

RESOLUTION NO. 12-

A RESOLUTION OF THE CITY OF KEY WEST, FLORIDA SUPPLEMENTING ORDINANCE NO. 03-15, AS AMENDED AND SUPPLEMENTED BY ORDINANCE NO. 12-01, WHICH AUTHORIZED THE ISSUANCE OF THE CITY'S SEWER SYSTEM REVENUE BONDS, SERIES 2012, TO PARTIALLY FINANCE SEWER PROJECTS ORIGINALLY FUNDED THROUGH THE STATE OF FLORIDA DEPARTMENT OF EMERGENCY MANAGEMENT AND PAYING COSTS OF ISSUANCE RELATED THERETO; PLEDGING A PARITY LIEN ON THE NET REVENUES OF THE SEWER SYSTEM FOR THE PAYMENT OF SUCH BONDS; PROVIDING FOR THE RIGHTS OF THE REGISTERED OWNERS OF SUCH BONDS; APPOINTING A BOND REGISTRAR AND PAYING AGENT; AUTHORIZING THE PRIVATE NEGOTIATED SALE OF SUCH BONDS PURSUANT TO THE TERMS AND CONDITIONS DESCRIBED HEREIN AND IN THE COMMITMENT; DESIGNATING SUCH BONDS AS QUALIFIED TAX-EXEMPT OBLIGATIONS WITHIN THE MEANING OF THE INTERNAL REVENUE CODE; ESTABLISHING THE RESERVE REQUIREMENT FOR SUCH BONDS; PROVIDING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH; PROVIDING AN EFFECTIVE DATE

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF KEY WEST, FLORIDA:

SECTION 1. AUTHORITY FOR THIS SUPPLEMENTAL RESOLUTION. This Supplemental Resolution is adopted pursuant to chapter 166, part II, Florida Statutes, and other applicable provisions of law.

SECTION 2. DEFINITIONS. When used in this Supplemental Resolution, the terms defined in the Original Ordinance (as defined below) shall have the meanings therein stated except as such definitions may be hereinafter amended and defined.

"2012 Bonds" shall mean the City of Key West, Florida Sewer System Revenue Bonds, Series 2012, authorized to be issued by the Supplemental Ordinance.

"2012 Project" shall mean the Project authorized to be financed with the proceeds of the 2012 Bonds, consisting of the financing of Projects originally funded through the Florida Department of Emergency Management.

"Bank" shall mean such Bank or other entity identified in the Commitment.

"Bonds" shall mean (i) the 2012 Bonds, (ii) the 2003 Bonds, and (iii) any Additional Parity Obligations issued hereafter in accordance with the provisions of the Ordinance.

"Commitment" shall mean the offer of the Bank to purchase the 2012 Bonds at a negotiated sale, a copy of which is attached hereto as Exhibit A.

"Original Ordinance" shall mean Ordinance No. 03-15 of the Issuer, duly enacted on June 17, 2003, as supplemented and amended by the Supplemental Ordinance, authorizing, among other things, the issuance of the 2003 Bonds.

"Ordinance" shall mean the Original Ordinance, as supplemented and amended by the Supplemental Ordinance, and as supplemented by this Supplemental Resolution.

"Supplemental Ordinance" shall mean Ordinance No. 12-01 of the Issuer, duly enacted on January 3, 2012, as supplemented by this Supplemental Resolution, authorizing, among other things, the issuance of the 2012 Bonds.

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

(A) On September 21, 1999, the City Commission, as the governing body of the Issuer, duly adopted Resolution No. 99-346 (the "1999 Resolution"), which authorized the issuance of the Issuer's Sewer System Revenue Bonds in one or more series in an amount not to exceed \$23,000,000 to finance the cost of design, permitting, acquisition, construction, and reconstruction of improvements to the Sewer System.

(B) The issuance of said bonds was subject to a bond referendum held on November 2, 1999, wherein the qualified electors of the Issuer approved the issuance of said bonds (the "1999 Referendum").

(C) Under the authority of the 1999 Resolution and the 1999 Referendum, the Issuer and the State of Florida Department of Environmental Protection (the "FDEP") entered into a Clean Water State Revolving Fund Construction Loan Agreement (the "SRF Loan") which pledges certain revenues from the Sewer System on a basis which is junior, inferior and subordinate in all respects to the 2003 Bonds and provides that the pledge of Net Revenues for any Bonds issued pursuant to the Original Ordinance 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 2012 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 in favor of the holders of the 2012 Bonds. The SRF Loan constitutes "Subordinate Debt" under the Original Ordinance.

(D) Following Hurricane Irene, on February 9, 2000, the Issuer received a grant through the State of Florida Department of Emergency Management ("FDEM") Public Assistance FEMA Funds (FEMA Disaster No. 1306-DE-FL) to finance certain capital improvements to the Sewer System (the "FEMA Grant"). The Issuer completed said capital improvements in November, 2002. At the time the City received the proceeds of the FEMA Grant and expended such proceeds to pay costs of the Project, the City fully expected that the City would not be required to repay the FEMA Grant.

(E) The Issuer underwent an audit of the FEMA Grant. On January 26, 2004, the Issuer received official notification de-obligating the FEMA Grant on the grounds the damage to the Sewer System was preexisting and not a result of Hurricane Irene. The City disputed such de-obligation.

(F) On September 28, 2011, the Issuer received a demand letter from FDEM requesting reimbursement of \$6,268,629.46 of the FEMA Grant.

(G) The Issuer deems it necessary and in the best interests of the Issuer and the residents thereof to authorize the issuance of the 2012 Bonds for the purpose of financing the 2012 Project.

(H) The Original Ordinance provides for the issuance of Additional Parity Obligations upon compliance with certain requirements therein.

(I) On January 3, 2012, the City Commission, as the governing body of the Issuer, duly enacted the Supplemental Ordinance authorizing the issuance of the 2012 Bonds and amending the Reserve Account Requirement.

(J) 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 2003 Bonds, which pledge and encumbrance shall be on an equal and parity basis with the 2012 Bonds, and as to the principal of and interest on the SRF Loan, which shall be junior, inferior and subordinate in all respects to the pledge and encumbrance on the Net Revenues in favor of the holders of the 2012 Bonds.

(K) The principal of and interest on the Bonds and all required Debt Service Fund and other payments shall be payable solely from the Net Revenues. 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. The Bonds shall not constitute a lien upon any other property owned by or located within the boundaries of the Issuer.

(L) The estimated Net Revenues 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 the Ordinance and to pay principal and interest on Subordinated Debt.

(M) The Bank has issued its Commitment to the Issuer pursuant to the terms of which the Bank has agreed to purchase the 2012 Bonds.

(N) Due to the present volatility of the market for tax-exempt public obligations such as the 2012 Bonds, the need to access such market very quickly, the willingness of the Bank to purchase the 2012 Bonds at interest rates favorable to the Issuer, and the critical importance of timing of the sale of the 2012 Bonds, the Issuer has determined to sell the 2012 Bonds through a negotiated sale to the Bank, and it is hereby determined that it is in the best interest of the public and the Issuer to delegate to the Mayor and/or the City Manager the authority to fix the final details of the 2012 Bonds, based upon the advice of the Financial Advisor, and accept the offer of the Bank to purchase the 2012 Bonds at a negotiated sale pursuant to the terms of the Commitment.

(O) Prior to the delivery of the 2012 Bonds by the Issuer to the Bank, the Bank will provide the Issuer a Purchaser's Certificate, the form which is attached hereto as Exhibit C, and a Disclosure Letter containing the information required by section 218.385, Florida Statutes, the form of which is attached hereto as Exhibit D.

(P) The Issuer desires to make such determinations as are required to afford the 2012 Bonds "bank qualified" status for purposes of section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

SECTION 4. ORDINANCE TO CONSTITUTE CONTRACT. In consideration of the acceptance of the 2012 Bonds authorized to be issued hereunder to the Bank, the Ordinance shall be deemed to be and shall constitute a contract between the Issuer and the Bank. The covenants and agreements set forth in the Ordinance to be performed by the Issuer shall be for the benefit, protection and security of the Bank.

SECTION 5. AUTHORIZATION OF THE 2012 PROJECT AND REPAYMENT OF THE FEMA GRANT. The 2012 Project and the repayment of the FEMA Grant are hereby authorized.

SECTION 6. AUTHORIZATION OF THE 2012 BONDS. Subject and pursuant to the provisions hereof and the terms and provisions of the Commitment, obligations of the Issuer to be known as "Sewer System Revenue Bonds, Series 2012" are authorized to be issued in the aggregate principal amount of not to exceed \$_____. All covenants, terms and conditions contained in the Original Ordinance and the Supplemental Ordinance with respect to the Bonds shall be applicable to the 2012 Bonds, except as specifically supplemented by this Supplemental Resolution.

SECTION 7. AWARD OF SALE OF THE 2012 BONDS; ACCEPTANCE AND EXECUTION OF COMMITMENT. Due to the willingness of the Bank to purchase the 2012 Bonds at interest rates favorable to the Issuer, the present volatility of the market for tax-exempt public obligations such as the 2012 Bonds and the critical importance of timing of the sale of the 2012 Bonds, the Issuer hereby approves the negotiated sale of the 2012 Bonds to the Bank pursuant to the Commitment. Bond Counsel and the City Attorney are authorized and directed to proceed (a) to prepare the necessary documents to consummate, and (b) to consummate the delivery of the 2012 Bonds.

SECTION 8. DESCRIPTION OF THE 2012 BONDS. The 2012 Bonds shall be dated its date of delivery; shall originally be issued in a single denomination in an amount equal to the original principal amount authorized hereunder; shall bear interest at the rate reflected in the Commitment, payable semiannually on April 1 and October 1 of each year, commencing April 1, 2012; principal shall be payable annually on October 1, in the years 2013 through maturity, in amounts shown in the form of the Bond attached hereto as Exhibit B; shall be subject to redemption prior to maturity; and shall have such other characteristics, as specified in the 2012 Bonds and in the Commitment. The 2012 Bonds may be exchanged or transferred by the Bank, but only upon the registration books maintained by the Issuer, as the Registrar of the 2012 Bonds; provided, however, the 2012 Bonds may not be transferred in a denomination less than \$100,000 under any circumstances.

SECTION 9. APPROVAL OF FORM OF THE 2012 BONDS; EXECUTION OF THE 2012 BONDS; APPROVAL OF NECESSARY ACTION. The text of the 2012 Bonds shall be in substantially the form attached hereto as Exhibit B, with such omissions, insertions, and variations as may be necessary and desirable, and as may be authorized or permitted by the Ordinance or required by the terms of the Commitment, and approved by Bond Counsel and the City Attorney. The 2012 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 2012 Bonds. The certificate of authentication of the 2012 Bond Registrar shall appear on the 2012 Bonds, and no 2012 Bonds shall be valid or obligatory for any purpose or be entitled to any security or benefit under the Ordinance unless such certificate shall have been duly executed on such 2012 Bonds. The authorized signature for the 2012 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 2012 Bond Registrar, appearing on the 2012 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 2012 Bonds shall cease to be such officer or officers of the Issuer before the 2012 Bonds so signed and sealed shall have been actually sold and delivered, such 2012 Bonds may nevertheless be sold and delivered as if the persons who signed or sealed such 2012 Bonds had not ceased to hold such offices. Any 2012 Bonds may be signed and sealed on behalf of the Issuer by such person who at the actual time of the execution of such 2012 Bonds shall hold the proper office, although at the date of such 2012 Bonds such person may not have held such office or may not have been so authorized. The Mayor, the City Clerk, the City Manager, and the City Attorney are each designated agents of the Issuer in connection with the execution and delivery of the 2012 Bonds and are authorized and empowered, collectively or individually, to take all action and steps to execute and deliver any and all instruments, documents or contracts on behalf of the Issuer which are necessary or desirable in connection with the execution and delivery of the 2012 Bonds to the Bank, including, but not limited to, modifications to the 2012 Bonds to conform to or supplement the Commitment.

SECTION 10. APPLICATION OF THE 2012 BOND PROCEEDS. The proceeds received from the sale of any or all of the 2012 Bonds shall be applied by the Issuer as follows:

(A) To the extent not reimbursed therefor by the Bank, the Issuer shall pay all costs and expenses in connection with the preparation, issuance and sale of the 2012 Bonds.

(B) An amount shall be deposited in the Reserve Account which, together with any moneys and securities on deposit therein and the surety bond obtained in accordance with Section 17(B)(3) of the Original Ordinance, shall equal the Reserve Account Requirement for the Bonds.

(C) An amount, together with other legally available funds, if any, shall be used to repay the FEMA Grant.

(D) The balance of the 2012 Bonds proceeds shall be used as determined by the City Commission for any lawful purpose.

SECTION 11. PROVISIONS FOR REDEMPTION. The 2012 Bonds shall be redeemable as provided in the Commitment.

SECTION 12. BOOK-ENTRY SYSTEM. The Issuer has determined that the 2012 Bonds shall not be held in book-entry form.

SECTION 13. APPLICATION OF PROVISIONS OF THE ORIGINAL ORDINANCE; COVENANTS OF THE ISSUER.

(A) Original Ordinance Provisions. The 2012 Bonds shall, for all purposes, be considered to be Bonds issued under the authority of the Original Ordinance and shall constitute Additional Parity Obligations issued thereunder, and shall, except to the extent specifically provided otherwise herein, be entitled to all the protection and security provided therein for the Outstanding Bonds. The covenants and pledges contained in the Original Ordinance shall be applicable to the 2012 Bonds herein authorized in like manner as applicable to the Outstanding Bonds.

(B) Limited Obligation. In particular, and without limiting the generality of the foregoing, the payment of the principal of and interest on the 2012 Bonds, and any other expenses or amounts due on the 2012 Bonds or under the provisions of this Supplemental Resolution, shall be secured solely by a lien upon and pledge of the Net Revenues and, as of the date hereof, the Net 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 2003 Bonds, which pledge and encumbrance shall be on an equal and parity basis with the 2012 Bonds, and as to the principal of and interest on the SRF Loan, which shall be junior, inferior and subordinate in all respects to the pledge and encumbrance on the Net Revenues in favor of the holders of the 2012 Bonds. The Net Revenues, in an amount to pay the principal of and interest on the 2012 Bonds, in accordance with the terms and provisions of Exhibit A hereto, and any other expenses or amounts due on the 2012 Bonds or under the provisions of this Supplemental Resolution, are hereby irrevocably pledged to the making of such payments of principal and interest, and any other expenses or amounts due on the 2012 Bonds or under the provisions of this Supplemental Resolution, as the same matures and becomes due.

(C) Not General Obligation. The 2012 Bonds shall not be or constitute a general obligation or indebtedness of the Issuer and the 2012 Bonds shall not be or constitute a "bond" of the Issuer within the meaning of the Florida Constitution. Neither the Bank nor any successor owner of the 2012 Bonds shall be entitled to compel the payment of the principal of or interest on the 2012 Bonds or the making of any payments required hereunder or under the 2012 Bonds from any moneys of the Issuer other than the Net Revenues. In particular, neither the Bank nor any successor owner of the 2012 Bonds shall be entitled to compel the levy of ad valorem taxes by the Issuer to pay the principal of and interest on the 2012 Bonds or to make any payments required under the terms of the Ordinance. Furthermore, the obligation of the Issuer to repay the 2012 Bonds in accordance with its terms and to make the payments, if any, required under the Ordinance shall not constitute a lien upon or pledge of any property of the Issuer, but shall constitute a lien only upon the Net Revenues in the manner provided herein and in the Original ordinance.

(D) Financial Reporting. The Issuer shall furnish the Bank audited financial statements (by electronic transmission or through the City's website) 210 days after the end of the Issuer's fiscal year. The Issuer shall furnish the Bank with a copy of its annual budget (by electronic transmission or through the City's website) within 30 days of the adoption thereof.

SECTION 14. APPOINTMENT OF REGISTRAR AND PAYING AGENT. The City Clerk is hereby designated to serve as Paying Agent and Registrar for the 2012 Bonds.

SECTION 15. BANK QUALIFIED. The Issuer hereby designates the 2012 Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Code. The Issuer and any subordinate entities of the Issuer and any issuer of "tax-exempt" debt that issues "on behalf of" the Issuer do not reasonably expect during the calendar year 2012 to issue more

than \$10,000,000 of "tax-exempt" obligations including the 2012 Bonds, exclusive of any private activity bonds as defined in section 141(a) of the Code (other than qualified 501(c)(3) bonds as defined in section 145 of the Code).

SECTION 16. RESERVE REQUIREMENT. At such time as Section 17(B)(3) of the Original Ordinance is amended by Section 4 of the Supplemental Ordinance, the Reserve Requirement related to the 2012 Bonds shall equal \$0 and the funds on deposit in the Reserve Account related to the 2012 Bonds shall be released to the Issuer to use for any capital project related to the Sewer System or to pay debt service on the Bonds or for any other lawful purpose based on the opinion of nationally recognized Bond Counsel.

SECTION 17. PRIOR RESOLUTIONS. All prior resolutions of the Issuer inconsistent with the provisions of the Original Ordinance are hereby amended and supplemented to conform with the provisions herein contained and, except as may otherwise amended and supplemented hereby, the Original Ordinance shall remain in full force and effect.

SECTION 18. NO PERSONAL LIABILITY. Neither the members of the City Commission nor any person executing the 2012 Bonds shall be personally liable therefor or be subject to any personal liability or accountability by reason of the issuance thereof.

SECTION 19. GENERAL AUTHORITY. The Mayor, the City Manager, the Finance Director, the City Attorney, the City Clerk and any other proper officials of the Issuer are hereby authorized to do all acts and things required of them by the Ordinance, the Commitment, the 2012 Bonds, or any other agreement or contract relating to the 2012 Bonds, or that may otherwise be desirable or consistent with accomplishing the full, punctual and complete performance of all the terms, covenants and agreements contained in any of the foregoing and each member, employee, attorney and officer of the Issuer is hereby authorized and directed to execute and deliver any and all papers and instruments, including without limitation tax returns, non-arbitrage certificates, and various other certificates, and to cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated thereby.

SECTION 20. SEVERABILITY AND INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions herein contained shall be held contrary to any express provision of law or contrary to the policy of express law, but not expressly prohibited or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of the other provisions hereof or of the 2012 Bonds.

SECTION 21. ORIGINAL ORDINANCE TO CONTINUE IN FORCE. The Original Ordinance and all the terms and provisions thereof, are and shall remain in full force and effect except as may otherwise amended and supplemented hereby.

SECTION 22. NO THIRD PARTY BENEFICIARIES. Except as herein otherwise expressly provided, nothing in this Supplemental Resolution, express or implied, is intended or shall be construed to confer upon any person, firm or corporation or other entity, other than the Issuer, the Bank or any subsequent owner of the 2012 Bonds, any benefit of this Supplemental Resolution or any provisions hereof, this Supplemental Resolution and its

provisions being intended to be and being for the sole and exclusive benefit of the Issuer, the Bank and any subsequent owner of the 2012 Bonds.

SECTION 23. GOVERNING LAW. This Supplemental Resolution shall be governed by and construed in accordance with the laws of the State of Florida. Venue for any dispute hereunder shall lie in Monroe County, Florida.

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SECTION 24. EFFECTIVE DATE. This Supplemental Resolution shall be effective immediately upon its adoption.

Adopted at a regular session of the City Commission held on the 7th day of February, 2012.

Authenticated by the presiding officer and Clerk of the Commission on the ____ day of February, 2012.

Filed with the Clerk February _____, 2012.

CRAIG CATES, MAYOR

ATTEST:

CHERYL SMITH, CITY CLERK

EXHIBIT A

BANK COMMITMENT

255 S. Orange Avenue
 Orlando, FL 32801
 (407) 241-3570
 Fax (877) 320-4453

November 22, 2011

Mr. David Moore
 Managing Director
 Public Financial Management, Inc.
 300 South Orange Avenue, Suite 1170
 Orlando, FL 32801

Dear Mr. Moore:

Branch Banking and Trust Company ("BB&T") is pleased to offer this proposal for the financing requested by the City of Key West, FL ("City").

- (1) **Project:** Financing of a Sewer System Revenue Bond to (i) provide funds for the financing of sewer projects originally funded through the State of Florida Department of Emergency Management; (ii) fund a debt service reserve fund; and (iii) pay the associated costs of issuance.
- (2) **Amount To Be Financed:** Not to Exceed \$6,400,000
- (3) **Interest Rates, Financing Terms and Corresponding Payments:**

<u>Final Maturity</u>	<u>BQ Rate</u>
Option (1): October 1, 2021	2.07 %
Option (2): October 1, 2026	2.65 %
Option (3): October 1, 2031	3.58 %

Interest payments shall be due semiannually each April 1 and October 1, commencing April 1, 2012. Principal payments shall be due annually each October 1, commencing October 1, 2013. Interest shall accrue on the principal balance on a 30/360 day count basis. Upon being awarded this transaction, BB&T must approve of the final amortization schedule. The amortization schedules presented with the City's RFP are acceptable.

The interest rates stated above are valid for a closing date not later than 45 days after today. Closing of the financing is contingent upon completing documentation acceptable to BB&T and its counsel.

Remuneration for our legal review expenses and underwriting for this financing transaction shall be \$4,500.00. All applicable costs of counsel for the City and any other costs shall be the City's responsibility and separately payable by the City.

The financing documents shall allow for the prepayment of the principal balance in whole on a scheduled payment date with a 1% prepayment premium.

The financing documents shall also include provisions that will outline appropriate changes to be implemented in the event that this transaction is determined to be taxable or non-bank qualified in accordance with Florida State Statutes or the Internal Revenue Service code. These provisions must be acceptable to BB&T.

The stated interest rates above assume that the City expects to borrow \$10,000,000 or less in the calendar year 2011 and that the financing shall comply with the applicable IRS Code Sections 141, 148, 149(e) and 265(b)(3). BB&T reserves the right to terminate its interest in this bid or to negotiate a mutually acceptable rate if the financing is not a qualified tax-exempt financing.

(4) Financing Documents:

It shall be the responsibility of the City to retain and compensate counsel to appropriately structure the financing documents according to Florida State statutes. BB&T shall also require the City to provide an unqualified bond counsel opinion. BB&T and its counsel reserve the right to review and approve all documentation before closing.

(5) Security:

The financing shall be secured by a pledge of (i) the City's Sewer System Net Revenues and (ii) funds in the City's debt service reserve fund associated with this issue.

The debt service reserve fund will be required to be held by BB&T.

* * * * *

BB&T appreciates the opportunity to make this financing proposal and requests to be notified within ten days of this proposal should BB&T be the successful proposer.

BB&T shall have the right to cancel this offer by notifying the City of its election to do so (whether or not this offer has previously been accepted by the City) if at any time prior to the closing there is a material adverse change in the City's financial condition, if we discover adverse circumstances of which we are currently unaware, if we are unable to agree on acceptable documentation with the City or if there is a change in law (or proposed change in law) that changes the economic effect of this financing to BB&T. We reserve the right to negotiate and/or terminate our interest in this transaction should we be the successful proposer.

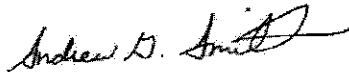
Please call me at (803) 251-1328 with your questions and comments or contact Michael C. Smith in our Orlando, FL office at:

255 South Orange Avenue
Orlando, FL 32801
Phone: 407.241.3570
Fax: 877.320.4453
Email: mcsmith@bbandt.com

We look forward to hearing from you.

Sincerely,

BRANCH BANKING AND TRUST COMPANY



Andrew G. Smith
Senior Vice President

EXHIBIT B

FORM OF 2012 BOND

ANY HOLDER SHALL, PRIOR TO BECOMING A HOLDER, EXECUTE A PURCHASER'S CERTIFICATE IN THE FORM ATTACHED TO THE ORDINANCE (HEREIN DEFINED) CERTIFYING, AMONG OTHER THINGS, THAT SUCH HOLDER IS AN "ACCREDITED INVESTOR" AS SUCH TERM IS DEFINED IN THE SECURITIES ACT OF 1933, AS AMENDED, AND REGULATION D THEREUNDER.

Dated Date: February _____, 2012

\$ _____

STATE OF FLORIDA
MONROE COUNTY, FLORIDA
CITY OF KEY WEST, FLORIDA
SEWER SYSTEM REVENUE BOND, SERIES 2012

KNOW ALL MEN BY THESE PRESENTS that City of Key West, Florida (the "Issuer"), a municipal corporation created and existing pursuant to the Constitution and the laws of the State of Florida, for value received, promises to pay from the sources hereinafter provided, to the order of Branch Banking and Trust Company or registered assigns (hereinafter, the "Owner"), the principal sum of \$ _____, on the dates and in the amounts as hereinafter described, together with interest on the principal balance at the "Interest Rate" described below, calculated on a 360-day year consisting of 12 30-day months; provided, however, that such interest rate shall in no event exceed the maximum interest rate permitted by applicable law. This Bond shall have a final "Maturity Date" of October 1, 2026.

The Interest Rate is equal to 2.65%, subject to adjustment as follows: If (i) the interest on this Bond becomes includable in the gross income of the Owner for Federal income tax purposes (an "Event of Taxability") or because of the enactment of any amendments to existing law, the effect of which would adversely affect the Owner's after-tax yield, or (ii) this Bond shall not be "a qualified tax exempt obligation" as defined in section 265(b)(3) of the Code, then the Owner shall have the right to adjust the interest rate in order to maintain the same after-tax yield as if the events in (i) or (ii) had not occurred. This adjustment shall survive payment of this Bond until such time as the federal statute of limitations under which the interest on this Bond could be declared taxable under the Code shall have expired. For so long as this Bond is owned by the Owner, the interest rate set forth above assumes a maximum corporate tax rate of 35%. In the event of a change in the maximum corporate tax rate, so long as this Bond is owned by the Owner, the Owner shall have the right to adjust such interest rate in order to maintain the same after-tax yield.

Interest shall be payable to the Owner on each April 1 and October 1 (each an "Interest Payment Date"), commencing on April 1, 2012.

Unless earlier prepaid, the principal amount of this Bond shall be paid in the following amounts on the following dates:

Dates

Amounts

A final payment in the amount of the remaining principal balance, together with all accrued and unpaid interest hereon, shall be due and payable in full on the Maturity Date.

This Bond may be prepaid in whole, but not in part on any Interest Payment Date by the Borrower in an amount equal to the principal amount to be prepaid plus accrued interest thereon to the date of prepayment plus a prepayment fee of 1% of the principal amount of the Bond to be prepaid if such prepayment occurs before April 1, 2019. Any Bonds prepaid on or after April 1, 2019 are prepayable in whole, but not in part on any Interest Payment Date by the Borrower in an amount equal to the principal amount to be prepaid plus accrued interest thereon to the date of prepayment

If any date for the payment of principal and interest hereon shall fall on a day which is not a Business Day, the payment due on such date shall be due on the next succeeding day which is a Business Day, but the Issuer shall not receive credit for the payment until it is actually received by the Owner.

All payments by the Issuer pursuant to this Bond shall apply first to accrued interest, then to other charges due the Owner, and the balance thereof shall apply to principal.

THIS BOND DOES NOT CONSTITUTE A GENERAL INDEBTEDNESS OF THE ISSUER WITHIN THE MEANING OF ANY CONSTITUTIONAL, STATUTORY OR CHARTER PROVISION OR LIMITATION, AND IT IS EXPRESSLY AGREED BY THE HOLDER OF THIS BOND THAT SUCH BONDHOLDER SHALL NEVER HAVE THE RIGHT TO REQUIRE OR COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OR USE OF AD VALOREM TAX REVENUES OF THE ISSUER OR TAXATION OF ANY REAL OR PERSONAL PROPERTY THEREIN FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THIS BOND OR THE MAKING OF ANY OTHER PAYMENTS PROVIDED FOR IN THE ORDINANCE.

This Bond is issued pursuant to the Constitution of the State of Florida; chapter 166, Florida Statutes, the Charter of the Issuer and Ordinance No. 03-15 duly enacted by the Issuer on June 17, 2003, as amended and supplemented from time to time, and as particularly amended and supplemented by Ordinance No. 12-01 duly enacted by the Issuer on January 3, 2012, as supplemented by Resolution No. _____ duly adopted by the Issuer on February 7, 2012 (collectively, the "Ordinance"), and is subject to all the terms and conditions of the Ordinance. All terms, conditions and provisions of the Ordinance including, without limitation, remedies in the event of default are by this reference thereto incorporated herein as a part of this Bond. Payment of the Bond is secured by a lien upon the Net Revenues of the

Issuer, in the manner and to the extent described in the Ordinance. Terms used herein in capitalized form and not otherwise defined herein shall have the meanings ascribed thereto in the Ordinance.

This Bond may be exchanged or transferred by the Owner hereof but only upon the registration books maintained by the Issuer and in the manner provided in the Ordinance.

It is hereby certified, recited and declared that all acts, conditions and prerequisites required to exist, happen and be performed precedent to and in the execution, delivery and the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the issuance of this Bond is in full compliance with and does not exceed or violate any constitutional or statutory limitation.

[Remainder of page intentionally left blank]

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 _____
Craig Cates, Mayor

ATTESTED:

Cheryl Smith, City Clerk

CERTIFICATE OF AUTHENTICATION OF BOND REGISTRAR

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

CITY OF KEY WEST, FLORIDA,
As Bond Registrar

By: _____
Cheryl Smith, City Clerk

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

EXHIBIT C

FORM OF PURCHASER'S CERTIFICATE

This is to certify that Branch Banking and Trust Company (the "Purchaser") has not required the City of Key West, Florida (the "Issuer") to deliver any offering document and has conducted its own investigation, to the extent it deems satisfactory or sufficient, into matters relating to business affairs or conditions (either financial or otherwise) of the Issuer in connection with the issuance of an amount not to exceed \$ _____ City of Key West, Florida Sewer System Revenue Bond, Series 2012 (the "2012 Bond"), and no inference should be drawn that the Purchaser, in the acceptance of said 2012 Bond, is relying on Bryant Miller Olive P.A. ("Bond Counsel") or Shawn Smith, Esq. ("City Attorney") as to any such matters other than the legal opinions rendered by Bond Counsel and by the City Attorney, respectively.

Any capitalized undefined terms used herein not otherwise defined shall have the meaning set forth in Ordinance No. 03-15 duly enacted by the Issuer on June 17, 2003, as amended and supplemented from time to time, and as particularly amended and supplemented by Ordinance No. 12-01 duly enacted by the Issuer on January 3, 2012, as supplemented by Resolution No. _____ duly adopted by the Issuer on February 7, 2012 (collectively, the "Ordinance").

We are aware that investment in the 2012 Bond involves various risks, that the 2012 Bond is not a general obligation of the Issuer or payable from ad valorem tax revenues, and that the payment of the 2012 Bond is secured solely from the Net Revenues described in the Ordinance (the "Net Revenues").

We have made such independent investigation of the Net Revenues as we, in the exercise of sound business judgment, considered to be appropriate under the circumstances. In making our investment decision, we have relied upon the accuracy of information which has been provided to us by the Issuer.

We have knowledge and experience in financial and business matters and are capable of evaluating the merits and risks of our investment in the 2012 Bond and can bear the economic risk of our investment in the 2012 Bond.

We acknowledge and understand that the Resolution is not being qualified under the Trust Indenture Act of 1939, as amended (the "1939 Act"), and is not being registered in reliance upon the exemption from registration under section 3(a)(2) of the Securities Act of 1933; section 517.051(1), Florida Statutes; and/or section 517.061(7), Florida Statutes, and that neither the Issuer, Bond Counsel nor the City Attorney shall have any obligation to effect any such registration or qualification.

We are not acting as a broker or other intermediary, and are purchasing the 2012 Bond as an investment for our own account and not with a present view to a resale or other distribution to the public. We understand that the 2012 Bond may not be transferred in a denomination less than \$100,000 in any circumstances.

We are a bank, trust company, savings institution, insurance company, dealer, investment company, pension or profit-sharing trust, or qualified institutional buyer as contemplated by section 517.061(7), Florida Statutes. We are not purchasing the 2012 Bond for the direct or indirect promotion of any scheme or enterprise with the intent of violating or

evading any provision of chapter 517, Florida Statutes.

We are an "accredited investor" with the meaning of the Securities Act of 1933, as amended, and Regulation D thereunder.

DATED this _____ day of February, 2012.

BRANCH BANKING AND TRUST
COMPANY

By: _____

Name:

Title: Assistant Vice President

EXHIBIT D

FORM OF DISCLOSURE LETTER

The undersigned, as purchaser, proposes to negotiate with the City of Key West, Florida (the "Issuer") for the private purchase of its City of Key West, Florida Sewer System Revenue Bond, Series 2012 (the "2012 Bond") in the principal amount not to exceed \$_____. Prior to the award of the 2012 Bond, the following information is hereby furnished to the Issuer:

1. Set forth is an itemized list of the nature and estimated amounts of expenses to be incurred for services rendered to us (the "Bank") in connection with the issuance of the 2012 Bond (such fees and expenses to be paid by the Issuer):

Bank Counsel and Credit Review Fees - \$4,500

2. (a) No fee, bonus or other compensation is estimated to be paid by the Bank in connection with the issuance of the 2012 Bond to any person not regularly employed or retained by the Bank (including any "finder" as defined in section 218.386(1)(a), Florida Statutes).

(b) No person has entered into an understanding with the Bank, or to the knowledge of the Bank, with the Issuer, for any paid or promised compensation or valuable consideration, directly or indirectly, expressly or implied, to act solely as an intermediary between the Issuer and the Bank or to exercise or attempt to exercise any influence to effect any transaction in the purchase of the 2012 Bond.

3. The amount of the underwriting spread expected to be realized by the Bank is \$0.

4. The management fee to be charged by the Bank is \$0.

5. Truth-in-Bonding Statement:

The 2012 Bond is being issued primarily to finance sewer projects originally funded through the State of Florida Department of Emergency Management.

Unless earlier redeemed, the 2012 Bond is expected to be repaid by October 1, 2026; at an interest rate of 2.65%, total interest paid over the life of the 2012 Bond is estimated to equal \$_____.

The 2012 Bond will be payable solely from a lien on Net Revenues of the Issuer, in the manner and to the extent described in Ordinance No. 03-15 duly enacted by the Issuer on June 17, 2003, as amended and supplemented from time to time, and as particularly amended and supplemented by Ordinance No. 12-01 duly enacted by the Issuer on January 3, 2012, as supplemented by Resolution No. _____ duly adopted by the Issuer on February 7, 2012 (collectively, the "Ordinance"). See the Ordinance for the definition of Net Revenues. Issuance of the 2012 Bond is estimated to result in a maximum of approximately \$_____ of revenues of the Issuer not being available to finance the services of the Issuer in any one year during the life of the 2012 Bond.

6. The name and address of the Bank is as follows:

Branch Banking and Trust Company
5130 Parkway Plaza Blvd., Building No. 9
Charlotte, North Carolina 28217
Attention: Account Administration Municipal

IN WITNESS WHEREOF, the undersigned has executed this Disclosure Letter on behalf of the Bank this _____ day of February, 2012.

BRANCH BANKING AND TRUST COMPANY

By: _____

Name:

Title: Assistant Vice President