Original to be initialed by FPL

#4297

LETTER OF INTENT

This Letter of Intent is entered into as of May 6, 2011, between FLORIDA POWER & LIGHT COMPANY, a corporation organized under the laws of the State of Florida ("***FPL***") and THE CITY OF VERO BEACH, a municipal corporation in, and organized under the laws of, the State of Florida ("***COVB***"). FPL and COVB are jointly referred to as the "***Parties***" and individually as a "***Party***".

This Letter of Intent is based on our current understanding of the matters set forth herein. It is not a complete statement of all terms and conditions of the Potential Transaction (as such term is defined below), but provides a basis for further discussions and negotiations between the Parties. Except as expressly set forth in Part II, Article 4 below, this Letter of Intent is not, and shall not be deemed or construed to be, legally binding on the Parties and nothing contained herein (except as set forth in said Part II, Article 4) shall impose, or shall be deemed or construed to impose, any obligations, duties, or liabilities on the part of either Party.

PART I

FPL and COVB are considering a potential transaction (the "***Potential Transaction***"), whereby FPL would purchase the electric utility assets of COVB located in Indian River County ("***Assets***").

The Parties understand that additional discussions and negotiations with respect to the Potential Transaction are required, and that neither Party is bound to proceed with the Potential Transaction unless and until mutually acceptable, definitive Purchase and Sale Agreement and related agreements and documents are negotiated, approved and executed (the "***Definitive Agreements***") and certain other conditions precedent as set forth in this Letter of Intent and the Definitive Agreements (including without limitation FPL senior management and board of director approvals) are satisfied. However, to facilitate further such discussions and negotiations, the Parties desire to set forth below the basic proposed terms of the Potential Transaction and their understandings with respect thereto:

A. Purchase Price. Based on the information available to date and subject to the conditions precedent set forth below and in the Definitive Agreements, FPL would acquire the Assets, free and clear of all liens and encumbrances at the closing of the Potential Transaction, for an amount to be mutually agreed upon by the Parties (the "***Purchase Price***"), subject to appropriate adjustments to be mutually agreed upon, including adjustment for accrued pension and other employee-related obligations associated with the Transferred Employees (as defined below) as of the date of the closing of the Potential Transaction. The Purchase Price would be paid in cash or in immediately available funds at such closing, subject to appropriate holdbacks.

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B. Retail Electric Service. Subject to such approvals as may be required by the Florida Public Service Commission ("***FPSC***"), FPL would provide retail electric service to all customers (including COVB facilities) currently served by the COVB electric utility at FPL's then current FPSC approved retail rates and subject to FPL's approved electric tariff, all as may be revised from time to time under FPSC jurisdiction. COVB's adoption of a franchise ordinance on terms acceptable to FPL will be a condition precedent to the closing of the Potential Transaction.

C. Retention of Employees. FPL shall retain COVB electric utility employees whose services or work assignments are directly associated with the Assets and who are active employees on the closing date ("***Transferred Employees***") for two (2) years from the closing date on terms and conditions to be negotiated by the Parties.

D. Transfers to FPL. COVB shall provide to FPL the following:

i) assignment of all of COVB's rights and obligations, free of any and all liens and encumbrances, under the contracts related to the Assets;

ii) transfer of 100% ownership to all land, buildings fixtures and improvements providing marketable title to the real property related to the Assets (other than the real property on which COVB's power plant is located ("***Power Plant Real Property***")), including, but not limited to leases, easements and licenses, free of any and all liens and subject only to those encumbrances approved by FPL in its sole discretion, as well as transfer of 100% ownership to all personal property related to the Assets, free of any and all liens and encumbrances, including but not limited to COVB's power plant, transmission and distribution facilities, related buildings, equipment, interconnection facilities, switchyard facilities, telecommunication equipment and radios (including all licenses theefor), fuel inventories, fuel tanks, natural gas transportation, tools, spare parts and all other inventories f materials and supplies;

iii) transfer of all COVB electric utility accounting books and records, customer-related assets and Transferred Employees-related assets; and

iv) transfer of all permits, licenses, contracts, models, systems and rights thereunder associated with the forecasting, modeling, management and operation of the Assets.

E. Power Plant Real Property. COVB shall retain ownership of the Power Plant Real Property, and FPL shall lease such real property from COVB on terms acceptable to FPL. FPL shall determine, in its sole discretion, if and when the power plant is removed from service. Upon removal of the power plant from service, FPL shall be responsible for dismantling the power plant. Upon completion of such

dismantling, the lease shall terminate and use of such real property shall revert to COVB, which use shall be at the sole discretion of COVB. All costs of any environmental remediation of such real property (other than resulting from releases caused by FPL after the closing of the Potential Transaction) shall be the responsibility of COVB. A condition to the closing of the Potential Transaction shall be that the lease of the Power Plant Real Property to FPL is approved in accordance with the Charter of COVB.

F. Liabilities. COVB shall retain, and indemnify FPL from, all liabilities (including environmental liabilities) relating to the Assets and Transferred Employees arising from acts, omissions, events, conditions or circumstances occurring prior to the closing of the Potential Transaction.

G. Orlando Utilities Commission Agreement. As a condition to the closing of the Potential Transaction, COVB shall negotiate a termination of the Agreement for Purchase and Sale of Electric Energy and Capacity, Gas Transportation Capacity and Asset Management Services Agreement between COVB and the Orlando Utilities Commission dated April 21, 2008, that is mutually acceptable to COVB and the Orlando Utilities Commission. COVB shall be responsible for any payments owed to the Orlando Utilities Commission as a result of such termination.

H. Florida Municipal Power Agency Entitlements. As a condition to the closing of the Potential Transaction, COVB shall transfer to another FMPA member the rights to receive capacity and energy from the generation entitlements to the following contracts:

i) St. Lucie Project Power Sales Contract, by and between the Florida Municipal Power Agency and the COVB, dated June 1, 1982, as amended;

ii) St. Lucie Project Power Support Contract, by and between the Florida Municipal Power Agency and COVB, dated June 1, 1982, as amended;

iii) Stanton I Power Sales Contract, by and between the Florida Municipal Power Agency, and COVB, dated January 16, 1984;

iv) Stanton I Power Support Contract, by and between the Florida Municipal Power Agency, and COVB, dated January 16, 1984; and

v) Stanton II Power Sales and Project Support Contract, by and between the Florida Municipal Power Agency, and COVB, dated April 17, 1991.

FPL shall not be responsible for any payments or other liabilities related to such transfer.

I. Territorial Agreement. As a condition to the closing of the Potential Transaction,

the Parties would jointly terminate the Territorial Boundary Agreement dated June 11, 1980, between FPL and COVB.

J. Pole Leases. COVB shall assign to FPL all of COVB's rights and obligations under agreements leasing, or providing rights to use, any portion of the Assets, including poles.

K. Separation of Assets. To the extent the Assets need to be separated from other COVB assets, such separation shall be at the cost of COVB.

PART II

ARTICLE 1. DUE DILIGENCE

Section 1.1 FPL and the COVB shall have the right to evaluate the Potential Transaction through due diligence of COVB and the Assets, including but not be limited to review of information regarding:

(a) material litigation and claims, including matters threatened but not yet brought;

(b) defaults, or other issues limiting COVB's rights under the contractual assets;

(c) regulatory and governmental matters, including operational filings, Federal Energy Regulatory Commission ("***FERC***") and FPSC proceedings and reports to governmental agencies;

(d) tax matters;

(e) real property matters, including the marketability of title to all real property (and fixtures and other improvements thereon) owned or leased and assessment of title to other real property rights, including easements;

(f) environmental matters, including air, surface, groundwater and weather matters and the condition of the properties, assets, sites and surrounding property;

(g) operational documents/information regarding the assets, including documentation of electrical and steam output maintenance records and plans;

(h) security and safety plans;

(i) material contracts;

(j) instruments of indebtedness, including notes, loans, synthetic leases, guarantees, letters of credit, etc.; and

(k) labor and employment matters, including employee benefits and compensation, employee claims and/or litigation, and grievances and/or arbitrations.

In conducting its due diligence, FPL's and COVB's review would also include, but not be limited to, a review of the physical assets and risk management/insurance records related to the Assets and an environmental audit.

Section 1.2 FPL and COVB will use commercially reasonable efforts to complete its due diligence of COVB and the Assets by no later than July 1, 2011. COVB would make available all documents, reports, studies, contracts and other tangible or electronic items and information as may exist relating to the Assets, including the forecasting, modeling, management and operation of the Assets. COVB will make available to FPL all of COVB's certain employees, vendors, contractors and advisors engaged prior to or subsequent to the date of this Letter of Intent so that FPL's representatives may have reasonable access to information developed or retained by such employees, vendors, contractors and advisors in relation to the Assets and reasonable opportunity to discuss such information with such persons.

ARTICLE 2. CONDITIONS PRECEDENT

Section 2.1 COVB shall not be required to execute any Definitive Agreement unless the COVB's City Council approves, in its sole discretion, entering into the Definitive Agreements.

Section 2.2 FPL shall not be required to execute any Definitive Agreement unless FPL determines in its sole discretion that all of the following conditions have been satisfied:

(a) The due diligence described in Article 1 above has been completed and the results are satisfactory to FPL;

(b) FPL determines that it can receive all applicable regulatory approvals, including but not limited to approvals by the FPSC and any other state commissions, FERC, the Federal Trade Commission, and the Securities and Exchange Commission, and third party consents, in each case on terms and conditions acceptable to FPL; and

(c) FPL receives approval from its senior management and board of directors to enter into the Definitive Agreements.

Section 2.3 The Parties understand that the consummation of the Potential Transaction contemplated by this Letter of Intent shall be subject to the satisfaction of the conditions set forth in Section 2.1, the other conditions set forth in this Letter of Intent and the conditions to closing set forth in the Definitive Agreements.

ARTICLE 3. GOOD FAITH NEGOTIATIONS; EXCLUSIVITY

Section 3.1 Good Faith Negotiations. The Parties shall negotiate in good faith through July 1, 2011, unless this Letter of Intent is earlier terminated pursuant to Article 5 below (the "***Negotiation Period***"), to finalize and execute Definitive Agreements subject to the conditions set forth in this Letter of Intent.

Section 3.2 Exclusivity. In order to induce FPL to commit the resources necessary for the due diligence and evaluation of the Potential Transaction, COVB agrees that, during the Negotiation Period: (a) it will not, directly or indirectly, or through an official, employee, representative or by or through the use of any other conduit (including any other person or entity), offer to transfer (whether by asset sale or otherwise) the Assets or any portion thereof to (or offer to enter into any transaction contemplated by the Potential Transaction with) any person or entity, or request, solicit or otherwise encourage inquiries, proposals or offers from any person or entity but FPL with respect to the Assets or any portion thereof or any transaction contemplated by the Potential Transaction; and (b) it will not participate in any discussions or negotiations with, or furnish any non-public information to, any person or entity other than FPL regarding the transfer (whether by asset sale or otherwise) of the Assets or any portion thereof or any transaction contemplated by the Potential Transaction.

ARTICLE 4. EFFECT OF THIS LETTER OF INTENT

Section 4.1 This Letter of Intent:

(a) except as set forth in Section 4.2 below, does not constitute a legally binding agreement;

(b) does not constitute a legally binding offer or agreement to consummate the Potential Transactions or any other transaction or to enter into any Definitive Agreement;

(c) does not contain all of the material terms of the Potential Transactions; and

(d) except as set forth in Section 4.2 below, shall not constitute the basis for an agreement by estoppel or otherwise.

Section 4.2 Section 3.2, this Article 4 and Articles 5, 6, 7, 8, 9, 10, 11, 12 and 13 AND 14 of this Letter of Intent constitute a legally binding agreement between the Parties, enforceable against each Party in accordance with their terms.

Section 4.3 Any actions taken by a Party or any other person in reliance on the non-binding terms expressed in this Letter of Intent or statements made (whether orally or in writing) during the negotiations between the Parties shall be at that Party's own risk, and neither this Letter of Intent (except as set forth in Section 4.2 above) nor any actions or statements (whether written or oral) made by a Party during the course of negotiation, due diligence and evaluation of the Potential Transactions shall be the basis for a contract by estoppel, implied contract or any

other legal theory. Unless and until the Definitive Agreements have been duly authorized, executed and delivered by the Parties, no Party shall have any legal obligation, duty, or liability to the other, expressed or implied, or arising in any other manner under this Letter of Intent, in the course of negotiations as contemplated by this Letter of Intent or in relation to any transaction contemplated by this Letter of Intent (except to the extent provided in Section 4.2 above). No binding commitment shall arise prior to then even if the Parties reach some understanding(s) or agreement(s) in principle.

ARTICLE 5. TERMINATION

Section 5.1 This Letter of Intent shall terminate on the earlier of: (i) execution of the Definitive Agreements, (ii) the expiration of the Negotiation Period, or (iii) written notice by FPL to COVB that FPL is not satisfied (in its sole discretion) with its due diligence.

Section 5.2 Except as expressly set forth in Part II, Article 4 above, upon termination of this Letter of Intent, the Parties shall have no further obligations, duties or liabilities hereunder; provided, however, that the terms and provisions set forth in Articles 4 through ~~13~~ 14, except sec. 3.2, shall survive the termination of this Letter of Intent.

ARTICLE 6. CONFIDENTIALITY

Section 6.1 This Letter of Intent (including the terms and conditions hereof and the fact that the Parties have entered into this Letter of Intent) and all information disclosed by a Party to the other under this Letter of Intent or during the negotiation of this Letter of Intent, any Definitive Agreement or the Potential Transaction ("***Confidential Information***") is confidential and may not be disclosed by a Party to a third party without the other Party's prior written consent, except that a Party may disclose Confidential Information to its financial, accounting, engineering and legal advisors who have a need to know such information and who agree to maintain its confidentiality. Confidential Information shall not include: (a) information which is or becomes publicly available; (b) information which is or becomes available on a non-confidential basis from a source which is not known to the receiving Party to be prohibited from disclosing such information pursuant to a legal, contractual or fiduciary obligation to the disclosing Party; (c) information which the receiving Party can demonstrate was legally in its possession prior to disclosure by the disclosing Party; or (d) information which is developed by or for the receiving Party independently of the disclosing Party's Confidential Information. Notwithstanding the foregoing, this Letter of Intent and any document submitted by a Party to the other under this Letter of Intent or during the negotiation of this Letter of Intent, any Definitive Agreement or the Potential Transaction (***"Confidential Document"***) may be a public record (as defined in Section 119.011, Florida Statutes) and may be open for inspection or copying by any person or entity unless such document is exempted under Section 119.071, Florida Statutes. During the term of this Letter of Intent, FPL may claim that some or all of the Confidential Documents is, or has been treated as, confidential and proprietary by FPL in accordance with Florida law, and is exempt from disclosure under Chapter 119, Florida Statutes.

In the event that COVB is requested or required by legal or regulatory authority to disclose any Confidential Information, COVB shall within three (3) days notify FPL of such request or requirement prior to disclosure so that FPL may seek an appropriate protective order and/or waive compliance with the terms of this Letter of Intent. To the extent reasonably possible, FPL shall endeavor to provide redacted versions of documents containing Confidential Information, upon request of COVB. The Party's obligation of nondisclosure of Confidential Information shall survive the expiration or termination of this Letter of Intent.

ARTICLE 7. COSTS AND EXPENSES

Section 7.1 Each party shall bear its own costs and expenses (including fees of counsel and outside advisors) in connection with the preparation, negotiation, execution and delivery of this Letter of Intent and any Definitive Agreement (whether or not the Potential Transaction is consummated).

ARTICLE 8. LIMITATION ON LIABILITY

Section 8.1 IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY OR ITS REPRESENTATIVES FOR ANY SPECIAL, INDIRECT, NON-COMPENSATORY, CONSEQUENTIAL, INCIDENTAL, PUNITIVE OR EXEMPLARY DAMAGES OF ANY TYPE, INCLUDING LOST PROFITS, LOSS OF BUSINESS OPPORTUNITY OR BUSINESS INTERRUPTIONS WHETHER ARISING IN CONTRACT OR TORT (INCLUDING NEGLIGENCE, WHETHER SOLE, JOINT OR CONCURRENT OR STRICT LIABILITY) OR OTHERWISE, ARISING OUT OF THIS LETTER OF INTENT.

ARTICLE 9. NO THIRD-PARTY BENEFICIARIES

Section 9.1 This Letter of Intent is intended for the benefit of the Parties hereto and is not intended to and does not confer any benefit on any third parties.

ARTICLE 10. CHOICE OF LAW

Section 10.1 This Letter of Intent shall be governed by the laws of the State of Florida without regard to its conflicts of laws principles.

Section 10.2 IN ANY LITIGATION ARISING FROM OR RELATED TO THIS LETTER OF INTENT, THE PARTIES HERETO EACH HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT EACH MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS LETTER OR INTENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR

WRITTEN) OR ACTIONS OF EITHER PARTY TO THIS LETTER OF INTENT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES TO ENTER INTO THIS LETTER OF INTENT.

ARTICLE 11. ASSIGNMENT

Section 11.1 This Letter of Intent may not be assigned or transferred by either Party without the prior written consent of the other Party. Article 4 and the provisions set forth therein shall be binding upon and inure to the benefit of the respective successors and permitted assigns of the Parties.

ARTICLE 12. COUNTERPARTS

Section 12.1 This Letter of Intent may be executed in separate counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument.

ARTICLE 13. ENTIRE AGREEMENT

Section 13.1 This Letter of Intent represents the entire agreement and understanding of the Parties regarding the subject matter hereof and supercedes all previous understandings, written or oral. It is the expectation of the Parties that this Letter will be superceded in its entirety by any Definitive Agreement executed by the Parties.

ARTICLE 14. RESERVATION

The COVB reserves the right to accept, reject or negotiate any of the terms of the Potential Transaction included or excluded in the Letter of Intent.

[*signature page follows*]

IN WITNESS WHEREOF, the Parties have caused this Letter of Intent to be executed by their duly authorized representatives on the first date written above.

FLORIDA POWER & LIGHT COMPANY

By:
Name: SAM A. FORREST
Title: VICE PRESIDENT

LEGAL
AR

ATTEST:

Tammy K. Vock
City Clerk

CITY OF VERO BEACH, FLORIDA

Jay Kramer
Mayor

(City Seal)

Approved as to form and legal sufficiency:

Wayne R. Coment
Acting City Attorney

Approved as conforming to municipal policy:

Monte K. Falls
Interim City Manager

Approved as to technical requirements:

Approved as to technical requirements: