL

[Close](#)

Â© 1981-2003 i-Deal LLC, All rights reserved, Trademarks

Wires

Wire Details

Actions: [View Deal](#) [Inbox](#) [Go](#)

[Print](#) [Close](#)

Rec'd Date/Time (EST)	Sender	ST	Wire Type/Title	Master Message #	Deal Type
07/09/03 11:02 AM	Citigroup Global Mk	FL	MESSAGE	2106022	Neg

RE: \$29,205,000
CITY OF KEY WEST, FLORIDA
Sewer System Refunding Revenue Bonds,
Series 2003

PROMPTLY AT 11:15 WE ARE TERMINATING THE 2023 AND 2026 MATURITIES.

Citigroup Global Markets Inc.

By: Citigroup Global Markets Inc. Tampa, FL

[Close](#)

Â© 1981-2003 i-Deal LLC, All rights reserved, Trademarks

Wires

Wire Details

Actions: [View Deal Inbox](#) [Go](#)

[Print](#) [Close](#)

Rec'd Date/Time (EST)	Sender	ST	Wire Type/Title	Master Message #	Deal Type
07/09/03 11:21 AM	Citigroup Global Mk	FL	2023 & 2026 TERMINATED	2106083	Neg

RE: \$29,205,000
CITY OF KEY WEST, FLORIDA
Sewer System Refunding Revenue Bonds,
Series 2003

EFFECTIVE IMMEDIATELY THE ORDER PERIOD ON 2023 & 2026 MATURITIES HAS
BEEN TERMINATED.

Citigroup Global Markets Inc.

By: Citigroup Global Markets Inc. Tampa, FL

[Close](#)

Â© 1981-2003 i-Deal LLC, All rights reserved, Trademarks

Wires

Wire Details

Actions: [View Deal Inbox](#) [Go](#)

[Print](#) [Close](#)

Rec'd Date/Time (EST)	Sender	ST	Wire Type/Title	Master Message #	Deal Type
07/09/03 12:00 PM	Citigroup Global Mk	FL	OP TERMINATED	2106158	Neg

RE: \$29,205,000
CITY OF KEY WEST, FLORIDA
Sewer System Refunding Revenue Bonds,
Series 2003

THE ORDER PERIOD HAS TERMINATED. NO MORE ORDERS ANYWHERE.

Citigroup Global Markets Inc.

By: Citigroup Global Markets Inc. Tampa, FL

[Close](#)

Â© 1981-2003 i-Deal LLC, All rights reserved, Trademarks

Wires

Wire Details

Actions: Electronic Order Entry [Go](#) Print Close

Rec'd Date/Time (EST) Sender ST Wire Type/Title Master Mes
 07/09/03 01:02 PM Citigroup Global Mk FL PRICING WIRE (REPRICE/RESTRUCT 21

RE: \$29,205,000*
 CITY OF KEY WEST, FLORIDA
 Sewer System Refunding Revenue Bonds,
 Series 2003
 --

WE HAVE RECEIVED THE VERBAL AWARD.

PLEASE NOTE REPRICING IN 2006, 2008, 2016, 2018, 2023 & 2026 MATURITIES.

PLEASE CALL US BY 1:20EST TODAY, 7/9/03 IF YOUR ORDERS ARE NOT GOOD AT THE NEW LEVELS.

NO MORE ORDERS ANYWHERE.

MOODY'S: NR S&P: AAA / A FITCH: AAA / A

FGIC INSURED

DATED: 07/23/2003 FIRST COUPON: 10/01/2003

DUE: 10/01

MATURITY	AMOUNT*	COUPON	PRICE	CONCESSION (pts)	ADD'L TAKEDOWN (pts)
10/01/2004	870M	2.00 %	1.00 (Approx. \$ Price 101.178)	-	1/8
10/01/2005	885M	2.00 %	1.33 (Approx. \$ Price 101.439)	-	1/4
10/01/2006	905M	2.00 %	1.63 (Approx. \$ Price 101.144)	-	3/8
10/01/2007	925M	2.00 %	2.02 (Approx. \$ Price 99.918)	-	3/8
10/01/2008	935M	2.25 %	2.33 (Approx. \$ Price 99.609)	-	3/8
10/01/2009	960M	2.60 %	2.63 (Approx. \$ Price 99.827)	-	3/8
10/01/2010	985M	2.875 %	2.97 (Approx. \$ Price 99.386)	-	3/8
10/01/2011	1,015M	3.10 %	3.20 (Approx. \$ Price 99.281)	-	3/8
10/01/2012	1,045M	3.25 %	3.35 (Approx. \$ Price 99.211)	-	3/8
10/01/2013	1,080M	3.40 %	3.49 (Approx. \$ Price 99.23)	-	3/8
10/01/2014	1,115M	3.50 %	3.65	-	1/2

10/01/2015	1,175M	5.25	%	(Approx. \$ Price 98.628)		
				3.77	-	1/2
10/01/2016	1,235M	5.25	%	(Approx. \$ PTC	10/01/2013	112.419)
				3.91	-	1/2
10/01/2017	1,300M	5.25	%	(Approx. \$ PTC	10/01/2013	111.166)
				4.01	-	1/2
10/01/2018	1,370M	5.25	%	(Approx. \$ PTC	10/01/2013	110.282)
				4.09	-	1/2
10/01/2023	7,850M	4.25	%	(Approx. \$ PTC	10/01/2013	109.58)
				4.40	-	1/2
				(Approx. \$ Price 98.001)		
10/01/2026	5,555M	4.375	%	4.47	-	1/2
				(Approx. \$ Price 98.631)		

CALL FEATURES: Optional call in 10/01/2013 @ 100.00

* - APPROXIMATE SUBJECT TO CHANGE

--

The compliance addendum MSRB Rule G-11 will apply.

--

The award is expected on Thursday, July 10, 2003.

Delivery is expected on July 23, 2003.

This issue is book entry through DTC.

Citigroup Global Markets Inc.

By: Citigroup Global Markets Inc. Tampa, FL

Close

Â© 1981-2003 i-Deal LLC, All rights reserved, Trademarks

Wires

Wire Details

Actions: View Deal Inbox
Go

Print Close

Rec'd Date/Time (EST)	Sender	ST	Wire Type/Title	Master Message #	Deal Type
07/09/03 03:27 PM	Dalcomp		NY CUSIP NOTIFICATION WIRE	2106383	Neg

RE: \$29,315,000
CITY OF KEY WEST, FLORIDA
Sewer System Refunding Revenue Bonds,
Series 2003

Dalcomp deal ID: 13928

The following cusips have been placed in your bookrunning system:

10/01/2004 493224EG0
10/01/2005 493224EH8
10/01/2006 493224EJ4
10/01/2007 493224EK1
10/01/2008 493224EL9
10/01/2009 493224EM7
10/01/2010 493224EN5
10/01/2011 493224EP0
10/01/2012 493224EQ8
10/01/2013 493224ER6
10/01/2014 493224ES4
10/01/2015 493224ET2
10/01/2016 493224EU9
10/01/2017 493224EV7
10/01/2018 493224EW5
10/01/2023 493224EX3
10/01/2026 493224EY1

Close

Â© 1981-2003 i-Deal LLC, All rights reserved, Trademarks

10/01/2017	1,295M	5.25	%	4.01	-	10/01/2013	110.282)
				(Approx. \$ PTC			
10/01/2018	1,365M	5.25	%	4.09	-	10/01/2013	109.58)
				(Approx. \$ PTC			
10/01/2023	7,835M	4.25	%	4.40	-	10/01/2013	1/2
				(Approx. \$ Price	98.001)		
10/01/2026	5,540M	4.375	%	4.47	-	10/01/2013	1/2
				(Approx. \$ Price	98.631)		

CALL FEATURES: Optional call in 10/01/2013 @ 100.00

--
The compliance addendum MSRB Rule G-11 will apply. --

Delivery is firm for July 23, 2003.

This issue is book entry through DTC.

Citigroup Global Markets Inc.

By: Citigroup Global Markets Inc. Tampa, FL

Close

Â© 1981-2003 i-Deal LLC, All rights reserved, Trademarks

Wires

Wire Details

Actions: View Deal Inbox Go

Print Close

Rec'd Date/Time (EST)	Sender	ST	Wire Type/Title	Master Message #	Deal Type
07/10/03 01:34 PM	Citigroup Global Mk	FL	CUSIP WIRE	2107291	Neg

RE: \$29,315,000
CITY OF KEY WEST, FLORIDA
Sewer System Refunding Revenue Bonds,
Series 2003

This issue is book entry through DTC.

Award: 07/10/2003
Delivery: 07/23/2003 (FIRM)
Initial trade: 07/10/2003
Date of Execution: 07/10/2003
Time of Execution: 1:45PM (EST)

MATURITY	CUSIP
10/01/2004	493224EG0
10/01/2005	493224EH8
10/01/2006	493224EJ4
10/01/2007	493224EK1
10/01/2008	493224EL9
10/01/2009	493224EM7
10/01/2010	493224EN5
10/01/2011	493224EP0
10/01/2012	493224EQ8
10/01/2013	493224ER6
10/01/2014	493224ES4
10/01/2015	493224ET2
10/01/2016	493224EU9
10/01/2017	493224EV7
10/01/2018	493224EW5
10/01/2023	493224EX3
10/01/2026	493224EY1

Citigroup Global Markets Inc.

By: Citigroup Global Markets Inc. Tampa, FL

Close

Wires

Wire Details

Actions: [View Deal Inbox](#) [Go](#)

[Print](#) [Close](#)

Rec'd Date/Time (EST)	Sender	ST	Wire Type/Title	Master Message #	Deal Type
07/10/03 02:38 PM	Dalcomp		NY CUSIP NOTIFICATION WIRE	2107373	Neg

RE: \$29,315,000
CITY OF KEY WEST, FLORIDA
Sewer System Refunding Revenue Bonds,
Series 2003

Dalcomp deal ID: 13928

The following cusips have been placed in your bookrunning system:

10/01/2004 493224EG0
10/01/2005 493224EH8
10/01/2006 493224EJ4
10/01/2007 493224EK1
10/01/2008 493224EL9
10/01/2009 493224EM7
10/01/2010 493224EN5
10/01/2011 493224EP0
10/01/2012 493224EQ8
10/01/2013 493224ER6
10/01/2014 493224ES4
10/01/2015 493224ET2
10/01/2016 493224EU9
10/01/2017 493224EV7
10/01/2018 493224EW5
10/01/2023 493224EX3
10/01/2026 493224EY1

[Close](#)

© 1981-2003 i-Deal LLC, All rights reserved, Trademarks

Wires

Wire Details

Actions: [View Deal](#) [Inbox](#) [Go](#)

[Print](#) [Close](#)

Rec'd Date/Time (EST)	Sender	ST	Wire Type/Title	Master Message #	Deal Type
07/10/03 03:21 PM	Citigroup Global Mk	FL	FREE-TO-TRADE WIRE	2107414	Neg

RE: \$29,315,000
CITY OF KEY WEST, FLORIDA
Sewer System Refunding Revenue Bonds,
Series 2003

Effective at 3:30 P.M. E.D.T., Thursday, July 10, 2003
all syndicate terms and price restrictions are removed
and the bonds will be free to trade.

Citigroup Global Markets Inc.

By: Citigroup Global Markets Inc. Tampa, FL

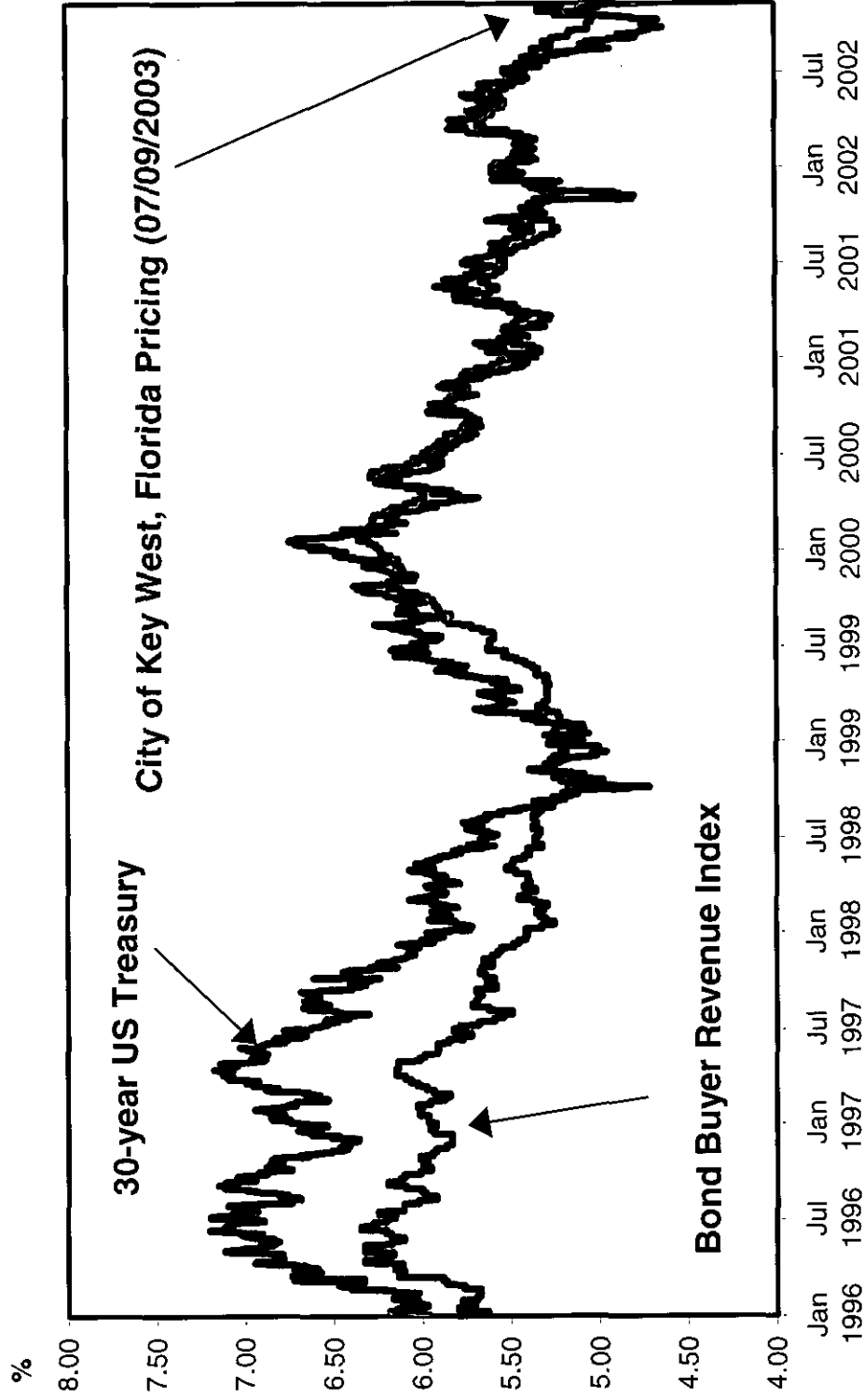
[Close](#)

Â© 1981-2003 i-Deal LLC, All rights reserved, Trademarks

TAB 5

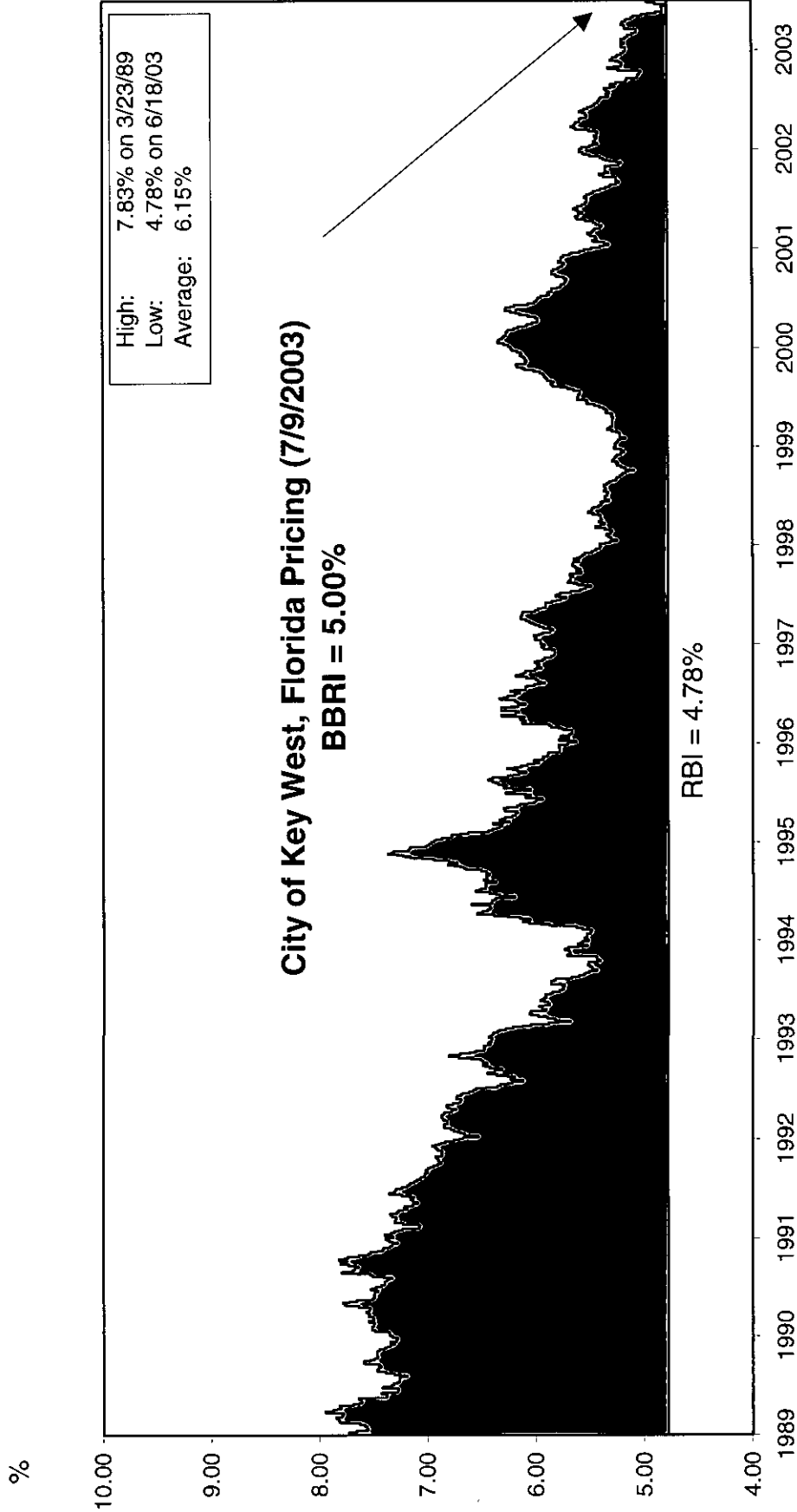
Market Commentary

Recent Interest Rate Trends



Historical Long-Term Interest Rates

Bond Buyer Revenue Bond Index January 1989 to Present*



* The Bond Buyer Revenue Bond Index is an index of 30-year revenue bonds with ratings ranging from BBB+ to AA+.

Monday, July 7, 2003

Thursday's Market

Munis Soften Along With Treasuries Ahead of Independence Day Holiday

By Nicholas Chesla and
Anastasija Johnson

Municipal bonds softened as Treasuries lost ground Thursday in light trading ahead of an early market close and the Independence Day holiday.

Governments remained in negative terrain for most of the session, tumbling when the June Institute of Supply Management non-manufacturing index rose to 60.6 from 54.5 in May.

Scott Anderson, senior economist at **Wells Fargo Bank**, said the increase in the non-manufacturing ISM showed the services sector was expanding at a reasonable pace.

"Services are quite healthy, and that might be a precursor to the overall economic recovery, because services make up 70% of U.S. economy," he said.

Earlier, Treasuries gained traction and erased some of their losses when June non-farm payrolls fell by 30,000, while the unemployment rate rose to 6.4% versus 6.1% in May. Meantime, May non-farm payrolls were revised down to 70,000, compared with the 17,000 loss initially reported, while average hourly earnings increased 0.2% and the average work week came in at 33.7 hours. Also,

initial jobless claims for the week that ended June 28 rose to 430,000 from 409,000 the week before.

Hugh Johnson, chief investment officer at **First Albany Corp.**, said the employment data suggested the economy continued to grow at a slow pace.

"If you use employment as your measure of economic activity, the economy is at best limping along," he said. "The most troubling number was the rise in jobless claims, and that suggests that employment conditions not only were weak in June but are likely to remain weak."

In the municipal arena, bond yields were quoted higher by as much as three basis points, taking a cue from sinking governments as quiet pre-holiday trading pervaded the market.

"It's certainly feeling weaker," a trader in New York said. "But if you were to go bid-wanted, you would be lucky to catch one bid because it's pretty thin on the Street."

In the competitive sector of a light new-issue market, **Wachovia Bank** won \$12.3 million of **Bayonne, N.J.**, school bonds. Bonds were reoffered at yields ranging from 3.75% in 2012 to 4.96% in 2023. The issue is insured by **Financial Security Assurance**. □

Tuesday, July 8, 2003

Monday's Market

Muni Yields Up 3 to 4 Basis Points; \$507M of LADWPs Open for Retail

By Nicholas Chesla and
Anastasija Johnson

Municipal bond yields were quoted three or four basis points higher yesterday, while in the new-issue market, underwriters opened a retail order period on a portion of \$507 million of Los Angeles Department of Water and Power revenue bonds.

Treasuries extended early losses, while equities gained ground.

During a week of sparse economic data, **Lara Rhame**, economist at **Brown Brothers Harriman & Co.**, said initial jobless claims and especially continuing claims, which were reflective of the pace of rehiring, would be looked to for any evidence of strengthening in the labor market.

"If we get another big jump in continuing claims, that's quite negative," she said. "It shows more evidence that the jobless situation is not stabilizing and that in July we could be seeing another increase in the unemployment rate."

The June unemployment rate rose to 6.4% from 6.1% in May, while non-farm payrolls dropped 30,000. Rhame expects initial jobless claims for the week that ended July 5 to remain above the 400,000 level on Thursday.

In the municipal arena, cash bond yields were quoted three or four basis points higher and more in spots in light trading, reflecting weakness in the Treasury market.

"We sort of moved along with Treasuries," a trader in New York said. "In the 10-year range we kept pace with Treasuries, but at the longer end, munis might have done a little better and outperformed a little bit."

Softness in the tax-exempt market continued the downward drift seen Thursday, while traders said stability in Treasuries would be key to participation in municipals.

"I think Treasuries in the short term could be under a little pressure," another trader in New York said. "Typically, Treasuries or our market always gets a little overbought or oversold. I don't know if too many people have an idea where the bottom is, so everybody is just staying on the sidelines."

While the tax-exempt market has experienced a significant correction in the last several weeks, municipal bonds may

continue to struggle, according to the latest Municipal Market Summary from **Legg Mason Wood Walker**.

"However, the pace of the sell-off may begin to taper," the report said. "Municipals will likely continue to take their direction from the Treasury market but move by a smaller magnitude."

The yield on a two-year maturity has increased by 17 basis points from June 13 through July 2, while yields on five-, 10-, and 30-year maturities rose by 27, 43, and 28 basis points respectively, the report noted.

Meanwhile, a resurgent stock market limited a return of retail interest in tax-exempts, even as yields moved higher, according to **Evan Rourke**, first vice president at **Prudential Securities**, a division of **Wachovia Securities LLC**.

"We haven't seen it in real force yet, and I think part of that is the obstruction from the stock market," he said. "The equity market has been doing fairly well, and it's gotten people's attention."

In the new-issue market, **J.P. Morgan Securities Inc.** opened a retail order period on a portion of \$507 million of Los Angeles DWP revenue bonds, ahead of institutional pricing today.

A 2031 maturity containing \$17 million was priced as 4½s to yield 4.55%. Serials due in 2016 through 2024 and a 2029 maturity were not offered during the retail order period.

The 2031 maturity is insured by **MBIA Insurance Corp.** The issue carries underlying ratings of Aa3 from **Moody's Investors Service** and AA-minus from both **Standard & Poor's** and **Fitch Ratings**.

Municipal bond funds gained \$197 million during the week that ended July 2, after receiving \$314 million the prior week, according to a report by **U.S. Bancorp Piper Jaffray**. It was the 11th consecutive week of inflows to municipal bond funds.

Taxable bond funds received \$382 million after gaining \$928 million the prior week, with most invested in investment-grade corporate bond funds.

Equity funds had inflows of \$2.54 billion after seeing outflows of \$1.58 billion the prior week, while money market funds had outflows of \$11.6 billion for the week that ended July 2 after receiving \$42.91 billion the prior week, the report said. □

Wednesday, July 9, 2003

Tuesday's Market

Muni Yields Rise One Basis Point; \$950M of L.A. DWP Bonds Priced

By Nicholas Chesla and
Anastasija Johnson

Municipal bond yields rose one basis point yesterday, while underwriters priced roughly \$950 million of Los Angeles Department of Water and Power revenue bonds and \$900 million of New Jersey Turnpike Authority variable- and auction-rate securities.

Treasuries were mostly higher and equities also rose. Governments gained ground early in the session before moving into negative terrain and then subsequently regained some composure late in the session.

On the economic front, May consumer credit rose \$7.3 billion.

In the municipal arena, yields rose by one basis point, reflecting volatility in Treasuries as tax-exempts gave up some earlier signs of improvement.

"It's been fairly orderly, and we just have to keep one eye on the government market," a trader in New York said. "The tone was a little bit easier, with not many people wanting to put any trades on. People are still shaking out the cobwebs from the weekend."

Elsewhere, traders said July 1 reinvestment cash helped underpin municipals even after the short-lived early uptick in Treasuries had faded.

"This morning's activity helped stabilize and solidify levels," another New York trader said. "If it weren't for a substantial amount of July 1 redemptions, the secondary would be in a shambles."

In the new-issue market, J.P. Morgan Securities Inc. priced and repriced \$515 million of Los Angeles DWP revenue bonds for institutions.

At a repricing, yields were raised by one basis point in 2016, 2017, 2023, and 2024, by two basis points on a 2030 maturity, and by three basis points on a 2031 maturity.

The final scale comprised serials priced to yield from 3.90% in 2016 to 4.69% in 2025. A 2027 maturity containing \$67 million was priced as 5s to yield 4.50%, while bonds due in 2030 totaling \$78 million were priced as 5s to yield 4.63%. A 2031 maturity was priced as 4 1/2s to yield 4.63%.

A 2018 maturity yielded 10 basis points more than Municipal Market Data's Monday triple-A yield curve scale, while bonds due in 2023 yielded 22 basis points more.

Bonds due in 2016 through 2022, in 2027 and 2031 are insured by MBIA Insurance Corp. The issue carries underlying ratings of Aa3 from Moody's Investors Service and AA-minus from Standard & Poor's and Fitch Ratings.

Also, Goldman, Sachs & Co. priced and repriced another \$434 million LADWP revenue bond loan.

At a repricing, yields were raised by one basis point in 2016, by two basis points in 2007 and on the third part of a 2008 maturity, by three basis points in 2009, 2010 and 2015, by four basis points in 2011 and 2014, and by five basis points in 2012 and 2013.

The final scale comprised serials priced to yield from 1.40% in 2005 to 3.90% in 2016.

The first and second parts of a 2008 maturity, the first part of a 2009 maturity, and serials due 2010 through 2016 are insured by MBIA. The issue carries underlying ratings of Aa3 from Moody's and AA-minus from both Standard & Poor's and Fitch.

In the short-term market, underwriters priced a total of \$900 million New Jersey Turnpike Authority variable- and auction-rate bonds. Morgan Stanley priced \$500 million of variable-rate securities, while the auction-rate securities were priced by a syndicate including Morgan pricing \$175 million, UBS Financial Services Inc. pricing \$175 million, and Citigroup Global Markets Inc. pricing \$50 million.

Underwriters reported the final rate on the variable-rate bonds was 0.70% while the final rate on the seven-day auction-rate securities was 0.75% and on the 35-day bonds they were 0.85%.

In the competitive sector, Merrill Lynch & Co. won \$80 million of Suffolk County Water Authority, N.Y., water system revenue bonds with a low interest cost of 4.57% out of three bids. Lehman Brothers had the next lowest interest cost of 4.59%.

Serials from 2018 through 2026 were not formally reoffered.

The issue is insured by MBIA. □

Thursday, July 10, 2003

Wednesday's Market

Municipal Yields Fall 1-2 Basis Points As L.A., New Hampshire Price Deals

By Nicholas Chesla and
Anastasija Johnson

Municipal bond yields fell one or two basis points yesterday while in the new-issue market Los Angeles sold \$225 million of wastewater system revenue refunding bonds and underwriters priced \$94 million of New Hampshire Turnpike System revenue bonds.

Treasuries moved higher, regaining some of their early luster through the afternoon. Governments declined mid-session on reports deputy Treasury secretary Peter Fisher will leave his post.

Meantime, May wholesale inventories fell 0.3% while April inventories fell 0.3%, a larger drop than the originally reported 0.1% decline. May wholesale sales fell 0.5%.

Mike Moran, chief economist at Daiwa Securities, said weaker-than-expected May wholesale inventories and a downward revision in April evidenced lackluster economic performance with firms cautious about the prospects for expansion.

"The numbers suggest that inventory investment will subtract from growth in the second quarter of the year," Moran said. "This is an important reason why the economy is likely to register another quarter of slow growth."

In the municipal arena, yields fell one or two basis points while traders reported increased buying interest with new issues in the market and the presence of July 1 reinvestment cash.

"As the market backs up you get some inquiries that come back in and people are looking to put money to work," a trader in New York said. "A lot of the July 1 money has been spent but there are always residual amounts that need to be addressed."

In the competitive sector of the new issue market, Citigroup Global Markets Inc. won \$225 million Los Angeles wastewater system revenue refunding bonds with a low interest cost of 4.301%, out of five bids. Merrill Lynch & Co. had the next lowest interest cost of 4.306%.

Serials were reoffered at yields ranging from 1.56% in 2006 to 4.45% in 2023. Bonds due in 2005, 2007 through 2009, 2021 and 2024 were not formally reoffered.

A 2013 maturity yielded seven basis points more than Municipal Market Data's Tuesday triple-A yield curve scale, while bonds due in 2018 and 2023 yielded 15 and five basis points

more respectively.

The issue is insured by Financial Security Assurance and carries underlying ratings of A1 from Moody's Investors Service and AA-minus from both Standard & Poor's and Fitch Ratings.

In the negotiated sector, A.G. Edwards & Sons Inc. priced and repriced \$94 million of New Hampshire Turnpike System revenue refunding bonds after a retail order period yesterday in which roughly \$16 million in orders were received.

At a repricing, yields were lowered by one basis point in 2010, 2015 through 2018, 2021 and 2022 and by two basis points in 2009, 2019 and 2020.

The final scale comprised serials priced to yield from 0.95% in 2004 to 4.61% in 2024.

A 2008 maturity yielded eight basis points more than MMD's Tuesday triple-A yield curve scale, while bonds due in 2013 and 2018 yielded 12 and seven basis points more respectively. Bonds due in 2023 yielded 15 basis points more.

The issue is insured by Ambac Assurance Corp. and carries underlying ratings of A1 from Moody's and A from both Standard & Poor's and Fitch.

Meantime, Merrill Lynch won \$67 million of University of Colorado enterprise system revenue bonds with a low interest cost of 4.24%, out of six bids. UBS Financial Services Inc. had the next lowest interest cost of 4.26%.

Serials were reoffered at yields ranging from 0.98% in 2004 to 4.40% in 2022. Bonds due in 2005, 2007, 2009, 2010, 2014, 2023 through 2025 were not formally reoffered.

The issue is insured by MBIA Insurance Corp. and carries underlying ratings of Aa3 from Moody's and AA from Standard & Poor's. □

Friday, July 11, 2003

Thursday's Market

**Yields Fall One to Two Basis Points;
\$854 Million in New Issues Priced**

By Anastasija Johnson

Municipal bond yields fell one or two basis points yesterday, while in the new-issue market underwriters priced roughly \$854 million in major new issues.

Treasuries were mostly higher, excluding the 30-year bond, while equities declined. Government bonds firmed earlier in the session after economic data showed initial jobless claims for the week ended July 5 rose 5,000 to 439,000 from a revised 434,000 the prior week.

Christopher Rupkey, senior financial economist at **Bank of Toyo-Mitsubishi**, said even though the increase in jobless claims could be partially explained by seasonal factors, the labor market is still showing signs of weakness.

"If we take the numbers as they came out, the labor market is not stabilizing, it's still under some pressure," Rupkey said.

In other economic news, import prices rose 0.8%, while export prices fell 0.2% in June.

In the municipal arena, traders said the market tone firmed and reported a stronger buying interest as Treasury gains lent a sense of stabilization to the tax-exempt market.

"It seems like at these adjusted levels there is some more institutional interest," a trader in New York said.

In the new-issue market, **Morgan Stanley** priced and repriced for institutions \$349 million of **New York State Thruway Authority** state personal income tax revenue bonds following a two-day retail order period, during which it received roughly \$160 million in orders.

At the repricing, yields were lowered by one basis point from 2008 to 2010, by two basis points on bonds due in 2011 through 2015, and by four basis points on bonds due in 2016 through 2023.

The final scale comprised serials priced to yield from 1.40% in 2005 to 4.40% in 2023. A 2004 maturity was not reoffered.

Bonds due in 2008 through 2014 are insured by **Financial Security Assurance**, while bonds maturing in 2015 through 2023 are insured by **MBIA Insurance Corp.** The issue carries underlying ratings of AA from **Standard & Poor's** and AA-minus from **Fitch Ratings**.

Meanwhile, **Goldman, Sachs & Co.** priced and repriced \$339 million of **Connecticut** special tax obligation refunding bonds.

At the repricing, the yield on the 200-maturity was lowered by five basis points.

The final scale comprised serials priced to yield from 1.15% in 2004 to 1.64% in 2006. A 2009 maturity was priced to yield 2.64%, while bonds due in 2010 were priced to yield 2.93%.

The 2005 maturity is insured by **Financial Guaranty Insurance Co.**, while bonds due in 2006, 2009, and 2010 are insured by **Financial Security Assurance**. The issue carries underlying ratings of A1 from **Moody's Investors Service** and AA-minus from **Standard & Poor's** and **Fitch**.

Finally, **Citigroup Global Markets Inc.** priced and repriced \$166 million of **JEA, Fla.**, water and sewer system revenue bonds. The issue contained \$54 million in revenue bonds, \$57 million in refunding revenue bonds, and \$55 million of subordinate revenue bonds.

The revenue bonds were priced to yield 1.45% in 2005, 1.66% in 2006, and from 2.90% in 2010 to 4.57% in 2023. A 2025 maturity was priced to yield 4.70%, while bonds due in 2028 were priced to yield 4.72%. A 2033 maturity was priced to yield 4.74%, while bonds due in 2043 were priced as 4 3/4s to yield 4.86%.

The refunding revenue bonds were priced to yield from 4.46% in 2021 to 4.57% in 2023. A 2025 maturity was priced to yield 4.70%, while bonds due in 2028 were priced to yield 4.72%. A 2033 maturity was priced to yield 4.74%, while bonds due in 2037 were priced as 4.70s to yield 4.83%.

The subordinate revenue refunding bonds were priced to yield from 1.50% in 2005 to 3.79% in 2015. A 2023 maturity was priced to yield 4.57%, a 2025 maturity was priced to yield 4.70%, while bonds due in 2028 and 2033 were priced to yield 4.72% and 4.74%, respectively. The first part of a 2043 maturity was priced as 4 3/4s to yield 4.88%, while the second part was priced as 5s to yield 4.50%.

The issue is insured by **MBIA**, excluding the 2005 maturity. The issue carries underlying ratings of Aa3 from **Moody's**, A-plus from **Standard & Poor's**, and AA from **Fitch**. □

TAB 6

Marketing Materials



Municipal Retail Marketing

TAX-EXEMPT SECURITIES

\$28,120,000*

City of Key West, Florida

Sewer System Refunding Revenue Bonds, Series 2003

Retail Priority: TBD

Managers:	Citigroup (Sole Manager)	
Schedule:	POS Mailing:	June 24, 2003*
	Pricing:	July 8, 2003*
	Closing:	July 23, 2003*
Ratings:	FGIC Insured "AAA"/ "Aaa" Underlyings: Fitch "A"; S&P "A"	
Maturity Schedule:	Current Interest Serial Bonds due October 1, 2004 until October 1, 2023* Current Interest Term Bonds due October 1, 2026*	
Tax Exemption:	Interest on the Bonds is: <ul style="list-style-type: none">• Exempt from federal income tax• Exempt from all taxation by the State of Florida or any political subdivision thereof including all present Florida intangible personal property taxes• Not subject to AMT	
Interest Payable:	April 1 and October 1, beginning October 1, 2003	
Call Features:	Most Likely 10-Years @ 100%	

THE BONDS

Purpose: The Series 2003 Bonds are being issued to provide funds, together with other legally available funds of the City, to (i) accomplish the current refunding of the Refunded Bonds, and (ii) pay costs of issuance of the Series 2003 Bonds, including premiums for the Bond Insurance Policy and Reserve Surety, which will be deposited concurrently with the delivery of the Series 2003 Bonds to the subaccount in the Reserve Account established for the Series 2003 Bonds pursuant to the Ordinance.

*Subject to change.

FOR INTERNAL USE ONLY

SECURITY

Security for the Bonds:

Pursuant to the Ordinance, the City's obligation to pay the principal of, redemption premium, if any, and interest on the Series 2003 Bonds is payable solely from, and secured by, a pledge of and first lien on the Net Revenues of the System. The Net Revenues are pledged by the City for the equal and proportionate benefit and security of the Series 2003 Bonds and any Additional Parity Obligations hereafter issued in accordance with the terms of the Ordinance. The City may issue Additional Parity Obligations under the terms, conditions and limitations contained in the Ordinance.

The Series 2003 Bonds are special limited obligations of the City payable solely from the Net Revenues of the System pledged to the payment of the Series 2003 Bonds, as described herein. The Series 2003 Bonds do not constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision or limitation, and the Registered Owners shall never have the right to require or compel the exercise of the ad valorem taxing power of the City for the payment of the principal of, redemption premium, if any, and interest on the Series 2003 Bonds or the making of any sinking fund, reserve or other payments specified in the Ordinance. The Series 2003 Bonds and the indebtedness evidenced thereby shall not constitute a lien upon the System, or any part thereof, or on any other property of the City, but shall constitute a lien only on the Net Revenues, all in the manner provided in the Ordinance.

Rate Covenant:

The Ordinance provides that the City will enact a rate ordinance, and that the City covenants to fix, establish, revise from time to time whenever necessary, maintain and collect such fees, rates, rentals and other charges for the use of the products, services and facilities of the System which will always provide Adjusted Net Revenues in each year of not less than 120% of all Bond Service Requirements becoming due in such year on the Outstanding Bonds and on all Outstanding Additional Parity Obligations, together with any Policy Costs. Such rates, fees, rentals or other charges shall not be reduced so as to be insufficient to provide Revenues for such purposes.

Bond Insurance:

The scheduled payment of the principal of and interest on the Series 2003 Bonds when due will be insured by a municipal bond insurance policy to be issued by FGIC simultaneously with the delivery of the Series 2003 Bonds.

Reserve Account:

The Ordinance establishes the Reserve Account for the Bonds. At the time of issuance of the Series 2003 Bonds, the **Reserve Account** will be funded by the deposit thereto of the Reserve Surety in a face amount equal to the Reserve Account Requirement.

*Subject to change.

FOR INTERNAL USE ONLY

GENERAL INFORMATION

The City: The City is the southernmost incorporated municipality in the continental United States, located approximately 160 miles from Miami at the western end of the Florida Keys. The City was incorporated in 1828 and is the county seat of Monroe County (the "County"), which encompasses the Keys and a small portion of mainland Florida. Based on the United States Census in 2000, the City had a population of 25,478 and the City currently projects a 2003 population of 25,656 full-time residents. The County's population in 2001, the most recent year for which the County has provided this information, was 80,588.

SALES FEATURES

- **Municipal Bond Insurance Policy:** The Series 2003 Bonds will be rated "AAA" by Fitch, "AAA" by S&P, and "Aaa" by Moody's and will be insured by a municipal bond insurance policy issued by MBIA.
- **Reserve Account:** The Series 2003 Bonds will be secured by a reserve account which will be funded with a surety bond purchased from FGIC.
- **Underlying Ratings:** The Series 2003 Bonds have underlying ratings of "A" from both Fitch and S&P.

MARKETING

Pricing:	Al Dopking	(813) 229-2277
	Denise Rivera	(813) 229-2277
Marketing:	Mary Traynor	(212) 723-7117
Security:	Michael Hole	(561) 655-1122
	Doug Draper	(813) 223-5011

*Subject to change.

FOR INTERNAL USE ONLY

TAB 7

Credit Rating Reports

STANDARD & POOR'S	RATINGS DIRECT
----------------------------------	-----------------------

Research:

Return to Regular Format

Summary: Key West, FL; Utility, Water/Sewer

Publication date: 02-Jun-2003

Credit Analyst: Richard J Marino, New York (1) 212-438-2058; Jennifer L Rosso, New York (1) 212-438-7964

Credit Profile

\$29.23 mil swr sys rfdg rev bnds ser 2003 dtd 07/23/2003 due
10/01/2006

A

Sale date: 08-JUL-2003

Rationale

The 'A' rating on Key West, Fla.'s sewer system refunding revenue bonds series 2003 reflects:

- The tourism nature of the service area economy,
- The unusual geographic shape of the service area,
- A recently completed capital improvement program that leaves the system's future capital needs very manageable, and
- Sound financial operations with strong liquidity.

Offsetting some of these strengths are concerns that the city faces an adverse ruling from the Federal Emergency Management Agency (FEMA), which could expose it to repayment of up to \$5.6 million of previously issued grants.

The bonds are secured by a net revenue pledge of the system. Proceeds of the bonds will provide funds to refund the system's outstanding series 1993 revenue bonds.

The system serves the city of Key West, which is approximately 160 miles from Miami at the western end of the Florida Keys. The city is the county seat of Monroe County, which encompasses the Keys and a small portion of mainland Florida. With a population of nearly 25,500 in 2000, Key West is the largest community in the Florida Keys and is a strong tourist destination. Wealth and income levels within Monroe County exceed the state and nation, as median household effective buying income is 116% of the state average and 108% of the national average.

Due to near-shore water pollution resulting from leaky public and private sewer lines, the city experienced an environmental crisis in 1999. Most of the city beaches were closed for nearly a year during this period. The city has spent more than \$67 million from 1999 through 2001 on capital improvements to rebuild the system's collection system, replace the ocean outfall discharge method with a class I deep injection well, and upgrade the treatment plant to an advanced wastewater treatment (AWT) facility. Sources of funds for these improvements included a FEMA grant, a state grant, a state revolving fund loan, a \$7.8 million BAN issue that has been retired, and revenues of the system.

Since 1998, the city has replaced 46 miles of mainline sewer pipe, 28 miles of service laterals, and 2.5 miles of sewer force main pipe. Ocean outfall is now used as an emergency backup only and is scheduled to be permanently decommissioned by 2006. The collection system is divided into 19 districts and has four pump stations. The city's AWT facility has significant capacity, as its design capacity is 10.0 million gallons per day (mgd) with a average annual daily flow of 4.1 mgd and a maximum flow of 4.7 mgd.

The system is comprised of 13,500 residential customers and 1,400 commercial customers. The U.S.

Navy is the largest single customer, contributing 11% of total wastewater flows. The current term of the Navy agreement expires in 2006, and is subject to one additional 10-year renewal, which the city expects the Navy exercise. The 10 leading customers of the city, other than the Navy, have historically been commercial establishments related to the tourism industry.

Financial operations have historically been strong, with the revenue from 2002 providing coverage of annual debt service of 2.6x. Liquidity is strong, with more than 220 days' cash on hand. Due to a decline in rates initiated in 2002, coverage of maximum annual debt service, prior to repayments of the subordinated state revolving fund loan, is projected to decline to 1.4x in 2005 and remain at that level for the next several years. An average monthly bill for residential customers is \$35.76.

FEMA has recently contacted the city in connection with \$5.6 million of capital improvements previously financed by the city with a FEMA grant. FEMA has indicated that unless the city provides evidence to FEMA's satisfaction that each of these expenditures were made for the purposes specified in the FEMA grant, it may be obligated to repay any portion of the FEMA grant.

The city has adopted a system capital improvement program through 2013 at a total cost of \$20.7 million, of which the Navy would be responsible for \$3.3 million under the current contract. The city anticipates funding the cost of the program through the issuance of additional parity obligations, additional state revolving fund loans, and operating revenues of the system.

Outlook

The stable outlook reflects the expectation that the system's historically solid fiscal operations will continue and that future capital needs will remain manageable.

Revenue
New Issue

Key West, Florida Sanitary Sewer System

Rating

Sewer System Refunding Revenue
Bonds, Series 2003* A

Rating Outlook Stable

*The underlying rating of 'A' reflects bond credit quality before consideration of an expected bond insurance policy by Financial Guaranty Insurance Co., whose insurer financial strength is rated 'AAA' by Fitch Ratings.

Analyst

Jason F. Dickerson
1 212 908-0684
jason.dickerson@fitchratings.com

Issuer Contact

Roger Wittenberg
Director, Finance Department
1 305 292-8222
rwittenb@keywestcity.com

New Issue Details

Approximately \$29,000,000 Sewer System Refunding Revenue Bonds, Series 2003, are expected to sell on July 9 via negotiation with Citigroup.

Purpose: Bond proceeds will be used to refinance existing city sewer revenue bonds.

■ Outlook

The underlying rating of 'A' is Fitch's first for bonds of Key West (the city, population 25,853), the southernmost city in the continental U.S. with an economy focused on tourism and the island's defense and homeland security units, Naval Air Station Key West and U.S. Coast Guard Group Key West.

The Rating Outlook is Stable. Cash flows of Key West's sanitary sewer system regularly have covered senior and junior lien debt service by more than 2.0 times (x) even during the \$67 million overhaul of its infrastructure after massive leakage polluted waters and closed beaches in 1999 and 2000. Future debt issuance expectations are modest due to strong renewal and replacement (R&R) funding practices, slated to be \$1.5 million annually in the system's 10-year financial forecast. Rates are expected to remain stable but still above average over the next few years with a current typical bill of \$38.76 monthly. The U.S. Navy, which now pays about 12% of operating revenues under a renewable agreement expiring in 2006, is expected to continue as the system's largest customer, as it has been for more than 50 years.

■ Rating Considerations

Other credit strengths of the system include senior lien debt service coverage that regularly has exceeded 2.5x annually, the now-modernized condition of the infrastructure, the system's strong capacity for current and anticipated customer growth, and healthy service area characteristics. System liquidity is adequate for the rating category, but not exceptional, with days cash on hand currently exceeding the city's 90-day target. The city reports that it has had a stable, 14-year relationship with a contracted private manager, Operations Management International, Inc. (OMI), a subsidiary of CH2M HILL Companies, Ltd. Per capita taxable property value is a very strong \$130,083, and per capita money income was 122% of the U.S. mean in 1999.

Following this refunding issue, the system will have approximately \$34 million of bonds and loans outstanding, compared to \$95 million in net plant, as of Sept. 30, 2002. The system used low-cost financing, grants, and fund balances to rebuild its sewer collection system, replace its ocean outfall discharge with a deep injection well, and upgrade its treatment plant between 1999 and 2001. Funding sources included an approximately \$10 million grant of infrastructure sales tax receipts by the city, \$17 million in federal and state grants, and \$7.8 million bridge loan (now retired), and a \$5.5 million subordinate-lien state revolving fund (SRF) loan. Consent order rehabilitation requirements have been met, and compliance with state legislation

July 3, 2003

requiring elimination of ocean outfall sewage disposal in the Florida Keys before July 2006 is expected. Approximately \$5.6 million of improvements were made from a U.S. Federal Emergency Management Agency (FEMA) grant related to Hurricane Georges. FEMA recently indicated that it may require the city to repay this grant. The system has \$9.9 million in unused parity debt capacity under a voter-approved referendum, and this would be one option for repaying the grant, if required. The underlying 'A' rating assumes the system will continue to meet its annual covenant of 1.2x senior lien debt service coverage by a comfortable margin.

Credit concerns for the system include the possibility that the city will have to repay the FEMA grant, limited rate flexibility, and the vulnerability to changes both in Key West's tourist economy and military presence. In 2001, the city hosted 201,228 airport passengers and 676,881 cruise ship passengers. The majority of jobs are in tourist-driven retail and service sectors. City user fees, sales taxes, gas taxes, and cruise ship fees provide 37% of city general fund revenues. Offsetting the concerns are the recent increases in Navy staff assigned to Key West, up from an estimated 2,138 in 1997 to 2,742 in 2001 (not counting nearly 7,000 dependents) and increases in cruise ship passengers due in part to a successful, aggressive marketing program initiated after Sept. 11, 2001.

■ Strengths

- Strong debt service coverage.
- Now-modernized infrastructure.
- Modest future debt plans due in part to strong R&R funding practices.
- Healthy service area characteristics, including strong wealth levels, a robust tourism economy, and recently expanding military presence.

■ Risks

- Possibility that the system will have to repay a grant to FEMA.
- Adequate, though not exceptional, liquidity for this rating level.
- Above-average rates.
- Vulnerability to changes in both the tourist economy and the city's large military presence.
- Potential effects of major storms, given the location of this city at the end of the Florida Keys island chain.

■ Bond Structure

Pursuant to ordinance, the city pays debt service on the bonds from a pledge of and first lien on system net revenues. The ordinance defines net revenues as income or earnings derived from the system's operation, including connection charges, cost recovery for shared treatment facilities, sale proceeds, investment earnings, and special assessments, less operation and maintenance costs. Impact fees, federal grants, state grants, and contributions to aid construction are not included in the definition. The system is unusual for the municipal sewer bond sector in that its city charter requires that a majority of voters approve new money debt issuance in a referendum. The city currently operates under a \$23 million sewer bond referendum authorization passed during the system's reconstruction phase, with \$9.9 million of authorization remaining.

By ordinance, the system must deposit on a monthly basis one-twelfth of 10% of the average adjusted net revenues during the three preceding years into a capital improvement fund. Notwithstanding this requirement, no further deposits are required whenever the unappropriated balance in the fund is equal to or greater than \$1.5 million. Money on deposit in this fund must be used to supplement the debt service fund, if necessary to make a bond payment. This requirement and the system's plans to regularly fund this account show a strong willingness for funding of capital and R&R needs from regular revenue sources, thus minimizing expected debt issuance needs in the future.

The system's rate covenant requires rates to be set so that adjusted net revenues, including qualified derivative receipts, equal at least 120% of annual debt service requirement on all senior lien sewer revenue bonds. Parity debt may be issued if 50% of adjusted net revenues during the two preceding fiscal years equaled 120% of maximum annual debt service (MADS) on outstanding and proposed debt. For purposes of the parity issuance tests, revenues may be adjusted to include the effects of recent rate changes and system expansions. The system's SRF loans have a repayment pledge subordinate to that of the bonds.

■ System Background

Originally constructed by the Works Project Administration during the Depression era, the city's gravity-driven, concrete pipe system served the western portions of Key West. Upgraded with

Financial Summary

(\$000, Fiscal Years Ended Sept. 30)

	1998	1999	2000	2001	2002
Gross Revenues*	10,742	11,246	14,190	12,859	10,753
Operating Expenses**	3,804	3,905	5,254	5,435	4,944
Net Revenue Available for Debt Service	6,938	7,341	8,936	7,424	5,809
Operating Expenses Including Depreciation and Amortization†	6,803	9,867	11,426	10,782	9,151
Depreciation and Amortization†	1,949	4,912	5,122	4,297	3,157
Net Operating Expenses†	4,854	4,955	6,304	6,485	5,994
Prerefunding Senior Lien Debt Service	2,224	2,224	2,223	2,220	2,221
Senior Lien Debt Service Coverage (x)	3.12	3.3	4.02	3.34	2.62
Prerefunding Senior and Junior Lien MADS	2,586	2,586	2,586	2,586	2,586
Coverage of MADS Prior to This Refunding (x)	2.68	2.84	3.46	2.87	2.25
Year-End Current Cash and Equivalents	7,671	6,662	1	6,092	3,633
As % of Gross Revenues	71	59	0	47	34
Year-End Restricted Cash and Investments	15,344	7,142	2,870	2,016	2,570
Net Property, Plant, and Equipment	59,073	65,968	86,284	96,680	94,639
Bonds and Notes Outstanding	30,725	30,229	37,513	38,165	33,661
Debt as % of Plant	52	46	43	39	36

*Revenues exclude impact fees, connection charges, and grants. Effective October 2002, the system's base charge was reduced by \$4.00 monthly.

**Expenses exclude payments in lieu of taxes (PILOTs), depreciation and amortization, debt service, and loss on disposals. Audited operating expenses in fiscal 1999 included a noncash loss on disposal of \$4.5 million related to the environmental crisis †Operating expenses, per audited financial statements. MADS – Maximum annual debt service. Sources: City of Key West and draft offering documents.

vitrified clay pipe in the 1950s, the system expanded eventually to serve all parts of the city, including Navy installations, but excluding a state park and a portion of Stock Island served by a private provider. Navy installations are connected to the system, making the Navy the largest customer, although the military owns and operates the sewer collection system within base boundaries.

The environmental crisis of 1999–2000 was a major turning point for the system, severely testing the city's ability to preserve the system's long-term credit characteristics. Near shore water pollution closed all or most beaches in Key West from May 1999 to May 2000. Testing indicated that leaky public and private sewer lines were the culprits. According to the preliminary official statement, empirical evidence showed that stormwater systems served as "a conduit for raw sewage to reach the shoreline." Sewage traveled quickly through the island's porous limestone to near shore waters.

As described previously, the system's rehabilitation efforts — mandated both by regulators and state legislation — was extensive. Since 1998, 46 miles of mainland sewer pipe, 28 miles of service laterals, and 2.5 miles of sewer force mains have been replaced. Improvements were completed urgently, finishing four years ahead of schedule. Ocean outfall now is

used as an emergency backup only, as the new class I deep injection well serves as the principal disposal method. Under state law, ocean outfall must be permanently decommissioned by 2006. New injection wells for emergency use are included in the system's capital plan. Recent upgrades also have included replacement of older battery and related equipment to ensure uninterrupted service during an emergency.

The system is permitted by the Florida Department of Environmental Protection (FDEP), which inspects facilities annually. The system is in compliance with National Pollutant Discharge Elimination System and FDEP requirements. On July 5, 2002, FDEP confirmed in writing that the system rehabilitation program required by the consent order issued during the crisis had been completed. Under the consent order, the city undertakes regular testing to identify collection system leaks on private property. As leaks are identified, property owners must repair or replace the leaky pipes.

The system's treatment plant was upgraded to advanced wastewater treatment capabilities following the environmental crisis. The plant is designed to treat 10.0 million gallons per day (MGD) maximum monthly average daily flow. As of April 2003, average annual daily flow was 4.1 MGD, with

maximum monthly average daily flow of 4.7 MGD. Prior to the crisis, average flows were approximately 8.0 MGD. Seawater that previously flowed into the system's infrastructure no longer does so, reducing unnecessary pumping and treatment.

Since 1989, the city has engaged OMI under a renewable five-year agreement to supervise maintenance and operation of the system. OMI employs 25 persons for this purpose. The city's agreement with OMI provides for payment of a management fee based on 18% of total budgeted direct costs of operating and maintaining the system, subject to adjustment based on the consumer price index. OMI may receive a bonus if costs come in under budget.

■ Navy Contract

In fiscal 2003, according to city projections, the U.S. Navy is expected to pay \$1.2 million (11%) of the system's operating revenues, which is roughly consistent with past revenue concentration levels. The Navy pays the system pursuant to an agreement entered into in 1986 for an initial term that expired in March 1996, subject to the Navy's option to renew for up to two additional 10-year terms upon 180 days advance written notice. Following the Navy's first such renewal, the agreement now expires on March 30, 2006, subject to one additional 10-year term at the Navy's option. A decrease in the naval presence on the island would result in a significant increase in rates and charges on other system customers or a significant decrease in the system's liquidity and financial margins.

The contract allocates the system's operating costs to the military based on the Navy's pro rata flow contributed to the system. Measurement devices are located at the system's treatment plant. Bills are submitted to the Navy monthly and adjusted annually to reflect differences in amounts paid and actual costs as determined by the system's audited financial statements. Under the agreement, capital costs are allocated to the Navy based on its reserved capacity (described below), subject to the Navy's agreement that such facilities are reasonably necessary to provide it with service. Payment of such costs is made annually based on project completion. R&R

projects for the system's collection facilities are charged to the Navy based on actual invoices from the city's contractor. These charges to the Navy are based on the basis of its pro rata flow.

Under the agreement, the Navy has reserved the right to use up to 23% of system capacity and may sell or transfer unused reserved capacity to any party mutually agreeable to the city and the Navy. The city retains the right of first refusal for purchase of such excess.

■ Rates

Rates are above average for a Florida sewer utility, limiting rate flexibility to some extent. According to documents provided by the city, the typical monthly sewer bill is expected to remain \$38.76 through fiscal year 2005, increasing approximately 1.5% annually thereafter. The city commissions an outside consultant to review system rates and charges annually. In 2002, the consultant recommended the rate projections described above, including increases based on the consumer price index commencing in fiscal 2006.

The system's rate scheme includes a base charge, a commodity charge per 1,000 gallons per month of actual or estimated sewage flow per user, connection charges, impact fees, and other typical charges.

■ Capital Needs

Capital needs appear very manageable due to the recently modernized state of the system's infrastructure, regular plans for contributing \$1.5 million of system annual revenues to capital and R&R needs, the stability of the city's population base, and the system's significant amount of unused treatment capacity. Development of a wastewater reuse system could perhaps necessitate additional debt issuance in future years, though city officials have not made a decision to pursue such an initiative. The system's capital budget includes \$4.5 million in 2007 for development of additional deep injection well capacity, which also could necessitate debt issuance. The charter referendum requirement, as well as additional bonds tests, limit the ability of officials to rely on debt for capital financing.

Copyright © 2003 by Fitch, Inc., Fitch Ratings Ltd. and its subsidiaries. One State Street Plaza, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. All of the information contained herein is based on information obtained from issuers, other obligors, underwriters, and other sources which Fitch believes to be reliable. Fitch does not audit or verify the truth or accuracy of any such information. As a result, the information in this report is provided "as is" without any representation or warranty of any kind. A Fitch rating is an opinion as to the creditworthiness of a security. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed, suspended, or withdrawn at anytime for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of Great Britain, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

TAB 8

Final Cashflows

TABLE OF CONTENTS

City of Key West, Florida
Sewer System Refunding Revenue Bonds, Series 2003
Refunding of Sewer System Refunding Revenue Bonds, Series 1993
VERIFIED FINAL NUMBERS

Report	Page
Sources and Uses of Funds	1
Summary of Refunding Results	2
Savings	3
Summary of Bonds Refunded	6
Bond Debt Service	7
Bond Pricing	8
Bond Summary Statistics	9
Cost of Issuance	11
Underwriter's Discount	12
Proof of Arbitrage Yield	13
Prior Bond Debt Service	16
Escrow Requirements	18
Escrow Statistics	19
Escrow Descriptions	20
Escrow Cost	21
Escrow Cash Flow	22
Escrow Sufficiency	23
Proof of Composite Escrow Yield	24
Form 8038 Statistics	25

SOURCES AND USES OF FUNDS

City of Key West, Florida
Sewer System Refunding Revenue Bonds, Series 2003
Refunding of Sewer System Refunding Revenue Bonds, Series 1993
VERIFIED FINAL NUMBERS

Dated Date 07/23/2003 ..
Delivery Date 07/23/2003

Sources:

Bond Proceeds:

Par Amount	29,315,000.00
Net Premium	<u>297,037.80</u>
	29,612,037.80

Other Sources of Funds:

Bond Fund Moneys	1,042,956.67
------------------	--------------

30,654,994.47

Uses:

Refunding Escrow Deposits:

Cash Deposit	0.56
SLG Purchases	<u>30,117,447.00</u>
	30,117,447.56

Delivery Date Expenses:

Cost of Issuance	142,927.25
Underwriter's Discount	190,357.41
Bond Insurance @ 34 bps	158,152.96
Debt Service Reserve Surety @ 2.2%	<u>44,449.08</u>
	535,886.70

Other Uses of Funds:

Additional Proceeds	1,660.21
---------------------	----------

30,654,994.47

SUMMARY OF REFUNDING RESULTS

City of Key West, Florida
Sewer System Refunding Revenue Bonds, Series 2003
Refunding of Sewer System Refunding Revenue Bonds, Series 1993
VERIFIED FINAL NUMBERS

Dated Date	07/23/2003
Delivery Date	07/23/2003
Arbitrage yield	4.123807%
Escrow yield	0.871961%
Bond Par Amount	29,315,000.00
True Interest Cost	4.230405%
Net Interest Cost	4.211022%
Average Coupon	4.237302%
Average Life	13.847
Par amount of refunded bonds	28,795,000.00
Average coupon of refunded bonds	5.676429%
Average life of refunded bonds	14.235
PV of prior debt to 07/23/2003 @ 4.123807%	33,822,796.52
Net PV Savings	3,249,269.70
Percentage savings of refunded bonds	11.284146%
Percentage savings of refunding bonds	11.083983%

SAVINGS

City of Key West, Florida
Sewer System Refunding Revenue Bonds, Series 2003
Refunding of Sewer System Refunding Revenue Bonds, Series 1993
VERIFIED FINAL NUMBERS

Date	Prior Debt Service	Prior Receipts	Net Cash Flow	Refunding Debt Service	Savings	Annual Savings	Present Value to 07/23/2003 @ 4.1238070%
07/23/2003		1,042,956.67	-1,042,956.67		-1,042,956.67		-1,042,956.67
10/01/2003	1,413,185.00		1,413,185.00	213,968.14	1,199,216.86	156,260.19	1,190,006.22
04/01/2004	793,060.00		793,060.00	566,386.25	226,673.75		220,388.57
10/01/2004	1,433,060.00		1,433,060.00	1,451,386.25	-18,326.25	208,347.50	-17,458.13
04/01/2005	776,740.00		776,740.00	557,536.25	219,203.75		204,601.35
10/01/2005	1,446,740.00		1,446,740.00	1,452,536.25	-5,796.25	213,407.50	-5,300.83
04/01/2006	759,320.00		759,320.00	548,586.25	210,733.75		188,828.39
10/01/2006	1,464,320.00		1,464,320.00	1,463,586.25	733.75	211,467.50	644.20
04/01/2007	740,637.50		740,637.50	539,436.25	201,201.25	212,402.50	173,075.87
10/01/2007	1,485,637.50		1,485,637.50	1,474,436.25	11,201.25		9,440.80
04/01/2008	720,522.50		720,522.50	530,086.25	190,436.25	210,872.50	157,263.58
10/01/2008	1,500,522.50		1,500,522.50	1,480,086.25	20,436.25		16,535.45
04/01/2009	699,267.50		699,267.50	519,398.75	179,868.75	209,737.50	142,595.86
10/01/2009	1,524,267.50		1,524,267.50	1,494,398.75	29,868.75		23,200.89
04/01/2010	676,580.00		676,580.00	506,723.75	169,856.25	209,712.50	129,272.28
10/01/2010	1,546,580.00		1,546,580.00	1,506,723.75	39,856.25		29,720.54
04/01/2011	652,220.00		652,220.00	492,348.75	159,871.25	209,742.50	116,806.48
10/01/2011	1,572,220.00		1,572,220.00	1,522,348.75	49,871.25		35,701.23
04/01/2012	626,460.00		626,460.00	476,383.75	150,076.25	210,152.50	105,264.32
10/01/2012	1,596,460.00		1,596,460.00	1,536,383.75	60,076.25		41,286.53
04/01/2013	599,300.00		599,300.00	459,158.75	140,141.25	210,282.50	94,364.33
10/01/2013	1,624,300.00		1,624,300.00	1,564,158.75	70,141.25		46,275.57
04/01/2014	570,600.00		570,600.00	440,543.75	130,056.25	210,112.50	84,070.92
10/01/2014	1,650,600.00		1,650,600.00	1,570,543.75	80,056.25		50,704.46
04/01/2015	540,360.00		540,360.00	420,768.75	119,591.25	209,182.50	74,214.14
10/01/2015	1,685,360.00		1,685,360.00	1,595,768.75	89,591.25		54,473.99
04/01/2016	507,727.50		507,727.50	389,925.00	117,802.50	210,605.00	70,180.17
10/01/2016	1,717,727.50		1,717,727.50	1,624,925.00	92,802.50		54,169.64
04/01/2017	473,242.50		473,242.50	357,506.25	115,736.25		66,191.46

SAVINGS

City of Key West, Florida
 Sewer System Refunding Revenue Bonds, Series 2003
 Refunding of Sewer System Refunding Revenue Bonds, Series 1993
 VERIFIED FINAL NUMBERS

Date	Prior Debt Service	Prior Receipts	Net Cash Flow	Prior Refunding Debt Service	Savings	Annual Savings	Present Value to 07/23/2003 @ 4.1238070%
10/01/2017	1,748,242.50		1,748,242.50	1,652,506.25	95,736.25	211,472.50	53,646.99
04/01/2018	436,905.00		436,905.00	323,512.50	113,392.50		62,257.20
10/01/2018	1,786,905.00		1,786,905.00	1,688,512.50	98,392.50	211,785.00	52,990.21
04/01/2019	398,430.00		398,430.00	287,681.25	110,748.75		58,373.64
10/01/2019	1,828,430.00		1,828,430.00	1,727,681.25	100,748.75	211,497.50	52,080.01
04/01/2020	357,675.00		357,675.00	257,081.25	100,593.75		50,900.45
10/01/2020	1,867,675.00		1,867,675.00	1,757,081.25	110,593.75	211,187.50	54,829.91
04/01/2021	314,640.00		314,640.00	225,206.25	89,433.75		43,443.49
10/01/2021	1,914,640.00		1,914,640.00	1,795,206.25	119,433.75	208,867.50	56,844.27
04/01/2022	269,040.00		269,040.00	191,843.75	77,196.25		35,999.14
10/01/2022	1,954,040.00		1,954,040.00	1,821,843.75	132,196.25	209,392.50	60,402.01
04/01/2023	221,017.50		221,017.50	157,206.25	63,811.25		28,567.08
10/01/2023	2,001,017.50		2,001,017.50	1,852,206.25	148,811.25	212,622.50	65,274.07
04/01/2024	170,287.50		170,287.50	121,187.50	49,100.00		21,101.96
10/01/2024	2,050,287.50		2,050,287.50	1,886,187.50	164,100.00	213,200.00	69,101.30
04/01/2025	116,707.50		116,707.50	82,578.13	34,129.37		14,081.28
10/01/2025	2,106,707.50		2,106,707.50	1,927,578.13	179,129.37	213,258.74	72,413.09
04/01/2026	59,992.50		59,992.50	42,218.75	17,773.75		7,039.89
10/01/2026	2,164,992.50		2,164,992.50	1,972,218.75	192,773.75	210,547.50	74,811.93
	52,564,650.00	1,042,956.67	51,521,693.33	46,515,576.90	5,006,116.43	5,006,116.43	3,247,609.49

SAVINGS

City of Key West, Florida
Sewer System Refunding Revenue Bonds, Series 2003
Refunding of Sewer System Refunding Revenue Bonds, Series 1993
VERIFIED FINAL NUMBERS

Savings Summary

PV of savings from cash flow	3,247,609.49
Plus: Refunding funds on hand	1,660.21
Net PV Savings	<u>3,249,269.70</u>

SUMMARY OF BONDS REFUNDED

City of Key West, Florida
 Sewer System Refunding Revenue Bonds, Series 2003
 Refunding of Sewer System Refunding Revenue Bonds, Series 1993
 VERIFIED FINAL NUMBERS

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Series 1993, 1993:					
CIB0	10/01/2003	5.000%	605,000.00		
	10/01/2004	5.100%	640,000.00	10/01/2003	102.000
	10/01/2005	5.200%	670,000.00	10/01/2003	102.000
	10/01/2006	5.300%	705,000.00	10/01/2003	102.000
	10/01/2007	5.400%	745,000.00	10/01/2003	102.000
	10/01/2008	5.450%	780,000.00	10/01/2003	102.000
	10/01/2009	5.500%	825,000.00	10/01/2003	102.000
	10/01/2010	5.600%	870,000.00	10/01/2003	102.000
	10/01/2011	5.600%	920,000.00	10/01/2003	102.000
	10/01/2012	5.600%	970,000.00	10/01/2003	102.000
	10/01/2013	5.600%	1,025,000.00	10/01/2003	102.000
	10/01/2014	5.600%	1,080,000.00	10/01/2003	102.000
	10/01/2015	5.700%	1,145,000.00	10/01/2003	102.000
	10/01/2016	5.700%	1,210,000.00	10/01/2003	102.000
	10/01/2017	5.700%	1,275,000.00	10/01/2003	102.000
	10/01/2018	5.700%	1,350,000.00	10/01/2003	102.000
	10/01/2019	5.700%	1,430,000.00	10/01/2003	102.000
	10/01/2020	5.700%	1,510,000.00	10/01/2003	102.000
	10/01/2021	5.700%	1,600,000.00	10/01/2003	102.000
	10/01/2022	5.700%	1,685,000.00	10/01/2003	102.000
	10/01/2023	5.700%	1,780,000.00	10/01/2003	102.000
	10/01/2024	5.700%	1,880,000.00	10/01/2003	102.000
	10/01/2025	5.700%	1,990,000.00	10/01/2003	102.000
	10/01/2026	5.700%	2,105,000.00	10/01/2003	102.000
			28,795,000.00		

BOND DEBT SERVICE

City of Key West, Florida
Sewer System Refunding Revenue Bonds, Series 2003
Refunding of Sewer System Refunding Revenue Bonds, Series 1993
VERIFIED FINAL NUMBERS

Dated Date 07/23/2003
Delivery Date 07/23/2003

Period Ending	Principal	Coupon	Interest	Debt Service
10/01/2003			213,968.14	213,968.14
10/01/2004	885,000	2.000%	1,132,772.50	2,017,772.50
10/01/2005	895,000	2.000%	1,115,072.50	2,010,072.50
10/01/2006	915,000	2.000%	1,097,172.50	2,012,172.50
10/01/2007	935,000	2.000%	1,078,872.50	2,013,872.50
10/01/2008	950,000	2.250%	1,060,172.50	2,010,172.50
10/01/2009	975,000	2.600%	1,038,797.50	2,013,797.50
10/01/2010	1,000,000	2.875%	1,013,447.50	2,013,447.50
10/01/2011	1,030,000	3.100%	984,697.50	2,014,697.50
10/01/2012	1,060,000	3.250%	952,767.50	2,012,767.50
10/01/2013	1,095,000	3.400%	918,317.50	2,013,317.50
10/01/2014	1,130,000	3.500%	881,087.50	2,011,087.50
10/01/2015	1,175,000	5.250%	841,537.50	2,016,537.50
10/01/2016	1,235,000	5.250%	779,850.00	2,014,850.00
10/01/2017	1,295,000	5.250%	715,012.50	2,010,012.50
10/01/2018	1,365,000	5.250%	647,025.00	2,012,025.00
10/01/2019	1,440,000	4.250%	575,362.50	2,015,362.50
10/01/2020	1,500,000	4.250%	514,162.50	2,014,162.50
10/01/2021	1,570,000	4.250%	450,412.50	2,020,412.50
10/01/2022	1,630,000	4.250%	383,687.50	2,013,687.50
10/01/2023	1,695,000	4.250%	314,412.50	2,009,412.50
10/01/2024	1,765,000	4.375%	242,375.00	2,007,375.00
10/01/2025	1,845,000	4.375%	165,156.26	2,010,156.26
10/01/2026	1,930,000	4.375%	84,437.50	2,014,437.50
	29,315,000		17,200,576.90	46,515,576.90

BOND PRICING

City of Key West, Florida
 Sewer System Refunding Revenue Bonds, Series 2003
 Refunding of Sewer System Refunding Revenue Bonds, Series 1993
 VERIFIED FINAL NUMBERS

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Yield to Maturity
Serials (2004 - 2018):						
	10/01/2004	885,000	2.000%	1.000%	101.178	
	10/01/2005	895,000	2.000%	1.330%	101.439	
	10/01/2006	915,000	2.000%	1.630%	101.144	
	10/01/2007	935,000	2.000%	2.020%	99.918	
	10/01/2008	950,000	2.250%	2.330%	99.609	
	10/01/2009	975,000	2.600%	2.630%	99.827	
	10/01/2010	1,000,000	2.875%	2.970%	99.386	
	10/01/2011	1,030,000	3.100%	3.200%	99.281	
	10/01/2012	1,060,000	3.250%	3.350%	99.211	
	10/01/2013	1,095,000	3.400%	3.490%	99.230	
	10/01/2014	1,130,000	3.500%	3.650%	98.628	
	10/01/2015	1,175,000	5.250%	3.770%	112.419 C	3.955%
	10/01/2016	1,235,000	5.250%	3.910%	111.166 C	4.142%
	10/01/2017	1,295,000	5.250%	4.010%	110.282 C	4.275%
	10/01/2018	1,365,000	5.250%	4.090%	109.580 C	4.379%
		15,940,000				
2023 Term Bond:						
	10/01/2023	7,835,000	4.250%	4.400%	98.001	
2026 Term Bond:						
	10/01/2026	5,540,000	4.375%	4.470%	98.631	
		29,315,000				

Dated Date	07/23/2003	
Delivery Date	07/23/2003	
First Coupon	10/01/2003	
Par Amount	29,315,000.00	
Premium	297,037.80	
Production	29,612,037.80	101.013262%
Underwriter's Discount	-190,357.41	-0.649352%
Purchase Price	29,421,680.39	100.363911%
Accrued Interest		
Net Proceeds	29,421,680.39	

BOND SUMMARY STATISTICS

City of Key West, Florida
 Sewer System Refunding Revenue Bonds, Series 2003
 Refunding of Sewer System Refunding Revenue Bonds, Series 1993
 VERIFIED FINAL NUMBERS

Dated Date	07/23/2003
Delivery Date	07/23/2003
Last Maturity	10/01/2026
Arbitrage Yield	4.123807%
True Interest Cost (TIC)	4.230405%
Net Interest Cost (NIC)	4.211022%
All-In TIC	4.279615%
Average Coupon	4.237302%
Average Life (years)	13.847
Duration of Issue (years)	10.117
Par Amount	29,315,000.00
Bond Proceeds	29,612,037.80
Total Interest	17,200,576.90
Net Interest	17,093,896.51
Total Debt Service	46,515,576.90
Maximum Annual Debt Service	2,020,412.50
Average Annual Debt Service	2,005,942.46
Underwriter's Fees (per \$1000)	
Average Takedown	4.471047
Management Fee	0.500000
Other Fee	1.522468
Total Underwriter's Discount	6.493516
Bid Price	100.363911

Bond Component	Par Value	Price	Average Coupon	Average Life
Serials (2004 - 2018)	15,940,000.00	103.322	4.103%	8.764
2023 Term Bond	7,835,000.00	98.001	4.250%	18.271
2026 Term Bond	5,540,000.00	98.631	4.375%	22.219
	29,315,000.00			13.847

BOND SUMMARY STATISTICS

City of Key West, Florida
Sewer System Refunding Revenue Bonds, Series 2003
Refunding of Sewer System Refunding Revenue Bonds, Series 1993
VERIFIED FINAL NUMBERS

	TIC	All-In TIC	Arbitrage Yield
Par Value	29,315,000.00	29,315,000.00	29,315,000.00
+ Accrued Interest			
+ Premium (Discount)	297,037.80	297,037.80	297,037.80
- Underwriter's Discount	-190,357.41	-190,357.41	
- Cost of Issuance Expense		-142,927.25	
- Other Amounts	-202,602.04	-202,602.04	-202,602.04
Target Value	29,219,078.35	29,076,151.10	29,409,435.76
Target Date	07/23/2003	07/23/2003	07/23/2003
Yield	4.230405%	4.279615%	4.123807%

COST OF ISSUANCE

City of Key West, Florida
Sewer System Refunding Revenue Bonds, Series 2003
Refunding of Sewer System Refunding Revenue Bonds, Series 1993
VERIFIED FINAL NUMBERS

Cost of Issuance	\$/1000	Amount
Financial Advisor Expenses	1.00584	29,486.25
Financial Advisor Expenses	0.10234	3,000.00
Bond Counsel Fee	1.40000	41,041.00
Bond Counsel Expenses	0.17056	5,000.00
S&P Rating	0.54580	16,000.00
Fitch Rating	0.47757	14,000.00
Moody's Rating	0.48269	14,150.00
Registrar and Paying Agent	0.02558	750.00
Escrow Agent	0.01706	500.00
Printer	0.27290	8,000.00
Verification Agent	0.03411	1,000.00
Contingency	0.34112	10,000.00
	4.87557	142,927.25

UNDERWRITER'S DISCOUNT

City of Key West, Florida
Sewer System Refunding Revenue Bonds, Series 2003
Refunding of Sewer System Refunding Revenue Bonds, Series 1993
VERIFIED FINAL NUMBERS

Underwriter's Discount	\$/1000	Amount
Average Takedown	4.47105	131,068.75
Management Fee	0.50000	14,657.50
Underwriter's Counsel	1.19000	34,884.85
Underwriter's Counsel Expenses	0.05117	1,500.00
Dalcomp	0.06130	1,797.01
Day Loan	0.03000	879.45
TBMA	0.03000	879.45
CUSIP	0.01000	293.15
Senior Manager Expenses	0.15000	4,397.25
	6.49352	190,357.41

PROOF OF ARBITRAGE YIELD

City of Key West, Florida
 Sewer System Refunding Revenue Bonds, Series 2003
 Refunding of Sewer System Refunding Revenue Bonds, Series 1993
 VERIFIED FINAL NUMBERS

Date	Debt Service	Present Value to 07/23/2003 @ 4.1238070%
10/01/2003	213,968.14	212,324.75
04/01/2004	566,386.25	550,681.57
10/01/2004	1,451,386.25	1,382,633.84
04/01/2005	557,536.25	520,395.61
10/01/2005	1,452,536.25	1,328,384.59
04/01/2006	548,586.25	491,561.78
10/01/2006	1,463,586.25	1,284,954.78
04/01/2007	539,436.25	464,029.92
10/01/2007	1,474,436.25	1,242,705.42
04/01/2008	530,086.25	437,748.91
10/01/2008	1,480,086.25	1,197,572.71
04/01/2009	519,398.75	411,767.54
10/01/2009	1,494,398.75	1,160,791.01
04/01/2010	506,723.75	385,651.60
10/01/2010	1,506,723.75	1,123,553.73
04/01/2011	492,348.75	359,723.98
10/01/2011	1,522,348.75	1,089,800.59
04/01/2012	476,383.75	334,138.22
10/01/2012	1,536,383.75	1,055,857.38
04/01/2013	459,158.75	309,175.28
10/01/2013	6,624,158.75	4,370,276.96
04/01/2014	307,456.25	198,745.77
10/01/2014	1,437,456.25	910,427.85
04/01/2015	287,681.25	178,524.90
10/01/2015	287,681.25	174,918.25
04/01/2016	287,681.25	171,384.47
10/01/2016	287,681.25	167,922.08
04/01/2017	287,681.25	164,529.64
10/01/2017	287,681.25	161,205.73
04/01/2018	287,681.25	157,948.97
10/01/2018	287,681.25	154,758.01
04/01/2019	287,681.25	151,631.52
10/01/2019	1,727,681.25	892,232.18
04/01/2020	257,081.25	130,083.14
10/01/2020	1,757,081.25	871,121.59
04/01/2021	225,206.25	109,396.57
10/01/2021	1,795,206.25	854,425.02
04/01/2022	191,843.75	89,463.03
10/01/2022	1,821,843.75	832,421.73
04/01/2023	157,206.25	70,378.24
10/01/2023	1,852,206.25	812,445.61
04/01/2024	121,187.50	52,083.37
10/01/2024	1,886,187.50	794,259.63

PROOF OF ARBITRAGE YIELD

City of Key West, Florida
Sewer System Refunding Revenue Bonds, Series 2003
Refunding of Sewer System Refunding Revenue Bonds, Series 1993
VERIFIED FINAL NUMBERS

Date	Debt Service	Present Value to 07/23/2003 @ 4.1238070%
04/01/2025	82,578.13	34,070.54
10/01/2025	1,927,578.13	779,223.94
04/01/2026	42,218.75	16,722.15
10/01/2026	1,972,218.75	765,381.66
	45,567,426.90	29,409,435.76

Proceeds Summary

Delivery date	07/23/2003
Par Value	29,315,000.00
Premium (Discount)	297,037.80
Arbitrage expenses	-202,602.04
Target for yield calculation	29,409,435.76

PROOF OF ARBITRAGE YIELD

City of Key West, Florida
 Sewer System Refunding Revenue Bonds, Series 2003
 Refunding of Sewer System Refunding Revenue Bonds, Series 1993
 VERIFIED FINAL NUMBERS

Assumed Call/Computation Dates for Premium Bonds

Bond Component	Maturity Date	Call Date	Call Price	Net Present Value (NPV) to 07/23/2003 @ 4.1238070%
CIBO	10/01/2015	10/01/2013	100.000	-36,667.46
CIBO	10/01/2016	10/01/2013	100.000	-23,065.29
CIBO	10/01/2017	10/01/2013	100.000	-12,738.07
CIBO	10/01/2018	10/01/2013	100.000	-3,844.32

Rejected Call/Computation Dates for Premium Bonds

Bond Component	Maturity Date	Call Date	Call Price	Net Present Value (NPV) to 07/23/2003 @ 4.1238070%	Increase to NPV
CIBO	10/01/2015			-20,071.10	16,596.36
CIBO	10/01/2016			2,580.74	25,646.03
CIBO	10/01/2017			22,410.61	35,148.68
CIBO	10/01/2018			41,559.20	45,403.52

PRIOR BOND DEBT SERVICE

City of Key West, Florida
 Sewer System Refunding Revenue Bonds, Series 2003
 Refunding of Sewer System Refunding Revenue Bonds, Series 1993
 VERIFIED FINAL NUMBERS

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
07/23/2003					
10/01/2003	605,000	5.000%	808,185.00	1,413,185.00	1,413,185
04/01/2004			793,060.00	793,060.00	
10/01/2004	640,000	5.100%	793,060.00	1,433,060.00	2,226,120
04/01/2005			776,740.00	776,740.00	
10/01/2005	670,000	5.200%	776,740.00	1,446,740.00	2,223,480
04/01/2006			759,320.00	759,320.00	
10/01/2006	705,000	5.300%	759,320.00	1,464,320.00	2,223,640
04/01/2007			740,637.50	740,637.50	
10/01/2007	745,000	5.400%	740,637.50	1,485,637.50	2,226,275
04/01/2008			720,522.50	720,522.50	
10/01/2008	780,000	5.450%	720,522.50	1,500,522.50	2,221,045
04/01/2009			699,267.50	699,267.50	
10/01/2009	825,000	5.500%	699,267.50	1,524,267.50	2,223,535
04/01/2010			676,580.00	676,580.00	
10/01/2010	870,000	5.600%	676,580.00	1,546,580.00	2,223,160
04/01/2011			652,220.00	652,220.00	
10/01/2011	920,000	5.600%	652,220.00	1,572,220.00	2,224,440
04/01/2012			626,460.00	626,460.00	
10/01/2012	970,000	5.600%	626,460.00	1,596,460.00	2,222,920
04/01/2013			599,300.00	599,300.00	
10/01/2013	1,025,000	5.600%	599,300.00	1,624,300.00	2,223,600
04/01/2014			570,600.00	570,600.00	
10/01/2014	1,080,000	5.600%	570,600.00	1,650,600.00	2,221,200
04/01/2015			540,360.00	540,360.00	
10/01/2015	1,145,000	5.700%	540,360.00	1,685,360.00	2,225,720
04/01/2016			507,727.50	507,727.50	
10/01/2016	1,210,000	5.700%	507,727.50	1,717,727.50	2,225,455
04/01/2017			473,242.50	473,242.50	
10/01/2017	1,275,000	5.700%	473,242.50	1,748,242.50	2,221,485
04/01/2018			436,905.00	436,905.00	
10/01/2018	1,350,000	5.700%	436,905.00	1,786,905.00	2,223,810
04/01/2019			398,430.00	398,430.00	
10/01/2019	1,430,000	5.700%	398,430.00	1,828,430.00	2,226,860
04/01/2020			357,675.00	357,675.00	
10/01/2020	1,510,000	5.700%	357,675.00	1,867,675.00	2,225,350
04/01/2021			314,640.00	314,640.00	
10/01/2021	1,600,000	5.700%	314,640.00	1,914,640.00	2,229,280
04/01/2022			269,040.00	269,040.00	
10/01/2022	1,685,000	5.700%	269,040.00	1,954,040.00	2,223,080
04/01/2023			221,017.50	221,017.50	
10/01/2023	1,780,000	5.700%	221,017.50	2,001,017.50	2,222,035
04/01/2024			170,287.50	170,287.50	
10/01/2024	1,880,000	5.700%	170,287.50	2,050,287.50	2,220,575

PRIOR BOND DEBT SERVICE

City of Key West, Florida
Sewer System Refunding Revenue Bonds, Series 2003
Refunding of Sewer System Refunding Revenue Bonds, Series 1993
VERIFIED FINAL NUMBERS

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
04/01/2025			116,707.50	116,707.50	
10/01/2025	1,990,000	5.700%	116,707.50	2,106,707.50	2,223,415
04/01/2026			59,992.50	59,992.50	
10/01/2026	2,105,000	5.700%	59,992.50	2,164,992.50	2,224,985
	28,795,000		23,769,650.00	52,564,650.00	52,564,650

ESCROW REQUIREMENTS

City of Key West, Florida
Sewer System Refunding Revenue Bonds, Series 2003
Refunding of Sewer System Refunding Revenue Bonds, Series 1993
VERIFIED FINAL NUMBERS

Period Ending	Principal	Interest	Principal Redeemed	Redemption Premium	Total
10/01/2003	605,000.00	808,185.00	28,190,000.00	563,800.00	30,166,985.00
	605,000.00	808,185.00	28,190,000.00	563,800.00	30,166,985.00

ESCROW STATISTICS

City of Key West, Florida
 Sewer System Refunding Revenue Bonds, Series 2003
 Refunding of Sewer System Refunding Revenue Bonds, Series 1993
 VERIFIED FINAL NUMBERS

Total Escrow Cost	Modified Duration (years)	Yield to Receipt Date	Yield to Disbursement Date	Perfect Escrow Cost	Value of Negative Arbitrage	Cost of Dead Time
Global Proceeds Escrow: 30,117,447.56	0.188	0.871961%	0.871961%	29,935,286.03	182,161.53	
30,117,447.56				29,935,286.03	182,161.53	0.00

Delivery date 07/23/2003
 Arbitrage yield 4.123807%

ESCROW DESCRIPTIONS

City of Key West, Florida
Sewer System Refunding Revenue Bonds, Series 2003
Refunding of Sewer System Refunding Revenue Bonds, Series 1993
VERIFIED FINAL NUMBERS

Type of Security	Type of SLGS	Maturity Date	First Int Pmt Date	Par Amount	Rate	Max Rate
Jul 23, 2003:						
SLG	Certificate	10/01/2003	10/01/2003	30,117,447	0.860%	0.860%
				30,117,447		

SLGS Summary

SLGS Rates File	18JUN03
Total Certificates of Indebtedness	30,117,447.00

ESCROW COST

City of Key West, Florida
 Sewer System Refunding Revenue Bonds, Series 2003
 Refunding of Sewer System Refunding Revenue Bonds, Series 1993
 VERIFIED FINAL NUMBERS

Type of Security	Maturity Date	Par Amount	Rate	Total Cost
SLG	10/01/2003	30,117,447	0.860%	30,117,447.00
		30,117,447		30,117,447.00

Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost	Yield
07/23/2003	30,117,447	0.56	30,117,447.56	0.871961%
	30,117,447	0.56	30,117,447.56	

ESCROW CASH FLOW

City of Key West, Florida
Sewer System Refunding Revenue Bonds, Series 2003
Refunding of Sewer System Refunding Revenue Bonds, Series 1993
VERIFIED FINAL NUMBERS

Date	Principal	Interest	Net Escrow Receipts	Present Value to 07/23/2003 @ 0.8719610%
10/01/2003	30,117,447.00	49,537.44	30,166,984.44	30,117,447.00
	30,117,447.00	49,537.44	30,166,984.44	30,117,447.00

Escrow Cost Summary

Purchase date	07/23/2003
Purchase cost of securities	30,117,447.00
Target for yield calculation	30,117,447.00

ESCROW SUFFICIENCY

City of Key West, Florida
Sewer System Refunding Revenue Bonds, Series 2003
Refunding of Sewer System Refunding Revenue Bonds, Series 1993
VERIFIED FINAL NUMBERS

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
07/23/2003		0.56	0.56	0.56
10/01/2003	30,166,985.00	30,166,984.44	-0.56	
	30,166,985.00	30,166,985.00	0.00	

PROOF OF COMPOSITE ESCROW YIELD

City of Key West, Florida
Sewer System Refunding Revenue Bonds, Series 2003
Refunding of Sewer System Refunding Revenue Bonds, Series 1993
VERIFIED FINAL NUMBERS

All restricted escrows funded by bond proceeds

Date	Security Receipts	Present Value to 07/23/2003 @ 0.8719610%
10/01/2003	30,166,984.44	30,117,447.00
	30,166,984.44	30,117,447.00

Escrow Cost Summary

Purchase date	07/23/2003
Purchase cost of securities	30,117,447.00
Target for yield calculation	30,117,447.00

FORM 8038 STATISTICS

City of Key West, Florida
 Sewer System Refunding Revenue Bonds, Series 2003
 Refunding of Sewer System Refunding Revenue Bonds, Series 1993
 VERIFIED FINAL NUMBERS

Dated Date 07/23/2003
 Delivery Date 07/23/2003

Bond Component	Date	Principal	Coupon	Price	Issue Price	Redemption at Maturity
Serials (2004 - 2018):						
	10/01/2004	885,000.00	2.000%	101.178	895,425.30	885,000.00
	10/01/2005	895,000.00	2.000%	101.439	907,879.05	895,000.00
	10/01/2006	915,000.00	2.000%	101.144	925,467.60	915,000.00
	10/01/2007	935,000.00	2.000%	99.918	934,233.30	935,000.00
	10/01/2008	950,000.00	2.250%	99.609	946,285.50	950,000.00
	10/01/2009	975,000.00	2.600%	99.827	973,313.25	975,000.00
	10/01/2010	1,000,000.00	2.875%	99.386	993,860.00	1,000,000.00
	10/01/2011	1,030,000.00	3.100%	99.281	1,022,594.30	1,030,000.00
	10/01/2012	1,060,000.00	3.250%	99.211	1,051,636.60	1,060,000.00
	10/01/2013	1,095,000.00	3.400%	99.230	1,086,568.50	1,095,000.00
	10/01/2014	1,130,000.00	3.500%	98.628	1,114,496.40	1,130,000.00
	10/01/2015	1,175,000.00	5.250%	112.419	1,320,923.25	1,175,000.00
	10/01/2016	1,235,000.00	5.250%	111.166	1,372,900.10	1,235,000.00
	10/01/2017	1,295,000.00	5.250%	110.282	1,428,151.90	1,295,000.00
	10/01/2018	1,365,000.00	5.250%	109.580	1,495,767.00	1,365,000.00
2023 Term Bond:						
	10/01/2019	1,440,000.00	4.250%	98.001	1,411,214.40	1,440,000.00
	10/01/2020	1,500,000.00	4.250%	98.001	1,470,015.00	1,500,000.00
	10/01/2021	1,570,000.00	4.250%	98.001	1,538,615.70	1,570,000.00
	10/01/2022	1,630,000.00	4.250%	98.001	1,597,416.80	1,630,000.00

FORM 8038 STATISTICS

City of Key West, Florida
 Sewer System Refunding Revenue Bonds, Series 2003
 Refunding of Sewer System Refunding Revenue Bonds, Series 1993
 VERIFIED FINAL NUMBERS

Bond Component	Date	Principal	Coupon	Price	Issue Price	Redemption at Maturity
2023 Term Bond:	10/01/2023	1,695,000.00	4.250%	98.001	1,661,116.95	1,695,000.00
2026 Term Bond:	10/01/2024	1,765,000.00	4.375%	98.631	1,740,837.15	1,765,000.00
	10/01/2025	1,845,000.00	4.375%	98.631	1,819,741.95	1,845,000.00
	10/01/2026	1,930,000.00	4.375%	98.631	1,903,578.30	1,930,000.00
		29,315,000.00			29,612,037.80	29,315,000.00

Maturity Date	Interest Rate	Issue Price	Stated Redemption at Maturity	Weighted Average Maturity	Yield	Net Interest Cost
Final Maturity	10/01/2026	1,903,578.30	1,930,000.00			
Entire Issue		29,612,037.80	29,315,000.00	13.7937	4.1238%	4.1384%

Proceeds used for accrued interest 0.00
 Proceeds used for bond issuance costs (including underwriters' discount) 333,284.66
 Proceeds used for credit enhancement 202,602.04
 Proceeds allocated to reasonably required reserve or replacement fund 0.00
 Proceeds used to currently refund prior issues 30,117,447.56
 Proceeds used to advance refund prior issues 0.00
 Remaining weighted average maturity of the bonds to be currently refunded 14.2346
 Remaining weighted average maturity of the bonds to be advance refunded 0.0000

FORM 8038 STATISTICS

City of Key West, Florida
 Sewer System Refunding Revenue Bonds, Series 2003
 Refunding of Sewer System Refunding Revenue Bonds, Series 1993
 VERIFIED FINAL NUMBERS

Refunded Bonds

Bond Component	Date	Principal	Coupon	Price	Issue Price
Series 1993:					
CIB0	10/01/2003	605,000.00	5.000%	100.000	605,000.00
CIB0	10/01/2004	640,000.00	5.100%	100.000	640,000.00
CIB0	10/01/2005	670,000.00	5.200%	100.000	670,000.00
CIB0	10/01/2006	705,000.00	5.300%	100.000	705,000.00
CIB0	10/01/2007	745,000.00	5.400%	100.000	745,000.00
CIB0	10/01/2008	780,000.00	5.450%	100.000	780,000.00
CIB0	10/01/2009	825,000.00	5.500%	100.000	825,000.00
CIB0	10/01/2010	870,000.00	5.600%	100.000	870,000.00
CIB0	10/01/2011	920,000.00	5.600%	100.000	920,000.00
CIB0	10/01/2012	970,000.00	5.600%	100.000	970,000.00
CIB0	10/01/2013	1,025,000.00	5.600%	100.000	1,025,000.00
CIB0	10/01/2014	1,080,000.00	5.600%	100.000	1,080,000.00
CIB0	10/01/2015	1,145,000.00	5.700%	100.000	1,145,000.00
CIB0	10/01/2016	1,210,000.00	5.700%	100.000	1,210,000.00
CIB0	10/01/2017	1,275,000.00	5.700%	100.000	1,275,000.00
CIB0	10/01/2018	1,350,000.00	5.700%	100.000	1,350,000.00
CIB0	10/01/2019	1,430,000.00	5.700%	100.000	1,430,000.00
CIB0	10/01/2020	1,510,000.00	5.700%	100.000	1,510,000.00
CIB0	10/01/2021	1,600,000.00	5.700%	100.000	1,600,000.00
CIB0	10/01/2022	1,685,000.00	5.700%	100.000	1,685,000.00
CIB0	10/01/2023	1,780,000.00	5.700%	100.000	1,780,000.00
CIB0	10/01/2024	1,880,000.00	5.700%	100.000	1,880,000.00
CIB0	10/01/2025	1,990,000.00	5.700%	100.000	1,990,000.00
CIB0	10/01/2026	2,105,000.00	5.700%	100.000	2,105,000.00
28,795,000.00					28,795,000.00

	Last Call Date	Issue Date	Remaining Weighted Average Maturity
Series 1993	10/01/2003	03/01/1993	14.2346
All Refunded Issues	10/01/2003		14.2346

TAB 9

Working Group List

CITY OF KEY WEST
Sewer System Revenue Refunding Bonds, Series 2003

Working Group Distribution List
June 18, 2003

ISSUER

City of Key West, Florida

Overnight Delivery/Physical Address:
525 Angela Street
Key West, FL 33040

Mailing Address:
P.O. Box 1409
Key West, FL 33041-1409

Julio Avel
City Manager

(305) 292-8100
Fax – (305) 292-8234
javael@keywestcity.com

Roger Wittenberg
Director, Finance Department

(305) 292-8222
Fax – (305) 292-8291
rwittenb@keywestcity.com

Overnight Delivery/Physical Address:
5701 West College Road
Key West, FL 33040

Mailing Address:
P.O. Box 1409
Key West, FL 33041-1409

David Fernandez
Director, Utilities Department

(305) 293-6414
Fax – (305) 293-6415
DFernand@keywestcity.com

Overnight Delivery/Physical Address:
605 Simonton Street - 2nd Floor
Key West, FL 33040

Mailing Address:
P.O. Box 1409
Key West, FL 33041-1409

Robert Tischenkel, Esq.
City Attorney

(305) 292-8110
Fax – (305) 292-8227
btischen@keywestcity.com

BOND COUNSEL

Bryant, Miller and Olive, P.A.

101 E. Kennedy Boulevard, Suite 2100
Tampa, FL 33602

Duane Draper
Esquire

(813) 273-6677
Fax – (813) 223-2705
ddraper@bmlaw.com

CITY OF KEY WEST
Sewer System Revenue Refunding Bonds, Series 2003

BOND COUNSEL (cont'd)

135 W. Central Boulevard, Suite 1230
Orlando, FL 32801-2437

George A. Smith, Jr.
Esquire

(407) 426-7001
Fax – (407) 426-7262
gsmith@bmlaw.com

FINANCIAL ADVISOR

Public Financial Management Inc.

Signature Plaza
300 S. Orange Avenue, Suite 1170
Orlando, Florida 32801

David Moore
Senior Managing Consultant

(407) 648-2208
Fax - (407) 648-1323
moored@publicfm.com

Rebecca Peterson
Consultant

(407) 648-2208
Fax – (407) 648-1323
petersonr@publicfm.com

UNDERWRITER

Citigroup (Salomon Smith Barney)

777 South Flagler Drive
Suite 801 – East
West Palm Beach, FL 33401

Michael Hole
Director

(561) 655-1122
Fax – (561) 832-8663
michael.g.hole@citigroup.com

100 N. Tampa St.
Suite 3750
Tampa, FL 33602

Doug Draper
Associate

(813) 223-5011
Fax – (813) 221-8954
douglas.draper@citigroup.com

UNDERWRITER'S COUNSEL

Ruden, McClosky, Smith, Schuster & Russell, P.A.

200 E. Broward Blvd.
Fort Lauderdale, FL 33301

Denise Ganz
Esquire

(954) 527-2410
Fax – (954) 333-4010
denise.ganz@ruden.com

CITY OF KEY WEST
Sewer System Revenue Refunding Bonds, Series 2003

PAYING AGENT & REGISTRAR

SunTrust Bank, N.A.
Corporate Trust Division
MC - 1020
777 Brickell Avenue
Miami, FL 33131

Holly Jeske
Vice President

(305) 579-7009
Toll Free: 800-841-1786 ext. 7009
Fax – (305) 579-7017
holly.jeske@suntrust.com

BOND INSURER

Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017

Paul Greaves
Associate

(212) 312-3326
Fax – (212) 312- ????
paul.greaves@ge.com

Joan Shichtman
Closing Coordinator

(212) 312-3431
Fax – (212) 312-3206
joan.shichtman@ge.com

RATING AGENCY

Standard and Poor's ("A" underlying/ "AAA" insured)
55 Water Street
38th Floor
New York, NY 10041

Rich Marino
Director

(212) 438-2058
Fax – (212) 438-2158
richard_marino@sandp.com

Fitch Ratings ("A" underlying/ "AAA" insured)

One State Street Plaza
New York, NY 10004

Jason Dickerson
Senior Director

(212) 908-0684
Fax - (212) 480-4421
jason.dickerson@fitchratings.com

CITY OF KEY WEST
Sewer System Revenue Refunding Bonds, Series 2003

RATING AGENCY (cont'd)

Moody's Investors Service ("AAA" Insured)
99 Church Street
New York, NY 10007

Sarah Lee
Vice President

(212) 553-0818
Fax - (212) 553-1390
sarah.lee@moodys.com

VERIFICATION AGENT

McGladrey & Pullen, LLP
800 Marquette Ave, Suite 1300
Minneapolis, MN 55402

Craig J. DeBerg, CPA

(612) 376-9391
Fax (612) 376-9514
craig_deberg@rsmi.com

FINANCIAL PRINTER

ImageMaster - Muni OS
1182 Oak Valley Drive
Ann Arbor, MI 48108

Marianne Hanus
Jennifer Braun

(734) 821-2525
Fax (734) 821-2501

Send document files to: production@imagemaster.com
Send labels and distribution lists to: orders@imagemaster.com