AGREEMENT FOR
FUEL PRICE RISK MANAGEMENT PROGRAM

THIS AGREEMENT, made this 5th day of October 2012, by and between the City of Fort Lauderdale, a Florida municipality, ("City"), whose address is 100 North Andrews Avenue, Fort Lauderdale, FL 33301-1016, and Linwood Capital, LLC, a Minnesota Limited Liability Company, ("Contractor" or "Company"), whose address and phone number are 120 South 6th Street, Minneapolis, MN 55424, Phone: 612-333-1673, Fax: 612-339-2072, for the term specified herein,

NOW THEREFORE, for and in consideration of the mutual promises and covenants set forth herein and other good and valuable consideration, the City and the Contractor covenant and agree as follows:

WITNESSETH:

I. DOCUMENTS

The following documents (collectively "Contract Documents") are hereby incorporated into and made part of this Agreement:

(1) Request for Proposal 525-10840 - Fuel Price Risk Management Program, including any and all addenda, prepared by the City of Fort Lauderdale, ("RFP" or "Exhibit A").

(2) The Contractor's response to the RFP, dated October 8, 2011 ("Exhibit B").

All Contract Documents may also be collectively referred to as the "Documents." In the event of any conflict between or among the Documents or any ambiguity or missing specifications or instruction, the following priority is established:

A. First, specific direction from the City Manager (or designee)
B. Second, this Agreement dated Oct. 5th, 2012, and any attachments.
C. Third, Exhibit A
D. Fourth, Exhibit B

II. SCOPE

The Contractor shall perform the Work under the general direction of the City as set forth in the Contract Documents.

Unless otherwise specified herein, the Contractor shall perform all Work identified in this Agreement. The parties agree that the scope of services is a description of Contractor's obligations and responsibilities, and is deemed to include preliminary considerations and prerequisites, and all labor, materials, equipment, and tasks which are such an inseparable part of the work described that exclusion would render performance by Contractor impractical, illogical, or unconscionable.

Contractor acknowledges and agrees that the City's Contract Administrator has no authority to make changes that would increase, decrease, or otherwise modify the Scope of Services to be provided under this Agreement.

By signing this Agreement, the Contractor represents that it thoroughly reviewed the documents incorporated into this Agreement by reference and that it accepts the description of the Work and the conditions under which the Work is to be performed.

III. TERM OF AGREEMENT

The initial contract period shall commence on July 11, 2012 and shall end on July 10, 2013. In the event the term of this Agreement extends beyond the end of any fiscal year of City, to wit, September 30, the continuation of this Agreement beyond the end of such fiscal year shall be subject to both the appropriation and the availability of funds.

IV. COMPENSATION

The Contractor agrees to provide the services and/or materials as specified in the Contract Documents at the cost specified in Exhibit B. It is acknowledged and agreed by Contractor that this amount is the maximum payable and constitutes a limitation upon City's obligation to compensate Contractor for Contractor's services related to this Agreement. This maximum amount, however, does not constitute a limitation of any sort upon Contractor's obligation to perform all items of work required by or which can be reasonably inferred from the Scope of Services. Except as otherwise provided in the solicitation, no amount shall be paid to Contractor to reimburse Contractor's expenses.

V. METHOD OF BILLING AND PAYMENT

Contractor may submit invoices for compensation no more often than monthly, but only after the services for which the invoices are submitted have been completed. An original invoice plus one copy are due within fifteen (15) days of the end of the month except the final invoice which must be received no later than sixty (60) days after this Agreement expires. Invoices shall designate the nature of the services performed and/or the goods provided.

City shall pay Contractor within forty-five (45) days of receipt of Contractor's proper invoice, as provided in the Florida Local Government Prompt Payment Act.

To be deemed proper, all invoices must comply with the requirements set forth in this Agreement and must be submitted on the form and pursuant to instructions prescribed by the City's Contract Administrator. Payment may be withheld for failure of Contractor to comply with a term, condition, or requirement of this Agreement.

Notwithstanding any provision of this Agreement to the contrary, City may withhold, in whole or in part, payment to the extent necessary to protect itself from loss on account of inadequate or defective work that has not been remedied or resolved in a manner satisfactory to the City's Contract Administrator or failure to comply with this Agreement. The amount withheld shall not be subject to payment of interest by City.

VI. GENERAL CONDITIONS

A. Indemnification

Contractor shall protect and defend at Contractor's expense, counsel being subject to the City's approval, and indemnify and hold harmless the City and the City's officers, employees, volunteers, and agents from and against any and all losses, penalties, fines, damages, settlements, judgments, claims, costs, charges, expenses, or liabilities, including any award of attorney fees and any award of costs, in connection with or arising directly or indirectly out of any act or omission by the Contractor or by any officer, employee, agent, invitee, subcontractor, or sublicensee of the Contractor. The provisions and obligations of this section shall survive the expiration or earlier termination of this Agreement. To the extent considered necessary by the City Manager, any sums due Contractor under this Agreement may be retained by City until all of City's claims for indemnification pursuant to this Agreement have been settled or otherwise resolved, and any amount withheld shall not be subject to payment of interest by City.

B. Intellectual Property

Contractor shall protect and defend at Contractor's expense, counsel being subject to the City's approval, and indemnify and hold harmless the City from and against any and all losses, penalties, fines, damages, settlements, judgments, claims, costs, charges, royalties, expenses, or liabilities, including any award of attorney fees and any award of costs, in connection with or arising directly or indirectly out of any infringement or allegation of infringement of any patent, copyright, or other intellectual property right in connection with the Contractor's or the City's use of any copyrighted, patented or un-patented invention, process, article, material, or device that is manufactured, provided, or used pursuant to this Agreement. If the Contractor uses any design, device, or materials covered by letters, patent or copyright, it is mutually agreed and understood without exception that the bid prices shall include all royalties or costs arising from the use of such design, device, or materials in any way involved in the work.

C. Termination for Cause

The aggrieved party may terminate this Agreement for cause if the party in breach has not corrected the breach within ten (10) days after written notice from the aggrieved party identifying the breach. The City Manager may also terminate this Agreement upon such notice as the City Manager deems appropriate under the circumstances in the event the City Manager determines that termination is necessary to protect the public health or safety. The parties agree that if the City erroneously, improperly or unjustifiably terminates for cause, such termination shall be deemed a termination for convenience, which shall be effective thirty (30) days after such notice of termination for cause is provided.

This Agreement may be terminated for cause for reasons including, but not limited to, Contractor's repeated (whether negligent or intentional) submission for payment of false or incorrect bills or invoices, failure to perform the Work to the City's satisfaction; or failure to continuously perform the work in a manner calculated to meet or accomplish the objectives as set forth in this Agreement.

D. Termination for Convenience

The City reserves the right, in its best interest as determined by the City, to cancel this contract for convenience by giving written notice to the Contractor at least thirty (30) days prior to the effective date of such cancellation. In the event this Agreement is terminated for convenience, Contractor shall be paid for any services performed to the City's satisfaction pursuant to the Agreement through the termination date specified in the written notice of termination. Contractor acknowledges and agrees that he/she/it has received good, valuable and sufficient consideration from City, the receipt and adequacy of which are hereby acknowledged by Contractor, for City's right to terminate this Agreement for convenience.

E. Cancellation for Unappropriated Funds

The City reserves the right, in its best interest as determined by the City, to cancel this contract for unappropriated funds or unavailability of funds by giving written notice to the Contractor at least thirty (30) days prior to the effective date of such cancellation. The obligation of the City for payment to a Contractor is limited to the availability of funds appropriated in a current fiscal period, and continuation of the contract into a subsequent fiscal period is subject to appropriation of funds, unless otherwise provided by law.

F. Insurance

The Contractor shall furnish proof of insurance requirements as indicated below. The coverage is to remain in force at all times during the contract period. The following minimum insurance coverage is required. The commercial general liability insurance policy shall name the City of Fort Lauderdale, a Florida municipality, as an "additional insured." This MUST be written in the description section of the insurance certificate, even if there is a check-off box on the insurance certificate. Any costs for adding the City as "additional insured" shall be at the Contractor's expense.

The City of Fort Lauderdale shall be given notice 10 days prior to cancellation or modification of any required insurance. The insurance provided shall be endorsed or amended to comply with this notice requirement. In the event that the insurer is unable to accommodate, it shall be the responsibility of the Contractor to provide the proper notice. Such notification will be in writing by registered mail, return receipt requested and addressed to the Procurement Services Division.

The Contractor's insurance must be provided by an A.M. Best's "A-"rated or better insurance company authorized to issue insurance policies in the State of Florida, subject to approval by the City's Risk Manager. Any exclusions or provisions in the insurance maintained by the contractor that excludes coverage for work contemplated in this solicitation shall be deemed unacceptable, and shall be considered breach of contract.

Workers' Compensation and Employers' Liability Insurance

Limits: Workers' Compensation – Per Chapter 440, Florida Statutes
Employers' Liability - $500,000

Any firm performing work for or on behalf of the City of Fort Lauderdale must provide Workers' Compensation insurance. Exceptions and exemptions will be allowed, by the City's Risk Manager, if they are in accordance with Florida Statutes.

Commercial General Liability Insurance

Covering premises-operations, products-completed operations, independent contractors and contractual liability.

Limits: Combined single limit bodily injury/property damage $1,000,000.

This coverage must include, but not limited to:

a. Coverage for the liability assumed by the contractor under the indemnity provision of the contract.
b. Coverage for Premises/Operations
c. Products/Completed Operations
d. Broad Form Contractual Liability
e. Independent Contractors

Automobile Liability Insurance

Covering all owned, hired and non-owned automobile equipment.

Limits: Bodily injury	$250,000 each person, $500,000 each occurrence
Property damage	$100,000 each occurrence

Professional Liability (Errors & Omissions)

Consultants

Limits:	$1,000,000 per occurrence

Certificate holder should be addressed as follows:

City of Fort Lauderdale
Procurement Services Division
100 N. Andrews Avenue, Room 619
Fort Lauderdale, FL 33301

G. Environmental, Health and Safety

Contractor shall place the highest priority on health and safety and shall maintain a safe working environment during performance of the Work. Contractor shall comply, and shall secure compliance by its employees, agents, and subcontractors, with all applicable environmental, health, safety and security laws and regulations, and performance conditions in this Agreement. Compliance with such requirements shall represent the minimum standard required of Contractor. Contractor shall be responsible for examining all requirements and determine whether additional or more stringent environmental, health, safety and security provisions are required for the Work. Contractor agrees to utilize protective devices as required by applicable laws, regulations, and any industry or Contractor's health and safety plans and regulations, and to pay the costs and expenses thereof, and warrants that all such persons shall be fit and qualified to carry out the Work.

H. Standard of Care

Contractor represents that he/she/it is qualified to perform the Work, that Contractor and his/her/its subcontractors possess current, valid state and/or local licenses to perform the Work, and that their services shall be performed in a manner consistent with that level of care and skill ordinarily exercised by other qualified contractors under similar circumstances.

I. Rights in Documents and Work

Any and all reports, photographs, surveys, and other data and documents provided or created in connection with this Agreement are and shall remain the property of City; and Contractor disclaims any copyright in such materials. In the event of and upon termination of this Agreement, any reports, photographs, surveys, and other data and documents prepared by Contractor, whether finished or unfinished, shall become the property of City and shall be delivered by Contractor to the City's Contract Administrator within seven (7) days of termination of this Agreement by either party. Any compensation due to Contractor shall be withheld until Contractor delivers all documents to the City as provided herein.

J. Audit Right and Retention of Records

City shall have the right to audit the books, records, and accounts of Contractor and Contractor's subcontractors that are related to this Agreement. Contractor shall keep, and Contractor shall cause Contractor's subcontractors to keep, such books, records, and accounts as may be necessary in order to record complete and correct entries related to this Agreement. All books, records, and accounts of Contractor and Contractor's subcontractors shall be kept in written form, or in a form capable of conversion into written form within a reasonable time, and upon request to do so, Contractor or Contractor's subcontractor, as applicable, shall make same available at no cost to City in written form.

Contractor and Contractor's subcontractors shall preserve and make available, at reasonable times for examination and audit by City in Broward County, Florida, all financial records, supporting documents, statistical records, and any other documents pertinent to this Agreement for the required retention period of the Florida public records law, Chapter 119, Florida Statutes, as may be amended from time to time, if applicable, or, if the Florida Public Records Act is not applicable, for a minimum period of three (3) years after termination of this Agreement. If any audit has been initiated and audit findings have not been resolved at the end of the retention period or three (3) years, whichever is longer, the books, records, and accounts shall be retained until resolution of the audit findings. If the Florida public records law is determined by City to be applicable to Contractor and Contractor's subcontractors' records, Contractor and Contractor's subcontractors shall comply with all requirements thereof; however, Contractor and Contractor's subcontractors shall violate no confidentiality or non-disclosure requirement of either federal or state law. Any incomplete or incorrect entry in such books, records, and accounts shall be a basis for City's disallowance and recovery of any payment upon such entry.

Contractor shall, by written contract, require Contractor's subcontractors to agree to the requirements and obligations of this Section.

The Contractor shall maintain during the term of the contract all books of account, reports and records in accordance with generally accepted accounting practices and standards for records directly related to this contract.

K. Public Entity Crime Act

Contractor represents that the execution of this Agreement will not violate the Public Entity Crime Act, Section 287.133, Florida Statutes, as may be amended from time to time, which essentially provides that a person or affiliate who is a contractor, consultant, or other provider and who has been placed on the convicted vendor list following a conviction for a public entity crime may not submit a bid on a contract to provide any goods or services to City, may not submit a bid on a contract with City for the construction or repair of a public building or public work, may not submit bids on leases of real property to City, may not be awarded or perform work as a contractor, supplier, subcontractor, or consultant under a contract with City, and may not transact any business with City in excess of the threshold amount provided in Section 287.017, Florida Statutes, as may be amended from time to time, for category two purchases for a period of 36 months from the date of being placed on the convicted vendor list. Violation of this section shall result in termination of this Agreement and recovery of all monies paid by City pursuant to this Agreement, and may result in debarment from City's competitive procurement activities.

L. Independent Contractor

Contractor is an independent contractor under this Agreement. Services provided by Contractor pursuant to this Agreement shall be subject to the supervision of the Contractor. In providing such services, neither Contractor nor Contractor's agents shall act as officers, employees, or agents of City. No partnership, joint venture, or other joint relationship is created hereby. City does not extend to Contractor or Contractor's agents any authority of any kind to bind City in any respect whatsoever.

M. Inspection and Non-Waiver

Contractor shall permit the representatives of CITY to inspect and observe the Work at all times.

The failure of the City to insist upon strict performance of any other terms of this Agreement or to exercise any rights conferred by this Agreement shall not be construed by Contractor as a waiver of the City's right to assert or rely on any such terms or rights on any future occasion or as a waiver of any other terms or rights.

N. Assignment and Performance

Neither this Agreement nor any right or interest herein shall be assigned, transferred, or encumbered without the written consent of the other party. In addition, Contractor shall not subcontract any portion of the work required by this Agreement, except as provided in the Schedule of Subcontractor Participation. City may terminate this Agreement, effective immediately, if there is any assignment, or attempted assignment, transfer, or encumbrance, by Contractor of this Agreement or any right or interest herein without City's written consent.

Contractor represents that each person who will render services pursuant to this Agreement is duly qualified to perform such services by all appropriate governmental authorities, where required, and that each such person is reasonably experienced and skilled in the area(s) for which he or she will render his or her services.

Contractor shall perform Contractor's duties, obligations, and services under this Agreement in a skillful and respectable manner. The quality of Contractor's performance and all interim and final product(s) provided to or on behalf of City shall be comparable to the best local and national standards.

In the event Contractor engages any subcontractor in the performance of this Agreement, Contractor shall ensure that all of Contractor 's subcontractors perform in accordance with the terms and conditions of this Agreement. Contractor shall be fully responsible for all of Contractor's subcontractors' performance, and liable for any of Contractor's subcontractors' non-performance and all of Contractor's subcontractors' acts and omissions. Contractor shall defend at Contractor's expense, counsel being subject to City's approval or disapproval, and indemnify and hold City and City's officers, employees, and agents harmless from and against any claim, lawsuit, third party action, fine, penalty, settlement, or judgment, including any award of attorney fees and any award of costs, by or in favor of any of Contractor's subcontractors for payment for work performed for City by any of such subcontractors, and from and against any claim, lawsuit, third party action, fine, penalty, settlement, or judgment, including any award of attorney fees and any award of costs, occasioned by or arising out of any act or omission by any of Contractor 's subcontractors or by any of Contractor's subcontractors' officers, agents, or employees. Contractor's use of subcontractors in connection with this Agreement shall be subject to City's prior written approval, which approval City may revoke at any time.

O. Conflicts

Neither Contractor nor any of Contractor's employees shall have or hold any continuing or frequently recurring employment or contractual relationship that is substantially antagonistic or incompatible with Contractor's loyal and conscientious exercise of judgment and care related to Contractor's performance under this Agreement.

Contractor further agrees that none of Contractor's officers or employees shall, during the term of this Agreement, serve as an expert witness against City in any legal or administrative proceeding in which he, she, or Contractor is not a party, unless compelled by court process. Further, Contractor agrees that such persons shall not give sworn testimony or issue a report or writing, as an expression of his or her expert opinion, which is adverse or prejudicial to the interests of City in connection with any such pending or threatened legal or administrative proceeding unless compelled by court process. The limitations of this section shall not preclude Contractor or any persons in any way from representing themselves, including giving expert testimony in support thereof, in any action or in any administrative or legal proceeding.

In the event Contractor is permitted pursuant to this Agreement to utilize subcontractors to perform any services required by this Agreement, Contractor agrees to require such subcontractors, by written contract, to comply with the provisions of this section to the same extent as Contractor.

P. Schedule and Delays

Time is of the essence in this Agreement. By signing, Contractor affirms that it believes the schedule to be reasonable; provided, however, the parties acknowledge that the schedule might be modified as the City directs.

Q. Materiality and Waiver of Breach

City and Contractor agree that each requirement, duty, and obligation set forth herein was bargained for at arm's-length and is agreed to by the parties in exchange for *quid pro quo*, that each is substantial and important to the formation of this Agreement and that each is, therefore, a material term hereof.

City's failure to enforce any provision of this Agreement shall not be deemed a waiver of such provision or modification of this Agreement. A waiver of any breach of a provision of this Agreement shall not be deemed a waiver of any subsequent breach and shall not be construed to be a modification of the terms of this Agreement.

R. Compliance With Laws

Contractor shall comply with all applicable federal, state, and local laws, codes, ordinances, rules, and regulations in performing Contractor's duties, responsibilities, and obligations pursuant to this Agreement.

S. Severance

In the event a portion of this Agreement is found by a court of competent jurisdiction to be invalid or unenforceable, the provisions not having been found by a court of competent jurisdiction to be invalid or unenforceable shall continue to be effective.

T. Limitation of Liability

The City desires to enter into this Agreement only if in so doing the City can place a limit on the City's liability for any cause of action for money damages due to an alleged breach by the City of this Agreement, so that its liability for any such breach never exceeds the sum of $1,000. Contractor hereby expresses its willingness to enter into this Agreement with Contractor's recovery from the City for any damage action for breach of contract or for any action or claim arising from this Agreement to be limited to a maximum amount of $1,000 less the amount of all funds actually paid by the City to Contractor pursuant to this Agreement.

Accordingly, and notwithstanding any other term or condition of this Agreement, Contractor hereby agrees that the City shall not be liable to Contractor for damages in an amount in excess of $1,000 which amount shall be reduced by the amount actually paid by the City to Contractor pursuant to this Agreement, for any action for breach of contract or for any action or claim arising out of this Agreement. Nothing contained in this paragraph or elsewhere in this Agreement is in any way intended to be a waiver of the limitation placed upon City's liability as set forth in Article 768.28, Florida Statutes.

U. Jurisdiction, Venue, Waiver, Waiver of Jury Trial

This Agreement shall be interpreted and construed in accordance with and governed by the laws of the State of Florida. Venue for any lawsuit by either party against the other party or otherwise arising out of this Agreement, and for any other legal proceeding, shall be in the Seventeenth Judicial Circuit in and for Broward County, Florida, or in the event of federal jurisdiction, in the Southern District of Florida, Fort Lauderdale Division.

In the event Contractor is a corporation organized under the laws of any province of Canada or is a Canadian federal corporation, the City may enforce in the United States of America or in Canada or in both countries a judgment entered against the Contractor. The Contractor waives any and all defenses to the City's enforcement in Canada of a judgment entered by a court in the United States of America.

V. Amendments

No modification, amendment, or alteration in the terms or conditions contained herein shall be effective unless contained in a written document prepared with the same or similar formality as this Agreement and executed by the Mayor-Commissioner and/or City Manager, as determined by City Charter and Ordinances, and Contractor or others delegated authority to or otherwise authorized to execute same on their behalf.

W. Prior Agreements

This document represents the final and complete understanding of the parties and incorporates or supersedes all prior negotiations, correspondence, conversations, agreements, and understandings applicable to the matters contained herein. The parties agree that there is no commitment, agreement, or understanding concerning the subject matter of this Agreement that is not contained in this written document. Accordingly, the parties agree that no deviation from the terms hereof shall be predicated upon any prior representation or agreement, whether oral or written.

X. Payable Interest

Except as required and provided for by the Florida Local Government Prompt Payment Act, City shall not be liable for interest for any reason, whether as prejudgment interest or for any other purpose, and in furtherance thereof Contractor waives, rejects, disclaims and surrenders any and all entitlement it has or may have to receive interest in connection with a dispute or claim based on or related to this Agreement.

Y. Representation of Authority

Each individual executing this Agreement on behalf of a party hereto hereby represents and warrants that he or she is, on the date he or she signs this Agreement, duly authorized by all necessary and appropriate action to execute this Agreement on behalf of such party and does so with full legal authority.

AA. Uncontrollable Circumstances ("Force Majeure")

The City and Contractor will be excused from the performance of their respective obligations under this agreement when and to the extent that their performance is delayed or prevented by any circumstances beyond their control including, fire, flood, explosion, strikes or other labor disputes, act of God or public emergency, war, riot, civil commotion, malicious damage, act or omission of any governmental authority, delay or failure or shortage of any type of transportation, equipment, or service from a public utility needed for their performance, provided that:

A. The non performing party gives the other party prompt written notice describing the particulars of the Force Majeure including, but not limited to, the nature of the occurrence and its expected duration, and continues to furnish timely reports with respect thereto during the period of the Force Majeure;

B. The excuse of performance is of no greater scope and of no longer duration than is required by the Force Majeure;

C. No obligations of either party that arose before the Force Majeure causing the excuse of performance are excused as a result of the Force Majeure; and

D. The non-performing party uses its best efforts to remedy its inability to perform. Notwithstanding the above, performance shall not be excused under this Section for a period in excess of two (2) months, provided that in extenuating circumstances, the City may excuse performance for a longer term. Economic hardship of the Contractor will not constitute Force Majeure. The term of the agreement shall be extended by a period equal to that during which either party's performance is suspended under this Section.

BB. <u>Scrutinized Companies</u>

This Section applies to any contract for goods or services of $1 million or more:

The Contractor certifies that it is not on the Scrutinized Companies with Activities in Sudan List or the Scrutinized Companies with Activities in the Iran Petroleum Energy Sector List and that it does not have business operations in Cuba or Syria as provided in section 287.135, Florida Statutes (2011), as may be amended or revised. The City may terminate this Contract at the City's option if the Contractor is found to have submitted a false certification as provided under subsection (5) of section 287.135, Florida Statutes (2011), as may be amended or revised, or been placed on the Scrutinized Companies with Activities in Sudan List or the Scrutinized Companies with Activities in the Iran Petroleum Energy Sector List or has been engaged in business operations in Cuba or Syria, as defined in Section 287.135, Florida Statutes (2011) , as may be amended or revised.

IN WITNESS WHEREOF, the City and the Contractor execute this Contract as follows:

CITY OF FORT LAUDERDALE

By: ______________________
Deputy Director of Finance

ATTEST

By: ______________________
Print Name: ______________________
Title:

CONTRACTOR

By: ______________________
Print Name: Jeffrey R. LeMunyon
Title: Principal / Owner

(CORPORATE SEAL)

STATE OF Minnesota :
COUNTY OF Hennepin :

The foregoing instrument was acknowledged before me this 6th day of August, 2012, by JEFFREY R. LEMUNYON as (title): Principal & Owner for Linwood Capital, LLC, a Minnesota Limited Liability Company.

(SEAL) ANJALI SRINAND
Notary Public
Minnesota
My Commission Expires January 31, 2014

____
Notary Public, State of Minnesota
(Signature of Notary Public)

ANJALI SRINAND
____
(Print, Type, or Stamp Commissioned Name of Notary Public)

Personally Known ____OR Produced Identification ✓
Type of Identification Produced MN DRIVER'S LICENSE

EXHIBIT A

Solicitation 525-10840

Energy Price Risk Management Services

CITY OF FORT LAUDERDALE

City of Fort Lauderdale

Bid 525-10840
Energy Price Risk Management Services

Bid Number	**525-10840**
Bid Title	**Energy Price Risk Management Services**
Bid Start Date	**Sep 13, 2011 8:19:52 AM EDT**
Bid End Date	**Oct 11, 2011 2:00:00 PM EDT**
Question & Answer End Date	**Sep 23, 2011 5:00:00 PM EDT**
Bid Contact	**AnnDebra Diaz** **Procurement Specialist II** **Procurement** **954-828-5949** **adiaz@fortlauderdale.gov**

Description

The City of Fort Lauderdale, Florida (City) is seeking proposals from qualified proposers, hereinafter referred to as the Contractor, to provide energy price risk management services for the City's Parking and Fleet Services Department, in accordance with the terms, conditions, and specifications contained in this Request for Proposals (RFP).
Added on Sep 22, 2011:
The SSAE 16, SOC 2 and SOC 3 reports will no longer be required for this proposal. Please refer to uploaded document titled, 10840 - Addendum No. 1

RFP# 525-10840
TITLE: Energy Price Risk Management Services

PART I – INTRODUCTION/INFORMATION

01. PURPOSE
The City of Fort Lauderdale, Florida (City) is seeking proposals from qualified proposers, hereinafter referred to as the Contractor, to provide energy price risk management services for the City's Parking and Fleet Services Department, in accordance with the terms, conditions, and specifications contained in this Request for Proposals (RFP).

02. INFORMATION OR CLARIFICATION
For information concerning procedures for responding to this RFP, technical specifications, etc, please utilize the question / answer feature provided by BidSync at www.bidsync.com. Questions of a material nature must be received prior to the cut-off date specified in the RFP Schedule. Material changes, if any, to the scope of services or bidding procedures will only be transmitted by written addendum. (See addendum section of BidSync Site). Contractor's please note: Proposals shall be submitted as stated in PART VI – Requirements of the Proposal. No part of your proposal can be submitted via FAX. No variation in price or conditions shall be permitted based upon a claim of ignorance. Submission of a proposal will be considered evidence that the Contractor has familiarized themselves with the nature and extent of the work, and the equipment, materials, and labor required. The entire proposal must be submitted in accordance with all specifications contained in this solicitation.

03. TRANSACTION FEES
The City of Fort Lauderdale uses BidSync (www.bidsync.com) to distribute and receive bids and proposals. There is no charge to vendors/contractors to register and participate in the solicitation process, nor will any fees be charged to the awarded vendor.

04. ELIGIBILITY
To be eligible to respond to this solicitation, the proposing firm must demonstrate that they have successfully completed services, of a similar project size to those specified in the scope of services section of this solicitation.

05. PRICING
All pricing should be identified in PART VII - PROPOSAL PAGES – COST PROPOSAL. No additional costs may be accepted, other than the costs stated on the Proposal pages.

06. RFP DOCUMENTS
The Contractor shall examine this RFP carefully. Ignorance of the requirements will not relieve the Contractor from liability and obligation under the Contract.

07. AWARD
Award will be made to the highest ranked responsive and responsible proposer, for that service that will best serve the needs of the City of Fort Lauderdale.

The City reserves the right to award to that proposer who will best serve the interests of the City. The City also reserves the right to waive minor variations in the specifications and in the bidding process. The City further reserves the right to accept or reject any and/or all proposals and to award or not award a contract based on this solicitation.

08. COST VALIDITY

Prices provided in this Request for Proposal (RFP) are valid for 120 days from time of RFP opening. The City shall award contract within this time period or shall request to the recommended awarded vendor an extension to hold pricing, until products/services have been awarded.

PART II - RFP SCHEDULE

Release RFP	09/12/11
Last Date for Receipt of Questions of a Material Nature	09/23/11
Addendum Release (If required)	09/27/11
PROPOSAL DUE (Prior to 2:00 PM EST)	10/11/11

PART III - SPECIAL CONDITIONS

01. GENERAL CONDITIONS
RFP General Conditions Form G-107 Rev. 06/09 (GC) are included and made a part of this RFP.

02. NEWS RELEASES/PUBLICITY
News releases, publicity releases, or advertisements relating to this contract or the tasks or projects associated with the project shall not be made without prior City approval.

03. RFP DOCUMENTS
The Contractor shall examine this RFP carefully. Ignorance of the requirements will not relieve the Contractor from liability and obligations under the Contract.

04. CONTRACTORS' COSTS
The City shall not be liable for any costs incurred by Contractor in responding to this RFP.

05. RULES AND PROPOSALS
The signer of the proposal must declare that the only person(s), company or parties interested in the proposal as principals are named therein; that the proposal is made without collusion with any other person(s), company or parties submitting a proposal; that it is in all respects fair and in good faith, without collusion or fraud; and that the signer of the proposal has full authority to bind the principal Contractor.

06. CONTRACT PERIOD
The initial contract term shall commence upon date of award by the City and shall expire one (1) year from that date. The City reserves the right to extend the contract for three (3) additional one (1) year terms, providing all terms conditions and specifications remain the same, both parties agree to the extension, and such extension is approved by the City.

In the event services are scheduled to end because of the expiration of this contract, the Contractor shall continue the service upon the request of the City as authorized by the awarding authority. The extension period shall not extend for more than ninety (90) days beyond the expiration date of the existing contract. The Contractor shall be compensated for the service at the rate in effect when this extension clause is invoked by the City.

07. COST ADJUSTMENTS
Prices quoted shall be firm for the initial contract term one (1) year. No cost increases shall be accepted in this initial contract term. Please consider this when providing your pricing for this request for proposal.

Thereafter, any extensions which may be approved by the City shall be subject to the following: Costs for any extension terms shall be subject to an adjustment only if increases or decreases occur in the industry. Such adjustment shall be based on the latest yearly percentage increase in the All Urban Consumers Price Index (CPI-U) as published by the Bureau of Labor Statistics, U.S. Dep't. of Labor, and shall not exceed five percent (5%).

The yearly increase or decrease in the CPI shall be that latest Index published and available for the calendar year ending 12/31, prior to the end of the contract year then in effect, as compared to the index for the comparable month, one-year prior.

Any requested adjustment shall be fully documented and submitted to the City at least ninety (90) days prior to the contract anniversary date. Any approved cost adjustments shall become effective on the beginning date of the approved contract extension.

The City may, after examination, refuse to accept the adjusted costs if they are not properly documented, or considered to be excessive, or if decreases are considered to be insufficient. In the event the City does not wish to accept the adjusted costs and the matter cannot be resolved to the satisfaction of the City, the Contract will be considered cancelled on the scheduled expiration date.

08. SERVICE TEST PERIOD
If the Contractor has not previously performed the services to the city, the City reserves the right to require a test period to determine if the Contractor can perform in accordance with the requirements of the contract, and to the City's satisfaction. Such test period can be from thirty to ninety days, and will be conducted under all specifications, terms and conditions contained in the contract.

A performance evaluation will be conducted prior to the end of the test period and that evaluation will be the basis for the City's decision to continue with the Contractor or to select another Contractor (if applicable).

09. CONTRACT COORDINATOR
The City may designate a Contract Coordinator whose principal duties shall be:

Liaison with Contractor.
Coordinate and approve all work under the contract.
Resolve any disputes.
Assure consistency and quality of Contractor's performance.
Schedule and conduct Contractor performance evaluations and document findings.
Review and approve for payment all invoices for work performed or items delivered.

10. CONTRACTOR PERFORMANCE REVIEWS AND RATINGS
The City Contract Coordinator may develop a Contractor performance evaluation report. This report shall be used to periodically review and rate the Contractor's performance under the contract with performance rating as follows:

Excellent	Far exceeds requirements.
Good	Exceeds requirements
Fair	Just meets requirements.
Poor	Does not meet all requirements and contractor is subject to penalty provisions under the contact.
Non compliance	Either continued poor performance after notice or a performance level that does not meet a significant portion of the requirements. This rating makes the Contractor subject to the default or cancellation for cause provisions of the contract.

The report shall also list all discrepancies found during the review period. The Contractor shall be provided with a copy of the report, and may respond in writing if he takes exception to the report or wishes to comment on the report. Contractor performance reviews and subsequent reports will be used in determining the suitability of contract extension.

11. INVOICES/PAYMENT
The City will accept invoices no more frequently than once per month. Each invoice shall fully detail the related costs and shall specify the status of the particular task or project as of the

date of the invoice as regards the accepted schedule for that task or project. Payment will be made within thirty (30) days after receipt of an invoice acceptable to the City, in accordance with the Florida Local Government Prompt Payment Act. If, at any time during the contract, the City shall not approve or accept the Contractor's work product, and agreement cannot be reached between the City and the Contractor to resolve the problem to the City's satisfaction, the City shall negotiate with the Contractor on a payment for the work completed and usable to the City.

12. NO EXCLUSIVE CONTRACT/ADDITIONAL SERVICES

While this contract is for services provided to the department referenced in this Request for Proposals, the City may require similar work for other City departments. Contractor agrees to take on such work unless such work would not be considered reasonable or become an undue burden to the Contractor.

Contractor agrees and understands that the contract shall not be construed as an exclusive arrangement and further agrees that the City may, at any time, secure similar or identical services from another vendor at the City's sole option.

The City may require additional items or services of a similar nature, but not specifically listed in the contract. The Contractor agrees to provide such items or services, and shall provide the City prices on such additional items or services based upon a formula or method, which is the same or similar to that used in establishing the prices in his proposal. If the price(s) offered are not acceptable to the City, and the situation cannot be resolved to the satisfaction of the City, the City reserves the right to procure those items or services from other vendors, or to cancel the contract upon giving the Contractor thirty (30) days written notice.

13. DELETION OR MODIFICATION OF SERVICES

The City reserves the right to delete any portion of this Contract at any time without cause, and if such right is exercised by the City, the total fee shall be reduced in the same ratio as the estimated cost of the work deleted bears to the estimated cost of the work originally planned. If work has already been accomplished on the portion of the Contract to be deleted, the Contractor shall be paid for the deleted portion on the basis of the estimated percentage of completion of such portion.

If the Contractor and the City agree on modifications or revisions to the task elements, after the City has approved work to begin on a particular task or project, and a budget has been established for that task or project, the Contractor will submit a revised budget to the City for approval prior to proceeding with the work.

14. SUBSTITUTION OF PERSONNEL

It is the intention of the City that the Contractor's personnel proposed for the contract will be available for the initial contract term. In the event the Contractor wishes to substitute personnel, he shall propose personnel of equal or higher qualifications and all replacement personnel are subject to City approval. In the event substitute personnel are not satisfactory to the City and the matter cannot be resolved to the satisfaction of the City, the City reserves the right to cancel the Contract for cause. See Section 5.09 General Conditions.

15. SUBCONTRACTORS

If the Contractor proposes to use subcontractors in the course of providing these services to the City, this information shall be a part of the bid response. Such information shall be subject to review, acceptance and approval of the City, prior to any contract award. The City reserves the right to approve or disapprove of any subcontractor candidate in its best interest and to require Contractor to replace subcontractor with one that meets City approval.

Contractor shall ensure that all Contractor's subcontractors perform in accordance with the terms and conditions of this Contract. Contractor shall be fully responsible for all of Contractor's subcontractors' performance, and liable for any of Contractor's subcontractors' non-performance and all of Contractor's subcontractors' acts and omissions. Contractor shall defend, counsel being subject to the City's approval or disapproval, and indemnify and hold harmless the City and the City's officers, employees, and agents from and against any claim, lawsuit, third-party action, or judgment, including any award of attorney fees and any award of costs, by or in favor of any Contractor's subcontractors for payment for work performed for the City.

16. INSURANCE

The Contractor shall furnish proof of insurance requirements as indicated below. The coverage is to remain in force at all times during the contract period. The following minimum insurance coverage is required. The City is to be added as an "additional insured" with relation to General Liability Insurance. This MUST be written in the description section of the insurance certificate, even if you have a check-off box on your insurance certificate. Any costs for adding the City as "additional insured" will be at the contractor's expense.

The City of Fort Lauderdale shall be given notice 10 days prior to cancellation or modification of any stipulated insurance. The insurance provided shall be endorsed or amended to comply with this notice requirement. In the event that the insurer is unable to accommodate, it shall be the responsibility of the Contractor to provide the proper notice. Such notification will be in writing by registered mail, return receipt requested and addressed to the Procurement Services Department.

The Contractor's insurance must be provided by an A.M. Best's "A-" rated or better insurance company authorized to issue insurance policies in the State of Florida, subject to approval by the City's Risk Manager. Any exclusions or provisions in the insurance maintained by the contractor that precludes coverage for work contemplated in this RFP shall be deemed unacceptable, and shall be considered breach of contract.

Workers' Compensation and Employers' Liability Insurance

Limits: Workers' Compensation – Per Florida Statute 440
Employers' Liability - $500,000

Any firm performing work on behalf of the City of Fort Lauderdale must provide Workers' Compensation insurance. Exceptions and exemptions can only be made if they are in accordance with Florida Statute. For additional information contact the Department of Financial Services, Workers' Compensation Division at (850) 413-1601 or on the web at www.fldfs.com.

Commercial General Liability Insurance

Covering premises-operations, products-completed operations, independent contractors and contractual liability.

Limits: Combined single limit bodily injury/property damage $1,000,000.

This coverage must include, but not limited to:

a. Coverage for the liability assumed by the contractor under the indemnity provision of the contract.

b. Coverage for Premises/Operations
c. Products/Completed Operations
d. Broad Form Contractual Liability
e. Independent Contractors

Automobile Liability Insurance

Covering all owned, hired and non-owned automobile equipment.

Limits: Bodily injury	$250,000 each person, $500,000 each occurrence
Property damage	$100,000 each occurrence

Professional Liability (Errors & Omissions)

Limits:	$2,000,000 per occurrence

A copy of **ANY** current Certificate of Insurance should be included with your proposal.

In the event that you are the successful bidder, you will be required to provide a certificate naming the City as an "additional insured" for General Liability.

Certificate holder should be addressed as follows:

City of Fort Lauderdale
Procurement Services Department
100 N. Andrews Avenue, Room 619
Ft. Lauderdale, FL 33301

17. INSURANCE – SUBCONTRACTORS
Contractor shall require all of its subcontractors to provide the aforementioned coverage as well as any other coverage that the contractor may consider necessary, and any deficiency in the coverage or policy limits of said subcontractors will be the sole responsibility of the contractor.

18. UNCONTROLLABLE CIRCUMSTANCES ("Force Majeure")
The City and Contractor will be excused from the performance of their respective obligations under this agreement when and to the extent that their performance is delayed or prevented by any circumstances beyond their control including, fire, flood, explosion, strikes or other labor disputes, act of God or public emergency, war, riot, civil commotion, malicious damage, act or omission of any governmental authority, delay or failure or shortage of any type of transportation, equipment, or service from a public utility needed for their performance, provided that:

A. The non performing party gives the other party prompt written notice describing the particulars of the Force Majeure including, but not limited to, the nature of the occurrence and its expected duration, and continues to furnish timely reports with respect thereto during the period of the Force Majeure;

B. The excuse of performance is of no greater scope and of no longer duration than is required by the Force Majeure;

C. No obligations of either party that arose before the Force Majeure causing the excuse of performance are excused as a result of the Force Majeure; and

D. The non performing party uses its best efforts to remedy its inability to perform. Notwithstanding the above, performance shall not be excused under this Section for a period in excess of two (2) months, provided that in extenuating circumstances, the City may excuse performance for a longer term. Economic hardship of the Contractor will not constitute Force Majeure. The term of the agreement shall be extended by a period equal to that during which either party's performance is suspended under this Section.

19. PUBLIC ENTITY CRIMES

NOTE: Contractor, by submitting a proposal attests they have not been placed on the convicted vendor list.

A person or affiliate who has been placed on the convicted vendor list following a conviction for a public entity crime may not submit a proposal on a contract to provide any goods or services to a public entity, may not submit a proposal on a contract with a public entity for the construction or repair of a public building or public work, may not submit proposals on leases of real property to a public entity, may not be awarded or perform work as a contractor, supplier, subcontractor, or consultant under a contract with any public entity, and may not transact business with any public entity in excess of the threshold amount provided in Section 287.017, Florida Statutes, for Category Two for a period of 36 months from the date of being placed on the convicted vendor list.

20. CANADIAN COMPANIES

The City may enforce in the United States of America or in Canada or in both countries a judgment entered against the Contractor. The Contractor waives any and all defenses to the City's enforcement in Canada, of a judgment entered by a court in the United States of America. All monetary amounts set forth in this Contract are in United States dollars.

21. LOBBYING ACTIVITIES

ALL CONTRACTORS PLEASE NOTE: Any contractor submitting a response to this solicitation must comply, if applicable, with City of Fort Lauderdale Ordinance No. C-00-27 & Resolution No. 07-101, Lobbying Activities. Copies of Ordinance No. C-00-27 and Resolution No. 07-101 may be obtained from the City Clerk's Office on the 7th Floor of City Hall, 100 N. Andrews Avenue, Fort Lauderdale, Florida. The ordinance may also be viewed on the City's website at:
http://www.fortlauderdale.gov/clerk/LobbyistDocs/lobbyistord1009.pdf.

22. RFP TABULATIONS/INTENT TO AWARD

(Notice of Intent to Award Contract/RFP, resulting from the City's Formal solicitation process, requiring City Commission action, may be found at http://www.fortlauderdale.gov/purchasing/notices_of_intent.htm. Tabulations of receipt of those parties responding to a formal solicitation may be found at http://www.fortlauderdale.gov/purchasing/bidresults.htm, or any interested party may call the Procurement Office at 954-828-5933.

23. SERVICE ORGANIZATION CONTROLS

The Contractor should provide a current SSAE 16, SOC 2, Type I report with their proposal. Awarded contractor will be required to provide an SSAE 16, SOC 2, Type II report annually during the term of this contract. If the Contractor cannot provide the SSAE 16, SOC 2, Type I report at time of proposal submittal, a current SOC 3 report will be accepted.

PART IV - TECHNICAL SPECIFICATIONS/SCOPE OF SERVICES

01. GENERAL INFORMATION

The City of Fort Lauderdale (hereinafter referred to as "City") is requesting sealed proposals for unleaded and diesel fuel price risk management services for advising City staff on managing the City's cost of unleaded and diesel fuel (and other energy programs as needed). The City desires to manage the risks that unprotected exposure presents to the fuel market. Therefore, the City is requesting proposals from investment banks and other financial institutions that desire to provide fuel hedging and other fuel pricing management services by submitting their qualifications, draft contract(s), product information, along with indicative pricing to hedge the fuel consumed by the City of Fort Lauderdale.

02. OVERVIEW OF CURRENT FUEL USAGE AND STORAGE CAPACITY

The City's Fleet Services Department provides functional, reliable, and economical vehicles and fleet related equipment necessary for the conduct of the City operations through its various departments. This is accomplished through complete fleet asset management and services that include, but are not limited to, vehicle and equipment acquisition and disposal, maintenance and repair, and fueling services. The City's fleet inventory is approximately 1522 units of rolling stock. This includes vehicles and all on-road and off-road equipment that consume unleaded and diesel fuel.

The City's annual unleaded fuel consumption is approximately 1,000,000 gallons and diesel fuel consumption is approximately 415,000 gallons. Total annual fuel consumption is approximately 1,415,000 gallons. Consumption is reasonably consistent but there are historical seasonal variations. Fuel usage is subject to increases or decreases due to various departmental workloads and service demands.

Fuel is purchased locally *via* a multi-year contact. Fuel is delivered as needed directly to the City's fuel facilities. The City's current stored fuel capacity is 108,000 gallons of unleaded and 46,800 gallons of diesel.

03. SCOPE

The City of Fort Lauderdale is requesting proposals from eligible energy price risk management consultants, hereinafter referred to as Contractor, for fuel management products. The City desires to manage its fuel costs and the risks associated with volatile diesel and unleaded fuel prices. The Contractor will assist the City by managing a program utilizing fuel hedging products that can be used to limit the City's exposure to price risk associated with the purchase of unleaded and diesel fuel (and other energy programs as may be needed).

The City proposes to hedge approximately 70-75% of its total annual fuel usage of 1,415,000 gallons. This equates to approximately 725,000 gallons of unleaded fuel and 300,000 gallons of diesel fuel. The City also desires to have the ability, at some future date, to hedge a greater or lesser percentage of its annual fuel usage as it deems necessary, expedient, and fiscally advantageous.

The Contractor requirements will include, but are not limited to:

- On an ongoing basis, provide current pricing on selected hedging instruments
- On an ongoing basis, execute selected hedging products
- On an ongoing basis, provide analysis and recommendations based on changing market conditions

- The Contractor will appoint one of their employees as the key contact for approval by the City's Project Manager

It is the City's belief that the service required is adequately described herein. Therefore, any negotiated hedge contract, which may result from the solicitation, may include the entire effort required of each Eligible Provider to provide the service or products described.

04. SUMMARY OF QUALIFICATIONS

Indicate the Proposer's background in providing hedging products to governmental entities and non-governmental entities. Provide a listing of at least three (3) comparable client references that use the Proposer's hedging products, i.e., client name, address, telephone number, contact person, and length of time service was provided. Indicate specifically the members of the firm who will have primary responsibility for providing hedging to the City and provide a resume for each. Provide your companies S&P or Moody's credit rating, and if not rated, the ratings of your parent company and confirm your company's willingness to provide credit support in the form of a parental guarantee; swap insurance; or a credit support annex.

05. PURPOSE

The purpose of this document is to provide minimum technical requirements and the capacity of each Eligible Provider to meet those technical requirements of the Request for Proposal reflected in the questions contained the Technical Proposal.

06. TECHNICAL PROPOSAL

The following questions should be answered:

1. Regarding fuel futures or commodity swaps. Please provide your definition of "hedging" activities verses "speculative" activities.
2. Please fully discuss the benefits of engaging in hedging activities.
3. Please fully discuss the costs of engaging in hedging activities.
4. Please fully discuss the potential risks to the City's financial integrity if the City engages in the use of fuel futures or commodity swaps.
5. Please fully discuss the rationale supporting your answer and provide any regulatory or accounting literature that supports your position. Is it feasible to objectively differentiate between "hedging' and "speculative" activities? If it were possible to differentiate, how or by what standards would you distinguish between the two activities?
6. Please fully explain any "hedging" activities in which your firm engages. Include in your answer the types of activities and commodities traded, exchange, etc.
7. What guidelines, policies, and limits does your firm recommend to its clients to follow regarding "hedging" for fuel related futures or commodity swaps?
8. What was the total dollar amount of "hedging" with fuel related activities your firm engage in the following calendar years?
   - 2006
   - 2007
   - 2009
   - 2010
9. What is the estimated total dollar amount of "hedging" with fuel related activities your firm anticipates for the calendar year 2011?
10. What guidelines, policies, limits does your firm recommend to its clients to follow regarding "speculative" uses of fuel related futures or commodity swaps?
11. What types of fuel price "hedging" instruments should the City utilize (e.g. should the City limit its "hedging" transactions to those that involve highly liquid investments

traded publicly)? Please discuss fully the rationale supporting your answers and provide any regulatory or accounting literature that supports your position.

12. Should the City not engage in any specific types of transactions (e.g. length of hedge, types of hedging products)? Please discuss fully the rationale supporting your answers and provide any regulatory or accounting literature that supports your position.
13. Please discuss any other issues the City should consider regarding fuel related futures activities.

Attachments: Please provide documentation set (Master, Schedule, CSA and Confirm, as applicable) that the Eligible Provider typically hedges incorporating commodity swaps and futures agreements. Additional information, which the Proposer believes will assist in the evaluation, should also be included.

PART V – PROPOSAL EVALUATION CRITERIA

The award of the contract will be based on certain objective and subjective considerations listed below:

Demonstrated experience of the key individuals(s) with relevant directed energy pricing management services	**15%**
Demonstrated experience of the firm	**15%**
Evaluation of client references	**15%**
Technical approach to meet the City's needs	**10%**
Reporting capabilities	**15%**
Proposed fees and expenses (cost to the City)	**30%**
TOTAL PERCENT AVAILABLE:	**100%**

An evaluation committee of qualified City Staff or other persons selected by the City will conduct evaluations of proposals. It may be a two-step process. In step one; the committee will evaluate all responsive proposals based upon the information and references contained in the proposals as submitted. The committee will score and rank all responsive proposals and determine a minimum of three (3), if more than three (3) proposals are responsive, to be finalists for further consideration. In the event there are less than three (3) responsive proposals, the committee will give further consideration to all responsive proposals received. In step two, the committee may then conduct discussions (oral presentations), for clarification purposes only, with the finalists and re-score and re-rank the finalists' proposals. The evaluation committee may then make a recommendation, resulting from this process, to the City Manager for award of a contract.

The City may require visits to customer installations or demonstrations of product by Contractor's, as part of the evaluation process.

The City of Fort Lauderdale reserves the right, before awarding the contract, to require a Proposer to submit any evidence of its qualifications as the City may deem necessary, and to consider any evidence available of financial, technical and other qualifications and capabilities, including performance experience with past and present users.

The City of Fort Lauderdale reserves the right to request additional clarifying information and request an oral presentation from any and all Proposers prior to determination of award.

The City reserves the right to award the contract to that Proposer who will best serve the interest of the City. The City reserves the right based upon its deliberations and in its opinion, to accept or reject any or all proposals. The City also reserves the right to waive minor irregularities or variations to the specifications and in the bidding process.

The City uses a mathematical formula for determining allocation of cost points to each responsive, responsible proposer. The lowest, responsive, responsible proposer receives the maximum allowable points. When using this formula, a proposer that submits a cost or fee which is two times greater than the cost/fee of the lowest responsive, responsible proposer, will result in receiving zero points for cost.

2nd lowest cost minus lowest cost = X
X divided by lowest cost = Y
Y times the total number of cost points = Z
Total number of cost points minus Z = points assigned to 2nd lowest vendor and so on.

PART VI - REQUIREMENTS OF THE PROPOSAL

All proposals must be submitted as specified on the proposal pages, which follow. Any attachments must be clearly identified. To be considered, the proposal must respond to all parts of the RFP. Any other information thought to be relevant, but not applicable to the enumerated categories, should be provided as an appendix to the proposal. If publications are supplied by a proposer to respond to a requirement, the response should include reference to the document number and page number. Proposals not providing this reference will be considered to have no reference material included in the additional documents. The City prefers all responses to this RFP to be less than 50 pages and that the Contractor utilize recyclable materials as much as possible. Expensive or fancy binders are not preferred.

All proposals must be submitted in a sealed package with the RFP number, due date, and RFP title clearly marked on the outside. If more than one package is submitted they should be marked 1 of 2, etc.

THIS IS A PAPER RFP WITH CD. Only paper submittals will be accepted. Electronic or Fax submittals will not be accepted. All proposals must be received by the City of Fort Lauderdale, in the Procurement Services Department, Room 619, City Hall, 100 North Andrews Avenue, Fort Lauderdale, Florida, 33301 prior to 2:00 pm on the date specified in PART II – RFP SCHEDULE. Submittal of response by fax or e-mail will NOT be acceptable.

PROPOSERS MUST SUBMIT AN IDENTIFIED ORIGINAL COPY PLUS (8) COPIES OF THE PROPOSAL PAGES INCLUDING ANY ATTACHMENTS

THE ABOVE REQUIREMENT TOTALS 9 COPIES OF YOUR PROPOSAL. CONTRACTOR SHOULD SUBMIT YOUR PROPOSAL ALSO ON A CD. FAILURE TO PROVIDE PROPOSALS AS STATED ABOVE, MAY BE GROUNDS TO FIND CONTRACTOR NON-RESPONSIVE.

The proposer understands that the information contained in these Proposal Pages is to be relied upon by the City in awarding the proposed Agreement, and such information is warranted by the proposer to be true. The proposer agrees to furnish such additional information, prior to acceptance of any proposal, relating to the qualifications of the proposer, as may be required by the City.

A representative who is authorized to contractually bind the Contractor shall sign the RFP/Proposal Signature page. Omission of a signature on that page may result in rejection of your proposal.

PART VII - PROPOSAL PAGES – COST PROPOSAL

PROPOSER NAME____

Proposer agrees to supply the services at the fees bid below in accordance with the terms, conditions and specifications contained in this RFP.

Cost to the City: Contractor must quote firm, fixed, rate for all services identified in this request for proposal. This firm fixed rate includes any costs for travel to the City. No other costs will be accepted. This firm fixed rate will be the same for the initial contract period.

FIRM FIXED MANAGEMENT FEE $ __________/MONTHLY

PART VIII - PROPOSAL PAGES - TECHNICAL PROPOSAL

The following issues should be fully responded to in your proposal in concise narrative form. Additional sheets should be used, but they should reference each issue and be presented in the same order.

Tab 1: RFP/Proposal Signature page

Tab 2: Non-Collusion Statement

Tab 3: Letter of Interest, The letter of interest may contain any other information not in the proposal but should not exceed two (2) pages.

Tab 4: Statement of Proposed Services. Proposals should respond to scope of work. They should be no longer than twelve (12) pages (single sided), and be comprised of three general components: (a) an assessment of capability and approach to perform the scope of service; (b) identification of Proposer's distinctive competence, staff qualifications assigned to this account with their experience and skills they bring to this assignment, along with resume of experience and qualifications.

Tab 5: Business Licenses. Evidence that your firm and/or persons performing the work are licensed to do business in the State of Florida.

Tab 6: Evidence of Insurance. Certificate of Insurance showing coverage, forms, limits. Actual insurance certificates will be required from recommended contractor, prior to award.

Tab 7: Proposer's assessment of the City of Fort Lauderdale's needs and the quality of the proposal to meet those needs, including a plan/outline.

Tab 8: Proposer's ability to assign appropriate resources to the account in a timely manner.

Tab 9: List of at least three (3) clients/references that use the Proposers hedging products (refer to Part IV, Section 04).

Tab 10: Provide your companies S&P or Moody's credit rating. If not rated, refer to Part IV, Section 04 for requirements.

Tab 11: Provide current SSAE 16, SOC 2, Type I report (or if not available, provide current SOC 3 report)

Tab 12: Proposal Pages – Cost Proposal

Tab 13: Any additional attachments to your proposal.

The proposer understands that the information contained in these Proposal Pages is to be relied upon by the City in awarding the proposed Agreement, and such information is warranted by the proposer to be true. The proposer agrees to furnish such additional information, prior to acceptance of any proposal, relating to the qualifications of the proposer, as may be required by the City.

COMPLETE AND RETURN THE REQUIRED NUMBER OF **PROPOSAL PAGES AND ATTACHMENTS.**

PROPOSAL IDENTIFICATION: If mailed, please indicate on the face of your sealed proposal package the following:

RFP NO. 525-10840 OPENS 10/11/11

City of Fort Lauderdale
GENERAL CONDITIONS

These instructions are standard for all contracts for commodities or services issued through the City of Fort Lauderdale Procurement Services Department. The City may delete, supersede, or modify any of these standard instructions for a particular contract by indicating such change in the Invitation to Bid (ITB) Special Conditions, Technical Specifications, Instructions, Proposal Pages, Addenda, and Legal Advertisement. In this general conditions document, Invitation to Bid (ITB) and Request for Proposal (RFP) are interchangeable.

PART I BIDDER PROPOSAL PAGE(S) CONDITIONS:

1.01 **BIDDER ADDRESS:** The City maintains automated vendor address lists that have been generated for each specific Commodity Class item through our bid issuing service, BidSync. Notices of Invitations to Bid (ITB'S) are sent by e-mail to the selection of bidders who have fully registered with BidSync or faxed (if applicable) to every vendor on those lists, who may then view the bid documents online. Bidders who have been informed of a bid's availability in any other manner are responsible for registering with BidSync in order to view the bid documents. There is no fee for doing so. If you wish bid notifications be provided to another e-mail address or fax, please contact BidSync. If you wish purchase orders sent to a different address, please so indicate in your bid response. If you wish payments sent to a different address, please so indicate on your invoice.

1.02 **DELIVERY:** Time will be of the essence for any orders placed as a result of this ITB. The City reserves the right to cancel any orders, or part thereof, without obligation if delivery is not made in accordance with the schedule specified by the Bidder and accepted by the City.

1.03 **PACKING SLIPS:** It will be the responsibility of the awarded Contractor, to attach all packing slips to the OUTSIDE of each shipment. Packing slips must provide a detailed description of what is to be received and reference the City of Fort Lauderdale purchase order number that is associated with the shipment. Failure to provide a detailed packing slip attached to the outside of shipment may result in refusal of shipment at Contractor's expense.

1.04 **PAYMENT TERMS AND CASH DISCOUNTS:** Payment terms, unless otherwise stated in this ITB, will be considered to be net 30 days after the date of satisfactory delivery at the place of acceptance and receipt of correct invoice at the office specified, whichever occurs last. Bidder may offer cash discounts for prompt payment but they will not be considered in determination of award. If a Bidder offers a discount, it is understood that the discount time will be computed from the date of satisfactory delivery, at the place of acceptance, and receipt of correct invoice, at the office specified, whichever occurs last.

1.05 **TOTAL BID DISCOUNT:** If Bidder offers a discount for award of all items listed in the bid, such discount shall be deducted from the total of the firm net unit prices bid and shall be considered in tabulation and award of bid.

1.06 **BIDS FIRM FOR ACCEPTANCE:** Bidder warrants, by virtue of bidding, that the bid and the prices quoted in the bid will be firm for acceptance by the City for a period of ninety (90) days from the date of bid opening unless otherwise stated in the ITB.

1.07 **VARIANCES:** For purposes of bid evaluation, Bidder's must indicate any variances, no matter how slight, from ITB General Conditions, Special Conditions, Specifications or Addenda in the space provided in the ITB. No variations or exceptions by a Bidder will be considered or deemed a part of the bid submitted unless such variances or exceptions are listed in the bid and referenced in the space provided on the bidder proposal pages. If variances are not stated, or referenced as required, it will be assumed that the product or service fully complies with the City's terms, conditions, and specifications.

By receiving a bid, City does not necessarily accept any variances contained in the bid. All variances submitted are subject to review and approval by the City. If any bid contains material variances that, in the City's sole opinion, make that bid conditional in nature, the City reserves the right to reject the bid or part of the bid that is declared, by the City as conditional.

1.08 **NO BIDS:** If you do not intend to bid please indicate the reason, such as insufficient time to respond, do not offer product or service, unable to meet specifications, schedule would not permit, or any other reason, in the space provided in this ITB. Failure to bid or return no bid comments prior to the bid due and opening date and time, indicated in this ITB, may result in your firm being deleted from our Bidder's registration list for the Commodity Class Item requested in this ITB.

1.09 **MINORITY AND WOMEN BUSINESS ENTERPRISE PARTICIPATION AND BUSINESS DEFINITIONS:** The City of Fort Lauderdale wants to increase the participation of Minority Business Enterprises (MBE), Women Business Enterprises (WBE), and Small Business Enterprises (SBE) in its procurement activities. If your firm qualifies in accordance with the below definitions please indicate in the space provided in this ITB.

Minority Business Enterprise (MBE) "A Minority Business" is a business enterprise that is owned or controlled by one or more socially or economically disadvantaged persons. Such disadvantage may arise from cultural, racial, chronic economic circumstances or background or other similar cause. Such persons include, but are not limited to: Blacks, Hispanics, Asian Americans, and Native Americans.

The term "Minority Business Enterprise" means a business at least 51 percent of which is owned by minority group members or, in the case of a publicly owned business, at least 51 percent of the stock of which is owned by minority group members. For the purpose of the preceding sentence, minority group members are citizens of the United States who include, but are not limited to: Blacks, Hispanics, Asian Americans, and Native Americans.

Women Business Enterprise (WBE) a "Women Owned or Controlled Business" is a business enterprise at least 51 percent of which is owned by females or, in the case of a publicly owned business, at least 51 percent of the stock of which is owned by females.

Small Business Enterprise (SBE) "Small Business" means a corporation, partnership, sole proprietorship, or other legal entity formed for the purpose of making a profit, which is independently owned and operated, has either fewer than 100 employees or less than $1,000,000 in annual gross receipts.

BLACK, which includes persons having origins in any of the Black racial groups of Africa.
WHITE, which includes persons whose origins are Anglo-Saxon and Europeans and persons of Indo-European decent including Pakistani and East Indian.
HISPANIC, which includes persons of Mexican, Puerto Rican, Cuban, Central and South American, or other Spanish culture or origin, regardless of race.
NATIVE AMERICAN, which includes persons whose origins are American Indians, Eskimos, Aleuts, or Native Hawaiians.
ASIAN AMERICAN, which includes persons having origin in any of the original peoples of the Far East, Southeast Asia, the Indian subcontinent, or the Pacific Islands.

1.09 MINORITY-WOMEN BUSINESS ENTERPRISE PARTICIPATION
It is the desire of the City of Fort Lauderdale to increase the participation of minority (MBE) and women-owned (WBE) businesses in its contracting and procurement programs. While the City does not have any preference or set aside programs in place, it is committed to a policy of equitable participation for these firms. Proposers are requested to include in their proposals a narrative describing their past accomplishments and intended actions in this area. If proposers are considering minority or women owned enterprise participation in their proposal, those firms, and their specific duties have to be identified in the proposal. If a proposer is considered for award, he or she will be asked to meet with City staff so that the intended MBE/WBE participation can be formalized and included in the subsequent contract.

Part II DEFINITIONS/ORDER OF PRECEDENCE:

2.01 BIDDING DEFINITIONS The City will use the following definitions in it's general conditions, special conditions, technical specifications, instructions to bidders, addenda and any other document used in the bidding process:
INVITATION TO BID (ITB) when the City is requesting bids from qualified Bidders.
REQUEST FOR PROPOSALS (RFP) when the City is requesting proposals from qualified Proposers.
BID – a price and terms quote received in response to an ITB.
PROPOSAL – a proposal received in response to an RFP.
BIDDER – Person or firm submitting a Bid.
PROPOSER – Person or firm submitting a Proposal.
RESPONSIVE BIDDER – A person whose bid conforms in all material respects to the terms and conditions included in the ITB.
RESPONSIBLE BIDDER – A person who has the capability in all respects to perform in full the contract requirements, as stated in the ITB, and the integrity and reliability that will assure good faith performance.
FIRST RANKED PROPOSER – That Proposer, responding to a City RFP, whose Proposal is deemed by the City, the most advantageous to the City after applying the evaluation criteria contained in the RFP.
SELLER – Successful Bidder or Proposer who is awarded a Purchase Order or Contract to provide goods or services to the City.
CONTRACTOR – Successful Bidder or Proposer who is awarded a Purchase Order, award Contract, Blanket Purchase Order agreement, or Term Contract to provide goods or services to the City.
CONTRACT – A deliberate verbal or written agreement between two or more competent parties to perform or not to perform a certain act or acts, including all types of agreements, regardless of what they may be called, for the procurement or disposal of equipment, materials, supplies, services or construction.
CONSULTANT – Successful Bidder or Proposer who is awarded a contract to provide professional services to the City.
The following terms may be used interchangeably by the City: ITB and/or RFP; Bid or Proposal; Bidder, Proposer, or Seller; Contractor or Consultant; Contract, Award, Agreement or Purchase Order.

2.02 SPECIAL CONDITIONS: Any and all Special Conditions contained in this ITB that may be in variance or conflict with these General Conditions shall have precedence over these General Conditions. If no changes or deletions to General Conditions are made in the Special Conditions, then the General Conditions shall prevail in their entirety,

PART III BIDDING AND AWARD PROCEDURES:

3.01 SUBMISSION AND RECEIPT OF BIDS: To receive consideration, bids must be received prior to the bid opening date and time. Unless otherwise specified, Bidder's should use the proposal forms provided by the City. These forms may be duplicated, but failure to use the forms may cause the bid to be rejected. Any erasures or corrections on the bid must be made in ink and initialed by Bidder in ink. All information submitted by the Bidder shall be printed, typewritten or filled in with pen and ink. Bids shall be signed in ink. Separate bids must be submitted for each ITB issued by the City in separate sealed envelopes properly marked. When a particular ITB or RFP requires multiple copies of bids or proposals they may be included in a single envelope or package properly sealed and identified. Only send bids via facsimile transmission (FAX) if the ITB specifically states that bids sent via FAX will be considered. If such a statement is not included in the ITB, bids sent via FAX will be rejected. Bids will be publicly opened in the Procurement Office, or other designated area, in the presence of Bidders, the public, and City staff. Bidders and the public are invited and encouraged to attend bid openings. Bids will be tabulated and made available for review by Bidder's and the public in accordance with applicable regulations.

3.02 MODEL NUMBER CORRECTIONS: If the model number for the make specified in this ITB is incorrect, or no longer available and replaced with an updated model with new specifications, the Bidder shall enter the correct model number on the bidder proposal page. In the case of an updated model with new specifications, Bidder shall provide adequate information to allow the City to determine if the model bid meets the City's requirements.

3.03 PRICES QUOTED: Deduct trade discounts, and quote firm net prices. Give both unit price and extended total. In the case of a discrepancy in computing the amount of the bid, the unit price quoted will govern. All prices quoted shall be F.O.B. destination, freight prepaid (Bidder pays and bears freight charges, Bidder owns goods in transit and files any claims), unless otherwise stated in Special Conditions. Each item must be bid separately. No attempt shall be made to tie any item or items contained in the ITB with any other business with the City.

3.04 **TAXES:** The City of Fort Lauderdale is exempt from Federal Excise and Florida Sales taxes on direct purchase of tangible property. Exemption **number for EIN is 59-6000319, and State Sales tax exemption number is 85-8013875578C-1.**

3.05 **WARRANTIES OF USAGE:** Any quantities listed in this ITB as estimated or projected are provided for tabulation and information purposes only. No warranty or guarantee of quantities is given or implied. It is understood that the Contractor will furnish the City's needs as they arise.

3.06 **APPROVED EQUAL:** When the technical specifications call for a brand name, manufacturer, make, model, or vendor catalog number with acceptance of APPROVED EQUAL, it shall be for the purpose of establishing a level of quality and features desired and acceptable to the City. In such cases, the City will be receptive to any unit that would be considered by qualified City personnel as an approved equal. In that the specified make and model represent a level of quality and features desired by the City, the Bidder must state clearly in the bid any variance from those specifications. It is the Bidder's responsibility to provide adequate information, in the bid, to enable the City to ensure that the bid meets the required criteria. If adequate information is not submitted with the bid, it may be rejected. The City will be the sole judge in determining if the item bid qualifies as an approved equal.

3.07 **MINIMUM AND MANDATORY TECHNICAL SPECIFICATIONS:** The technical specifications may include items that are considered minimum, mandatory, or required. If any Bidder is unable to meet or exceed these items, and feels that the technical specifications are overly restrictive, the bidder must notify the Procurement Services Department immediately. Such notification must be received by the Procurement Services Department prior to the deadline contained in the ITB, for questions of a material nature, or prior to five (5) days before bid due and open date, whichever occurs first. If no such notification is received prior to that deadline, the City will consider the technical specifications to be acceptable to all bidders.

3.08 **MISTAKES:** Bidders are cautioned to examine all terms, conditions, specifications, drawings, exhibits, addenda, delivery instructions and special conditions pertaining to the ITB. Failure of the Bidder to examine all pertinent documents shall not entitle the bidder to any relief from the conditions imposed in the contract.

3.09 **SAMPLES AND DEMONSTRATIONS:** Samples or inspection of product may be requested to determine suitability. Unless otherwise specified in Special Conditions, samples shall be requested after the date of bid opening, and if requested should be received by the City within seven (7) working days of request. Samples, when requested, must be furnished free of expense to the City and if not used in testing or destroyed, will upon request of the Bidder, be returned within thirty (30) days of bid award at Bidder's expense. When required, the City may request full demonstrations of units prior to award. When such demonstrations are requested, the Bidder shall respond promptly and arrange a demonstration at a convenient location. Failure to provide samples or demonstrations as specified by the City may result in rejection of a bid.

3.10 **LIFE CYCLE COSTING:** If so specified in the ITB, the City may elect to evaluate equipment proposed on the basis of total cost of ownership. In using Life Cycle Costing, factors such as the following may be considered: estimated useful life, maintenance costs, cost of supplies, labor intensity, energy usage, environmental impact, and residual value. The City reserves the right to use those or other applicable criteria, in its sole opinion that will most accurately estimate total cost of use and ownership.

3.11 **BIDDING ITEMS WITH RECYCLED CONTENT:** In addressing environmental concerns, the City of Fort Lauderdale encourages Bidders to submit bids or alternate bids containing items with recycled content. When submitting bids containing items with recycled content, Bidder shall provide documentation adequate for the City to verify the recycled content. The City prefers packaging consisting of materials that are degradable or able to be recycled. When specifically stated in the ITB, the City may give preference to bids containing items manufactured with recycled material or packaging that is able to be recycled.

3.12 **USE OF OTHER GOVERNMENTAL CONTRACTS:** The City reserves the right to reject any part or all of any bids received and utilize other available governmental contracts, if such action is in its best interest.

3.13 **QUALIFICATIONS/INSPECTION:** Bids will only be considered from firms normally engaged in providing the types of commodities/services specified herein. The City reserves the right to inspect the Bidder's facilities, equipment, personnel, and organization at any time, or to take any other action necessary to determine Bidder's ability to perform. The Procurement Director reserves the right to reject bids where evidence or evaluation is determined to indicate inability to perform.

3.14 **BID SURETY:** If Special Conditions require a bid security, it shall be submitted in the amount stated. A bid security can be in the form of a bid bond or cashiers check. Bid security will be returned to the unsuccessful bidders as soon as practicable after opening of bids. Bid security will be returned to the successful bidder after acceptance of the performance bond, if required; acceptance of insurance coverage, if required; and full execution of contract documents, if required; or conditions as stated in Special Conditions.

3.15 **PUBLIC RECORDS:** Florida law provides that municipal records shall at all times be open for personal inspection by any person. Section 119.01, F.S., the Public Records Law. Information and materials received by City in connection with an ITB response shall be deemed to be public records subject to public inspection upon award, recommendation for award, or 10 days after bid opening, whichever occurs first. However, certain exemptions to the public records law are statutorily provided for in Section 119.07, F.S. If the Proposer believes any of the information contained in his or her response is exempt from the Public Records Law, then the Proposer, must in his or her response, specifically identify the material which is deemed to be exempt and cite the legal authority for the exemption. The City's determination of whether an exemption applies shall be final, and the Proposer agrees to defend, indemnify, and hold harmless the City and the City's officers, employees, and agents, against any loss or damages incurred by any person or entity as a result of the City's treatment of records as public records.

3.16 **PROHIBITION OF INTEREST:** No contract will be awarded to a bidding firm who has City elected officials, officers or employees affiliated with it, unless the bidding firm has fully complied with current Florida State Statutes and City Ordinances relating to this issue. Bidders must disclose any such affiliation. Failure to disclose any such affiliation will result in disqualification of the Bidder and removal of the Bidder from the City's bidder lists and prohibition from engaging in any business with the City.

3.17 **RESERVATIONS FOR AWARD AND REJECTION OF BIDS:** The City reserves the right to accept or reject any or all bids, part of bids, and to waive minor irregularities or variations to specifications contained in bids, and minor irregularities in the bidding process. The City also reserves the right to award the contract on a split order basis, lump sum basis, individual item basis, or such combination as shall best serve the interest of the City. The City reserves the right to make an award to the responsive and responsible bidder whose product or service meets the terms, conditions, and specifications of the ITB and whose bid is considered to best serve the City's interest. In determining the responsiveness of the offer and the responsibility of the Bidder, the following shall be considered when applicable: the ability, capacity and skill of the Bidder to perform as required; whether the Bidder can perform promptly, or within the time specified, without delay or interference; the character, integrity, reputation, judgment, experience and efficiency of the Bidder; the quality of past performance by the Bidder; the previous and existing compliance by the Bidder with related laws and ordinances; the sufficiency of the Bidder's financial resources; the availability, quality and adaptability of the Bidder's supplies or services to the required use; the ability of the Bidder to provide future maintenance, service or parts; the number and scope of conditions attached to the bid.

If the ITB provides for a contract trial period, the City reserves the right, in the event the selected bidder does not perform satisfactorily, to award a trial period to the next ranked bidder or to award a contract to the next ranked bidder, if that bidder has successfully provided services to the City in the past. This procedure to continue until a bidder is selected or the contract is re-bid, at the sole option of the City.

3.18 **LEGAL REQUIREMENTS:** Applicable provisions of all federal, state, county laws, and local ordinances, rules and regulations, shall govern development, submittal and evaluation of all bids received in response hereto and shall govern any and all claims and disputes which may arise between person(s) submitting a bid response hereto and the City by and through its officers, employees and authorized representatives, or any other person, natural or otherwise; and lack of knowledge by any bidder shall not constitute a cognizable defense against the legal effect thereof.

3.19 **BID PROTEST PROCEDURE: ANY PROPOSER OR BIDDER WHO IS NOT RECOMMENDED FOR AWARD OF A CONTRACT AND WHO ALLEGES A FAILURE BY THE CITY TO FOLLOW THE CITY'S PROCUREMENT ORDINANCE OR ANY APPLICABLE LAW MAY PROTEST TO THE DIRECTOR OF PROCUREMENT SERVICES DEPARTMENT (DIRECTOR), BY DELIVERING A LETTER OF PROTEST TO THE DIRECTOR WITHIN FIVE (5) DAYS AFTER A NOTICE OF INTENT TO AWARD IS POSTED ON THE CITY'S WEB SITE AT THE FOLLOWING LINK: http://www.fortlauderdale.gov/purchasing/notices_of_intent.htm**

THE COMPLETE PROTEST ORDINANCE MAY BE FOUND ON THE CITY'S WEB SITE AT THE FOLLOWING LINK: http://www.fortlauderdale.gov/purchasing/protestordinance.pdf

PART IV BONDS AND INSURANCE

4.01 **PERFORMANCE BOND:** If a performance bond is required in Special Conditions, the Contractor shall within fifteen (15) working days after notification of award, furnish to the City a Performance Bond, payable to the City of Fort Lauderdale, Florida, in the face amount specified in Special Conditions as surety for faithful performance under the terms and conditions of the contract. If the bond is on an annual coverage basis, renewal for each succeeding year shall be submitted to the City thirty (30) days prior to the termination date of the existing Performance Bond. The Performance Bond must be executed by a surety company of recognized standing, authorized to do business in the State of Florida and having a resident agent.

Acknowledgement and agreement is given by both parties that the amount herein set for the Performance Bond is not intended to be nor shall be deemed to be in the nature of liquidated damages nor is it intended to limit the liability of the Contractor to the City in the event of a material breach of this Agreement by the Contractor.

4.02 **INSURANCE:** If the Contractor is required to go on to City property to perform work or services as a result of ITB award, the Contractor shall assume full responsibility and expense to obtain all necessary insurance as required by City or specified in Special Conditions.

The Contractor shall provide to the Procurement Services Department original certificates of coverage and receive notification of approval of those certificates by the City's Risk Manager prior to engaging in any activities under this contract. The Contractors insurance is subject to the approval of the City's Risk Manager. The certificates must list the City as an ADDITIONAL INSURED for General Liability Insurance, and shall have no less than thirty (30) days written notice of cancellation or material change. Further modification of the insurance requirements may be made at the sole discretion of the City's Risk Manager if circumstances change or adequate protection of the City is not presented. Bidder, by submitting the bid, agrees to abide by such modifications.

PART V PURCHASE ORDER AND CONTRACT TERMS:

5.01 **COMPLIANCE TO SPECIFICATIONS, LATE DELIVERIES/PENALTIES:** Items offered may be tested for compliance to bid specifications. Items delivered which do not conform to bid specifications may be rejected and returned at Contractor's expense. Any violation resulting in contract termination for cause or delivery of items not conforming to specifications, or late delivery may also result in:

- Bidders name being removed from the City's bidder's mailing list for a specified period and Bidder will not be recommended for any award during that period.
- All City Departments being advised to refrain from doing business with the Bidder.
- All other remedies in law or equity.

5.02 **ACCEPTANCE, CONDITION, AND PACKAGING:** The material delivered in response to ITB award shall remain the property of the Seller until a physical inspection is made and the material accepted to the satisfaction of the City. The material must comply fully with the terms of the ITB, be of the required quality, new, and the latest model. All containers shall be suitable for storage and shipment by common carrier, and all prices shall include standard commercial packaging. The City will not accept substitutes of any kind. Any substitutes or material not meeting specifications will be returned at the Bidder's expense. Payment will be made only after City receipt and acceptance of materials or services.

5.03 **SAFETY STANDARDS:** All manufactured items and fabricated assemblies shall comply with applicable requirements of the Occupation Safety and Health Act of 1970 as amended, and be in compliance with Chapter 442, Florida Statutes. Any toxic substance listed in Section 38F-41.03 of the Florida Administrative Code delivered as a result of this order must be accompanied by a completed Material Safety Data Sheet (MSDS).

5.04 **ASBESTOS STATEMENT:** All material supplied must be 100% asbestos free. Bidder, by virtue of bidding, certifies that if awarded any portion of the ITB the bidder will supply only material or equipment that is 100% asbestos free.

5.05 **OTHER GOVERNMENTAL ENTITIES:** If the Bidder is awarded a contract as a result of this ITB, the bidder may, if the bidder has sufficient capacity or quantities available, provide to other governmental agencies, so requesting, the products or services awarded in accordance with the terms and conditions of the ITB and resulting contract. Prices shall be F.O.B. delivered to the requesting agency.

5.06 **VERBAL INSTRUCTIONS PROCEDURE:** No negotiations, decisions, or actions shall be initiated or executed by the Contractor as a result of any discussions with any City employee. Only those communications which are in writing from an authorized City representative may be considered. Only written communications from Contractors, which are assigned by a person designated as authorized to bind the Contractor, will be recognized by the City as duly authorized expressions on behalf of Contractors.

5.07 **INDEPENDENT CONTRACTOR:** The Contractor is an independent contractor under this Agreement. Personal services provided by the Proposer shall be by employees of the Contractor and subject to supervision by the Contractor, and not as officers, employees, or agents of the City. Personnel policies, tax responsibilities, social security, health insurance, employee benefits, procurement policies unless otherwise stated in this ITB, and other similar administrative procedures applicable to services rendered under this contract shall be those of the Contractor.

5.08 **INDEMNITY/HOLD HARMLESS AGREEMENT:** The Contractor agrees to protect, defend, indemnify, and hold harmless the City of Fort Lauderdale and its officers, employees and agents from and against any and all losses, penalties, damages, settlements, claims, costs, charges for other expenses, or liabilities of every and any kind including attorneys fees, in connection with or arising directly or indirectly out of the work agreed to or performed by Contractor under the terms of any agreement that may arise due to the bidding process. Without limiting the foregoing, any and all such claims, suits, or other actions relating to personal injury, death, damage to property, defects in materials or workmanship, actual or alleged violations of any applicable Statute, ordinance, administrative order, rule or regulation, or decree of any court shall be included in the indemnity hereunder.

5.09 **TERMINATION FOR CAUSE:** If, through any cause, the Contractor shall fail to fulfill in a timely and proper manner its obligations under this Agreement, or if the Contractor shall violate any of the provisions of this Agreement, the City may upon written notice to the Contractor terminate the right of the Contractor to proceed under this Agreement, or with such part or parts of the Agreement as to which there has been default, and may hold the Contractor liable for any damages caused to the City by reason of such default and termination. In the event of such termination, any completed services performed by the Contractor under this Agreement shall, at the option of the City, become the City's property and the Contractor shall be entitled to receive equitable compensation for any work completed to the satisfaction of the City. The Contractor, however, shall not be relieved of liability to the City for damages sustained by the City by reason of any breach of the Agreement by the Contractor, and the City may withhold any payments to the Contractor for the purpose of setoff until such time as the amount of damages due to the City from the Contractor can be determined.

5.10 **TERMINATION FOR CONVENIENCE:** The City reserves the right, in its best interest as determined by the City, to cancel contract by giving written notice to the Contractor thirty (30) days prior to the effective date of such cancellation.

5.11 **CANCELLATION FOR UNAPPROPRIATED FUNDS:** The obligation of the City for payment to a Contractor is limited to the availability of funds appropriated in a current fiscal period, and continuation of the contract into a subsequent fiscal period is subject to appropriation of funds, unless otherwise authorized by law.

5.12 **RECORDS/AUDIT:** The Contractor shall maintain during the term of the contract all books of account, reports and records in accordance with generally accepted accounting practices and standards for records directly related to this contract. The Contractor agrees to make available to the City's Internal Auditor, during normal business hours and in Broward, Miami-Dade or Palm Beach Counties, all books of account, reports and records relating to this contract should be retained for the duration of the contract and for three years after the final payment under this Agreement, or until all pending audits, investigations or litigation matters relating to the contract are closed, whichever is later.

5.13 **PERMITS, TAXES, LICENSES:** The successful Contractor shall, at their own expense, obtain all necessary permits, pay all licenses, fees and taxes, required to comply with all local ordinances, state and federal laws, rules and regulations applicable to business to be carried out under this contract.

5.14 **LAWS/ORDINANCES:** The Contractor shall observe and comply with all Federal, state, local and municipal laws, ordinances rules and regulations that would apply to this contract.

5.15 **NON-DISCRIMINATION:** There shall be no discrimination as to race, sex, color, creed, age or national origin in the operations conducted under this contract.

5.16 **UNUSUAL CIRCUMSTANCES:** If during a contract term where costs to the City are to remain firm or adjustments are restricted by a percentage or CPI cap, unusual circumstances that could not have been foreseen by either party of the contract occur, and those circumstances significantly affect the Contractor's cost in providing the required prior items or services, then the Contractor may request adjustments to the costs to the City to reflect the changed circumstances. The circumstances must be beyond the control of the Contractor, and the requested adjustments must be fully documented. The City may, after examination, refuse to accept the adjusted costs if they are not properly documented, increases are considered to be excessive, or decreases are considered to be insufficient. In the event the City does not wish to accept the adjusted costs and the matter cannot be resolved to the satisfaction of the City, the City will reserve the following options:

1. The contract can be canceled by the City upon giving thirty (30) days written notice to the Contractor with no penalty to the City or Contractor. The Contractor shall fill all City requirements submitted to the Contractor until the termination date contained in the notice.

2. The City requires the Contractor to continue to provide the items and services at the firm fixed (non-adjusted) cost until the termination of the contract term then in effect.

3. If the City, in its interest and in its sole opinion, determines that the Contractor in a capricious manner attempted to use this section of the contract to relieve themselves of a legitimate obligation under the contract, and no unusual circumstances had occurred, the City reserves the right to take any and all action under law or equity. Such action shall include, but not be limited to, declaring the Contractor in default and disqualifying him for receiving any business from the City for a stated period of time.

If the City does agree to adjusted costs, these adjusted costs shall not be invoiced to the City until the Contractor receives notice in writing signed by a person authorized to bind the City in such matters.

5.17 **ELIGIBILITY:** If applicable, the Contractor must first register with the Department of State of the State of Florida, in accordance with Florida State Statutes, prior to entering into a contract with the City.

5.18 **PATENTS AND ROYALTIES:** The Contractor, without exception, shall indemnify and save harmless the City and its employees from liability of any nature and kind, including cost and expenses for or on account of any copyrighted, patented or un-patented invention, process, or article manufactured or used in the performance of the contract, including its use by the City. If the Contractor uses any design, device, or materials covered by letters, patent or copyright, it is mutually agreed and understood without exception that the bid prices shall include all royalties or costs arising from the use of such design, device, or materials in any way involved in the work.

5.19 **ASSIGNMENT:** Contractor shall not transfer or assign the performance required by this ITB without the prior written consent of the City. Any award issued pursuant to this ITB, and the monies, which may become due hereunder, are not assignable except with the prior written approval of the City Commission or the City Manager or City Manager's designee, depending on original award approval.

5.20 **LITIGATION VENUE:** The parties waive the privilege of venue and agree that all litigation between them in the state courts shall take place in Broward County, Florida and that all litigation between them in the federal courts shall take place in the Southern District in and for the State of Florida.

NON-COLLUSION STATEMENT:

By signing this offer, the vendor/contractor certifies that this offer is made independently and *free* from collusion. Vendor shall disclose below any City of Fort Lauderdale, FL officer or employee, or any relative of any such officer or employee who is an officer or director of, or has a material interest in, the vendor's business, who is in a position to influence this procurement.

Any City of Fort Lauderdale, FL officer or employee who has any input into the writing of specifications or requirements, solicitation of offers, decision to award, evaluation of offers, or any other activity pertinent to this procurement is presumed, for purposes hereof, to be in a position to influence this procurement.

For purposes hereof, a person has a material interest if they directly or indirectly own more than 5 percent of the total assets or capital stock of any business entity, or if they otherwise stand to personally gain if the contract is awarded to this vendor.

In accordance with City of Fort Lauderdale, FL Policy and Standards Manual, 6.10.8.3,

3.3. City employees may not contract with the City through any corporation or business entity in which they or their immediate family members hold a controlling financial interest (e.g. ownership of five (5) percent or more).

3.4. Immediate family members (spouse, parents and children) are also prohibited from contracting with the City subject to the same general rules.

Failure of a vendor to disclose any relationship described herein shall be reason for debarment in accordance with the provisions of the City Procurement Code.

NAME	RELATIONSHIPS
______________________	______________________
______________________	______________________
	______________________
	______________________

In the event the vendor does not indicate any names, the City shall interpret this to mean that the vendor has indicated that no such relationships exist.

BID/PROPOSAL SIGNATURE PAGE

How to submit bids/proposals: Proposals must be submitted by hard copy only. It will be the sole responsibility of the Bidder to ensure that the bid reaches the City of Fort Lauderdale, City Hall, Procurement Department, Suite 619, 100 N. Andrews Avenue, Fort Lauderdale, FL 33301, prior to the bid opening date and time listed. Bids/proposals submitted by fax or email will NOT be accepted.

The below signed hereby agrees to furnish the following article(s) or services at the price(s) and terms stated subject to all instructions, conditions, specifications addenda, legal advertisement, and conditions contained in the bid. I have read all attachments including the specifications and fully understand what is required. By submitting this signed proposal I will accept a contract if approved by the CITY and such acceptance covers all terms, conditions, and specifications of this bid/proposal.

Please Note: All fields below **must** be completed. If the field does not apply to you, please note N/A in that field.

Submitted by:____
(signature) (date)

Name (printed)_________________________________Title:_________________________

Company: (Legal Registration)____

CONTRACTOR, IF FOREIGN CORPORATION, MAY BE REQUIRED TO OBTAIN A CERTIFICATE OF AUTHORITY FROM THE DEPARTMENT OF STATE, IN ACCORDANCE WITH FLORIDA STATUTE §607.1501 (visit http://www.dos.state.fl.us/).

Address:____

City_______________________________________State:_________Zip________________

Telephone No.________________FAX No. __________________Email: _______________________

Delivery: Calendar days after receipt of Purchase Order (section 1.02 of General Conditions): __________

Payment Terms (section 1.04): ______________ Total Bid Discount (section 1.05): _______________

Does your firm qualify for MBE or WBE status (section 1.09): MBE _____ WBE _____

ADDENDUM ACKNOWLEDGEMENT - Proposer acknowledges that the following addenda have been received and are included in the proposal:

Addendum No. Date Issued

P-CARDS: Will your firm accept the City's Credit Card as payment for goods/services?

YES _______ **NO**_______

VARIANCES: State any variations to specifications, terms and conditions in the space provided below or reference in the space provided below all variances contained on other pages of bid, attachments or bid pages. No variations or exceptions by the Proposer will be deemed to be part of the bid submitted unless such variation or exception is listed and contained within the bid documents and referenced in the space provided below. If no statement is contained in the below space, it is hereby implied that your bid/proposal complies with the full scope of this solicitation. HAVE YOU STATED ANY VARIANCES OR EXCEPTIONS BELOW? BIDDER MUST CLICK THE EXCEPTION LINK IF ANY VARIATION OR EXCEPTION IS TAKEN TO THE SPECIFICATIONS, TERMS AND CONDITIONS. If this section does not apply to your bid, simply mark N/A in the section below.
Variances:

____

____

City of Fort Lauderdale • Procurement Services Department
100 N. Andrews Avenue, #619 • Fort Lauderdale, Florida 33301
954-828-5933 FAX 954-828-5576
purchase@fortlauderdale.gov

ADDENDUM NO. 1

RFP 525-10840
Energy Price Risk Management Services

ISSUED September 22, 2011

1. This addendum is being issued to make the following change:

   Part III – Special Conditions, Item 23. 'Service Organization Controls' has been stricken in its entirety.

All other terms, conditions, and specifications remain unchanged.

AnnDebra Diaz, CPPB
Procurement Services Department

Company
Name: ______________________________
(please print)

Bidder's
Signature: ______________________________

Date: ____________________

Question and Answers for Bid #525-10840 - Energy Price Risk Management Services

OVERALL BID QUESTIONS

Question 1

ISSUE

ý We are a privately held management consulting firm and not a public filer. Our services do not require access external access to our clientýs internal IT systems. We noted that your organization has listed a requirement for a current SSAE 16, SOC 2, type I report as part of required service organization controls. In addition there is an ongoing requirement to provide an SSAE 16, SOC 2, type II report annually during the term of this contract. Alternatively a request for a current SOC 3 report was requested.

QUESTION

1. Please advise on whether this is a mandatory requirement which would disqualify any bidder that cannot provide this information. If this requirement is mandatory, can you explain why this requirement is made for this service?
2. Does the client anticipate a requirement for contractor providing this service to have access to internal it systems to fulfill the engagement requirements? **(Submitted: Sep 19, 2011 6:35:51 PM EDT)**

Answer

- The SSAE reports requirement have been removed from this RFP. Please refer to Addendum No. 1. **(Answered: Sep 22, 2011 11:25:43 AM EDT)**

Question 2

ISSUE #2

- The City is requesting proposals from investment banks and other financial institutions that desire to provide fuel hedging and other fuel pricing management services by submitting their qualifications, draft contract(s), product information, along with indicative pricing to hedge the fuel consumed by the City of Fort Lauderdale.

QUESTIONS RELATED TO ISSUE #2

1) We are a privately held management consulting firm and not an investment banks and other financial institution. Do you anticipate that this service can only be provided by an investment bank or financial institution?

2) As a risk management effort, a professional service organization can work with The City to establish and execute an energy risk management strategy and interface with desired investment banks and other financial institutions. Would the City of Fort Lauderdale be interested in a proposal from a professional service organization (Consulting Firm) that can provide support to for fuel hedging and other fuel pricing management services? **(Submitted: Sep 19, 2011 8:05:43 PM EDT)**

Answer

- 1) No

2) Yes **(Answered: Sep 22, 2011 11:25:43 AM EDT)**

EXHIBIT B

Energy Price Risk Management Services
(RFP No. 525-10840)
THE CITY OF FORT LAUDERDALE FLORIDA

PROPOSAL

LINWOOD CAPITAL, LLC
October 11, 2011

LINWOOD CAPITAL, LLC
2320 One Financial Plaza
120 South Sixth Street
Minneapolis, Minnesota 55402
Telephone: 612.333.1673
Facsimile: 612.339.2072
E-mail: jeff@linwoodcapital.com
Website: www.linwoodcapital.com

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TAB 1: RFP/PROPOSAL SIGNATURE PAGE

Signature Page found on next page

BID/PROPOSAL SIGNATURE PAGE

How to submit bids/proposals: Proposals must be submitted by hard copy only. It will be the sole responsibility of the Bidder to ensure that the bid reaches the City of Fort Lauderdale, City Hall, Procurement Department, Suite 619, 100 N. Andrews Avenue, Fort Lauderdale, FL 33301, prior to the bid opening date and time listed. Bids/proposals submitted by fax or email will NOT be accepted.

The below signed hereby agrees to furnish the following article(s) or services at the price(s) and terms stated subject to all instructions, conditions, specifications addenda, legal advertisement, and conditions contained in the bid. I have read all attachments including the specifications and fully understand what is required. By submitting this signed proposal I will accept a contract if approved by the CITY and such acceptance covers all terms, conditions, and specifications of this bid/proposal.

Please Note: All fields below **must** be completed. If the field does not apply to you, please note N/A in that field.

Submitted by: [signature] (signature) 10/8/11 (date)

Name (printed) Jeffrey R. LeMunyon Title: Principal

Company: (Legal Registration) Linwood Capital, LLC

CONTRACTOR, IF FOREIGN CORPORATION, MAY BE REQUIRED TO OBTAIN A CERTIFICATE OF AUTHORITY FROM THE DEPARTMENT OF STATE, IN ACCORDANCE WITH FLORIDA STATUTE §607.1501 (visit http://www.dos.state.fl.us/).

Address: 120 S. 6th Street Suite #2320

City Minneapolis State: MN Zip 55424

Telephone No. (612) 333-1673 FAX No. (612) 339-2072 Email: jeff@linwoodcapital.com

Delivery: Calendar days after receipt of Purchase Order (section 1.02 of General Conditions): N/A

Payment Terms (section 1.04): N/A Total Bid Discount (section 1.05): N/A

Does your firm qualify for MBE or WBE status (section 1.09): MBE NO WBE NO

ADDENDUM ACKNOWLEDGEMENT - Proposer acknowledges that the following addenda have been received and are included in the proposal:

Addendum No. 1 Date Issued 9/22/11

P-CARDS: Will your firm accept the City's Credit Card as payment for goods/services?

YES ______ **NO** X

VARIANCES: State any variations to specifications, terms and conditions in the space provided below or reference in the space provided below all variances contained on other pages of bid, attachments or bid pages. No variations or exceptions by the Proposer will be deemed to be part of the bid submitted unless such variation or exception is listed and contained within the bid documents and referenced in the space provided below. If no statement is contained in the below space, it is hereby implied that your bid/proposal complies with the full scope of this solicitation. HAVE YOU STATED ANY VARIANCES OR EXCEPTIONS BELOW? BIDDER MUST CLICK THE EXCEPTION LINK IF ANY VARIATION OR EXCEPTION IS TAKEN TO THE SPECIFICATIONS, TERMS AND CONDITIONS. If this section does not apply to your bid, simply mark N/A in the section below.

Variances: 1 Exemption from Fla. workers comp or compensate Linwood Capital for the cost. Linwood Capital has Workers' comp in Minnesota

revised 6-16-11

2 Professional Liability to be changed from $2 million to $1 million or Ft. Lauderdale pay for the additional coverage.

TAB 2: NON-COLLUSION STATEMENT

Non-Collusion Statement found on next page

NON-COLLUSION STATEMENT:

By signing this offer, the vendor/contractor certifies that this offer is made independently and *free* from collusion. Vendor shall disclose below any City of Fort Lauderdale, FL officer or employee, or any relative of any such officer or employee who is an officer or director of, or has a material interest in, the vendor's business, who is in a position to influence this procurement.

Any City of Fort Lauderdale, FL officer or employee who has any input into the writing of specifications or requirements, solicitation of offers, decision to award, evaluation of offers, or any other activity pertinent to this procurement is presumed, for purposes hereof, to be in a position to influence this procurement.

For purposes hereof, a person has a material interest if they directly or indirectly own more than 5 percent of the total assets or capital stock of any business entity, or if they otherwise stand to personally gain if the contract is awarded to this vendor.

In accordance with City of Fort Lauderdale, FL Policy and Standards Manual, 6.10.8.3,

3.3. City employees may not contract with the City through any corporation or business entity in which they or their immediate family members hold a controlling financial interest (e.g. ownership of five (5) percent or more).

3.4. Immediate family members (spouse, parents and children) are also prohibited from contracting with the City subject to the same general rules.

Failure of a vendor to disclose any relationship described herein shall be reason for debarment in accordance with the provisions of the City Procurement Code.

NAME	RELATIONSHIPS

In the event the vendor does not indicate any names, the City shall interpret this to mean that the vendor has indicated that no such relationships exist.

10/8/11

LINWOOD CAPITAL, LLC

ENERGY PRICE RISK MANAGEMENT CONSULTING

2320 ONE FINANCIAL PLAZA
MINNEAPOLIS, MINNESOTA 55402

DIRECT: (612) 333-1673
FAX: (612) 339-2072
MOBILE: (612) 670-2378

E-MAIL: jeff@linwoodcapital.com
WEBSITE: www.linwoodcapital.com

JEFFREY R. LEMUNYON, CFA
PRINCIPAL

TAB 3: LETTER OF INTEREST

October 11, 2011

Procurement Services Department
City of Fort Lauderdale
City Hall
100 North Andrews Avenue, Room 619
Fort Lauderdale, Florida 33301

Dear Procurement Services Department:

I appreciate the opportunity to respond to The City's needs in Energy Risk Management Services. Thank you.

The accompanying documentation in this volume comprises Linwood Capital's Proposal according to the format required in the RFP.

Linwood Capital, LLC is an Energy Price Risk Management Consulting Firm based in Minneapolis, Minnesota. Linwood creates and manages customized energy price risk management programs for its clients which are primarily large institutional consumers of energy with a focus on public sector. Linwood has been managing fuel price risk for public sector clients since 1998 and this activity is Linwood's sole business.

Currently, Linwood Capital manages the hedging for 80 million gallons of annual petroleum consumption among ten public entities. This experience and expertise will create considerable value for The City that will have long-lasting positive effects. In addition to the hedging activities described in the RFP involving diesel fuel and gasoline, Linwood can also address the hedging of natural gas if need be.

In summary, Linwood Capital proposes to:

- Assist The City in creating a fuel hedging program by establishing a program policy & strategy that will accomplish The City's fuel price risk management goals.
- Assist The City in the creation of fuel hedging instruments and hedging capabilities either within current and future fuel supply contracts or externally in the form of financially settled swap transactions and/or exchange-traded futures, or a combination of any/all of these three types of instruments.
- Manage the fuel hedging program on a continuous and ongoing basis in a manner that is suitable to The City seeking to minimize overall cost in the long-term while managing fuel cost and budget risk.

- Report on the results of the program on a periodic basis
- Advise and consult on fuel supply, fuel hedging, and related issues
- Attend meetings and make presentations as needed.

Regarding insurances, Linwood Capital will ask that the requirement for Workers' Compensation Insurance required by the State of Florida be waived as Linwood Capital does not have and does not anticipate employees in Florida and as Linwood Capital has Workers' Compensation Insurance as required by the State of Minnesota. Also, Linwood Capital has Errors & Omissions coverage of $1 million. Linwood Capital asks The City that the current requirement of $2 million be reduced to $1 million or that The City pay the cost of the additional insurance which is estimated at $8000 annually.

Regarding Moody's and S&P ratings, Linwood Capital does not have either of these as it is not a capital intensive company. Linwood Capital is organized as a sole member limited liability company and as such does not have separate financial statements. Schedule C of my personal tax returns comprise Linwood Capital's financial statements and I am happy to share these with The City.

I look forward to your reply.

Sincerely,

Jeffrey R. LeMunyon, CFA
Principal

TAB 4: STATEMENT OF PROPOSED SERVICES

Capability & Approach

Linwood Capital has an in depth understanding of The City's needs since fuel hedging management & consulting for public entities is Linwood Capital's primary focus.

Linwood Capital understands that The City wishes to establish and execute a program/strategy that will accomplish the goals of (1) making future energy costs more certain and containing costs at or below budget, (2) reducing the volatility of energy costs, and (3) achieving the overall lowest cost of fuel in the long-term within the risk management parameters.

To accomplish these goals, Linwood Capital will assist The City in creating and maintaining an integrated fuel supply/fuel hedging process as described below.

Linwood Capital will review the current fuel supply situation in terms of process, contracts, etc., in order to understand The City's status with respect to fuel supply. Linwood Capital will then also advise on and recommend any changes/improvements that might increase efficiency in terms of cost and risk management including but not limited to the creation of efficient fuel hedging capabilities within the fuel supply contract. This review will consider the duration of the supply contract, the pricing mechanisms within the supply contract, hedging instruments and capabilities, how fuel is delivered according to the supply contracts, tank capacity, etc. The goal in reviewing the supply/procurement process is to work toward establishing the most efficient and cost effective fuel supply and fuel hedging system for The City.

PROGRAM CREATION & DESIGN

Linwood Capital will work with The City to create a customized dynamic program to systematically hedge The City's fuel supply. Specifically, the creation of the program involves:

1. **Setting Program Objectives** in terms of budget risk, cost volatility, overall cost, level of certainty of future costs, etc. Answering the question, "What do we want to have happen – what are the results that we are seeking?"

   a. Lower overall fuel costs in the long-term:

   Clearly, a lower overall net cost of fuel in the long-term is a major objective of any fuel hedging program that Linwood Capital would develop and execute. Given the uncertain nature of the energy markets however, the achievement of this goal within a particular time-frame is not always a certainty. It is precisely the uncertainty of the achievement of this goal within a particular time-frame (uncertainty of future prices) that causes a fuel hedging program to add value. Over the long-term, achieving the lowest overall cost within the risk management parameters can be achieved through the correct timing of the hedging transaction decisions.

   While the fuel hedging models developed and used by Linwood Capital may prescribe a particular market action, the prescriptions of such models are filtered through the lens of market experience and judgment driven by market fundamental and technical analysis to determine whether an immediate transaction will add the most value or whether it would be more prudent to wait for further market developments. In a practical sense, this will typically mean a more aggressive hedging attitude in a high and rising price environment to manage risk, a more aggressive hedging attitude in a low and falling price environment to capture opportunity, and a less aggressive attitude in periods of relatively steady prices.

While no strategy or program can ever guarantee with 100% certainty that net costs will be lower over any future time period, Linwood Capital will take measures at the strategic and tactical levels to minimize overall cost while accomplishing the other valuable risk management goals.

b. Lower Volatility of Fuel Costs:

A natural result of a systematic hedging strategy executed over time is lower fuel cost volatility. This simply means that, with fuel hedging, net costs will not change as much from month to month or from year to year as they otherwise would if there were no hedging. There is a trade-off however. Volatility, defined as the percentage change in cost from one period to the next, may increase as a result of a significant drop in cost. A sudden drop in net cost may be due to striving toward the first goal of lower overall cost in the long-term. Thus, while the goal of minimizing the change in fuel cost from period to period is desirable and valuable, this goal is secondary to the goal of lower overall cost and the goal of certainty of future cost.

Linwood Capital's methodologies will tend to produce lower cost volatility in rising markets than in declining markets where the "good" volatility found in rapidly falling prices will be allowed to occur and the "bad" volatility found in rising prices will be controlled.

c. Higher Certainty of Future Fuel Costs:

Hedging activities always produce more certainty of future costs. This increase in certainty is the main reason for engaging in a fuel hedging strategy. Although hedging of some or all future fuel needs will always cause higher cost certainty, hedging needs to be done in a strategic manner that addresses the need to avoid risk. Linwood Capital typically defines risk in terms of (1) the current probability that future costs will exceed budgeted costs in current and forward budget periods and (2) the probability that costs in periods beyond the budgeted periods will be significantly higher than the budgeted periods. The idea behind a dynamic risk management strategy is not so much cost certainty for its own sake but to gain cost certainty when prices are attractive or when it is needed to avoid risk.

Linwood Capital's method will seek to make future costs certain to the degree required in order to avoid unwanted energy market risk. The required degree of cost certainty will depend upon the level of uncertainty presented by the energy markets, and the need to avoid that uncertainty.

2. **Setting Program Strategy** in terms of how the Program objectives are to be achieved. Answering the question, "When, at what prices, for what reasons, and under what circumstances are hedging transactions made?"

a. Managing Budget Risk:

Assuming that the budget number is realistic (i.e. at or above the current expected cost for the period) Linwood Capital will manage the risk associated with the budget by insuring that the expected cost will not exceed the budget within certain parameters. This will be done by executing hedging to the extent necessary to create a degree of cost certainty so that an extreme one-day upward price movement will not cause expected costs to exceed budget. If the probability that expected cost is going to exceed budget constraints increases to an unacceptable level, then Linwood Capital will do further hedging to increase the certainty of future cost and alleviate the risk of exceeding budget.

b. Addressing Market Opportunity:

Market opportunity is the circumstance other than risk that will trigger the establishment of a hedge. As low-priced market opportunities present themselves, hedging transactions will be made in order to capture such opportunities. Generally speaking, the lower the price goes, the higher the percentage of projected consumption should be hedged. Relatively low prices will also trigger more hedging further into the future in order to capture the double advantage of having cost certainty at low price levels. The relative attractiveness of price opportunities is determined by looking at current prices with respect to historical price ranges over various periods of time.

c. Fundamental, Technical, and Tactical Timing:

In the execution of the Strategy and making/advising transactions, Linwood Capital will also analyze and consider energy market fundamentals such as petroleum inventory levels, petroleum demand projections, processing margins, economic conditions, financial factors such as equity and currency markets, geopolitical risk factors, etc. Linwood Capital will also analyze technical market factors such as price trends, price support and resistance levels, moving averages, etc. to support the tactical timing of hedging transactions.

By paying attention to current market conditions, Linwood Capital seeks to add value at the margin by tactically timing the market transactions that are prescribed by Linwood's proprietary models identifying risk and opportunity.

d. Strategic Philosophy:

The overall philosophy of the strategy is that hedging should occur not for its own sake but to manage risk and/or capture opportunity. Furthermore, the process must take into account changing market conditions on a day to day basis.

e. Hedge Effectiveness:

The price levels at which forward pricing transactions are executed will determine their value in the final analysis. The contracts will result in purchasing fuel at below market prices (realized gains) if spot prices are higher than the contract price and will result in purchasing fuel at above market prices (realized loss) if spot prices are lower than the contract prices.

3. **Setting Program Policy** in terms of risk management tools to be used (e.g. exchange-traded futures, commodity swaps, contracts from the supplier), price targets to be used in the strategy, the reporting process, the hedging window (how far into the future), the individuals involved in the process, the ongoing role of the fuel hedging advisor, etc. Answering the question, "How, within what structure, and within what parameters & constraints will the Program operate?"

a. Establishing Program Infrastructure:

The infrastructure for The City's program will most likely take the form of financial instruments. The financial instruments may include futures and/or swaps on heating oil (diesel) and gasoline. Heating oil/gasoline futures prices are used as the index price due to their high correlation with The City's diesel fuel/gasoline costs.

i.Exchange-traded futures contracts are, essentially, the wholesale source for petroleum price risk management. Futures are federally regulated, transparent, liquid, flexible, have no counterparty credit risk, and represent the most cost effective tool with which to hedge. By using exchange-traded futures contracts, The City may access the "wholesale" market and avoiding the "retail" markups found with swaps. The use of exchange-traded futures also enables a trading function and offers more flexibility in making market transactions. By using limit orders and stop orders to address the market (flexibilities that are not available with swaps), The City will allow an efficient trading function that will seek low price and add value at the margin. Unlike most swap transactions, futures require capital to operate where initial "good faith" money is required to be deposited in an account and where unrealized gains and losses flow into and out of the account in cash on a daily basis according to the marked to market settlement price. This uncertain capital requirement can cause the use of futures to be sub-optimal for certain hedgers.

ii. **Over-The-Counter Petroleum Calendar Swaps** will serve the same economic purpose as exchange-traded futures. Swaps are the "retail" source for hedging. These transactions are not currently regulated, are not liquid, do not have flexible means of trading, and involve a mark-up cost that may be substantial which is realized by the third party financial institution with which the transaction is consummated. Swaps also involve counterparty credit risk. Depending on the terms of the ISDA agreements, swaps typically will not require capital to operate but may require some capital under certain circumstances. Unlike exchange-traded futures that settle marked to the market in cash on a daily basis, cash does not typically flow with swaps until the final realized gain or loss is determined. Swaps are not capital intensive; The City would essentially be using the balance sheet of the financial institution (borrowing from the financial institution) to carry the hedge position.

iii. **Fixed-Price Contracts from the Supplier** serve the same purpose as financial instruments in that they hedge the cost of fuel. This type of hedging typically represents the easiest and most expensive form of fuel hedging. The transactions are not regulated, liquid, flexible, and their pricing can be less than transparent. There is typically a higher mark-up in price than there is with swaps. Since this type of hedging is connected to the supply contract, hedging transactions typically cannot take place for periods of time beyond the life of the supply contract and hedging beyond twelve months forward can be relatively expensive. Convenience is high with fixed-price contracts from the supplier since there are typically no financial reporting requirements (unlike swaps and futures) or cash flow issues. The consumer of the fuel simply pays the invoice but the pricing is based on the fixed-price contract instead of the floating price of fuel.

iv. **A Hybrid Approach** can be created using both exchange-traded futures, swaps, and/or fixed-price contracts to combine the advantages of each of these instruments. In this way, (1) exchange-traded futures can be used to enter hedges taking advantage of the market flexibilities found with futures, (2) the futures positions can be converted to swaps in an EFS (exchange for swap) transaction, and (3) via the EFS, the perhaps more favorable capital requirements found with swaps can be realized and used to manage The City's capital requirement for the Program. In the same way, futures can also be converted into fixed price contracts from the supplier in an EFP (exchange for physical) transaction.

b. <u>Establishing Program Reporting:</u>

Program reporting is needed in order to communicate the status, results, and performance of the Program to the necessary parties. This reporting typically will convey information regarding:

- **i.** the volume, price, and maturity dates of current hedge positions
- **ii.** the volume and projected cost of future fuel consumption
- **iii.** the projected cost of future fuel consumption net of the current hedge position
- **iv.** the degree of uncertainty of cost associated with future consumption net of hedge

v. the dollar amount of risk avoided due to hedging
vi. the probability of exceeding budget & budget analysis
vii. historical Program performance net of hedge
viii. historical cost of fuel from the supplier (unhedged)
ix. Program performance vs. benchmarks,
x. the historical reduction in cost volatility due to hedging, and
xi. the history of position accumulation

Reporting is completely customizable in frequency, content, and method of delivery and can include metrics in addition to those mentioned above. Typically, there is a Weekly Update, and a Monthly Report Presentation.

c. Establishing Program Framework

The framework is the constraints and parameters within which the Program will operate and will include:

i. Establishing the maximum percentage of projected fuel consumption that can be hedged and the time periods to which these parameters pertain (e.g. 95%)
ii. Establishing the method by which the differential (the spread between The City's costs and fuel futures prices) will be calculated (e.g. 24 month monthly moving average)
iii. Establishing the forward time period that the Program will address (e.g. rolling 36 months forward)
iv. Determining risk parameters regarding the minimum price to budget distance, (e.g. if the market instantly increases by 50 cents and remains there for the fiscal year and no further hedging takes place, the budget will still be met).
v. Determining the method of establishing price targets (soft budget) for periods beyond where a budget has been established (e.g. not more than 15% over the prior years budget/target)
vi. Determining the role of the Advisor/Manager in the Program in terms of making/advising transactions, portfolio management, monitoring energy market activity, reporting, risk management, meeting, presentations, etc.
vii. Determining the individuals/bodies within The City that will oversee the Program
viii. Addressing other issues that may be required by The City.

PROGRAM IMPLEMENTATION AND OPERATION

1. **Establishing the Program** will involve the adoption of a Statement of Policy & Strategy describing all aspects of the Program as described above, establishing hedging capabilities within the fuel supply contracts, and gaining any necessary internal approvals. The Program can be accomplished in as little as one month and will depend on The City's requirements.

2. **Operating the Program** will involve establishing the initial position, monitoring energy market conditions, managing the portfolio in terms of risk and opportunity, making the appropriate transactions at the appropriate times, reporting, and periodically reviewing the Program to evaluate its effectiveness and whether it is meeting expectations.

a. Establishing the position

Once the Program has been established and is ready to be commenced, an initial hedging position will need to be established according to the Policy & Strategy. If a specific budget already exists, Linwood Capital will manage cost to the budget in so far as this is feasible in light of risk management parameters and the then current energy market conditions. Typically, the initial position will be established over a one to four month period to ease into the hedging position in order to avoid any large single pricing transactions. Where managing cost to a budget is an issue, transactions will be made as needed to accomplish this goal.

b. Monitoring Energy Markets

As part of Linwood Capital's ongoing management of the Program, its responsibility will be to monitor energy market conditions and determine whether the energy markets expose The City to levels of risk that are not tolerable or whether the energy markets are presenting The City with opportunities to price fuel at relatively low levels. Linwood Capital will then recommend/execute the appropriate transactions as necessary.

c. Managing the position and Executing Transactions according to the Strategy

As part of Linwood Capital's ongoing service, it will manage The City's forward pricing/hedging "portfolio". In so doing, it will execute/recommend forward pricing transactions when necessary according to the Strategy.

d. Reporting

As part of Linwood Capital's ongoing service, it will report to The City regarding transactions, prospective analysis, and historical analysis. Prospective analysis will show future expected costs and the degree of certainty associated with those cost predictions. It will show how The City's risk profile is different from and superior to that of being fully exposed to diesel fuel/gasoline market risk in light of the strategic goals. Historical analysis will show how realized gains and losses from the Program, when combined with the fluctuations in fuel costs, create a less volatile net fuel cost. In its reporting process, Linwood Capital will most likely need input information from The City with respect to actual fuel costs, actual volumes delivered, etc. Reporting is fully customizable.

e. Meetings, Presentations, etc.

Linwood Capital will be available for on-site visits with The City as needed to review the status and performance of the Program.

The "Creation & Design" and the "Implementation" phases above discuss the decisions that need to be made and the mechanisms that need to be put in place in order to commence the Program and operate it on an ongoing basis. Linwood Capital will perform other related tasks and provide other advice on an as needed basis regarding the overall fuel supply risk management system.

In accomplishing these two phases necessary to create and implement the Program, Linwood Capital will seek to understand the specific needs of The City and to recommend a course of action in all aspects of the Program. Linwood Capital will drive the process forward relying on input from The City regarding creation, design, objectives, Policy & Strategy, Program implementation and Operation. In the Operation of the Program, Linwood Capital would invite as much or as little involvement from The City as it wishes or requires.

Competence, Experience, Qualifications

Firm History:

Linwood Capital, LLC is a Fuel Hedging Management & Consulting Firm based in Minneapolis, Minnesota. Since 1998, Linwood Capital has been serving mainly public clients and public clients are among Linwood Capital's more significant clients.

Linwood Capital's business is to create and manage fuel hedging programs on behalf of its clients and to advise them on related fuel supply issues. Linwood Capital's services:

- Control fuel budget risk,
- Increase the certainty of the client's future fuel costs,
- Lower fuel cost volatility

- Strive to achieve a lower overall cost of fuel in the long-term, and
- are customized to address each client's specific goals and parameters

Linwood has developed and refined a number of proprietary energy market models that, in light of each client's risk management goals and parameters, assist in answering the questions:

- What percentage of future energy needs need to be forward priced/hedged – How much market exposure can/should be tolerated given market conditions
- In which future time periods is hedging/forward pricing needed – how far into the future should the hedging/forward pricing go? and
- At what prices should the hedging/forward pricing transactions be made and for what reasons?

These models, along with Mr. LeMunyon's extensive energy market experience, provide the rationale for each individual forward pricing decision. Linwood Capital also advises on energy supply contract issues as they pertain to energy price risk management and the client's overall fuel supply management process.

In addition to adding value through the application of a fuel hedging management strategy as is outlined above, Linwood Capital also adds value by concisely reporting the results of each client's program in a comprehensive manner indicating historical results as well as expectations regarding future cost and the degree of uncertainty associated with that cost.

Linwood Capital is a member of the American Public Transportation Association (APTA) where Mr. LeMunyon is a member of the Financial Management Committee. He regularly speaks at APTA conferences and workshops on the subject of fuel hedging and has authored or been featured in several articles on fuel hedging that have appeared in publications including *Metro, Mass Transit Magazine*, and *Passenger Transport.* Linwood Capital is also a member of the Government Finance Officers' Association.

Linwood Capital, LLC is and has been a Registered Commodity Trading Advisor with the National Futures Association (NFA) and the Commodity Futures Trading Commission (CFTC) under the Commodity Exchange Act since September 1997. Mr. LeMunyon has been the Registered Principal of Linwood Capital since inception. There have been no Regulatory Actions or NFA Arbitration Awards involving Linwood Capital or Mr. LeMunyon.

Staffing & Personnel:

Linwood Capital's Principal and Owner, Jeff LeMunyon, has twenty-four years of experience in and around commodity and financial markets and trading. Jeff's experience includes:

- Futures trading floor clerk and back office staff at Keystone Trading Corporation, a clearing member firm of the Chicago Mercantile Exchange and the Chicago Board of Trade. Responsibilities included customer statement accuracy, entering futures and options orders into the trading pits. 1987-1988
- VP of Development with the Twin Cities Board of Trade where he was responsible for raising $300,000 in seed capital for this start-up futures exchange. 1988-1991
- Owner/President Manneraak Industries, a textile importing company. 1991-1992
- Institutional Sales/Consulting with Linnco Futures Group in Minneapolis. Served institutional grain hedging clients in the management of their commodity price risk. 1992-1993
- Member/Floor Trader at the Minneapolis Grain Exchange. Traded personal commodity account. 1993-1994

- Director of Energy Risk Management at Allison-Williams Company. Originated and developed energy price risk management practice within the firm. 1995-1998
- Principal, Linwood Capital, LLC. This involves the creation and day to day management of energy price risk management Programs and advising on fuel procurement issues and developing solutions to related problems. Specifically, this involves market research, institutional sales and marketing of Linwood Capital's services, day to day energy commodity portfolio management and trading, development of the systems and models to support the trading and portfolio management functions, and providing outstanding client service. 1998 - Present

In addition to this experience, Jeff holds an MBA with Honors in Finance – Security Analysis & Portfolio Management - from the University of Minnesota's Carlson School of Management 1994, is a Chartered Financial Analyst (CFA) 1998, and graduated with a BA in Philosophy from St. Olaf College in Northfield, MN 1987. Jeff is a member and Past President (2002-2003, 2006-2007) of the CFA Society of Minnesota and has served on its Board of Directors since 1999, is a member of the CFA Institute in Charlottesville, VA, is a member of the APTA Finance and Procurement Committees, is a member of the Government Finance Officers' Association, and is otherwise active in his community.

Mr. LeMunyon, will be the only professional assigned to this project where he will be entirely responsible for all work, contact, and performance under the contract. He has worked very successfully with a number of other public entities on assignments with similar requirements. The advantage of Mr. LeMunyon personally and solely addressing The City's needs with respect to this assignment is that there is assurance of quality, responsiveness, dialog, and personal service from a professional whose activities are solely focused on managing and improving energy price risk for public entities.

Specific Answers to Questions 1-13 from RFP

1. Hedging vs. Speculation
Generally speaking, hedging is the reduction of a risk exposure whereas speculation is the intentional increase of a risk exposure with the expectation of financial gain.

Since The City is naturally and perpetually exposed to energy price uncertainty in its ordinary course of business in the form of variably priced diesel fuel and gasoline, "hedging" is simply the reduction or elimination of this uncertainty of future cost. This is accomplished through the use of various hedging instruments designed for the purpose of controlling these uncertainties.

By contrast, speculation is the assumption of risk and uncertainty with the expectation of profit.

2. Benefits of Hedging
Generally, the benefits of hedging are a higher certainty of future fuel costs, lower fuel cost volatility, lower fuel budget risk, and the ability to strive toward achieving a lower overall cost of fuel in the long-term. These things translate into not having to cope with or fund fuel budgets that have been exceeded since budgets will not be exceeded. This is especially important in a public setting where there are no shareholders to pay for the additional cost of fuel and it is difficult to pass along such additional costs to the customer (residents of Fort Lauderdale) in the short-term.

3. Costs of Hedging Activities
The costs will include the fee paid to the energy price risk management advisor, and costs associated with the various hedging instruments. Exchange-traded futures contracts are the most cost effective form of hedging where the only direct cost is brokerage which amounts to roughly one tenth of a cent per gallon. Commodity swaps through a financial institution are typically marked up by 3-5 cents per gallon over the price of futures. This is a direct cost to The City that is hidden in the swap transaction and not explicitly stated when such a swap transaction is consummated. "Wet" delivery contracts from a fuel supplier typically have a mark-up of 5-20 cents over futures. While there are different features associated with these instruments which may be valuable to The City, the fees can be substantial for swaps and "wet" contracts. Assuming roughly one million gallons hedged annually, The City would incur $30,000 to $50,000 in additional cost using swaps, and $50,000 to potentially $200,000 in additional cost using "wet" contracts from the supplier.

4. Risks to The City's Financial Integrity
Generally, hedging the cost of fuel in a systematic and continuous manner through time will improve The City's financial integrity as its overall level of financial uncertainty will be lower due to the cost of its fuel being more certain. Should The City choose to use exchange-traded fuel futures contracts for hedging, it will experience cash flows associated with the futures contracts. Unrealized gains and losses cause cash to appear or disappear (be required) on a daily basis based on the hedge position and current market prices. So long as The City has the financial wherewithal to absorb these cash flows, this feature of futures is not an issue. If it does not, then the exclusive use of exchange traded fuel futures may be less than ideal. These capital requirements typically do not exist with commodity swaps under normal market conditions. The financial institution is, in effect, lending The City the capital required to maintain the hedge position. For extending this credit to The City, the financial institution receives the three to five cents per gallon mark-up in price when the transaction is consummated as described above. Generally, futures will require a capital requirement that is variable whereas swaps will not. Whether this variable capital requirement associated with futures poses a risk to The City's financial integrity and whether such a risk is worth $30,000 to $50,000 annually is an issue that Linwood Capital will work with The City to determine.

Another "risk" associated with hedging is the risk of opportunity cost or hedging the cost of fuel where the market subsequently declines and where the hedge is a "loser" where the fuel could have been purchased at a lower net cost if the hedge had not been placed. Statistically, we would expect this to happen half of the time. Through the astute timing of hedge transactions, Linwood Capital will seek to manage this potential of opportunity cost while fully managing budget risk.

If a single hedge transaction covers a large percentage of a fiscal year's fuel consumption, this creates market timing risk since a large pricing decision is being made all at once. The only advantage of being un-hedged is that The City experiences an averaging effect of prices over the course of the year. The problem is that what that average will be is not known in advance. By making many small volume hedging transactions through time, this market timing risk is mitigated while the hedging process is not disrupted.

Credit risk is an issue with commodity swaps since The City would be relying upon the financial integrity of a financial institution for the performance of the contract. Should that financial institution fail (Lehman Brothers for example) the City would simply be a creditor to that financial institution. This credit risk does not exist with exchange traded futures since all unrealized gains and losses are settled in cash on a daily basis thus creating a situation where no market participants owe any other market participants.

5. Explanation of Previous Answer and Hedging vs. Speculation
The rationale for the previous answer is contained in the above response. Research and a discussion with the City to clarify this question would be needed regarding regulatory or accounting literature.

Regarding the differentiation between speculating and hedging, the only difference is intentions stated in a statement of policy and strategy that will guide hedging activities. The difference between hedging and speculating is not what is being done in the marketplace and what transactions are being made, but rather the economic purpose for which these transactions are intended. If the City buys gasoline futures and a wealthy individual makes the same transaction, the transaction is the same but the intention, purpose, and net economic effect are very different. The City is seeking to offset the natural risk that is has as a large fuel consumer in order to have more certain costs. The wealthy individual is assuming gasoline price risk and seeks to profit by so doing. The wealthy individual will either have an investment gain or loss. It is the same transaction, but has a different purpose and different effect. The key is to connect the hedge gains/losses with fuel costs – to net these two amounts so that the effect of the hedge may be seen. Again, as is mentioned above, hedging is the reduction or elimination of a naturally occurring risk. By taking a "long" position in fuel futures or swaps, the City will be offsetting or neutralizing a portion of the perpetual, natural, "short" position that it has with respect to fuel which is caused by the fact that the City must be a perpetual buyer of fuel in the ordinary course of its business.

6. Linwood Capital Hedging Activities
As is explained elsewhere in the proposal, Linwood Capital creates and manages fuel hedging programs primarily for public entities and this is Linwood Capital's sole line of business. Commodities traded include, heating oil (diesel fuel), gasoline, and natural gas. This is accomplished using futures contracts, commodity swaps, and supplier fixed-price contracts.

7. Guidelines, Policies, and Limits
In the creation of the Statement of Policy & Strategy as is discussed elsewhere in the proposal, Linwood Capital will recommend that there be a limit on the size of a hedge with respect to the expected consumption during a period. For entities where the consumption volume of fuel is very certain, a maximum hedge limit of 95% of forecast may be recommended. Where consumption volume is not as certain, a lower hedge limit would be appropriate. This ultimately is the decision of the entity.

Regarding the forward time-frame addressed, Linwood Capital will recommend three-year rolling forward pricing window for hedging. Not that hedging three years forward at the maximum hedge allowed would always be the case (it would not), but this length of forward pricing window would allow the City to take advantage of energy market opportunities and manage energy market risks as and when they occur. Again, this is ultimately the decision of the entity.

8. Linwood Capital's Historical Dollar Volume of Hedging 2006-2010
Linwood Capital does not track this specific statistic. In lieu of a hard calculated amount, an estimate has been made that is a function of the aggregate consumption of clients during each of the five one year periods, an assumed 90% hedged position for each client, and an estimate of the average cost of fuel during the calendar year. Since Linwood Capital is a company that provides advisory and not transactions (unlike a financial institution), a financial institution may have many times this amount and yet not be engaged in advisory but only in providing product.

2006	$33,000,000	2007	$43,000,000	2008	$68,000,000
2009	$31,000,000	2010	$121,000,000		

9. Linwood Capital's Expected Dollar Volume of Hedging 2011: $172,000,000

10. Speculative Activities
Due to the fact that all of Linwood's clients are engaged in hedging fuel price risk, Linwood Capital does not advise its clients regarding speculative activities since speculation is not the purpose for which they using the markets.

11. Hedging Instruments
Linwood Capital will recommend the use of financial instruments as opposed to fixed-price contracts with fuel suppliers because of their lower cost, ease of use, and because they are not tied to the supply contract. Linwood Capital will recommend exchange traded futures, commodity swaps, or a combination of these two types of instruments. From The City's perspective, the main differences between futures and swaps are cost, capital requirements, regulation, credit risk, liquidity, and the ease of use/flexibility of market interaction.

The cost of a swap is typically three to five cents above the futures price. This means that when a financial institution is proposing that The City enter into a swap transaction at $3.00 per gallon for example, at that same moment the futures contract that will perform the same purpose as the swap can be priced at $2.95 to $2.97. The swap settles to the futures price and so this is how the financial institution makes its money.

As is discussed above, a futures account that holds futures contracts will require a variable yet relatively predictable amount of capital to operate. Swaps will typically not require capital to operate. To the extent that The City can set aside capital with which to operate a futures account, Linwood will recommend that it do so. The City will find that its own capital is cheaper than the cost of capital provided by the financial institution as it is implied in the financial institution's mark-up.

Futures are federally regulated markets and have many rules that insure fairness and insure that futures markets are competitive by definition. Petroleum futures serve as the centralized pricing mechanism for all petroleum in the US – futures prices are not derived from cash prices, it is the other way around. Swaps, by contrast, are economically identical to futures but are not currently regulated and are not competitive by definition which is why two or more offers from different financial institutions would be needed whenever making a swap transaction. Swaps derive their pricing from futures. In many ways futures are the "wholesale" solution and swaps are the "retail" solution.

Regarding liquidity, futures are liquid and swaps are not. Futures can be offset simply by making a transaction in the market. Swaps cannot be offset. In order to exit a swap transaction, an equal and offsetting transaction would need to be made and then those transactions would need to mature and the cash-flows realized. If The City makes a decision at some point in time that it does not wish to continue with hedging, its entire futures position can be exited within a matter of minutes. If swaps are being used, an equal and offsetting transaction would be made (with another 3-5 cents of mark-up) and then the passage of time (months or years), would cause these two transactions to mature and cancel each other out. Since The City is contemplating an ongoing and continuous fuel hedging program, this is perhaps not of high importance but can make a difference when such adjustments are required.

Regarding entering hedges, futures are superior. Futures are a liquid market where limit orders and stop orders can be placed such that if prices fall for a brief period, The City's order would be filled. If prices advance through a certain level, a buy could be triggered. Linwood Capital uses these capabilities to the advantage of those clients using futures. Futures will also allow hedges to be efficiently placed in 42,000 gallon increments. Swaps can be done in 42,000 increments but typically a larger volume is more efficient in terms of price. When entering a swap transaction, two or more financial institutions will need to be called on the telephone for their offers. They will both/all need to give their offers on the telephone and then the lowest price will be accepted.

This process may involve one or more people from The City and perhaps 15 minutes of time and the coordination of this process. Regarding transaction process, futures are easier swaps are more difficult and the ease of transactions with futures is typically an advantage in the tactical timing of transactions.

12. Transactions that The City should not engage in.

Given The City's profile and what it is trying to accomplish with fuel hedging, there are no hedging transactions that would be categorically eliminated from the possibilities of what the City can and should do in order to accomplish its goals. There are advantages and disadvantages to each decision regarding type of hedging instrument as is discussed above. Obviously, transactions that do not serve to further The City's fuel hedging goals should be avoided.

Regarding the length of hedge, The City can hedge its fuel as far forward as it wishes but such transactions must have a purpose and add value to The City. For example, placing an advantageously priced hedge for the current fiscal year that will significantly reduce the risk of exceeding budget makes sense and clearly adds value. Placing a hedge for five years forward where there is no budget would make little sense since fuel prices five years from now present the City with very little risk today.

13. Other Issues

Linwood Capital believes that all salient issues regarding the establishment and management of a fuel hedging program have been presented and discussed and that there are no remaining important subjects. Linwood Capital remains available to discuss any topics and answer any questions that the City may have.

TAB 5: BUSINESS LICENSES

Linwood Capital currently has no licenses pertaining to doing business in Florida. Should Linwood Capital be awarded the contract associated with this RFP, it will obtain any and all licenses that may be required by The City.

TAB 6: EVIDENCE OF INSURANCE

1. **Workers' Compensation Insurance**

   Linwood Capital currently does not have Florida workers' compensation insurance as it does not nor does it contemplate employees in the state of Florida. Linwood Capital requests that this requirement be waived or, if the requirement is not waived, that the City compensate Linwood Capital for the actual cost of such insurance

   Linwood Capital has workers' compensation insurance in Minnesota at the statutory levels. Should Linwood Capital be awarded the contract associated with this RFP, it will produce the Minnesota workers' compensation insurance certificate should it be required.

2. **Commercial General Liability Insurance**

   The certificate evidencing this coverage is found on the following pages.

3. **Professional Liability (Errors & Omissions)**

   The certificate evidencing this coverage is found on the following pages. Linwood Capital has \$1 million of coverage for Professional Liability and The City's requirement is for \$2 million of coverage. Linwood Capital requests that this requirement be adjusted to the \$1 million level or that The City compensate Linwood Capital for the actual cost of such additional coverage. This additional coverage, if required, may cost up to \$8000 annually.

Should Linwood Capital be awarded the contract associated with this RFP, it will provide The City with certificates naming The City as additional insured.

CERTIFICATE OF INSURANCE

This certifies that

- [x] STATE FARM FIRE AND CASUALTY COMPANY, Bloomington, Illinois
- [ ] STATE FARM GENERAL INSURANCE COMPANY, Bloomington, Illinois
- [ ] STATE FARM FIRE AND CASUALTY COMPANY, Scarborough, Ontario
- [ ] STATE FARM FLORIDA INSURANCE COMPANY, Winter Haven, Florida
- [ ] STATE FARM LLOYDS, Dallas, Texas

insures the following policyholder for the coverages indicated below:

Name of policyholder	Linwood Capital Inc
Address of policyholder	120 S 6th Street #2320, Mpls., MN 55402
Location of operations	120 S 6th Street #2320, Mpls., MN 55402
Description of operations	Business Insurance

The policies listed below have been issued to the policyholder for the policy periods shown. The insurance described in these policies is subject to all the terms exclusions, and conditions of those policies. The limits of liability shown may have been reduced by any paid claims.

POLICY NUMBER	TYPE OF INSURANCE	POLICY PERIOD Effective Date	POLICY PERIOD Expiration Date	LIMITS OF LIABILITY (at beginning of policy period)
93-LA-9552-4	Comprehensive Business Liability	02/28/11	02/28/12	BODILY INJURY AND PROPERTY DAMAGE
This insurance includes:	☐ Products - Completed Operations ☐ Contractual Liability ☐ Underground Hazard Coverage ☐ Personal Injury ☐ Advertising Injury ☐ Explosion Hazard Coverage ☐ Collapse Hazard Coverage ☐ ☐			Each Occurrence $1,000,000 General Aggregate $2,000,000 Products – Completed Operations Aggregate $2,000,000
	EXCESS LIABILITY ☐ Umbrella ☐ Other			BODILY INJURY AND PROPERTY DAMAGE (Combined Single Limit) Each Occurrence $ Aggregate $
	Workers' Compensation and Employers Liability			Part 1 STATUTORY Part 2 BODILY INJURY Each Accident $ Disease Each Employee $ Disease - Policy Limit $

POLICY NUMBER	TYPE OF INSURANCE	POLICY PERIOD Effective Date	POLICY PERIOD Expiration Date	LIMITS OF LIABILITY (at beginning of policy period)
355-5807-D21-23I	Automobile	04/21/11	10/21/11	250/500/100 Liability

THE CERTIFICATE OF INSURANCE IS NOT A CONTRACT OF INSURANCE AND NEITHER AFFIRMATIVELY NOR NEGATIVELY AMENDS, EXTENDS OR ALTERS THE COVERAGE APPROVED BY ANY POLICY DESCRIBED HEREIN.

Name and Address of Certificate Holder

If any of the described policies are canceled before its expiration date, State Farm will try to mail a written notice to the certificate holder 30 days before cancellation. If however, we fail to mail such notice, no obligation or liability will be imposed on State Farm or its agents or representatives.

Signature of Authorized Representative

Licensed Rep. — Title

10/05/2011 — Date

Agent's Code Stamp

AFO Code F728

OP ID: H3

ACORD

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 10/05/11

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER 763-746-8000
RJF Minneapolis
7225 Northland Dr N #300
Minneapolis, MN 55428
Beth Watkins

CONTACT NAME:
PHONE (A/C, No, Ext): FAX (A/C, No):
E-MAIL ADDRESS:
PRODUCER CUSTOMER ID #: LINWCAP

INSURED
Linwood Capital LLC
4316 Eton Place
Edina, MN 55424

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : Navigators Insurance Company	
INSURER B :	
INSURER C :	
INSURER D :	
INSURER E :	
INSURER F :	

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
	GENERAL LIABILITY COMMERCIAL GENERAL LIABILITY CLAIMS-MADE / OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: POLICY / PRO-JECT / LOC						EACH OCCURRENCE DAMAGE TO RENTED PREMISES (Ea occurrence) MED EXP (Any one person) PERSONAL & ADV INJURY GENERAL AGGREGATE PRODUCTS - COMP/OP AGG	$ $ $ $ $ $ $
	AUTOMOBILE LIABILITY ANY AUTO ALL OWNED AUTOS SCHEDULED AUTOS HIRED AUTOS NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident) BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident)	$ $ $ $ $ $
	UMBRELLA LIAB / OCCUR EXCESS LIAB / CLAIMS-MADE DEDUCTIBLE RETENTION $						EACH OCCURRENCE AGGREGATE	$ $ $ $
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N/A					WC STATU-TORY LIMITS / OTH-ER E.L. EACH ACCIDENT E.L. DISEASE - EA EMPLOYEE E.L. DISEASE - POLICY LIMIT	 $ $ $
X	Professional Liability			NY10MPL002189IC	12/19/10	12/19/11	E&O Limit Retention	1,000,000 25,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

CERTIFICATE HOLDER

To Whom It May Concern

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

Beth M. Watkins

TAB 7: NEEDS/PROPOSAL/PLAN/OUTLINE

Linwood Capital's assessment of The City's needs is outlined in Tab 4. Linwood believes that its proposed services will serve The City's need for energy price risk management as its services currently serve Linwood's other clients. The plan for moving forward and establishing a hedging program for diesel and gasoline is also described under Tab 4.

TAB 8: RESOURCES

Resources:

Linwood Capital has and will assign the appropriate resources to this project in a timely manner. As a matter of practice, since Mr. LeMunyon will be solely responsible for the performance of the services under any contract that may be awarded to Linwood Capital, there is little difficulty in coordinating resources. Mr. LeMunyon's time and attention will be applied to this project such that The City's goals and expectations are met in a satisfactory and timely manner.

TAB 9: REFERENCES

Mr. Gale Fisk
Executive Director, OMB
Greater Cleveland Regional Transit Authority
1240 West Sixth Street
Cleveland, Ohio 44113
216-566-5057 telephone
216-566-5207 fax
gfisk@gcrta.org

Linwood Capital created GCRTA's diesel fuel hedging program and manages the program on a day to day basis regarding the timing and pricing of hedges seeking low cost while managing risk. This is done with both exchange-traded futures and financial swaps. Linwood's creation of GCRTA's program involved the establishment of the Program's Statement of Policy and Strategy, gaining the necessary internal approvals, establishing a futures account through which a portion of the Program is executed, assisting and advising on the establishment of several ISDA agreements to facilitate the execution of heating oil calendar swap transactions, and establishing the reporting process. Linwood's day to day management of GCRTA's program involves executing strategy, unwinding hedges as fuel is purchased and burned, tactically timing new hedge transactions to create value at the margin, and reporting on GCRTA's market position, expected costs, historical costs, their position of risk, and overall Program performance. Linwood also advises GCRTA on supply contract issues as needed. GCRTA burns 5 million gallons of diesel fuel annually. This assignment began in early 2008, continues today, and is ongoing in nature.

John Noce
Chief Financial Officer
Bi-State Development Agency (Metro St. Louis)
707 North First Street
St. Louis, Missouri 63102
314-982-1547 telephone
314-923-3033 fax
jnoce@bsda-transit.org

Linwood Capital created Metro's diesel fuel hedging program and manages the program on a day to day basis regarding the timing and pricing of hedges seeking low cost while managing risk. This is done with exchange-traded heating oil futures contracts. Linwood's creation of Metro's program involved the establishment of the Program's Statement of Policy and Strategy, establishing a futures account through which their Program is executed, and establishing the reporting process. Over the 8+ year relationship with Metro, Linwood Capital has worked with Metro to refine their Strategy & Policy to make their Program more efficient and advantageous. Linwood's day to day management of Metro's program involves executing strategy, liquidating hedges as fuel is purchased and burned, tactically timing hedge transactions to create value at the margin, and reporting on Metro's market position, expected costs, historical costs, their position of risk, and overall Program performance. Linwood also advises Metro on supply contract issues concerning pricing benchmarks, and other issues as needed. Metro burns 5.6 million gallons of diesel fuel annually. This relationship/assignment began in 2003, continues today, and is ongoing in nature.

Jeff Vosler, Finance Director
Central Ohio Transit Authority
1600 McKinley Avenue
Columbus, Ohio 43222
614-275-5802 telephone
614-275-5933 fax
voslerjs@cota.com

Linwood Capital assisted COTA in creating their diesel fuel hedging program and manages the program on a day to day basis regarding the timing and pricing of hedges seeking low cost while managing risk. COTA's Program is currently executed using financial swaps while efforts continue to establish a futures account for COTA which will enable them to manage price risk using exchange-traded heating oil futures contracts as well. COTA burns 3 million gallons of diesel fuel annually. This assignment began in the fall of 2009, continues today, and is ongoing in nature.

Rob Webb
New Jersey Transit Corporation
One Penn Plaza East
Newark, New Jersey 07105
(973) 491-7656 telephone
rwebb@njtransit.com

Linwood Capital assisted New Jersey Transit in creating their diesel fuel hedging program, continues to advocate for improvements to the program, and manages the program on a day to day basis regarding the timing and pricing of hedges seeking low cost while managing risk. New Jersey Transit's program is currently executed using fixed-price contracts available through their fuel supplier while efforts continue to establish the use of financial instruments which will enable NJ Transit to manage price risk in a more efficient manner. New Jersey Transit burns 36 million gallons of diesel fuel annually. This assignment began in December 2009, continues today, and is ongoing in nature.

Jean Baker
Deputy Chief, Finance & Administration
Washington State Ferry System
2901 Third Avenue, Suite 500
Seattle, Washington 98121
(206) 515-3403 telephone
(206) 515-3404 fax
bakerje@wdsot.wa.gov

In 2009, Linwood Capital advised on the creation of the fuel hedging program for the Washington State Ferry System and was particularly instrumental in formulating WSF's hedging program statement of policy & strategy. Recently, and via a separate solicitation, Linwood became WSF's fuel hedging advisor managing their fuel hedging program on a day to day basis regarding the timing and pricing of hedges seeking low cost while managing risk. The Ferry System's program is currently executed using fixed-price contracts available through their fuel supplier while efforts are being made to establish the use of financial instruments which will enable WSF (a division of the Washington State DOT) to manage price risk in a more efficient manner. WSF burns 18 million gallons of diesel fuel annually. While the relationship with WSF has been ongoing, the day to day management of their hedging began September 1st of this year, continues, and is ongoing in nature.

Other references are available upon request.

TAB 10: S&P – MOODY'S

Regarding Moody's and S&P ratings, Linwood Capital does not have either of these as it is not a capital intensive company. Linwood Capital is organized as a sole member limited liability company and as such does not have separate financial statements. Schedule C of Mr. LeMunyon's personal tax returns comprise Linwood Capital's financial statements. This information will be provided to The City upon request.

TAB 11: SSAE/SOC

This requirement was waived as per Addendum 1.

TAB 12: COST PROPOSAL

The cost proposal form is included on the following pages.

The general philosophy surrounding the fee is that it should:

- compensate Linwood Capital for its time spent servicing the client;
- compensate Linwood Capital for the value of the experience, expertise, and intellectual property used in servicing the client;
- consider the costs directly associated with servicing the client;
- consider the indirect costs incurred by Linwood Capital in servicing the client;
- be based on the value that Linwood Capital brings to the client which is proportional to the client's volume of fuel consumption;
- be consistent with fees charged in other areas of financial management/asset management;

Time & Effort: While time and effort are valuable resources, the value that Linwood Capital brings to The City is not as much a function of time spent but more of a function of expertise, experience, and attention. This is also true in other areas of financial management particularly in asset management which is very akin to Linwood's business and process. Linwood's service to The City will include, Program development, day to day Program management activities, transactions, monitoring energy markets, interacting with the fuel supplier and/or financial intermediaries as need be, preparation of reports and market commentary both on a weekly and monthly basis, establishing Program strategy and policy, phone conferences, meetings, presentations, special forecasts/reports, etc.

Experience, Expertise, Intellectual Property: The real value that Linwood brings to The City is its many years of experience and expertise in and around commodity markets and the creation and management of energy price risk management programs for public transit properties for the past fourteen years. Specifically, the analysis and quantification of market risk and opportunity through the application of Linwood's proprietary market models and market research form the strategy that will allow Linwood to manage The City's position of risk while seeking the lowest overall cost. In addition to adding value on the strategic level, Linwood will add value through the tactical timing of The City's market transactions seeking to add additional value at the margin. Notwithstanding all other value Linwood will bring to The City, if, through strategic and tactical market decisions Linwood adds only several cents per gallon of value, the proposed fee will be entirely recouped by The City. Linwood's creativity, market judgment, and innovation are ultimately what will generate value for The City – value that will far exceed the proposed fee.

Direct Costs: Travel and a small amount of material would be the only costs directly attributable to a client relationship with The City. Linwood Capital will be available for any and all meetings requested by The City. The travel costs associated with attendance at such meetings is included in the proposed fee.

Fee According to Consumption: It is generally true that Linwood's clients that are smaller consumers of fuel pay a smaller fee and those that are larger consumers of fuel pay higher fees. This is not, however, a strict one-to-one linear relationship.

Consistency with Other Financial Management: Linwood Capital's proposed fee of $25,800 per year is consistent with other areas of financial management especially asset management. Linwood Capital's business of energy price risk management is essentially a highly specialized form of asset management on a functional level. Based on the size and type of account, asset management fees can range from 0.10% of assets per year for the very large accounts or very simple management (cash management for example) to 4%+ of smaller investments for highly specialized alternative investments. For example, a portfolio of $4.25 million in assets may have an annual management fee of $25,800. Similarly, The City's annual fuel expenditure is roughly $4.25 million and the proposed fee is equivalent to roughly 0.61% of the annual fuel expenditure.

Incentive Fee: Linwood Capital is not proposing an incentive fee. An incentive fee based upon the realized gains of The City's hedging program would align Linwood Capital's interests with The City's *secondary* goal of low cost but would not align Linwood's interests with The City's *primary* goal of managing fuel price risk.

Linwood's Only Form of Compensation: It is important to note that Linwood Capital will not be receiving any other compensation from any source beside The City in conjunction with this relationship. Linwood Capital is beholden only to its clients and always acts in their best interests.

Fee Proposal: It is for these reasons that Linwood Capital proposes a fee of $2150 per month and believes that this proposal is reasonable, competitive, consistent with fees being paid by similar Linwood Capital clients, consistent with the fee structure of other forms of financial management, and represents a fraction of the value that The City will realize as a client of Linwood Capital.

Linwood Capital remains open to discussing the proposed fee and other matters associated with this proposal.

PART VII - PROPOSAL PAGES – COST PROPOSAL

PROPOSER NAME Linwood Capital, LLC

Proposer agrees to supply the services at the fees bid below in accordance with the terms, conditions and specifications contained in this RFP.

Cost to the City: Contractor must quote firm, fixed, rate for all services identified in this request for proposal. This firm fixed rate includes any costs for travel to the City. No other costs will be accepted. This firm fixed rate will be the same for the initial contract period.

FIRM FIXED MANAGEMENT FEE $ 2150.— /MONTHLY

TAB 13: ADDITIONAL ATTACHMENTS

Further supporting information for this proposal is found in the attachments following this section. These include reporting examples, NFA and CFTC information on Jeffrey LeMunyon and Linwood Capital, and a generic presentation regarding fuel hedging and Linwood Capital.

MONTHLY REPORT PRESENTATION EXAMPLE

LINWOOD CAPITAL, LLC

ENERGY PRICE RISK MANAGEMENT CONSULTING

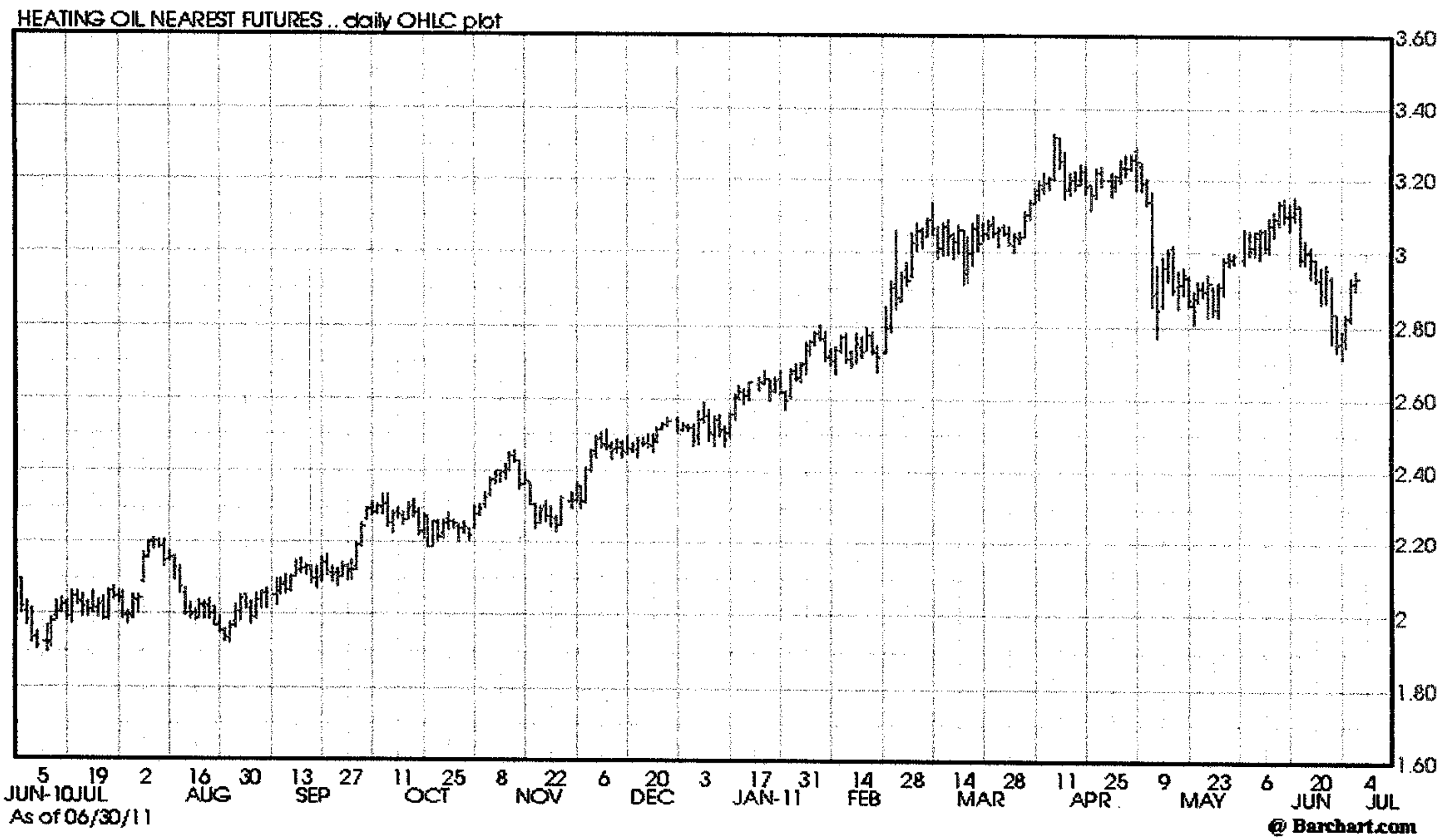
Jeffrey R. LeMunyon, CFA
Principal

Central Ohio Transit Authority

June 2011

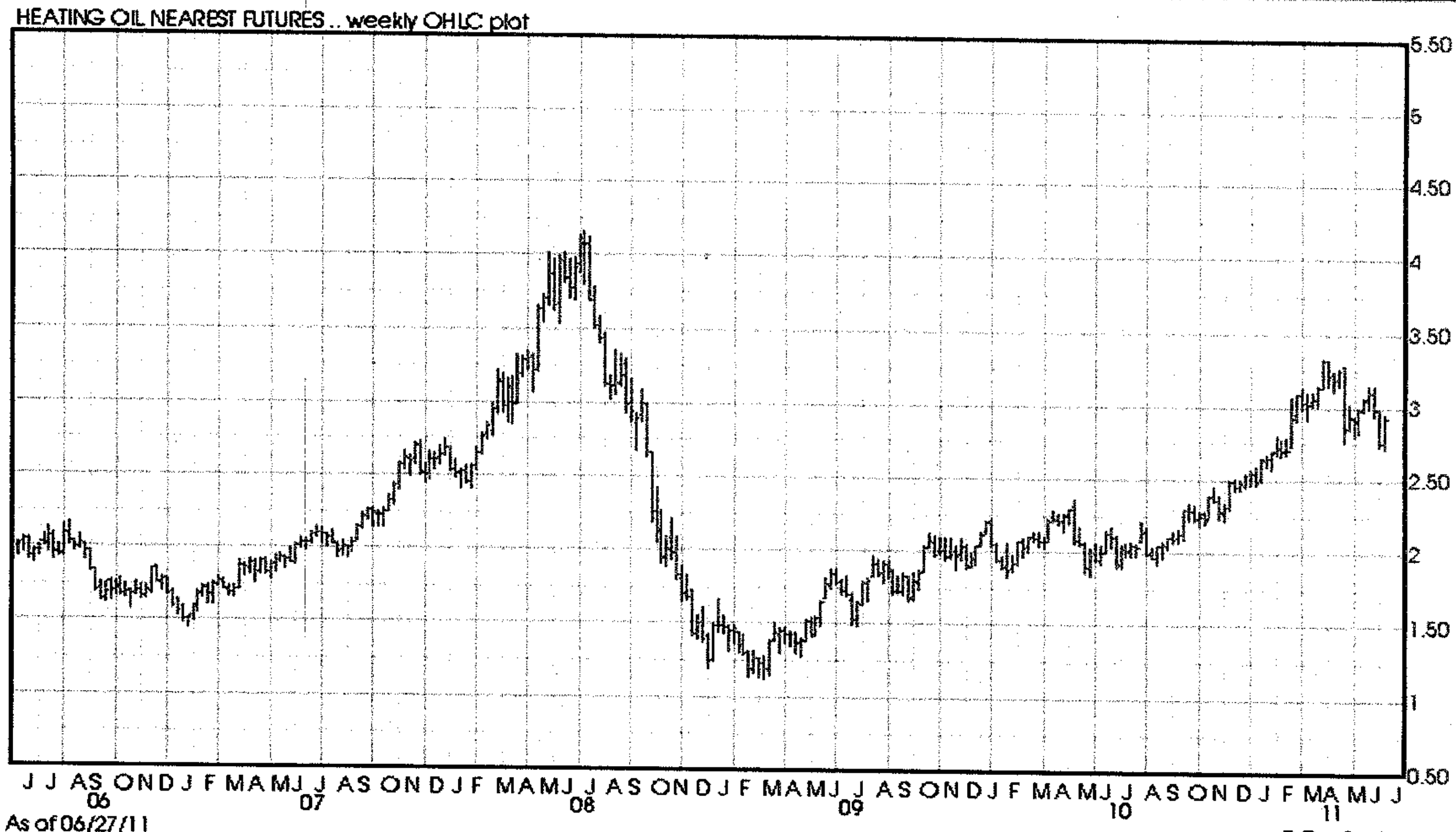
Diesel Fuel Price Risk Management Report

One Year Historical Analysis
Spot Month Heating Oil Futures
June 2011



Heating Oil Futures Prices
July 1, 2010 – June 30, 2011

Five Year Historical Analysis
Spot Month Heating Oil Futures
June 2011



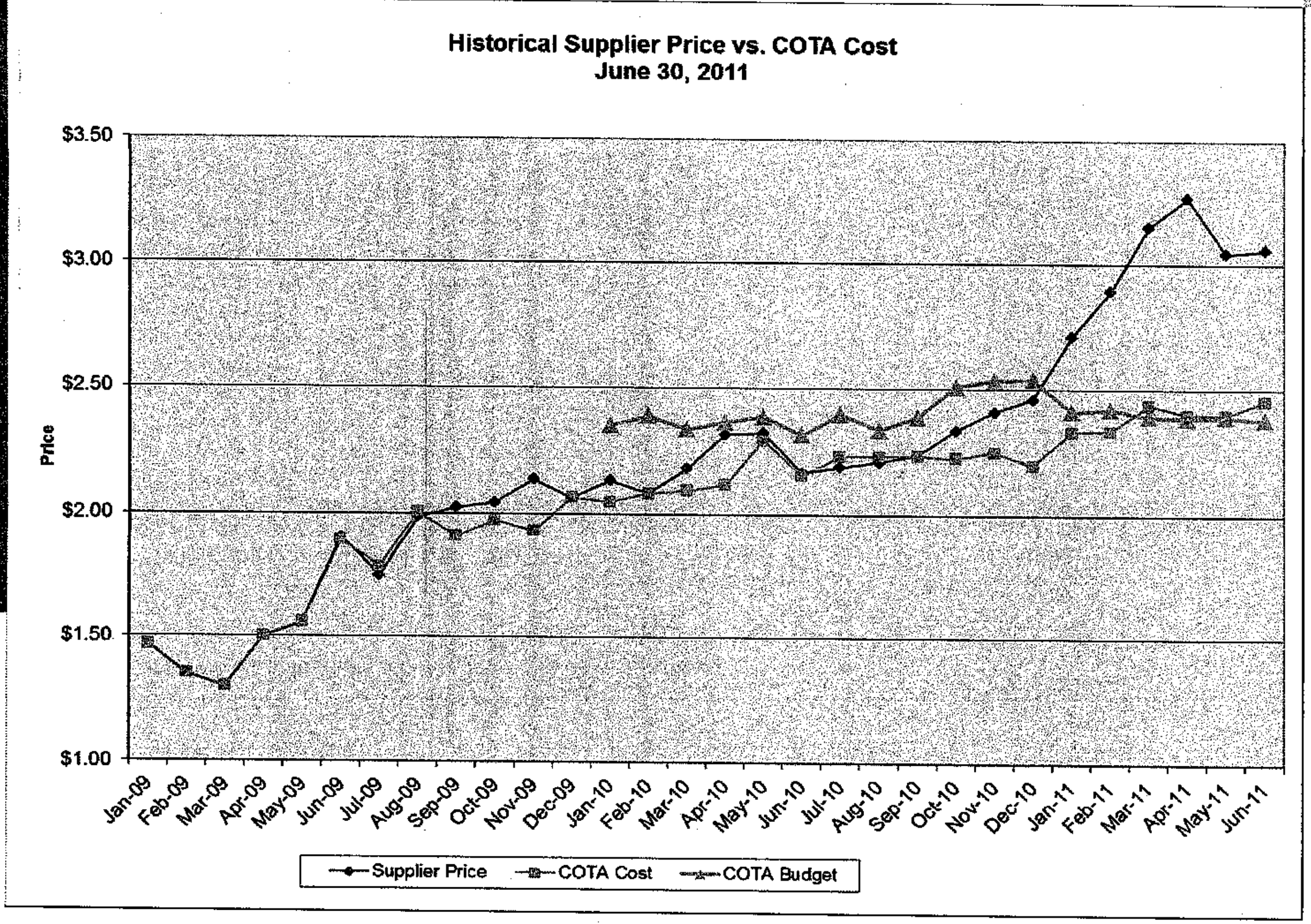
Heating Oil Futures Prices
July 1, 2006 – June 30, 2011

Historical Analysis
Program Results: Monthly/Annually
June 2011

* Amounts do not include brokerage or management fees

Calendar Month	Budget Gallons	Days in Month	Supplier Price $/Gallon	COTA Net Cost $/Gallon	Hedge Gains $/Gallon	Hedge Gains In Dollars	Supplier Cost Dollars	Total Cost Dollars	Budget Cost Dollars	Budget Variance Dollars
January-10	216,526	31	$2.13	$2.05	$0.08	$17,695	$461,271	$443,576	$508,621	-$65,045
February-10	207,516	28	$2.08	$2.08	$0.00	-$141	$431,764	$431,905	$495,445	-$63,540
March-10	241,045	31	$2.18	$2.09	$0.09	$20,643	$525,570	$504,927	$562,697	-$57,770
April-10	237,632	30	$2.32	$2.12	$0.20	$47,243	$550,313	$503,070	$561,558	-$58,488
May-10	230,790	31	$2.32	$2.29	$0.03	$6,279	$535,364	$529,085	$550,580	-$21,495
June-10	262,874	30	$2.16	$2.15	$0.01	$2,527	$568,543	$566,016	$608,016	-$42,000
July-10	265,127	31	$2.19	$2.23	-$0.04	-$11,123	$579,929	$591,052	$635,255	-$44,203
August-10	267,920	31	$2.21	$2.23	-$0.02	-$6,130	$591,169	$597,299	$625,292	-$27,993
September-10	251,818	30	$2.23	$2.23	$0.00	$305	$562,298	$561,993	$600,488	-$38,495
October-10	238,844	31	$2.33	$2.22	$0.11	$25,797	$557,177	$531,380	$599,012	-$67,632
November-10	228,053	30	$2.41	$2.25	$0.16	$36,242	$548,988	$512,746	$577,646	-$64,900
December-10	237,817	31	$2.46	$2.20	$0.26	$62,815	$585,112	$522,297	$603,587	-$81,290
January-11	228,529	31	$2.71	$2.33	$0.38	$87,248	$619,672	$532,424	$550,644	-$18,220
February-11	221,324	28	$2.89	$2.33	$0.56	$123,270	$639,870	$516,600	$535,310	-$18,710
March-11	249,278	31	$3.15	$2.44	$0.71	$177,959	$785,357	$607,397	$596,144	$11,253
April-11	241,964	30	$3.27	$2.40	$0.87	$209,428	$790,234	$580,805	$577,235	$3,570
May-11	250,777	31	$3.04	$2.40	$0.65	$162,127	$763,533	$601,406	$599,695	$1,711
June-11	269,976	30	$3.06	$2.46	$0.60	$163,045	$825,868	$662,822	$642,680	$20,142
Fiscal Year 2009	**2,992,544**	**365**	**$1.76**	**$1.73**	**$0.03**	**$84,020**	**$5,259,774**	**$5,175,754**		
Fiscal Year 2010	**2,885,962**	**365**	**$2.25**	**$2.18**	**$0.07**	**$202,151**	**$6,497,498**	**$6,295,346**	**$6,928,197**	**-$632,851**
Fiscal Year 2011	**1,461,848**	**181**	**$3.03**	**$2.40**	**$0.63**	**$923,078**	**$4,424,533**	**$3,501,454**	**$3,501,708**	**-$254**

Historical Analysis
COTA Cost/Volatility vs. Supplier Price/Volatility
June 2011



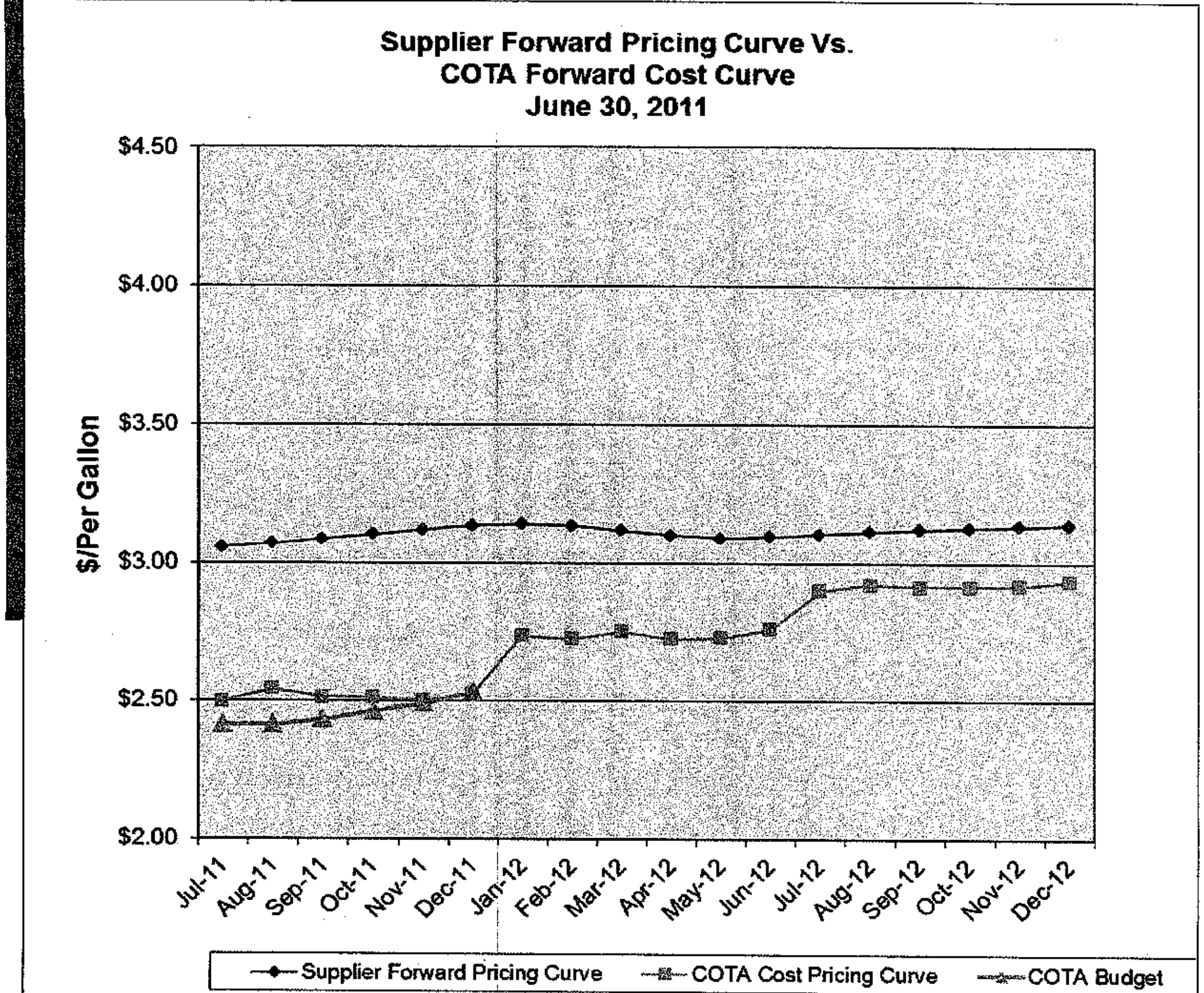
January 2009
through
June 2011

Benchmark
Volatility: 18.97%

COTA Cost
Volatility: 15.31%

Prospective Analysis – Cost Projections
Supplier Forward Pricing Curve vs. COTA Forward Cost Curve
June 2011

Note: Benchmark = Futures + 7.16 cents per gallon



Month	Benchmark Price	COTA Cost	COTA Budget
July-11	$3.05	$2.50	$2.41
August-11	$3.07	$2.54	$2.41
September-11	$3.09	$2.51	$2.43
October-11	$3.10	$2.51	$2.46
November-11	$3.12	$2.50	$2.49
December-11	$3.14	$2.52	$2.53
January-12	$3.14	$2.74	
February-12	$3.14	$2.72	
March-12	$3.12	$2.75	
April-12	$3.10	$2.72	
May-12	$3.09	$2.73	
June-12	$3.10	$2.76	
July-12	$3.11	$2.90	
August-12	$3.12	$2.92	
September-12	$3.12	$2.91	
October-12	$3.13	$2.91	
November-12	$3.14	$2.91	
December-12	$3.14	$2.93	

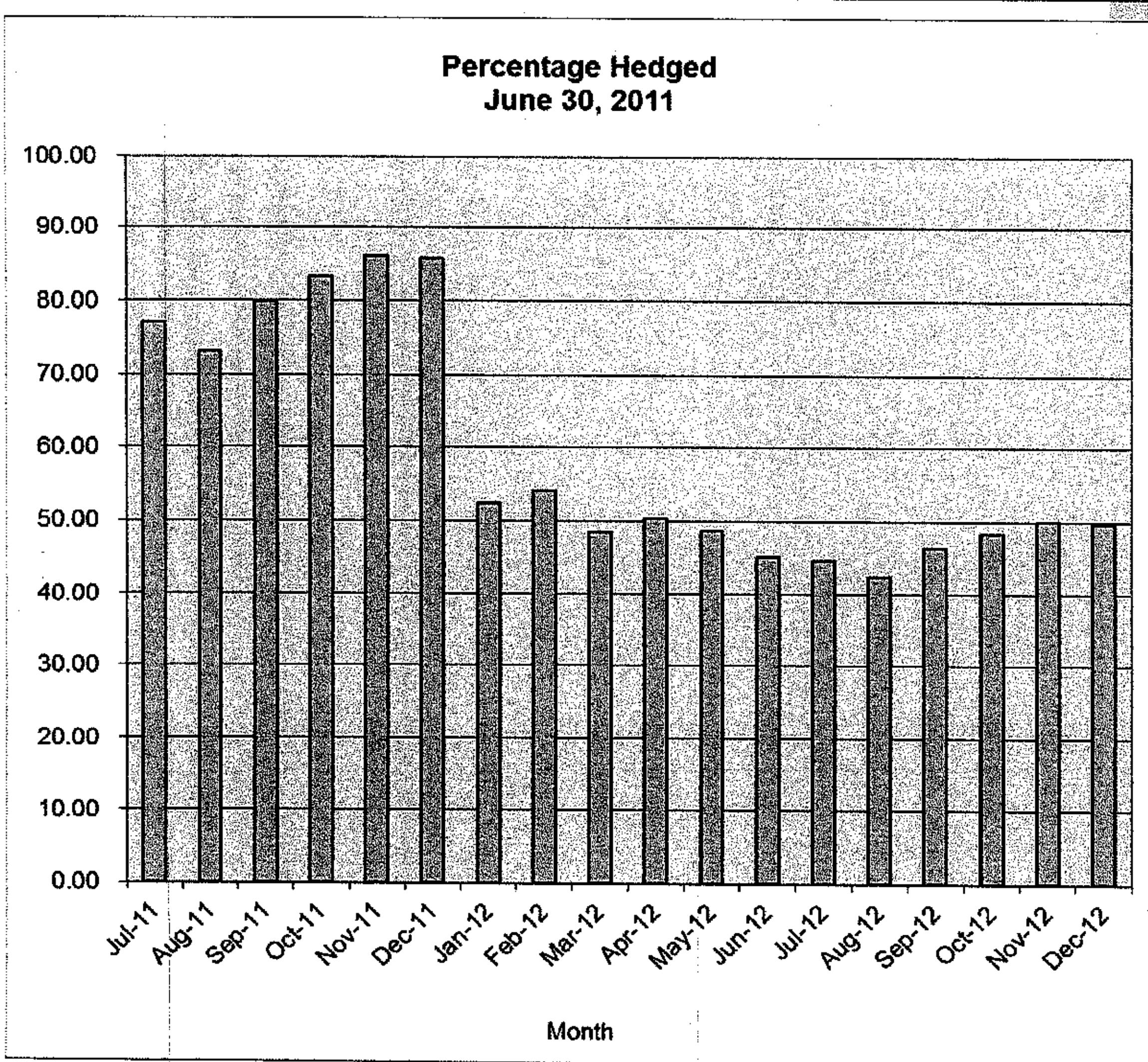
Prospective Cost Analysis
Fiscal 2011 & 2012
June 2011

•Amounts do not include brokerage or management fees

Calendar Month	Budget Gallons	Days in Month	Projected Benchmark Cost	Projected COTA Cost Cents Per Gallon	Unrealized Gains Cents Per Gallon	Percentage Hedged	Unrealized Gains Dollars
July-11	272,386	31	305.44	249.60	55.84	77.10	$152,103.00
August-11	287,039	31	306.97	254.18	52.79	73.16	$151,536.00
September-11	262,769	30	308.65	251.16	57.49	79.92	$151,074.00
October-11	252,410	31	310.45	250.85	59.60	83.20	$150,444.00
November-11	243,736	30	312.25	250.01	62.24	86.16	$151,704.00
December-11	244,770	31	313.92	252.05	61.87	85.79	$151,431.00
Fiscal 2011	**1,563,110**	**184**	**309.60**	**251.50**	**58.11**	**80.86**	**$908,292.00**

Calendar Month	Budget Gallons	Days in Month	Projected Benchmark Cost	Projected COTA Cost Cents Per Gallon	Unrealized Gains Cents Per Gallon	Percentage Hedged	Unrealized Gains Dollars
January-12	240,616	31	314.39	273.58	40.81	52.37	$98,187.60
February-12	233,061	29	313.88	272.31	41.57	54.06	$96,894.00
March-12	260,422	31	312.09	275.23	36.86	48.38	$96,003.60
April-12	250,433	30	310.32	272.41	37.91	50.31	$94,928.40
May-12	259,554	31	309.12	272.81	36.31	48.54	$94,256.40
June-12	279,425	30	309.62	275.93	33.69	45.09	$94,151.40
July-12	281,919	31	310.72	289.90	20.82	44.69	$58,686.60
August-12	297,086	31	311.62	292.05	19.57	42.41	$58,140.60
September-12	271,966	30	312.42	291.21	21.21	46.33	$57,678.60
October-12	261,245	31	313.07	291.16	21.91	48.23	$57,237.60
November-12	252,267	30	313.67	291.43	22.24	49.95	$56,103.60
December-12	253,337	31	314.32	293.14	21.18	49.74	$53,663.81
Fiscal 2012	**3,141,331**	**366**	**312.10**	**282.94**	**29.16**	**48.32**	**$915,932.21**

Prospective Analysis
Monthly Percentage Hedged Snapshot
June 2011



Prospective Risk/CFAR Analysis
Fiscal 2011 & 2012
June 2011

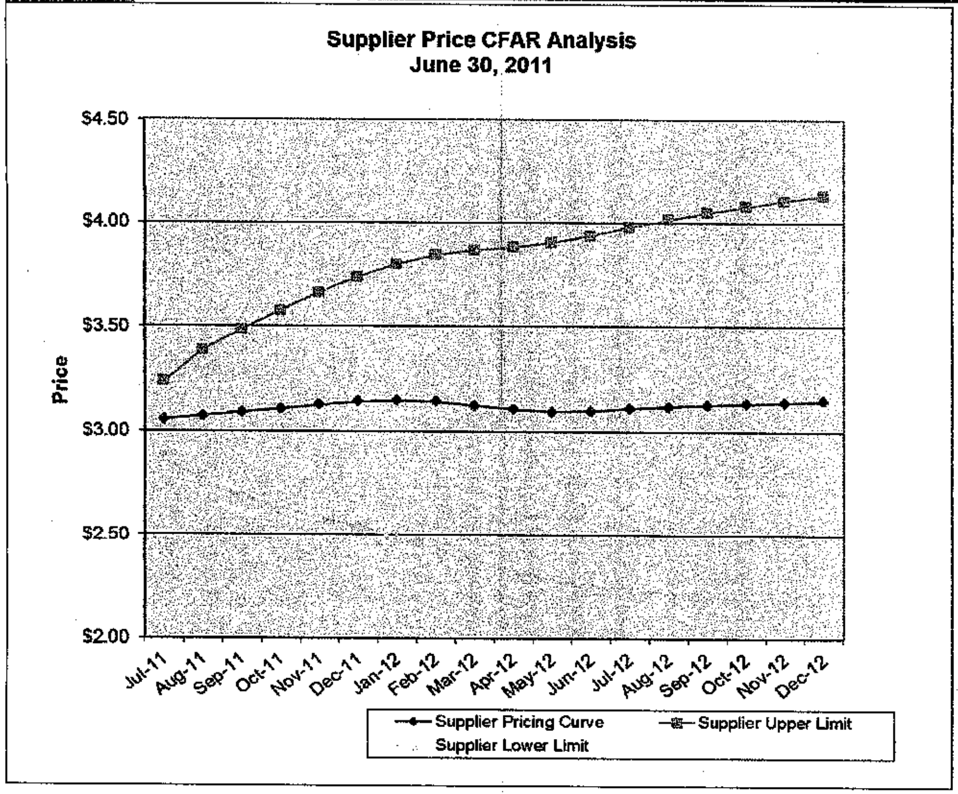
Note:

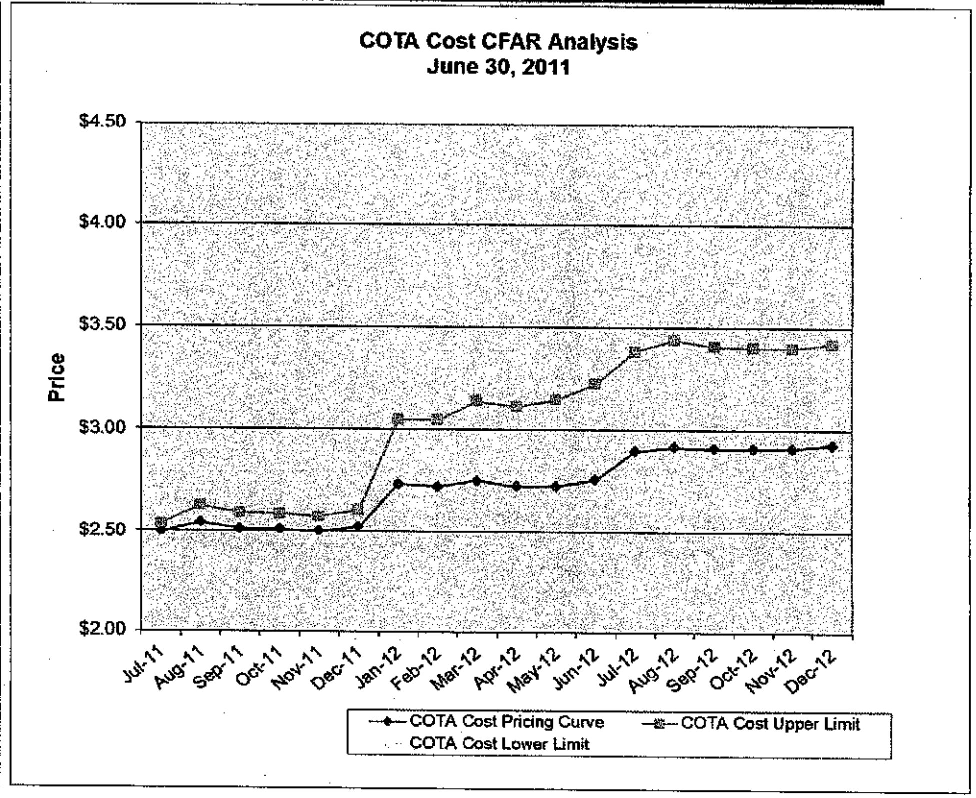
CFAR is the non-annualized expected standard deviation of prices derived from the implied volatility of Heating Oil Options prices multiplied by the expected dollar cost of fuel. This figure provides a useful metric of the magnitude of risk in dollar terms at any point in time.

Calendar Month	CFAR Benchmark CENTS/G	CFAR COTA Cost Cents/G	CFAR Reduction Cents/G	CFAR Reduction Dollars
July-11	17.90	4.10	13.80	$37,585.45
August-11	31.48	8.45	23.03	$66,110.24
September-11	39.67	7.97	31.70	$83,305.34
October-11	47.26	7.94	39.32	$99,244.85
November-11	54.06	7.48	46.58	$113,534.17
December-11	59.94	8.51	51.42	$125,866.22
Fiscal 2011	**41.66**	**7.41**	**34.31**	**$536,290.58**

Calendar Month	CFAR Benchmark CENTS/G	CFAR COTA Cost Cents/G	CFAR Reduction Cents/G	CFAR Reduction Dollars
January-12	65.58	31.24	34.34	$82,629.98
February-12	70.43	32.35	38.08	$88,742.19
March-12	74.49	38.45	36.04	$93,860.84
April-12	77.85	38.68	39.17	$98,095.67
May-12	81.20	41.78	39.42	$102,317.36
June-12	84.12	46.19	37.93	$105,993.57
July-12	87.01	48.12	38.89	$109,628.43
August-12	89.72	51.67	38.05	$113,043.07
September-12	92.19	49.48	42.71	$116,157.12
October-12	94.41	48.87	45.53	$118,955.26
November-12	96.49	48.30	48.19	$121,576.58
December-12	98.39	49.46	48.94	$123,973.67
Fiscal 2012	**84.37**	**43.76**	**40.61**	**$1,275,627.55**

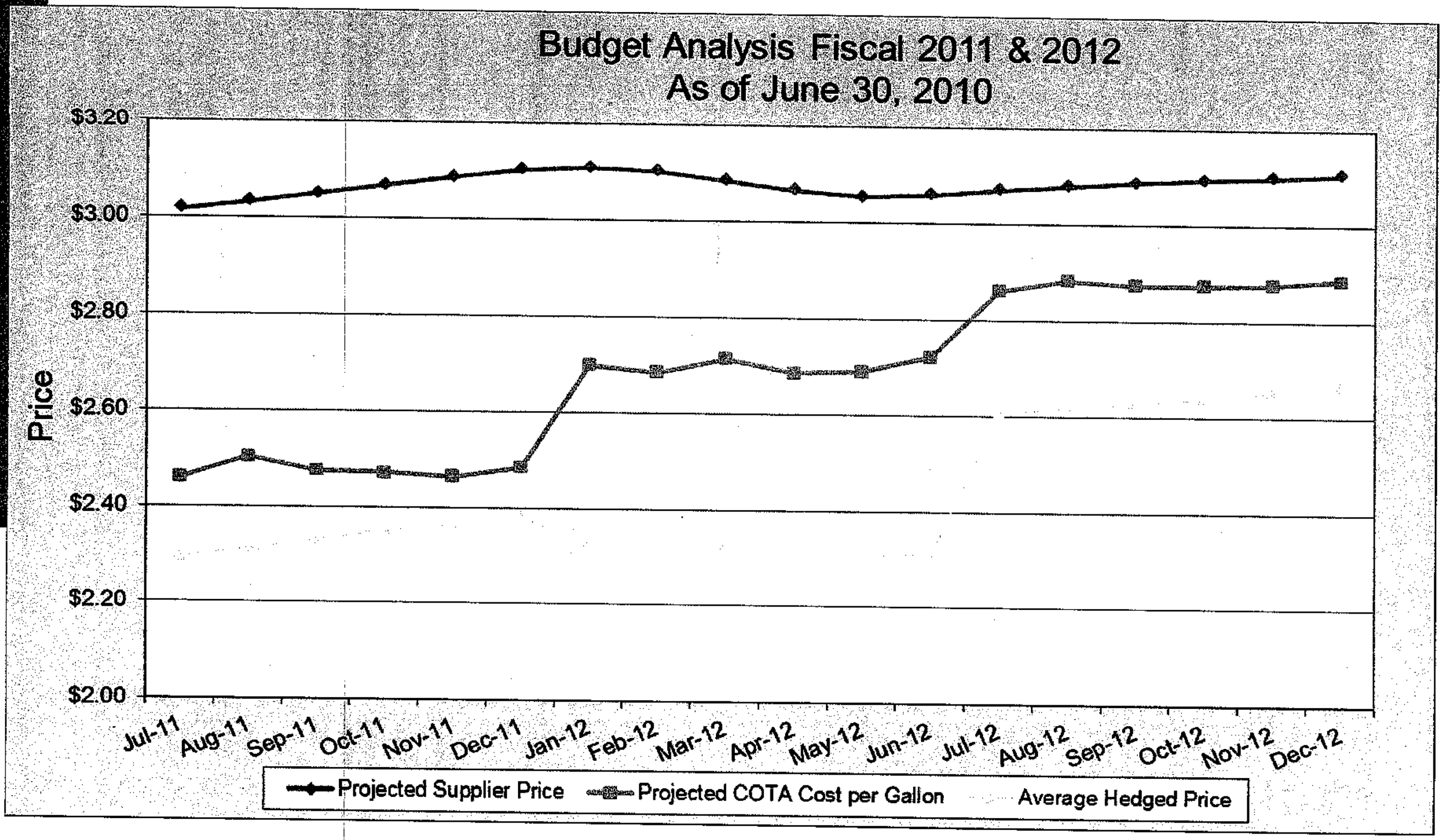
Prospective Analysis
Comparative CFAR Graphs: Supplier Price vs. COTA Cost
June 2011





Through December 2012

Budget Analysis
Prospective Results – Fiscal 2011 & 2012
June 2011



MONTHLY ACCOUNT REPORT EXAMPLE

SORTA

Futures Account Report
September 2011

FISCAL 2006	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Totals
GROSS REALIZED GAIN					$0.00	$0.00	$0.00	-$2,268.00	-$24,444.00	-$37,107.00	-$109,116.00	-$82,471.20	-$255,406.20
TRANSACTION FEES					$135.48	$372.57	$609.66	$403.74	$502.05	$399.84	$270.96	$304.83	$2,999.13
CHNG IN UNREALIZED GAIN					$2,297.40	$24,729.60	$1,650.60	-$152,245.80	-$412,612.20	-$179,184.60	$304,416.00	-$196,169.40	-$607,118.40
BEGINNING BALANCE					$0.00	$5,364.52	-$15,008.05	$9,382.29	$241,710.55	$674,264.50	$755,070.16	$513,370.70	
NET CASH TO ACCOUNT					$5,500.00	-$20,000.00	$25,000.00	$235,000.00	$457,500.00	$118,312.50	-$132,312.50	$200,000.00	
TRANSACTION FEES					-$135.48	-$372.57	-$609.66	-$403.74	-$502.05	-$399.84	-$270.96	-$304.83	
REALIZED GAINS					$0.00	$0.00	$0.00	-$2,268.00	-$24,444.00	-$37,107.00	-$109,116.00	-$82,471.20	
TOTAL ENDING BALANCE					$5,364.52	-$15,008.05	$9,382.29	$241,710.55	$674,264.50	$755,070.16	$513,370.70	$630,594.67	
UNREALIZED GAINS					$2,297.40	$27,027.00	$28,677.60	-$123,568.20	-$536,180.40	-$715,365.00	-$410,949.00	-$607,118.40	
ACCOUNT VALUE					$7,661.92	$12,018.95	$38,059.89	$118,142.35	$138,084.10	$39,705.16	$102,421.70	$23,476.27	

FISCAL 2007	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Totals
GROSS REALIZED GAIN	-$128,868.60	-$95,919.60	-$76,221.60	-$24,175.20	-$19,462.80	-$6,459.60	$10,138.80	$7,236.60	$33,276.60	$57,456.00	$103,727.40	$75,306.00	-$63,966.00
TRANSACTION FEES	$372.57	$270.96	$296.43	$229.84	$230.99	$393.59	$784.88	$299.48	$265.51	$332.20	$365.92	$297.98	$4,140.35
CHNG IN UNREALIZED GAIN	$21,827.40	$309,225.00	$246,502.20	$36,288.00	-$8,599.50	$193,042.50	$111,266.40	-$277,263.00	$374,232.60	$684,159.00	-$201,054.00	$412,948.20	$1,902,574.80
BEGINNING BALANCE	$630,594.67	$704,353.50	$363,587.94	$132,069.91	$19,977.37	$683.58	-$111,169.61	-$131,815.69	$68,321.43	-$368,667.48	-$906,543.68	-$927,419.70	
NET CASH TO ACCOUNT	$203,000.00	-$244,575.00	-$155,000.00	-$87,687.50	$400.00	-$105,000.00	-$30,000.00	$193,200.00	-$470,000.00	-$595,000.00	-$124,237.50	-$275,000.00	
TRANSACTION FEES	-$372.57	-$270.96	-$296.43	-$229.84	-$230.99	-$393.59	-$784.88	-$299.48	-$265.51	-$332.20	-$365.92	-$297.98	
REALIZED GAINS	-$128,868.60	-$95,919.60	-$76,221.60	-$24,175.20	-$19,462.80	-$6,459.60	$10,138.80	$7,236.60	$33,276.60	$57,456.00	$103,727.40	$75,306.00	
TOTAL ENDING BALANCE	$704,353.50	$363,587.94	$132,069.91	$19,977.37	$683.58	-$111,169.61	-$131,815.69	$68,321.43	-$368,667.48	-$906,543.68	-$927,419.70	-$1,127,411.68	
UNREALIZED GAINS	-$585,291.00	-$276,066.00	-$29,563.80	$6,724.20	-$1,875.30	$191,167.20	$302,433.60	$25,170.60	$399,403.20	$1,083,562.20	$882,508.20	$1,295,456.40	
ACCOUNT VALUE	$119,062.50	$87,521.94	$102,506.11	$26,701.57	-$1,191.72	$79,997.59	$170,617.91	$93,492.03	$30,735.72	$177,018.52	-$44,911.50	$168,044.72	

FISCAL 2008	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Totals
GROSS REALIZED GAIN	$103,870.20	$109,027.80	$220,630.20	$228,496.80	$377,447.70	$387,475.20	$389,634.00	$221,713.80	$103,378.80	-$27,774.60	-$232,474.20	-$301,085.40	$1,580,340.30
TRANSACTION FEES	$461.69	$330.35	$786.54	$852.96	$881.42	$392.02	$454.94	$649.70	$422.98	$392.52	$681.16	$551.82	$6,858.10
CHNG IN UNREALIZED GAIN	-$243,513.90	$669,788.70	$80,333.40	$884,568.30	$1,950,855.90	$828,269.40	-$2,392,372.50	-$1,384,351.50	-$1,528,209.90	-$3,377,163.30	-$1,247,544.90	-$919,449.30	-$6,678,789.60
BEGINNING BALANCE	-$1,127,411.68	-$903,203.17	-$1,519,505.72	-$1,683,412.06	-$1,876,205.72	-$3,942,377.78	-$4,555,294.60	-$2,374,115.54	-$939,951.45	$1,319,004.37	$4,475,837.25	$5,326,504.39	
NET CASH TO ACCOUNT	$120,800.00	-$725,000.00	-$383,750.00	-$420,437.50	-$2,442,738.34	-$1,000,000.00	$1,792,000.00	$1,213,099.99	$2,156,000.00	$3,185,000.00	$1,083,822.50	$1,968,000.00	
TRANSACTION FEES	-$461.69	-$330.35	-$786.54	-$852.96	-$881.42	-$392.02	-$454.94	-$649.70	-$422.98	-$392.52	-$681.16	-$551.82	
REALIZED GAINS	$103,870.20	$109,027.80	$220,630.20	$228,496.80	$377,447.70	$387,475.20	$389,634.00	$221,713.80	$103,378.80	-$27,774.60	-$232,474.20	-$301,085.40	
TOTAL ENDING BALANCE	-$903,203.17	-$1,519,505.72	-$1,683,412.06	-$1,876,205.72	-$3,942,377.78	-$4,555,294.60	-$2,374,115.54	-$939,951.45	$1,319,004.37	$4,475,837.25	$5,326,504.39	$6,992,867.17	
UNREALIZED GAINS	$1,051,942.50	$1,721,731.20	$1,802,064.60	$2,686,632.90	$4,637,488.80	$5,465,758.20	$3,073,385.70	$1,689,034.20	$160,824.30	-$3,216,339.00	-$4,463,883.90	-$5,363,333.20	
ACCOUNT VALUE	$148,739.33	$202,225.48	$118,652.54	$810,427.18	$695,111.02	$910,463.60	$699,270.16	$749,082.75	$1,479,828.67	$1,259,498.25	$862,620.49	$1,609,533.97	

SORTA

Futures Account Report
September 2011

FISCAL 2009	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Totals
GROSS REALIZED GAIN	-$249,358.20	-$365,887.20	-$324,626.40	-$390,545.40	-$368,390.40	-$233,268.00	-$342,220.20	-$313,385.10	-$392,107.80	-$484,953.00	-$428,320.20	-$412,209.00	-$4,305,270.90
TRANSACTION FEES	$519.36	$551.82	$520.86	$1,655.21	$458.94	$488.65	$259.68	$227.27	$293.69	$262.68	$236.22	$492.90	$5,967.28
:HNG IN UNREALIZED GAIN	-$152,663.70	-$411,081.30	$903,438.90	$208,488.00	$2,407,062.00	$823,674.60	$477,340.50	-$171,633.00	$315,840.00	$1,325,205.40	$712,313.30	$410,888.10	$6,848,872.80
BEGINNING BALANCE	$6,992,867.17	$6,366,989.61	$6,601,300.59	$5,317,153.33	$4,869,252.72	$3,405,215.88	$1,809,859.23	$1,771,379.35	$1,011,766.98	$1,562,990.49	-$750,225.19	-$925,781.61	
NET CASH TO ACCOUNT	-$376,000.00	$600,750.00	-$959,000.00	-$55,700.00	-$1,095,187.50	-$1,361,600.00	$304,000.00	-$446,000.00	$943,625.00	-$1,828,000.00	$253,000.00	-$21,000.00	
TRANSACTION FEES	-$519.36	-$551.82	-$520.86	-$1,655.21	-$458.94	-$488.65	-$259.68	-$227.27	-$293.69	-$262.68	-$236.22	-$492.90	
REALIZED GAINS	-$249,358.20	-$365,887.20	-$324,626.40	-$390,545.40	-$368,390.40	-$233,268.00	-$342,220.20	-$313,385.10	-$392,107.80	-$484,953.00	-$428,320.20	-$412,209.00	
TOTAL ENDING BALANCE	$6,366,989.61	$6,601,300.59	$5,317,153.33	$4,869,252.72	$3,405,215.88	$1,809,859.23	$1,771,379.35	$1,011,766.98	$1,562,990.49	-$750,225.19	-$925,781.61	-$1,359,483.51	
UNREALIZED GAINS	-$5,535,996.90	-$5,947,078.20	-$5,043,639.30	-$4,835,151.30	-$2,428,089.30	-$1,604,414.70	-$1,127,074.20	-$1,298,707.20	-$982,867.20	$342,338.20	$1,054,651.50	$1,465,539.60	
ACCOUNT VALUE	$830,992.71	$654,222.39	$273,514.03	$34,101.42	$977,126.58	$205,444.53	$644,305.15	-$286,940.22	$580,123.29	-$407,886.99	$128,869.89	$106,056.09	
FISCAL 2010	**Jan-10**	**Feb-10**	**Mar-10**	**Apr-10**	**May-10**	**Jun-10**	**Jul-10**	**Aug-10**	**Sep-10**	**Oct-10**	**Nov-10**	**Dec-10**	**Totals**
GROSS REALIZED GAIN	-$243,339.60	-$152,430.60	-$15,178.80	$86,625.00	$33,104.40	$27,804.00	$25,977.00	$27,417.60	$39,377.10	$78,390.90	$90,006.00	$138,969.60	$136,722.60
TRANSACTION FEES	$200.76	$197.76	$194.76	$202.26	$653.70	$265.68	$231.77	$199.31	$200.51	$202.01	$329.10	$199.26	$3,076.88
:HNG IN UNREALIZED GAIN	-$813,607.20	$736,478.40	$568,228.50	$730,382.10	-$1,563,342.90	-$71,887.20	$253,583.40	-$571,930.80	$856,394.70	-$209,029.80	$86,142.00	$698,006.40	$699,417.60
BEGINNING BALANCE	-$1,359,483.51	-$1,131,023.87	-$1,219,902.23	-$1,687,275.79	-$2,495,853.05	-$1,116,402.35	-$1,551,864.03	-$1,044,718.80	-$652,750.51	-$1,373,573.92	-$1,443,385.03	-$1,526,708.13	
NET CASH TO ACCOUNT	$472,000.00	$63,750.00	-$452,000.00	-$895,000.00	$1,347,000.00	-$463,000.00	$481,400.00	$364,750.00	-$760,000.00	-$148,000.00	-$173,000.00	-$727,000.00	
TRANSACTION FEES	-$200.76	-$197.76	-$194.76	-$202.26	-$653.70	-$265.68	-$231.77	-$199.31	-$200.51	-$202.01	-$329.10	-$199.26	
REALIZED GAINS	-$243,339.60	-$152,430.60	-$15,178.80	$86,625.00	$33,104.40	$27,804.00	$25,977.00	$27,417.60	$39,377.10	$78,390.90	$90,006.00	$138,969.60	
TOTAL ENDING BALANCE	-$1,131,023.87	-$1,219,902.23	-$1,687,275.79	-$2,495,853.05	-$1,116,402.35	-$1,551,864.03	-$1,044,718.80	-$652,750.51	-$1,373,573.92	-$1,443,385.03	-$1,526,708.13	-$2,114,937.79	
UNREALIZED GAINS	$651,932.40	$1,388,410.80	$1,956,639.30	$2,687,021.40	$1,123,678.50	$1,051,791.30	$1,305,374.70	$733,443.90	$1,589,838.60	$1,380,808.80	$1,466,950.80	$2,164,957.20	
ACCOUNT VALUE	-$479,091.47	$168,508.57	$269,363.51	$191,168.35	$7,276.15	-$500,072.73	$260,655.90	$80,693.39	$216,264.68	-$62,576.23	-$59,757.33	$50,019.41	
FISCAL 2011	**Jan-11**	**Feb-11**	**Mar-11**	**Apr-11**	**May-11**	**Jun-11**	**Jul-11**	**Aug-11**	**Sep-11**	**Oct-11**	**Nov-11**	**Dec-11**	**Totals**
GROSS REALIZED GAIN	$158,550.00	$192,091.20	$262,487.40	$284,818.80	$221,974.20	$229,021.80	$240,924.60	$209,164.20	$205,485.00				$2,004,517.20
TRANSACTION FEES	$202.32	$166.85	$162.35	$163.85	$163.85	$291.73	$261.26	$519.27	$650.65				$2,582.13
:HNG IN UNREALIZED GAIN	$618,395.40	$706,011.60	$205,472.40	$246,094.80	-$977,642.40	-$528,255.00	$132,186.60	-$358,327.20	-$1,281,226.80				-$1,237,290.60
BEGINNING BALANCE	-$2,114,937.79	-$2,504,590.11	-$3,345,665.76	-$3,578,340.71	-$3,867,685.76	-$2,782,875.41	-$2,505,395.34	-$2,575,732.00	-$1,947,087.07				
NET CASH TO ACCOUNT	-$548,000.00	-$1,033,000.00	-$495,000.00	-$574,000.00	$863,000.00	$48,750.00	-$311,000.00	$420,000.00	$597,000.00				
TRANSACTION FEES	-$202.32	-$166.85	-$162.35	-$163.85	-$163.85	-$291.73	-$261.26	-$519.27	-$650.65				
REALIZED GAINS	$158,550.00	$192,091.20	$262,487.40	$284,818.80	$221,974.20	$229,021.80	$240,924.60	$209,164.20	$205,485.00				
TOTAL ENDING BALANCE	-$2,504,590.11	-$3,345,665.76	-$3,578,340.71	-$3,867,685.76	-$2,782,875.41	-$2,505,395.34	-$2,575,732.00	-$1,947,087.07	-$1,145,252.72				
UNREALIZED GAINS	$2,783,352.60	$3,489,364.20	$3,694,836.60	$3,940,931.40	$2,963,289.00	$2,435,034.00	$2,567,220.60	$2,208,893.40	$927,666.60				
ACCOUNT VALUE	$278,762.49	$143,698.44	$116,495.89	$73,245.64	$180,413.59	-$70,361.34	-$8,511.40	$261,806.33	-$217,586.12				

MONTHLY FUTURES ACCOUNT REPORTING EXAMPLE

R.J.O'Brien
ESTABLISHED IN 1914

222 South Riverside Plaza #900
Chicago, IL 60606
312.373.5000
info@rjobrien.com

ACCOUNT NUMBER: 600 70025

FIRM / SALESMAN: R 131

STATEMENT DATE: SEP 30, 2011

MONTHLY COMMODITY STATEMENT

INTRODUCED BY
RBC DAIN RAUSCHER, INC.

GREATER DAYTON REGIONAL
TRANSIT AUTHORITY
ATTN MARY STANFORTH
PO BOX 1301
DAYTON OH 45402

* * * * * * * * * * * * * * Y O U R A C T I V I T Y T H I S M O N T H *

DATE	AT	LONG/BUY	SHRT/SELL	DESCRIPTION	EX	PRICE/LEGND	CC	DEBIT	CREDIT
9/01/1	F1	1	1	OCT 11 HEATING OIL ELECTRONIC TRADE	07	P&L	US		30,945.60
9/01/1	F1		1	OCT 11 HEATING OIL ELECTRONIC TRADE	07	FEE/COMM	US	17.47	
9/01/1	F1	1		OCT 11 NYM HEAT MINY ELECTRONIC TRADE	07	FEE/COMM	US	17.22	
9/02/1	F1	1	1	SEP 11 NYM HEAT MINY CASH SETTLEMENT OF FUTURES	07	P&L	US		4,225.20
9/02/1	F1		1	SEP 11 NYM HEAT MINY CASH SETTLEMENT OF FUTURES	07	FEE/COMM	US	16.02	
9/08/1	F1	1	1	OCT 11 NYM HEAT MINY ELECTRONIC TRADE	07	P&L	US	252.00	
9/08/1	F1		1	OCT 11 NYM HEAT MINY ELECTRONIC TRADE	07	FEE/COMM	US	17.22	
9/13/1	F1	1	1	OCT 11 HEATING OIL ELECTRONIC TRADE	07	P&L	US	2,053.80	
9/13/1	F1		1	OCT 11 HEATING OIL ELECTRONIC TRADE	07	FEE/COMM	US	17.47	
9/13/1	F1	1		AUG 12 HEATING OIL ELECTRONIC TRADE	07	FEE/COMM	US	17.47	
9/13/1	F1	1		SEP 12 HEATING OIL ELECTRONIC TRADE	07	FEE/COMM	US	17.47	
9/13/1	F1	1		OCT 11 NYM HEAT MINY ELECTRONIC TRADE	07	FEE/COMM	US	17.22	
9/14/1	F1	1		OCT 12 HEATING OIL ELECTRONIC TRADE	07	FEE/COMM	US	17.47	
9/14/1	F1	1		NOV 12 HEATING OIL ELECTRONIC TRADE	07	FEE/COMM	US	17.47	
9/19/1	F1	1	1	OCT 11 HEATING OIL ELECTRONIC TRADE	07	P&L	US		3,347.40
9/19/1	F1		1	OCT 11 HEATING OIL ELECTRONIC TRADE	07	FEE/COMM	US	17.47	
9/19/1	F1	1		FEB 13 HEATING OIL ELECTRONIC TRADE	07	FEE/COMM	US	17.47	
9/19/1	F1	1		MAR 13 HEATING OIL ELECTRONIC TRADE	07	FEE/COMM	US	17.47	
9/19/1	F1	1		APR 13 HEATING OIL ELECTRONIC TRADE	07	FEE/COMM	US	17.47	
9/22/1	F1	1		DEC 12 HEATING OIL ELECTRONIC TRADE	07	FEE/COMM	US	17.47	
9/22/1	F1	1		JAN 13 HEATING OIL ELECTRONIC TRADE	07	FEE/COMM	US	17.47	
9/22/1	F1	1		FEB 13 HEATING OIL ELECTRONIC TRADE	07	FEE/COMM	US	17.47	
9/22/1	F1	1		MAR 13 HEATING OIL ELECTRONIC TRADE	07	FEE/COMM	US	17.47	
9/22/1	F1	1		APR 13 HEATING OIL ELECTRONIC TRADE	07	FEE/COMM	US	17.47	

R.J.O'Brien
ESTABLISHED IN 1914
222 South Riverside Plaza #900
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info@rjobrien.com

ACCOUNT NUMBER: 600 70025

FIRM / SALESMAN: R 131

STATEMENT DATE: SEP 30, 2011

MONTHLY COMMODITY STATEMENT

INTRODUCED BY
RBC DAIN RAUSCHER, INC.

GREATER DAYTON REGIONAL
TRANSIT AUTHORITY
ATTN MARY STANFORTH
PO BOX 1301
DAYTON OH 45402

DATE	AT	LONG/BUY	SHRT/SELL	DESCRIPTION	EX	PRICE/LEGND	CC	DEBIT	CREDIT
9/23/1	F1	1		APR 12 HEATING OIL ELECTRONIC TRADE	07	FEE/COMM	US	17.47	
9/23/1	F1	1		MAY 12 HEATING OIL ELECTRONIC TRADE	07	FEE/COMM	US	17.47	
9/23/1	F1	1		JUN 12 HEATING OIL ELECTRONIC TRADE	07	FEE/COMM	US	17.47	
9/23/1	F1	1		JUL 12 HEATING OIL ELECTRONIC TRADE	07	FEE/COMM	US	17.47	
* * * * * * * * * * * * * * * * *				P O S I T I O N S I N	Y O U R	A C C O U N T	* * * *	* * * * * * * * * *	* * * * * * * * * *
12/22/0	F1	1		NOV 11 HEATING OIL	07	257.25	US		8,685.60
6/23/1	F1	1		NOV 11 HEATING OIL	07	288.50	US	4,439.40	
8/05/1	F1	1		NOV 11 HEATING OIL	07	292.00	US	5,909.40	
		3*		OPEN TRADE EQUITY		277.93		1,663.20*	
12/22/0	F1	1		DEC 11 HEATING OIL	07	258.25	US		8,211.00
6/23/1	F1	1		DEC 11 HEATING OIL	07	289.50	US	4,914.00	
8/05/1	F1	1		DEC 11 HEATING OIL	07	293.00	US	6,384.00	
		3*		OPEN TRADE EQUITY		277.80		3,087.00*	
6/23/1	F1	1		JAN 12 HEATING OIL	07	291.45	US	5,833.80	
6/29/1	F1	1		JAN 12 HEATING OIL	07	301.50	US	10,054.80	
8/08/1	F1	1		JAN 12 HEATING OIL	07	290.00	US	5,224.80	
		3*		OPEN TRADE EQUITY		277.56		21,113.40*	
8/05/1	F1	1		FEB 12 HEATING OIL	07	295.00	US	7,938.00	
8/08/1	F1	1		FEB 12 HEATING OIL	07	290.00	US	5,838.00	
8/09/1	F1	1		FEB 12 HEATING OIL	07	282.50	US	2,688.00	
		3*		OPEN TRADE EQUITY		276.10		16,464.00*	
8/05/1	F1	1		MAR 12 HEATING OIL	07	294.00	US	8,404.20	
8/08/1	F1	1		MAR 12 HEATING OIL	07	289.00	US	6,304.20	
8/09/1	F1	1		MAR 12 HEATING OIL	07	281.70	US	3,238.20	
		3*		OPEN TRADE EQUITY		273.99		17,946.60*	
8/09/1	F1	1		APR 12 HEATING OIL	07	279.90	US	3,847.20	
8/18/1	F1	1		APR 12 HEATING OIL	07	289.00	US	7,669.20	
9/23/1	F1	1		APR 12 HEATING OIL	07	280.50	US	4,099.20	
		3*		OPEN TRADE EQUITY		270.74		15,615.60*	
8/09/1	F1	1		MAY 12 HEATING OIL	07	278.25	US	4,468.80	
8/18/1	F1	1		MAY 12 HEATING OIL	07	287.00	US	8,143.80	
9/23/1	F1	1		MAY 12 HEATING OIL	07	278.00	US	4,363.80	
		3*		OPEN TRADE EQUITY		267.61		16,976.40*	
8/11/1	F1	1		JUN 12 HEATING OIL	07	284.75	US	7,891.80	
8/12/1	F1	1		JUN 12 HEATING OIL	07	288.00	US	9,256.80	
9/23/1	F1	1		JUN 12 HEATING OIL	07	276.50	US	4,426.80	
		3*		OPEN TRADE EQUITY		265.96		21,575.40*	
8/11/1	F1	1		JUL 12 HEATING OIL	07	284.80	US	7,837.20	
8/12/1	F1	1		JUL 12 HEATING OIL	07	289.00	US	9,601.20	
9/23/1	F1	1		JUL 12 HEATING OIL	07	276.50	US	4,351.20	
		3*		OPEN TRADE EQUITY		266.14		21,789.60*	
8/11/1	F1	1		AUG 12 HEATING OIL	07	285.15	US	7,791.00	
9/13/1	F1	1		AUG 12 HEATING OIL	07	290.40	US	9,996.00	
		2*		OPEN TRADE EQUITY		266.60		17,787.00*	

R.J.O'Brien
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ACCOUNT NUMBER: 600 70025

FIRM / SALESMAN: R 131

STATEMENT DATE: SEP 30, 2011

MONTHLY COMMODITY STATEMENT

INTRODUCED BY
RBC DAIN RAUSCHER, INC.

GREATER DAYTON REGIONAL
TRANSIT AUTHORITY
ATTN MARY STANFORTH
PO BOX 1301
DAYTON OH 45402

DATE	AT	LONG/BUY	SHRT/SELL	DESCRIPTION	EX	PRICE/LEGND	CC	DEBIT	CREDIT
8/11/1	F1	1		SEP 12 HEATING OIL	07	285.55	US	7,782.60	
9/13/1	F1	1		SEP 12 HEATING OIL	07	290.85	US	10,008.60	
		2*		OPEN TRADE EQUITY		267.02		17,791.20*	
8/18/1	F1	1		OCT 12 HEATING OIL	07	290.75	US	9,639.00	
9/14/1	F1	1		OCT 12 HEATING OIL	07	288.90	US	8,862.00	
		2*		OPEN TRADE EQUITY		267.80		18,501.00*	
8/12/1	F1	1		NOV 12 HEATING OIL	07	291.50	US	9,685.20	
9/14/1	F1	1		NOV 12 HEATING OIL	07	289.60	US	8,887.20	
		2*		OPEN TRADE EQUITY		268.44		18,572.40*	
8/12/1	F1	1		DEC 12 HEATING OIL	07	292.00	US	9,681.00	
9/22/1	F1	1		DEC 12 HEATING OIL	07	282.05	US	5,502.00	
		2*		OPEN TRADE EQUITY		268.95		15,183.00*	
8/18/1	F1	1		JAN 13 HEATING OIL	07	292.75	US	9,765.00	
9/22/1	F1	1		JAN 13 HEATING OIL	07	282.60	US	5,502.00	
		2*		OPEN TRADE EQUITY		269.50		15,267.00*	
9/19/1	F1	1		FEB 13 HEATING OIL	07	290.50	US	8,988.00	
9/22/1	F1	1		FEB 13 HEATING OIL	07	282.15	US	5,481.00	
		2*		OPEN TRADE EQUITY		269.10		14,469.00*	
9/19/1	F1	1		MAR 13 HEATING OIL	07	289.00	US	9,009.00	
9/22/1	F1	1		MAR 13 HEATING OIL	07	280.45	US	5,418.00	
		2*		OPEN TRADE EQUITY		267.55		14,427.00*	
9/19/1	F1	1		APR 13 HEATING OIL	07	286.90	US	9,009.00	
9/22/1	F1	1		APR 13 HEATING OIL	07	278.35	US	5,418.00	
		2*		OPEN TRADE EQUITY		265.45		14,427.00*	
9/13/1	F1	1		OCT 11 NYM HEAT MINY	07	2.9450	US	2,664.90	
		1*		OPEN TRADE EQUITY		2.8181		2,664.90*	

	US$-SEGREGATED(F1)
BEGINNING BALANCE	606,586.14
THIS MONTH'S ACTIVITY	35,812.79
ENDING BALANCE	642,398.93
NET FUTURES PROFIT OR LOSS	35,812.79
FUTURES OPEN TRADE EQUITY	285,320.70-
ACCOUNT VALUE AT MARKET	357,078.23
CONVERTED MARKET VALUE	357,078.23

WEEKLY REPORTING EXAMPLE

GCRTA

ANALYSIS
September 30, 2011

WEEKLY ANALYSIS 9/24 - 9/30		BUDGET GALLONS	HEDGE GALLONS	SUPPLIER PRICE	GCRTA COST CENTS/GAL	REALIZED GAINS CENTS/GAL	PERCENT HEDGED	REALIZED GAINS DOLLARS	TOTAL COST DOLLARS
		91,323	70,000	294.18	249.84	44.34	76.65	$40,492.62	$228,159.57

HISTORICAL ANALYSIS 9/30/11	CALENDAR PERIOD	BUDGET GALLONS	DAYS IN PERIOD	AVERAGE BENCHMARK PRICE	GCRTA COST CENTS/G	REALIZED GAINS CENTS/G	AVERAGE PERCENT HEDGED	REALIZED GAINS DOLLARS	TOTAL COST DOLLARS
	January-10	411,319	31	210.70	164.24	46.46	95.42	$191,095.80	$675,561.56
	February-10	386,626	28	208.75	167.91	40.85	92.34	$157,926.62	$649,169.32
	March-10	429,490	31	222.19	177.07	45.12	88.01	$193,792.77	$760,508.23
	April-10	355,051	30	235.29	168.15	67.14	106.46	$238,370.16	$597,022.24
	May-10	359,776	31	218.50	169.88	48.62	102.38	$174,938.96	$611,171.60
	June-10	374,235	30	217.33	174.67	42.66	88.02	$159,653.34	$652,615.94
	July-10	371,829	31	212.18	173.19	38.99	101.66	$144,963.35	$652,576.71
	August-10	398,672	31	221.48	183.25	38.23	94.81	$152,429.04	$730,549.71
	September-10	365,410	30	229.82	189.53	40.29	97.70	$147,226.56	$692,595.24
	October-10	343,530	31	237.44	173.94	63.50	110.03	$218,126.15	$597,551.48
	November-10	370,669	30	242.98	185.52	57.46	90.65	$212,973.06	$687,678.48
	December-10	372,386	31	254.50	182.29	72.21	90.23	$268,889.86	$678,832.00
	FISCAL 2010	**4,538,993**	**365**	**225.78**	**175.98**	**49.80**	**96.47**	**$2,260,385.67**	**$7,985,832.51**
	January-11	370,674	31	263.69	195.71	67.98	101.98	$251,970.85	$725,459.42
	February-11	343,596	28	286.78	194.20	92.58	110.01	$318,117.37	$667,247.24
	March-11	379,446	31	327.74	214.75	112.99	99.62	$428,731.07	$814,865.25
	April-11	351,548	30	338.64	197.40	141.24	107.52	$496,532.40	$693,949.75
	May-11	363,372	31	319.07	238.68	80.39	92.47	$292,118.40	$867,292.64
	June-11	375,420	30	309.29	233.06	76.23	89.50	$286,172.40	$874,964.12
	July-11	384,922	29	316.00	229.82	86.18	98.20	$331,707.00	$884,634.97
	August-11	404,244	31	307.19	242.68	64.51	83.12	$260,790.60	$981,006.54
	September-11	355,056	30	303.28	233.69	69.59	100.55	$247,081.80	$829,732.04
	FISCAL 2011	**3,328,278**	**271**	**308.04**	**220.51**	**87.53**	**97.80**	**$2,913,221.89**	**$7,339,151.97**

GCRTA

ANALYSIS
September 30, 2011

PROSPECTIVE ANALYSIS 9/30/11	CALENDAR PERIOD	BUDGET GALLONS	DAYS IN PERIOD	BENCHMARK PRICE	PROJECTED COST CENTS/G	UNREALIZED GAINS CENTS/G	PERCENT HEDGED	UNREALIZED GAINS DOLLARS	TOTAL COST DOLLARS
	October-11	401,873	31	290.12	238.57	51.55	88.83	$207,167.10	$958,744.09
	November-11	388,577	30	289.99	239.02	50.97	86.47	$198,072.00	$928,760.43
	December-11	388,769	31	289.75	244.65	45.10	86.43	$175,341.60	$951,113.93
	FISCAL 2011	**1,179,220**	**92**	**289.95**	**240.72**	**49.23**	**87.25**	**$580,580.70**	**$2,838,591.98**
	January-12	405,767	31	288.29	254.50	33.78	82.81	$137,088.00	$1,032,693.70
	February-12	376,071	29	286.18	251.68	34.49	89.34	$129,725.40	$946,511.17
	March-12	398,895	31	282.93	253.73	29.20	84.23	$116,474.40	$1,012,114.72
	April-12	380,381	30	279.80	250.99	28.81	88.33	$109,590.60	$954,713.55
	May-12	380,569	31	278.15	249.00	29.15	88.29	$110,934.60	$947,614.03
	June-12	372,135	30	278.33	249.41	28.92	90.29	$107,612.40	$928,147.30
	July-12	413,555	31	278.79	266.17	12.62	81.25	$52,185.00	$1,100,762.37
	August-12	385,150	31	279.21	271.65	7.56	87.24	$29,131.20	$1,046,243.35
	September-12	383,130	30	279.99	271.78	8.21	87.70	$31,458.00	$1,041,265.45
	October-12	393,397	31	280.63	283.62	-2.99	74.73	-$11,747.40	$1,115,733.60
	November-12	380,381	30	281.14	284.43	-3.29	77.29	-$12,524.40	$1,081,925.66
	December-12	380,569	31	281.69	285.31	-3.62	77.25	-$13,776.00	$1,085,796.76
	FISCAL 2012	**4,650,000**	**366**	**281.25**	**264.34**	**16.91**	**84.01**	**$786,151.80**	**$12,291,922.96**
	January-13	405,767	31	281.29	290.29	-9.00	41.40	-$36,519.00	$1,177,897.03
	February-13	376,071	28	279.74	288.27	-8.53	44.67	-$32,067.00	$1,084,083.48
	March-13	398,895	31	277.64	285.99	-8.35	42.12	-$33,327.00	$1,140,814.59
	April-13	380,381	30	283.04	288.15	-5.11	22.08	-$19,421.00	$1,096,067.62
	May-13	380,569	31	283.28	288.09	-4.81	22.07	-$18,297.00	$1,096,379.68
	June-13	372,135	30	283.54	288.51	-4.97	22.57	-$18,497.00	$1,073,662.64
	July-13	413,555	31	283.81	287.61	-3.81	20.31	-$15,736.00	$1,189,430.06
	August-13	385,150	31	284.14	288.53	-4.39	21.81	-$16,926.00	$1,111,288.46
	September-13	383,130	30	284.59	289.00	-4.41	21.92	-$16,882.00	$1,107,238.57
	October-13	393,397	31	285.12	288.87	-3.75	21.35	-$14,762.00	$1,136,396.73
	November-13	380,381	30	285.66	289.52	-3.86	22.08	-$14,680.00	$1,101,288.99
	December-13	380,569	31	285.76	289.55	-3.79	22.07	-$14,432.00	$1,101,938.28
	FISCAL 2013	**4,650,000**	**365**	**283.15**	**288.56**	**-5.41**	**26.95**	**-$251,546.00**	**$13,418,034.45**

GCRTA

ANALYSIS
September 30, 2011

PROSPECTIVE ANALYSIS 9/30/11	CALENDAR PERIOD	BUDGET GALLONS	DAYS IN PERIOD	BENCHMARK PRICE	PROJECTED COST CENTS/G	UNREALIZED GAINS CENTS/G	PERCENT HEDGED	UNREALIZED GAINS DOLLARS	TOTAL COST DOLLARS
	January-14	405,767	31	285.85	285.85	0.00	0.00	$0.00	$1,159,898.38
	February-14	376,071	28	286.00	286.00	0.00	0.00	$0.00	$1,075,547.75
	March-14	398,895	31	286.14	286.14	0.00	0.00	$0.00	$1,141,393.63
	April-14	380,381	30	286.31	286.31	0.00	0.00	$0.00	$1,089,054.30
	May-14	380,569	31	286.54	286.54	0.00	0.00	$0.00	$1,090,496.47
	June-14	372,135	30	286.76	286.76	0.00	0.00	$0.00	$1,067,127.12
	July-14	413,555	31	287.00	287.00	0.00	0.00	$0.00	$1,186,888.44
	August-14	385,150	31	287.23	287.23	0.00	0.00	$0.00	$1,106,283.77
	September-14	383,130	30	287.47	287.47	0.00	0.00	$0.00	$1,101,394.37
	October-14	393,397	31	287.73	287.73	0.00	0.00	$0.00	$1,131,937.98
	November-14	380,381	30	288.02	288.02	0.00	0.00	$0.00	$1,095,575.12
	December-14	380,569	31	288.19	288.19	0.00	0.00	$0.00	$1,096,748.67
	FISCAL 2014	**4,650,000**	**365**	**286.94**	**286.94**	**0.00**	**0.00**	**$0.00**	**$13,342,815.64**

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ANALYSIS
September 30, 2011

HEDGE POSITION ANALYSIS 9/30/11	FUTURES MONTH	BUDGET GALLONS	REMAININ(DAYS	POSITION IN CONTRACTS 147.50	UNREALIZED GAINS $1,115,186.50	FUTURES PRICES CENTS/GAL	AVG BUY PRICE CENTS/GAL
	November-11	401,873	31	8.50	$207,167.10	277.93	219.90
	December-11	388,577	30	8.00	$198,072.00	277.80	218.85
	January-12	388,769	31	8.00	$175,341.60	277.56	225.38
	February-12	405,767	31	8.00	$137,088.00	276.10	235.30
	March-12	376,071	29	8.00	$129,725.40	273.99	235.38
	April-12	398,895	31	8.00	$116,474.40	270.74	236.08
	May-12	380,381	30	8.00	$109,590.60	267.61	234.99
	June-12	380,569	31	8.00	$110,934.60	265.96	232.94
	July-12	372,135	30	8.00	$107,612.40	266.14	234.11
	August-12	413,555	31	8.00	$52,185.00	266.60	251.07
	September-12	385,150	31	8.00	$29,131.20	267.02	258.35
	October-12	383,130	30	8.00	$31,458.00	267.80	258.44
	November-12	393,397	31	7.00	-$11,747.40	268.44	272.44
	December-12	380,381	30	7.00	-$12,524.40	268.95	273.21
	January-13	380,569	31	7.00	-$13,776.00	269.50	274.19
	February-13	405,767	31	4.00	-$36,519.00	269.10	290.84
	March-13	376,071	28	4.00	-$32,067.00	267.55	286.64
	April-13	398,895	31	4.00	-$33,327.00	265.45	285.29
	May-13	380,381	30	2.00	-$19,421.00	270.85	293.98
	June-13	380,569	31	2.00	-$18,297.00	271.09	292.88
	July-13	372,135	30	2.00	-$18,497.00	271.35	293.38
	August-13	413,555	31	2.00	-$15,736.00	271.62	290.35
	September-13	385,150	31	2.00	-$16,926.00	271.95	292.10
	October-13	383,130	30	2.00	-$16,882.00	272.40	292.50
	November-13	393,397	31	2.00	-$14,762.00	272.93	290.50
	December-13	380,381	30	2.00	-$14,680.00	273.47	290.95
	January-14	380,569	31	2.00	-$14,432.00	273.57	290.75
	February-14	405,767	31	0.00	$0.00	273.66	0.00
	March-14	376,071	28	0.00	$0.00	273.81	0.00
	April-14	398,895	31	0.00	$0.00	273.95	0.00
	May-14	380,381	30	0.00	$0.00	274.12	0.00
	June-14	380,569	31	0.00	$0.00	274.35	0.00
	July-14	372,135	30	0.00	$0.00	274.57	0.00
	August-14	413,555	31	0.00	$0.00	274.81	0.00
	September-14	385,150	31	0.00	$0.00	275.05	0.00
	October-14	383,130	30	0.00	$0.00	275.28	0.00
	November-14	393,397	31	0.00	$0.00	275.55	0.00
	December-14	380,381	30	0.00	$0.00	275.83	0.00
	January-15	380,569	31	0.00	$0.00	276.00	0.00

GCRTA

ANALYSIS
September 30, 2011

FISCAL YEAR ANALYSIS 9/30/11	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Hedge Realized/Unrealized Gains	$2,260,385.67	$3,493,802.59	$786,151.80	-$251,546.00	$0.00
Supplier Actual/Expected Fuel Cost	$10,246,218.18	$13,671,546.54	$13,078,074.76	$13,166,488.45	$13,342,815.64
Total Net Projected/Actual Cost	$7,985,832.51	$10,177,743.95	$12,291,922.96	$13,418,034.45	$13,342,815.64
Budgeted Cost		$10,972,000.00	$12,803,000.00	$13,020,000.00	$13,020,000.00
Actual vs. Budget		$794,256.05	$511,077.04	-$398,034.45	-$322,815.64
Percent Hedged/Consumed		96.7	84.0	26.9	0.0
Budget/Actual Gallons		4,507,498	4,650,000	4,650,000	4,650,000
Budgeted Gallons		4,720,000	4,650,000	4,650,000	4,650,000
Hedge Realized/Unrealized Gains - Cents Per Gallon		77.51	16.91	-5.41	0.00
Supplier Actual/Expected Fuel Cost - Cents Per Gallon		303.31	281.25	283.15	286.94
Total Net Projected/Actual Cost - Cents Per Gallon		225.80	264.34	288.56	286.94
Market to Budget		528.73	68.75	-11.72	-6.94

DAILY FUTURES ACCOUNT REPORTING EXAMPLE

DAILY ACCOUNT STATUS REPORT

Date 10/07/2011 Page 1

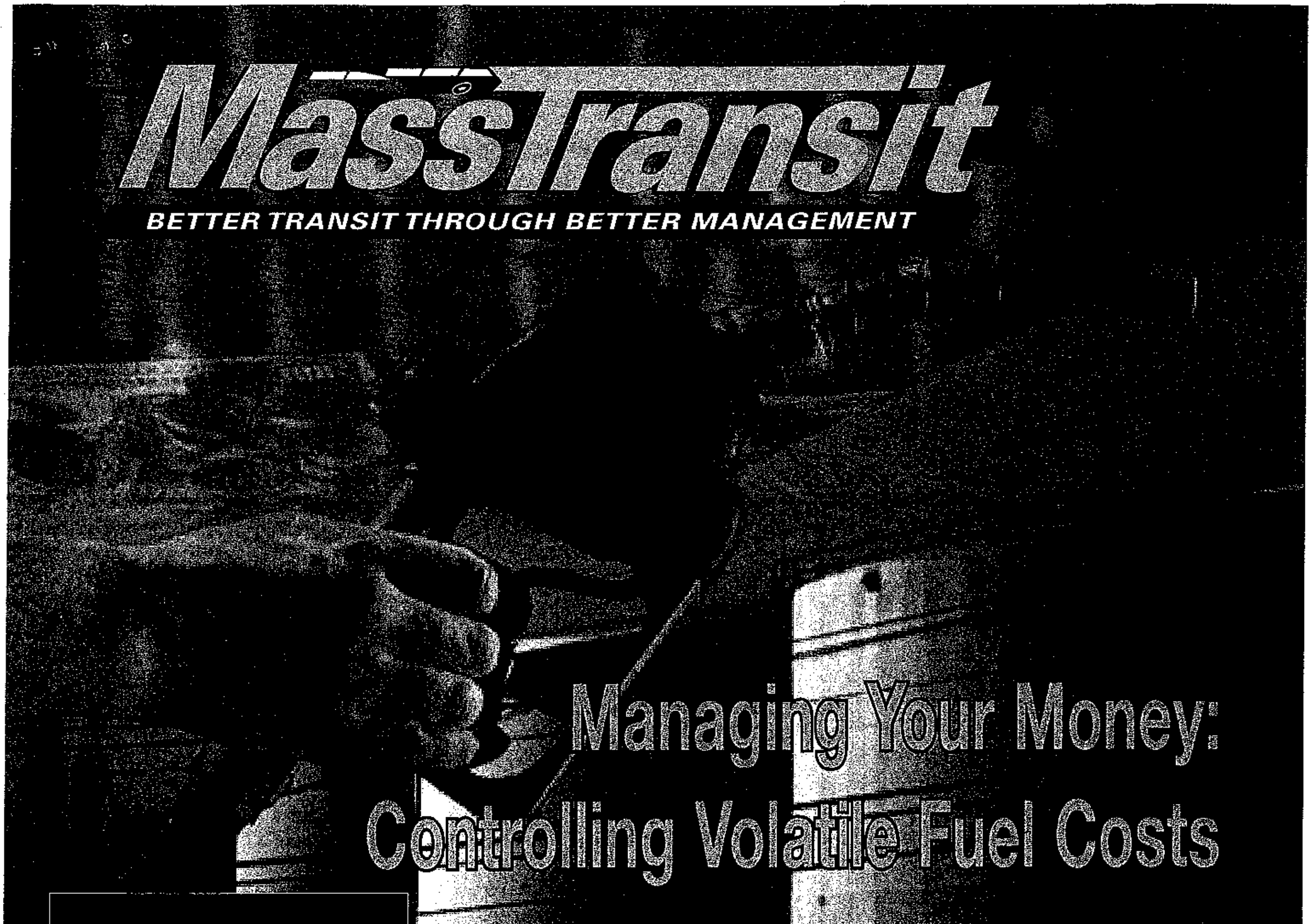
TRD-DATE	S-DATE	AT	LONG	SHORT	LGN	CONTRACT/PRODUCT DESCRIPTION	PRICE	PC	NET POS	OTE/UNREAL P/L	MKT VALUE
600	131	70080-SOUTHWEST OHIO REGIONAL TRANSIT (C) 10/07/11 US							C	MT-0	LDA: 10/07/11
* * * * * * * * * * * * * * * * * * * *						T O D A Y S A C C O U N T	A C T I V I T Y		* * * * * * * * * * * * * * * * * * * *		
10/07/11		F1		1	CNF	NOV 11 HEATING OIL ELECTRONIC TRADE	285.88	US			
		F1	*	1 *		COMMISSION		US			30.00-
		F1				EXCHANGE & CLEARING FEE		US			1.45-
		F1				TRANSACTION FEE		US			1.00-
		F1				NFA FEE		US			.02-
		F1				TOTAL COMMISSION & FEES		US			32.47-
10/07/11		F1			JNL	ACH Received WIRE TRANSFER RECEIVED		US			210,000.00
4/13/09		F1	1		P&S	NOV 11 HEATING OIL ELECTRONIC TRADE	195.20	US			
10/07/11		F1		1	P&S	NOV 11 HEATING OIL ELECTRONIC TRADE	285.88	US			
		F1	1 *	1 *		GROSS PROFIT/LOSS FROM TRADES		US			38,085.60
		F1 TOTAL				COMMISSION		US			30.00-
		F1 TOTAL				EXCHANGE & CLEARING FEE		US			1.45-
		F1 TOTAL				TRANSACTION FEE		US			1.00-
		F1 TOTAL				NFA FEE		US			.02-
		F1 TOTAL				TOTAL COMMISSION & FEES		US			32.47-
		F1 TOTAL				GROSS PROFIT/LOSS FROM TRADES		US			38,085.60
* * * * * * * * * * * * * * * * * * * *						O P E N P O S I	T I O N S		* * * * * * * * * * * * * * * * * * * *		
4/23/09		F1	1			NOV 11 HEATING OIL	187.85	US		41,172.60	
12/15/09		F1	1			NOV 11 HEATING OIL	226.64	US		24,880.80	
5/27/10		F1	1			NOV 11 HEATING OIL	226.00	US		25,149.60	
			3 *	*		AV 213.496	285.88	**		91,203.00 *	
3/09/09		F1	1			DEC 11 HEATING OIL	173.00	US		47,090.40	
4/24/09		F1	1			DEC 11 HEATING OIL	193.50	US		38,480.40	
4/27/09		F1	1			DEC 11 HEATING OIL	192.00	US		39,110.40	
12/15/09		F1	1			DEC 11 HEATING OIL	227.34	US		24,267.60	
5/28/10		F1	1			DEC 11 HEATING OIL	227.00	US		24,410.40	
			5 *	*		AV 202.568	285.12	**		173,359.20 *	
3/16/09		F1	1			JAN 12 HEATING OIL	174.50	US		46,057.20	
4/24/09		F1	1			JAN 12 HEATING OIL	195.20	US		37,363.20	
4/30/09		F1	1			JAN 12 HEATING OIL	194.78	US		37,539.60	
6/04/10		F1	1			JAN 12 HEATING OIL	227.00	US		24,007.20	
7/01/10		F1	1			JAN 12 HEATING OIL	221.00	US		26,527.20	
			5 *	*		AV 202.496	284.16	**		171,494.40 *	
3/31/09		F1	1			FEB 12 HEATING OIL	193.00	US		37,535.40	
4/24/09		F1	1			FEB 12 HEATING OIL	196.90	US		35,897.40	
4/30/09		F1	1			FEB 12 HEATING OIL	196.48	US		36,073.80	
11/09/10		F1	1			FEB 12 HEATING OIL	254.25	US		11,810.40	
12/21/10		F1	1			FEB 12 HEATING OIL	258.00	US		10,235.40	
			5 *	*		AV 219.726	282.37	**		131,552.40 *	
4/09/09		F1	1			MAR 12 HEATING OIL	202.60	US		32,562.60	
4/27/09		F1	1			MAR 12 HEATING OIL	196.50	US		35,124.60	
4/30/09		F1	1			MAR 12 HEATING OIL	197.48	US		34,713.00	
11/16/10		F1	1			MAR 12 HEATING OIL	243.15	US		15,531.60	
1/03/11		F1	1			MAR 12 HEATING OIL	265.00	US		6,354.60	
			5 *	*		AV 220.946	280.13	**		124,286.40 *	
4/14/09		F1	1			APR 12 HEATING OIL	203.25	US		30,760.80	
4/27/09		F1	1			APR 12 HEATING OIL	196.00	US		33,805.80	
4/30/09		F1	1			APR 12 HEATING OIL	196.98	US		33,394.20	
11/17/10		F1	1			APR 12 HEATING OIL	239.00	US		15,745.80	
6/28/11		F1	1			APR 12 HEATING OIL	287.00	US		4,414.20-	
			5 *	*		AV 224.446	276.49	**		109,292.40 *	
5/07/09		F1	1			MAY 12 HEATING OIL	213.00	US		25,132.80	
5/15/09		F1	1			MAY 12 HEATING OIL	204.00	US		28,912.80	
5/28/09		F1	1			MAY 12 HEATING OIL	218.50	US		22,822.80	
11/19/10		F1	1			MAY 12 HEATING OIL	236.00	US		15,472.80	

DAILY ACCOUNT STATUS REPORT

Date 10/07/2011

TRD-DATE	S-DATE	AT	LONG	SHORT	LGN	CONTRACT/PRODUCT DESCRIPTION	PRICE	PC	NET POS	OTE/UNREAL P/L	MKT VALUE
6/29/11		F1	1			MAY 12 HEATING OIL	298.50	US		10,777.20-	
			5 *	*		AV 234.000	272.84	**		81,564.00 *	
6/19/09		F1	1			JUN 12 HEATING OIL	231.50	US		16,577.40	
7/07/09		F1	1			JUN 12 HEATING OIL	217.00	US		22,667.40	
12/08/09		F1	1			JUN 12 HEATING OIL	234.75	US		15,212.40	
7/06/11		F1	1			JUN 12 HEATING OIL	299.00	US		11,772.60-	
7/18/11		F1	1			JUN 12 HEATING OIL	306.50	US		14,922.60-	
			5 *	*		AV 257.750	270.97	**		27,762.00 *	
9/29/09		F1	1			JUL 12 HEATING OIL	215.50	US		23,352.00	
10/09/09		F1	1			JUL 12 HEATING OIL	227.25	US		18,417.00	
12/08/09		F1	1			JUL 12 HEATING OIL	236.50	US		14,532.00	
7/18/11		F1	1			JUL 12 HEATING OIL	307.00	US		15,078.00-	
8/04/11		F1	1			JUL 12 HEATING OIL	299.00	US		11,718.00-	
			5 *	*		AV 257.050	271.10	**		29,505.00 *	
9/29/09		F1	1			AUG 12 HEATING OIL	217.75	US		22,612.80	
11/24/09		F1	1			AUG 12 HEATING OIL	237.50	US		14,317.80	
12/08/09		F1	1			AUG 12 HEATING OIL	238.75	US		13,792.80	
8/04/11		F1	1			AUG 12 HEATING OIL	299.75	US		11,827.20-	
8/08/11		F1	1			AUG 12 HEATING OIL	287.70	US		6,766.20-	
			5 *	*		AV 256.290	271.59	**		32,130.00 *	
5/05/10		F1	1			SEP 12 HEATING OIL	251.50	US		8,668.80	
5/18/10		F1	1			SEP 12 HEATING OIL	233.00	US		16,438.80	
5/21/10		F1	1			SEP 12 HEATING OIL	223.00	US		20,638.80	
8/08/11		F1	1			SEP 12 HEATING OIL	288.94	US		7,056.00-	
8/09/11		F1	1			SEP 12 HEATING OIL	281.50	US		3,931.20-	
			5 *	*		AV 255.588	272.14	**		34,759.20 *	
5/06/10		F1	1			OCT 12 HEATING OIL	247.00	US		10,924.20	
5/19/10		F1	1			OCT 12 HEATING OIL	229.00	US		18,484.20	
8/09/11		F1	1			OCT 12 HEATING OIL	282.50	US		3,985.80-	
9/23/11		F1	2			OCT 12 HEATING OIL	278.05	US		4,233.60-	
			5 *	*		AV 262.920	273.01	**		21,189.00 *	
5/06/10		F1	1			NOV 12 HEATING OIL	248.00	US		10,777.20	
6/04/10		F1	1			NOV 12 HEATING OIL	232.90	US		17,119.20	
8/09/11		F1	1			NOV 12 HEATING OIL	283.35	US		4,069.80-	
9/23/11		F1	2			NOV 12 HEATING OIL	278.75	US		4,275.60-	
			5 *	*		AV 264.350	273.66	**		19,551.00 *	
5/06/10		F1	1			DEC 12 HEATING OIL	252.00	US		9,315.60	
6/04/10		F1	1			DEC 12 HEATING OIL	234.50	US		16,665.60	
8/12/11		F1	1			DEC 12 HEATING OIL	292.00	US		7,484.40-	
9/23/11		F1	2			DEC 12 HEATING OIL	279.40	US		4,384.80-	
			5 *	*		AV 267.460	274.18	**		14,112.00 *	
11/04/10		F1	1			JAN 13 HEATING OIL	257.00	US		7,425.60	
8/11/11		F1	1			JAN 13 HEATING OIL	290.00	US		6,434.40-	
8/18/11		F1	1			JAN 13 HEATING OIL	292.75	US		7,589.40-	
9/23/11		F1	2			JAN 13 HEATING OIL	280.00	US		4,468.80-	
			5 *	*		AV 279.950	274.68	**		11,067.00-*	
9/22/11		F1	2			FEB 13 HEATING OIL	279.99	US		4,712.40-	
			2 *	*		AV 279.990	274.38	**		4,712.40-*	
9/22/11		F1	2			MAR 13 HEATING OIL	279.50	US		5,140.80-	
			2 *	*		AV 279.500	273.38	**		5,140.80-*	
9/22/11		F1	2			APR 13 HEATING OIL	277.40	US		4,720.80-	
			2 *	*		AV 277.400	271.78	**		4,720.80-*	
								NET FUT:	79.0		
1/28/11		F1	1,000,000			FHLB 1.75% DUE 12/14/12 H		US		.00	850,000.00
			1,000,000 *			3133XVNT4 MAT 12/14/12	85.00			.00 *	850,000.00 *

F1 MONEY TOTALS	674,325.00 FIR	1,100,643.39-PBL	.00 NIM	.00 NOV	852,590.26-ACB
	499,500.00 FMR	1,093,226.40 POE	.00 LIM	.00 LOV	1,036,119.00 OTE
	674,325.00 TAR	7,416.99-PTE	.00 SIM	.00 SOV	183,528.74 TE
	.00 TC	1.00000000 FCV	850,000.00 LMV	359,203.74 M/E	183,528.74 LV
	.00 EIR	850,000.00 MV	.00 UUP		



Managing Your Money: Controlling Volatile Fuel Costs

Transit agencies can create value through the application of an energy price risk management strategy over the long-term.

By Jeffrey R. LeMunyon, CFA

> The typical results of a properly designed and executed strategy are (1) more certain future costs and (2) the expectation of lower overall cost over time.

Energy price risk management adds significant value to an organization if it is applied as a strategic and continuous process.

Any risk management strategy will consider an organization's needs due to its exposure to energy market risk. The strategy will then react to energy market conditions in order to avoid the risk of high prices and to capture the opportunity in low prices. The typical results of a properly designed and executed strategy are (1) more certain future costs and (2) the expectation of lower overall cost over time.

More certain future energy costs add value by enhancing the planning and budget process and by creating stability in terms of budget risk and organizational stress. The expectation of lower overall cost over time, while not guaranteed, can also add significant value.

In order to realize these benefits, an organization must develop, establish and execute a continuous energy price risk management strategy suited to their particular needs. This strategy will mitigate the timing risk of the hedging decision; use time as an advantage; and determine how much to hedge, for what period of time in the future, at what price, and why.

WHAT IS HEDGING?

Simply put, hedging is the process of either reducing or eliminating the range of probable energy costs over a future time period. This is done by "locking in" the price today for future needs.

Let's look at an example. Over the next year, a company expects energy prices to be within +-25 percent from their current levels. Prices could end up being 25 percent higher or 25 percent lower; we don't know. So the organization hedges — or locks in the price for — half of its needs over the next year at current market levels.

While the market's expected price range remains at +-25 percent, the organization's expected cost range is now +-12.5 percent. If the organization had hedged 80 percent, the range of cost would be only +-5 percent.

WHAT LEVEL OF HEDGING IS OPTIMAL?

Zero percent? 100 percent? Somewhere in between?

The answer depends on current spot (cash) price levels, forward price levels (the price at which you can hedge future needs at), the market's expectation of the range of probable prices, and, most importantly, the level of risk that these market conditions present to an organization in terms of cost and budget risk.

Energy markets generate an enormous amount of information. While the media will report the daily price of crude oil or gasoline, it ignores the shape and level of the forward pricing curve (the prices at which future needs can be "locked in").

Generally, if forward prices are higher than spot prices, supply is plentiful and inventories are large. Forward prices that are lower than spot prices indicate tight supplies and lower inventories. For most of the past 20 years, forward prices have been lower than spot prices, a market condition which tells us that inventories are typically lower than the market is comfortable with and that energy consumers are willing to pay a premium price for the certainty of supply. The result is that spot prices are bid up relative to forward prices.

When forward prices are lower than spot prices, the energy consumer has the opportunity to "lock in" the price for future energy needs at prices that are lower than today's spot prices. This is the first way of adding value through a strategic energy price risk management program.

Energy markets also indicate the expected range of expected prices.

Let's look at another example. The six months forward price for Crude Oil is $60 per barrel. What is the probable range of spot prices six months from now? Is it somewhere between $59 and $61 or somewhere between $45 and $75? Is there is a 30 percent chance of prices exceeding $70 per barrel or a 3 percent chance? The greater the range of probable range of future costs, the higher the uncertainty of cost will be for the energy consumer. Hedging decreases or eliminates this probable range of future costs.

THE ADVANTAGES OF HEDGING

The advantage of hedging is that the consumption of the energy is no longer simultaneous with the pricing of the energy. Without hedging, an organization is faced with paying daily market prices and hoping for lower prices tomorrow. The organization is helpless and becomes a victim of energy prices.

Hedging allows an organization to separate the timing of energy pricing from the timing of energy consumption. All of the value attributable to hedging is due to this simple fact.

VALUE CREATION

There are generally two ways of measuring economic value: positive cash flow (earnings, cost savings, etc.) and risk reduction. For example, when an investment portfolio of stocks and bonds is created, the expectations are typically measured in terms return and risk. The return is the profit the portfolio is expected to make and the risk is the level of uncertainty associated with the return expectation. When compared to their current portfolio, rational stock and bond investors will always prefer a portfolio that has more expected return with the same amount of risk or a portfolio that has the same expected return with less risk. Risk and return are, thus, interchangeable.

> While the media will report the daily price of crude oil or gasoline, it ignores the shape and level of the forward pricing curve.

DECREASING THE UNCERTAINTY OF FUTURE COSTS

This idea of portfolio risk and return can be applied to organizations as well.

Any organization can be viewed as a portfolio of cash-flows and the levels of uncertainty associated with each of those cash flows. The positive cash flows are revenues to the

At a Glance:

Energy Price Risk Management Success Stories

- **Since 1998, Linwood Capital has advised Metro Transit in Minneapolis which burns more than eight million gallons of diesel fuel per year. During the year ended June 30th, 2005, Metro Transit saved $1,426,584 (17.15 cents per gallon), reduced fuel cost volatility by more than 52 percent, stayed on target for its 2005 budget, and reduced cash flow at risk by more than $3,000,000 (24 cents per gallon) over the next 18 months.**

- **Another public transit client, Metro St. Louis, burns about six million gallons of diesel fuel per year. Over the fiscal year ended June 30th, 2005, Metro saved $1,155,336 (19.32 cents per gallon), reduced fuel cost volatility by more than 61 percent, and has reduced cash flow at risk by $2,400,000 (28 cents per gallon) over the next 18 months.**

organization and can be thought of as assets. Negative cash flows are costs to the organization and can be thought of as liabilities.

Some assets and liabilities have relatively steady values. Fare revenue and labor costs can be predicted with some certainty, while other assets and liabilities have more volatile values — such as fuel cost. Volatile fuel costs cause cash flows that are difficult to predict with certainty. Hedging makes this "liability" more palatable.

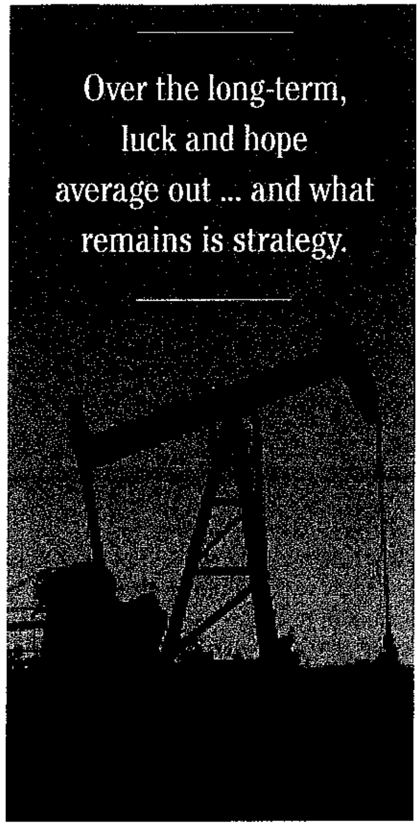
For transit organizations, the goal of energy price risk management is to bring the level of uncertainty associated with energy cost down to a level that the agency can tolerate, stabilizing the value of the "fuel cost liability".

Just like the stock and bond investor, transit properties should choose more certainty in expected cash flow when expected cash flow is held constant. In the same way the stock and bond investor adds value by choosing a portfolio with the same returns and lower risk, an energy consuming organization creates value by reducing the uncertainty associated with energy costs.

WHY DOESN'T EVERYBODY HEDGE?

First, the size of the organization should be taken into consideration with regard to its exposure to energy risk. A small airline may burn 7 million gallons of fuel per year, making their fuel cost a significant percentage of their earnings. In this case, energy cost uncertainty presents risk that the airline cannot tolerate, so they hedge. Conversely, a large financial institution might burn 7 million gallons of fuel per year in automobile travel. As a percentage of earnings, the fuel cost for the financial institution is insignificant since the financial institution is very large and presents no risk that the company can't tolerate, so there is no hedging.

Second, organizations believe that, although the risk will be less, their return might also be less. They will have reduced risk at too high a cost and the hedge would not have added value (the lost money on the hedge). This is the equivalent to an investor choosing a more risky portfolio with the same expected return in hopes that the value of the portfolio will increase dramatically. Over the long-term, luck and hope average out and what remains is strategy.



The real reason why some organizations don't hedge is that they lack the resources to intelligently and continuously apply an energy price risk management strategy.

LOWER OVERALL FUEL COSTS IN THE LONG-TERM

Unlike risk reduction where the value added is not always apparent, positive cash flow is universally recognized as value added. Will hedging always result in lower net fuel costs within a certain time frame? No. However, along with more certain future costs, the goal of any hedging strategy is to minimize cost over time while managing risk. An organization that hedges will experience a slight cost advantage due to the structure of the petroleum forward pricing curve, where deferred prices are typically lower than spot prices. In other words, if a hedging strategy is executed over an extended time period, the fuel cost will be less than if no hedging were in place because of the shape of the petroleum forward pricing curve. However, unlike the reduction of risk with hedging, this cost advantage is not a certainty.

To a certain degree, hedging transactions can be timed and made when prices are relatively low in an attempt to gain a cost advantage over simple averaging.

ENHANCED PLANNING & BUDGET RISK MANAGEMENT

As energy prices become higher and more volatile, the public transit organization is presented with a higher likelihood of exceeding its fuel budget. Since a strategically applied hedging program will increase the certainty of future cost, it follows that budget risk will be diminished.

Aside from the value created in risk reduction and the expectation of lower cost over time, hedging creates high qualitative value. By keeping costs within budgets, an organization can more certainly honor promises made to stakeholders, and can reduce the likelihood of organizational stress caused by going over budget due to energy market exposure. While these benefits are apparent, they are difficult to measure and will vary for each organization according to their unique situation.

Forecasting future costs is inherent in the activity of energy price risk management. Superior forecasting and knowledge of the level of uncertainty associated with the forecasts will allow more accurate budget planning and will further reduce the organization's overall exposure to energy risk.

ADDING STRATEGY

How does an organization develop, establish, and execute a strategy that will create maximum value and determine how much to hedge, for what time in the future, at what price, and why.

MITIGATING TIMING RISK

Within the application of a hedging strategy, the most significant risk is timing: the market risk associated with the timing of a hedging decision. For example, there will be more timing risk in hedging 50 percent of future needs in one transaction than there would be in hedging 1 percent of future needs each day over a 50 day period. When a large percentage of future needs are hedged at once, the one opportunity to make a good decision is exhausted. Recognizing that not all market timing decisions will be valuable, the response to this timing risk is to make as many individual timing decisions as possible over time in order to create an averaging effect. Since the value of hedging does not come from market timing, it is important to reduce timing risk and to create an averaging effect through the application of a continuous strategic process.

HOW MUCH TO HEDGE?

The answer is some percentage of expected energy consumption within a given time period, e.g. 25 percent of next year's expected consumption. The answer will also vary from organization to organization depending on needs and risk tolerances. The risk management needs of an organization are typically expressed in terms of budget risk. Percentages hedged will also depend on the strategic balance between risk avoidance and strategic pricing that the organization desires. In short, it depends on the needs of the organization and market conditions.

WHAT PERIODS IN THE FUTURE SHOULD BE HEDGED?

This is a strategic decision that depends almost entirely on the specific needs of the organization. Typically, in a public transit setting, the forward pricing window should encompass all periods for which a budget has been established in order to effectively manage the risk associated with that budget.

USING TIME AS AN ADVANTAGE

The hedging decision is affected by the proximity, in time, of the hedge. For example, if all prices along the forward pricing curve were equivalent and rose 20 cents per gallon, it would make intuitive sense to hedge more in the nearby time frames than in the further forward time frames. Why? Because the price rise in the further forward time frames presents the organization with less risk than an equivalent price rise in the nearby time frames due to the relative lack of immediacy. Also, the further forward the time frame, the greater the ability to wait for more favorable market conditions. Thus, nearby time frames are typically more hedged than further forward time frames.

AT WHAT PRICES SHOULD AN ORGANIZATION HEDGE?

An organization should hedge at prices that will successfully control cost and risk. Sometimes these prices will be high, sometimes they will be low. If the hedging units are small and provide the organization with many different pricing opportunities, as is mentioned above regarding timing risk, then there will be an averaging effect. Ultimately, the decision to hedge is not only based on price but also on the level of risk and/or opportunity that price creates for an organization.

> An organization should hedge at prices that will successfully control cost and risk.

WHAT IS THE RATIONALE BEHIND THE HEDGING DECISION?

A dynamic hedging strategy reacts to market conditions by continuously asking, "Is the market presenting more risk than I can tolerate?" and, "Is the market presenting opportunity that I should take advantage of?" These questions are answered within the context of an organization's specific needs and parameters regarding risk. In general, when prices are relatively low, an opportunity exists and a certain level of hedging should take place in order to take advantage of the relatively low prices by "locking them in". "Locking-in" lower prices serves two purposes. It guarantees a relatively attractive cost for a portion of future needs, and increases the certainty of future costs. When prices are relatively high such that they create risk for the organization, a certain level of hedging should take place in order to reduce the risk to a tolerable level. Hedging at lower prices reduces the need to hedge at higher prices and is therefore an important element to any strategy.

CONCLUSION

Through the application of a hedging strategy, transit agencies can control their energy costs and exposure to volatile and rising energy markets. The riskiest course of action is not hedging at all. The beauty of all this is that all of the information and tools are there. In return for a little planning – Risk Management – a Public Transit Agency can enjoy stable and often lower energy costs and have a much higher degree of certainty of future energy costs. ■

Jeffrey LeMunyon, CFA is the founder of Linwood Capital, LLC, an Energy Price Risk Management Consulting Firm based in Minneapolis. Over the past eight years, Mr. LeMunyon has worked primarily with public transit clients in the development, establishment, and execution of energy price risk management strategies. He may be contacted at jeff@linwoodcapital.com.

Locking in Today's Fuel Prices for Tomorrow: Is it Worth the Risk?

Although fuel prices have gone down after going through the roof last summer, many believe they will rise once the economy begins to level off. By using Energy Price Risk Management, transit agencies may be able to create budget certainty and protect themselves from market volatility.

>BY ALEX ROMAN, Managing Editor

WHEN FUEL PRICES ESCALATED LAST SUMMER it severely impacted many transit agencies who suddenly found themselves paying double the amount written into their budgets. The effects of those escalating fuel prices caused many agencies to scramble to find ways to offset the increased expenditures, which often included cutting services or raising fares, all while ridership was climbing toward record numbers.

Because of the instability in fuel pricing, many transit agencies began to look into the practice of Energy Price Risk Management (EPRM), — commonly referred to as fuel hedging — which is a tool used to stabilize fuel costs, involving a contractual commitment by a transit agency to pay a pre-determined price for future fuel purchases, thus eliminating market uncertainty.

"The main problem for public transit agencies is that fuel is a major input to their business. In many cases, it is the second-largest expense after labor, but labor is a known cost. What agencies don't know is what fuel is going to cost," explains **Jeff LeMunyon**, principal for **Linwood Capital LLC**, a commodity trading advisory firm based in Minneapolis.

LeMunyon adds that because fuel is extremely variable in price, as has been evident over the past few years, it becomes a problem for transit agencies because it creates a level of financial uncertainty. He believes, therefore, that the solution is for transit agencies to create some kind of fuel cost certainty, which can possibly be accomplished through an effective EPRM program.

A LESSON

Explaining the way EPRM works is often difficult, but it helps if you have an understanding of how commodities are traded, bought and sold. For transit agencies using diesel fuel, the commodity market is heating oil futures: heating oil prices are used as a proxy for diesel prices as both are distillates and the prices are highly correlated. Two important factors in commodity trading are the spot price (current market cost), and the futures price, which is forecasted weeks to years in advance. Depending on the current inventory of oil and levels of demand, spot prices can be higher or lower than future prices.

As a general rule, if forward prices are higher than spot prices, inventories are large relative to demand. If forward prices are lower than spot prices, it indicates tight supplies and low inventories relative to demand. When forward prices are lower than spot prices, a transit agency can "lock in" a price for its future fuel needs at prices lower than spot prices. This, however, often occurs as nominal prices are relatively high.

"If markets are going up, you probably want to hedge more because you're managing risk. And if markets become relatively low, then you'll want to lock in those things and take advantage of that low price opportunity," explains LeMunyon.

The trick for agencies entering into an EPRM agreement, therefore, is figuring out when to purchase on the spot market and when to lock in a contract for the future, while finding an acceptable average that fits within your agencies' budget.

LEMUNYON

WHAT ARE THE BENEFITS?

Simply put, entering into an EPRM agreement creates budget certainty. Meaning if an agency eliminates the inherent price volatility of fuel, it can create a budget knowing what its fuel costs for the year will actually be.

"The idea of being able to promote the value of this type of contract was sort of handed to us on a silver platter, because within the same fiscal year we've gone from paying $4.17 a gallon in July to $1.18 a month ago," says **Ed Pullan**, procurement officer for the **Charlotte (N.C.) Area Transit System** (CATS).

By implementing Energy Price Risk Management, the Michigan-based Ann Arbor Transit Authority saved $563,000 in fuel costs for Fiscal Year 2008.

Like many in the transit industry, escalating fuel prices last summer propelled CATS into EPRM, which they began to institute last January. Previously, CATS solicited price quotes from area suppliers and placed orders, daily, from the lowest bidder. Although they received competitive price quotes, CATS was paying a high price for fuel and faced with a severe over expenditure, since it had only budgeted $2.40 a gallon.

"We realized we had to think a little bit more innovatively about how we were going to control this in the future," explains Pullan, who adds that CATS has budgeted $2.45 a gallon for Fiscal Year 2010, and can currently lock in prices at about $1.75 for any portion of its estimated 3.5 million gallons the system will use.

"The three key goals of what we're doing right now are price protection, unlimited supply and budget stability," says **Jean Leier**, manager, public and community relations, for CATS.

Obviously, building that certainty into your budget can save hundreds of thousands of dollars.

The **Greater Cleveland Regional Transit Authority** (GCRTA) had budgeted $18.8 million for its 2010 fuel before entering into a contract in January of this year. Having now purchased 80 percent of its fuel, GCRTA projects that its fuel costs for 2010 will now be lowered to $9.8 million.

"We are quite pleased," says **Gale Fisk**, executive director, office of management and budget for GCRTA. "Timing is everything, and we have been very opportunistic."

Because of EPRM, Michigan-based **Ann Arbor Transportation Authority** (AATA) saved $563,000 in fuel costs for Fiscal Year 2008, paying $1.78 a gallon when prices had hit the $4 mark. **Phil Webb**, controller for AATA, says that the agency, which has practiced EPRM since around 2004, enjoyed significant peace of mind when fuel prices escalated, as well as yearly when it's time to create a budget.

"When we go through our budgeting process, we could pretty much know within so much certainty what our fuel is going to cost," he says. "Last summer, some transit agencies had to make other arrangements, whether it was cutting services or elsewhere, because fuel prices were much higher than expected. We didn't have to do that."

ON THE FLIPSIDE

Of course, when a transit agency locks in a price on fuel on the futures market that is above the spot price, there is a flipside of the coin as well.

For instance in March, the AATA lost

CATS recently budgeted $2.45 a gallon for fuel in its Fiscal Year 2010 budget, but is currently able to lock in any amount of its estimated 3.5 million gallons at about $1.75 a gallon.

$49,300 and, $167,500 overall since October, on its fuel contracts.

Additionally, the Topeka (Kan.) **Metropolitan Transit Authority**, searching for a way to ensure the agency could budget its fuel prices when they began escalating last summer, entered into a diesel fuel contract at $4.35 per gallon in May 2008 for 12 months and lost more than $215,000 over eight months when prices plunged.

"We were just desperate to get something that was stable," says Topeka's CEO **Janlyn Nesbett-Tucker**, who adds that the agency's decision also came at a time when it appeared as if there was no ceiling on the cost of fuel.

The key to entering into an EPRM program as LeMunyon explains, is establishing what you will pay for fuel in the future, today. Therefore, losing money from time to time, much like saving it, is just par for the course.

"All of the gains and all of the losses that you're going to incur over some period of time should add up to zero," he says. "In other words, the benefit that you've gotten over that time frame is the certainty of future cost. You're not going to blow your budget, that's the real value."

LeMunyon adds that once you've established what you will pay for fuel and can budget for it without having to scramble to fill the gap if the price suddenly escalates, you shouldn't really care what happens afterward. Meaning, yes, you may have been able to get fuel at a cheaper price today if you wouldn't have paid more for it yesterday, but since nobody can predict the future, eliminating yourself from the volatility of the market will still give you peace of mind.

"Whether the market is high or whether the market is low, it's always good news, bad news," LeMunyon says. "When the market is high, you are really saving your neck, but you may have to hedge at high prices. And when you go the other way, you may be underwater losing a lot of money, but the good news is you can lock in further forward at the low prices."

The positives of not locking into fuel contracts is that over time, whether you pay $3 a gallon today or $1.50 a gallon tomorrow, there is a nice average number that comes out at the end of the year. The unfortunate part for transit agencies, though, is that they simply will not know what that average is beforehand.

DEVELOP A PLAN

The unfortunate part of EPRM is that if you want to be successful, you can't just decide to lock in at a set price for a long period of time.

Topeka's Nesbett-Tucker says that the pressure caused last summer by rising prices was a key factor in the agency deciding to lock in for 12 months. She adds that if Topeka decides to enter into another contract, it will definitely be for shorter periods of time to protect the agency from suffering similar financial consequences.

It may take a bit of trial and error until a transit agency becomes well-versed on the ins and outs of EPRM. To start, though, it is wise to become as familiar with the practice as possible, by seeing what other agencies' experience has been and what companies are out there to help.

Spot vs Futures

A major reason to enter into an Energy Price Risk Management contract is to provide your agency with the ability to battle oil market volatility. But, you may ask yourself what drives the difference in spot and forward pricing? And, why it may be a good idea to purchase futures rather than make all your fuel purchases on the spot market? **Jeff Lemunyon**, principal for **Linwood Capital LLC**, gives his take:

"The biggest reason is because of the level of inventories with respect to expected demand. Right now, petroleum inventories in the U.S. are huge. So, say that you are a guy who holds petroleum inventory and your factory is slowing down and you're not going to do anything with it any time soon, you want to sell it and that's what drives down the spot price, but the forward prices remain high," he says.

"Another way of looking at that is that if you were to buy spot today and stick in a tank, you would have to pay the cost of capital, storage and insurance, and so that's part of what the forward price incorporates as well. It's not entirely that, but the holding cost of the product is part of what the higher forward cost is. The curve is not always that way, sometimes forward prices are less. In a perfect world with perfect info, the forward pricing curve for petroleum would be flat because it's produced continuously and consumed continuously. The perfect world would have the perfect level of inventory and all demands and supplies would be known, and you'd have this flat curve because you'd never be storing more or less than you actually need."

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Companies, such as Linwood Capital, will also come out and explain the inner-workings of EPRM, including how it works, what the ultimate risk versus reward may be, and the various options an agency can choose to secure its future fuel prices (swaps through a financial institution, exchange traded futures, etc). These outfits will also discuss what your agency's goals are and what is permissible by the laws established in your area. Sometimes, these laws need to be updated to include new technology or reflect an agency's growing needs.

Once everything is settled and an agency is ready to proceed, the most important matters are to determine how much of its fuel an agency wants to purchase ahead of time and to develop a plan for making those purchases. One thing to keep in mind is the fine line between purchasing futures and speculating.

"You don't want to [purchase] it all because your situation may change and you might end up being over-hedged," says GCRTA's Fisk. "The law we have now indicates that we can purchase all that we are going to use directly in operations and it is not considered speculating, but if we purchase fuel that was beyond our operational requirement that would be considered speculating."

LeMunyon says that Linwood Capital's clients are typically anywhere from 18 months to 36 months ahead in their forward-pricing windows, with the percentages often varying.

"Most of our clients have a policy limiting their forward pricing to 90/95 percent of their projected consumption, allowing for a small variation of their consumption, because they never want to be more than 100 percent hedged," he says. "Transit agencies are very consistent consumers of fuel because the routes, buses, etc., are always the same."

Always trying to stay ahead of the curve, AATA's Webb explains that his agency recently made a slight change to its philosophy.

"We were at 18 months, but as prices got lower, we made the decision to go from 18 months to 24 months out, to take advantage," he says. "Even though those further out months are still 40 cents higher than the spot month, it's a safe bet. If gas prices go up 40 cents, then we'd be right on it, but if they go up by a dollar or two, then we'll come out ahead."

LeMunyon stresses that having a plan or philosophy in place will also help a transit agency rationalize decisions to its board, taxpayers or the public, which may come in handy on occasions where it is on the losing side.

"An agency really needs to put a rationale behind it — why they are doing what they are doing when they are doing it," he says. "So when you [purchase] an entire year of fuel at $3 a gallon and it goes to $1.50 a gallon, you can say 'yes, but here's why we did it when we did it,' and then it makes sense."

Because fuel prices are expected to rise once the recession is over, the AATA's Phil Webb says now be a great time to look into EPRM.

IS IT FOR YOU?

"If the general question were should everyone hedge in some way, shape or form? The answer is yes because of one simple reason: public transit agencies do not benefit in any way from being exposed to energy markets. So, a systematic way of doing that over the long term is going to make sense to them," says LeMunyon.

As for the agencies taking part in EPRM programs, the feedback is positive.

"We've had people say to us that it is risky. We have looked at it and said staying on the open market is riskier," says GCRTA's Fisk. "It certainly looks, to us, like it's going to be very successful."

Adds CATS' Pullan: "Although it's in its very early stages and we've yet to have the opportunity to place a fixed price agreement, I'm very happy with the program at the outset."

LeMunyon says the market volatility that exposed itself last summer has caused an increase of interest industry-wide.

"Certainly, there is increased interest," he says. "When you see the reality of $4 a gallon for fuel and realize that for essentially no money, no real cost, you can currently lock in those gallons at half that price, that certainty is attractive."

With many predicting that fuel prices will again rise once the economy levels off, now may be just the time to at least investigate if Energy Price Risk Management is right for your agency.

"With fuel prices right now being so low, now may be a real good time to get into a program like this," says the AATA's Webb. "That way, if the economy picks up and fuel prices start going up again like they are expected, you'll be locked in."

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Taking Control of Your Energy Costs

By Jeff LeMunyon
Principal
Linwood Capital, LLC

Can transit authorities "game" the energy markets? The short answer is "yes." A somewhat longer answer is that most of the time, the energy markets game most transit authorities. They just don't know it.

With energy prices fluctuating, sometimes wildly, and for the past year heading inexorably higher, it is nonetheless possible for transit operations to protect themselves from both the price volatility and ever-increasing costs hitting their budgets every quarter.

Management Notebook

Obviously, the cost structure of just about any transit agency is influenced by the price of fuel—whether it is gasoline, fuel oil, or natural gas. For example, Metro Transit of Minneapolis/St. Paul, Minn., burns more than eight million gallons of diesel fuel a year. The Metropolitan Atlanta Rapid Transit Authority burns an estimated seven million gallons a year; Metro in St. Louis, six million, and so on.

Fortunately, the energy markets provide the tools to mitigate these costs, in the end offering a clear advantage in the form of better controlled and, often, lower costs.

Unlike financial markets, markets for physical commodities differ because they also take into account other factors such as the cost of storage, insurance, and risk of disruption of supply—the co-called "terrorism premium"—and other inputs that aren't factors in pricing a financial asset.

While the evening news headlines give us the daily fluctuations in prices, the energy markets offer a daily—indeed, minute-by-minute—snapshot of the collective expectations for energy prices, whether it's raw crude oil, heating oil, jet fuel, natural gas, or what-have-you.

Here's where things get interesting. Because of all the price inputs and market fundamentals unique to energy, most of the time, fuel in the future—in the form of futures contracts on these various energy commodities (especially petroleum products)—costs significantly less than you can buy it for today.

Look in the business section of most local dailies or *The Wall Street Journal* under Futures Prices. For example, a futures contract for West Texas Intermediate Crude, the benchmark oil futures contract in New York, 12 months from now is selling at $39.36 per barrel, but the "spot price," namely the price you would pay for that

(**ENERGY COSTS** *continues on page 7*)

(**ENERGY COSTS** *continued from page 1*)

same barrel now, is $43.87. Translation: a company can lock in an equivalent amount of fuel, deliverable in the future, for $4.51 per barrel cheaper than they have to pay for it today.

The problem is two-fold. First, many transit administrators distrust the futures market, associating it with wild, so-called "naked" speculation, not to mention an additional cost of doing business. Fact is, a transit agency that will need to use the fuel anyway is not speculating. The agency is buying insurance in one market—in essence, it is literally buying time—to offset an expected expenditure elsewhere in its business. That's also the second thing companies don't like—insurance. Read: still another cost worth avoiding.

Most transit companies' strategy is to pay whatever the price is for energy today and hope for lower prices tomorrow—no strategy. To do without energy is not an option. But in a very real way, the decision not to hedge is the decision to speculate. In biting the bullet and paying higher prices today, they are paying a premium for immediate availability of fuel without controlling the variability of cost: Buy now; pay more now; and who knows what we'll pay tomorrow.

The bottom line is that this pricing dynamic offers an astute transit company the opportunity to hedge its fuel costs in a way that wrings out the volatility and often captures the price savings embodied in the futures price versus the spot price. For instance, Metro Transit in Minneapolis/St. Paul employs a program—one that in the past seven years has saved taxpayers a significant sum and also allowed Metro Transit to more accurately build its annual budget.

The secret, however, is in looking at market expectations and market history to make market decisions, something that not all hedging programs do.

Looking at market expectations shows us what the market thinks it is going to do. But looking at its history can often provide important clues of when the futures market is over-reacting to a situation, either on the upside or on the downside. As a result, in some situations the best course of action may be to do nothing, even though futures prices are lower than spot prices; in other instances, just the opposite may be true, with historical prices—combined with futures prices—dictating a much more aggressive buying program.

The beauty of all this is that the data is all there. And in return for a little planning—risk management—a public transit agency can enjoy stable and often lower energy costs and have a much higher degree of certainty of the impact of this critical cost on its budgets and finances.

NATIONAL FUTURES ASSOCIATION®

Details

LINWOOD CAPITAL LLC **NFA ID: 0281336**

Current Status

- COMMODITY TRADING ADVISOR REGISTERED
- NFA MEMBER APPROVED

Exemptions

Click the link below to view exemptions for this firm
View Exemptions

Firm Activity Status

Firm has on-exchange futures and/or options customer accounts	Yes
Firm is soliciting customers	Yes
Firm manages futures or options customer accounts	Yes
Firm operates commodity pools	No
Firm is engaged in retail off-exchange foreign currency futures and/or options	No

Regulatory Actions

Agency	Number
NFA	0
CFTC	0
Exchanges	0

details...

NFA Arbitration Awards

Role	Number
Claimant	0
Respondent	0

details...

CFTC Reparations Cases

Total 0
details...

Formerly Known As

- LEMUNYON JEFFREY ROBERT

Business Address

120 S 6TH ST STE 2320
MINNEAPOLIS, MN 55402
UNITED STATES

Doing Business As

No other names

Listed Principals

Listed Principal Name	Title	10% or More Financial Interest
JEFFREY ROBERT LEMUNYON	PRINCIPAL	YES

History

Status	Effective Date
• COMMODITY POOL OPERATOR WITHDRAWN	11/30/2000
• COMMODITY POOL OPERATOR REGISTERED	01/28/1999
• COMMODITY POOL OPERATOR PENDING	01/13/1999
• COMMODITY TRADING ADVISOR REGISTERED	09/10/1997
• NFA MEMBER APPROVED	09/10/1997
• COMMODITY TRADING ADVISOR PENDING	08/20/1997

• NFA MEMBER PENDING	08/20/1997

NATIONAL FUTURES ASSOCIATION

Details

JEFFREY ROBERT LEMUNYON NFA ID: 0243092

Current Status

LINWOOD CAPITAL LLC
- ASSOCIATED PERSON REGISTERED
- NFA ASSOCIATE MEMBER APPROVED
- PRINCIPAL APPROVED

Regulatory Actions

Agency	Number
NFA	0
CFTC	0
Exchanges	0

details...

NFA Arbitration Awards

Role	Number
Claimant	0
Respondent	0

details...

CFTC Reparations Cases

Total 0

details...

Formerly Known As

No other names

Security Futures Proficiency Training

No proficiency information available

Doing Business As

No other names

History

Status	Effective Date
LFG LLC	
• ASSOCIATED PERSON WITHDRAWN	03/01/1993
• NFA ASSOCIATE MEMBER WITHDRAWN	03/01/1993
• ASSOCIATED PERSON REGISTERED	08/20/1992
• NFA ASSOCIATE MEMBER APPROVED	07/23/1992
• ASSOCIATED PERSON TEMPORARY LICENSE	07/23/1992
• ASSOCIATED PERSON PENDING	07/08/1992
• NFA ASSOCIATE MEMBER PENDING	07/08/1992
LINWOOD CAPITAL LLC	
• ASSOCIATED PERSON REGISTERED	03/30/1999
• NFA ASSOCIATE MEMBER APPROVED	01/28/1999
• ASSOCIATED PERSON TEMPORARY LICENSE	01/28/1999
• PRINCIPAL APPROVED	09/10/1997
• PRINCIPAL PENDING	08/20/1997

Fuel Hedging 101 For Public Entities

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Telephone: 612.333.1673
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E-mail: jeff@linwoodcapital.com
Website: www.linwoodcapital.com

What is Hedging?

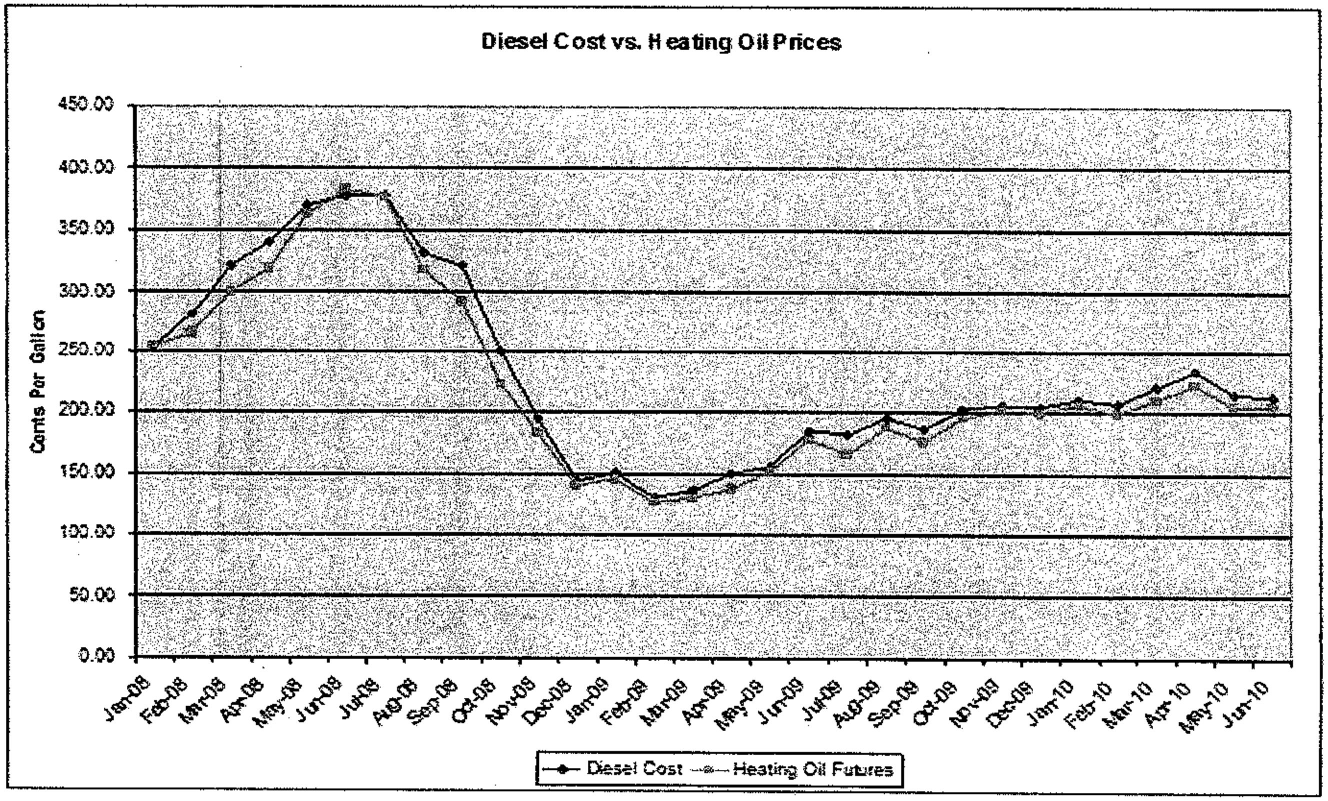
- **Can Fuel Costs Be Controlled?**
  - Yes, Through Hedging: Establishing the *Price* Today for Fuel That Will Be *Consumed* later.
- **Like a fixed-rate mortgage**
  - Costs are known – not variable

What Does Hedging Do?

- Lower Fuel Budget Risk
- Higher Certainty of Future Fuel Cost
- Lower Fuel Cost Volatility
- The daily fuel market price is no longer determining your fuel cost – you're doing that in advance

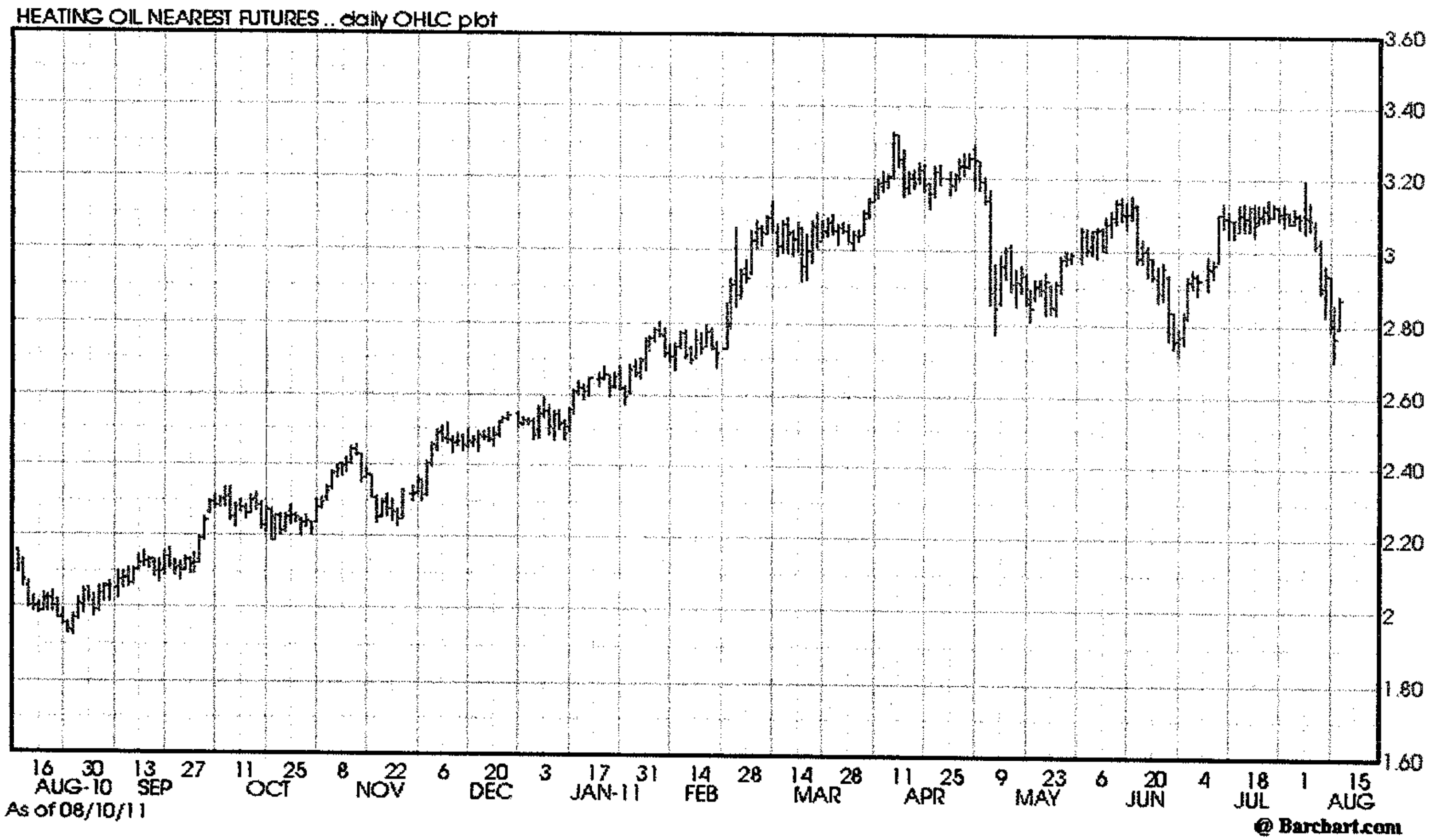
How Does Hedging Work?

- Fixed-price contracts
- Heating Oil/Gasoline Futures/Swaps – Financial Results
- High Correlation to Supplier Cost



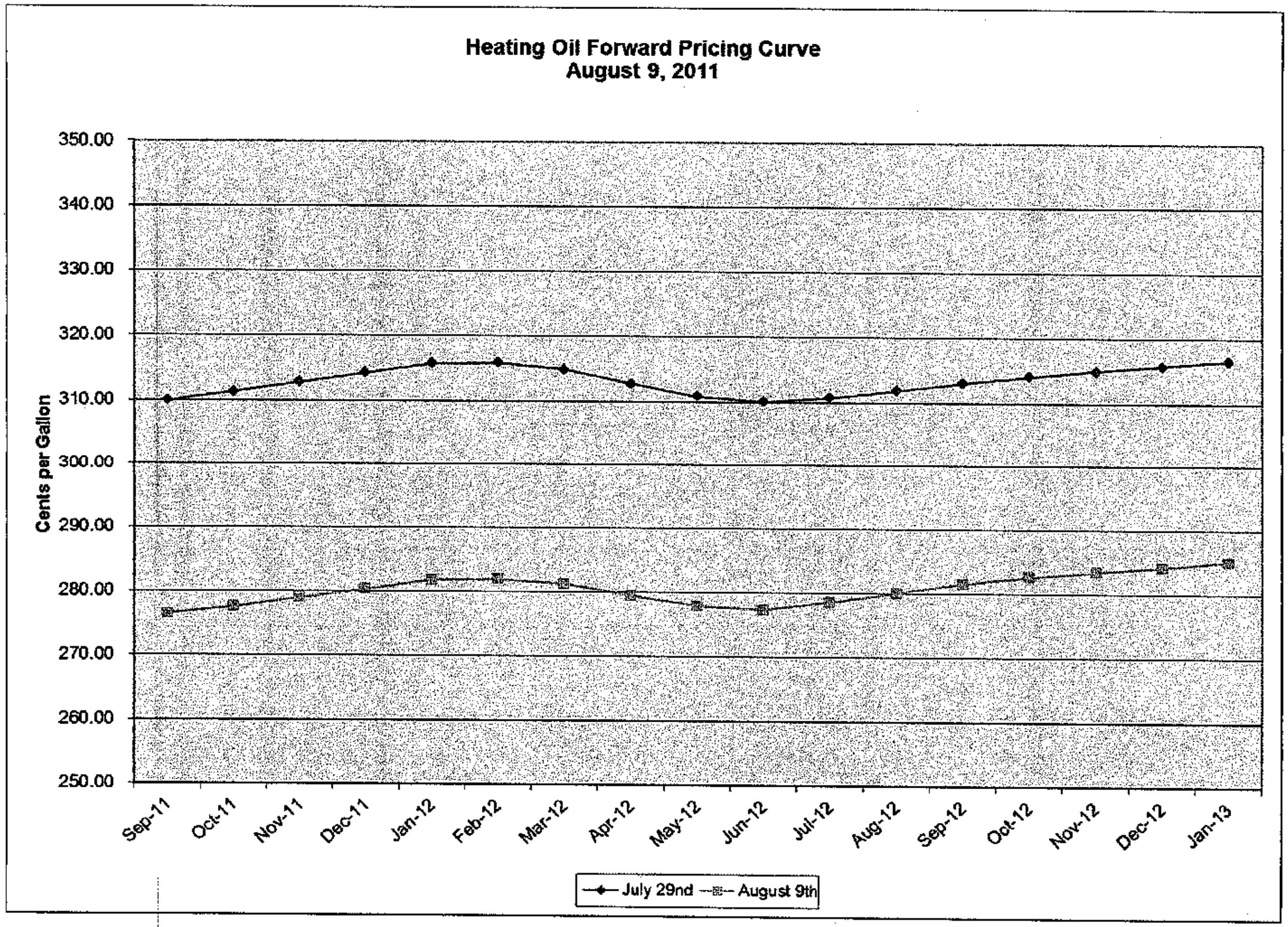
What do the Energy Markets Tell Us?

- Today's Price – Current Cost



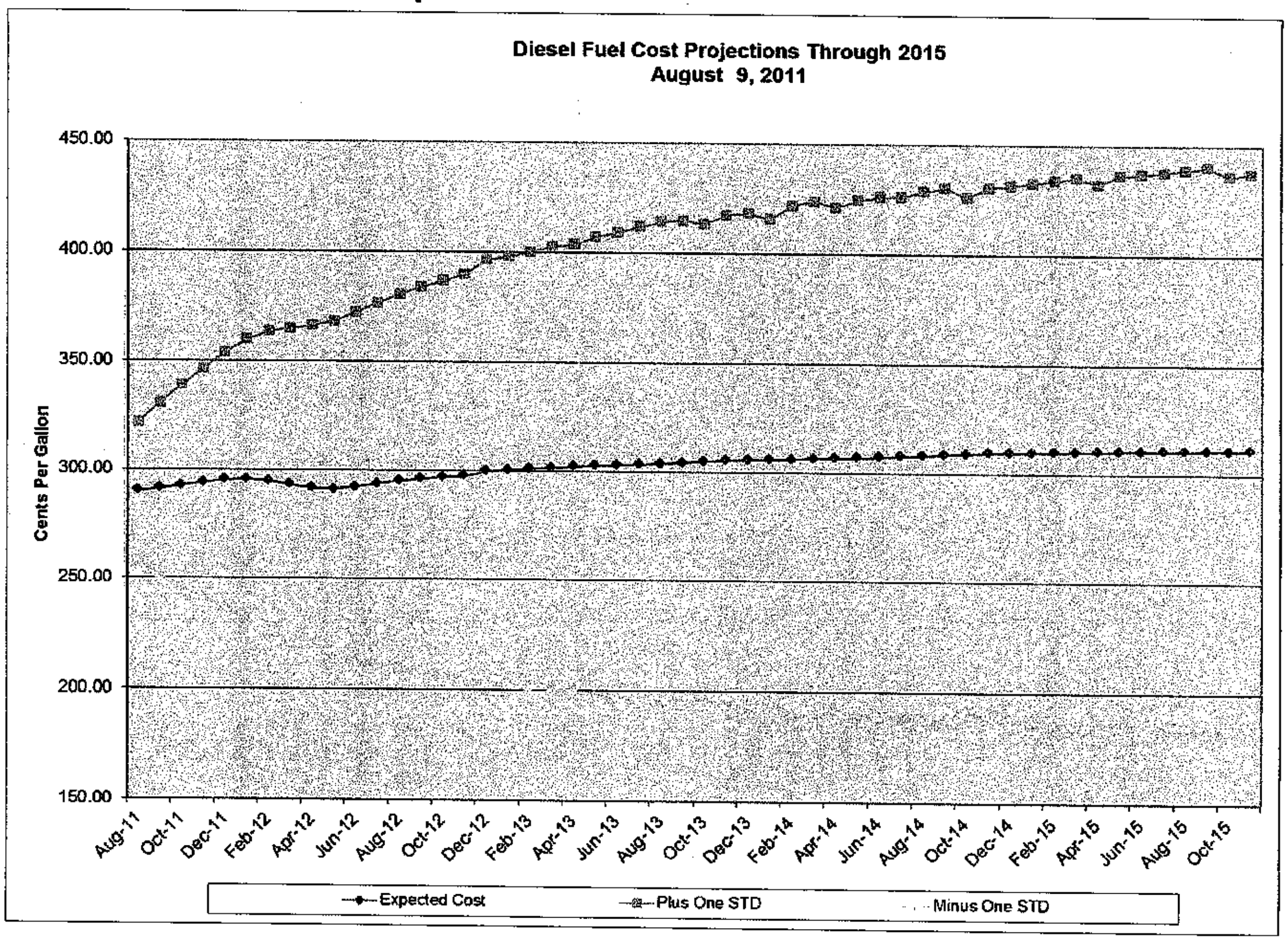
What do the Energy Markets Tell Us?

- Expected Prices – Cost Expectations

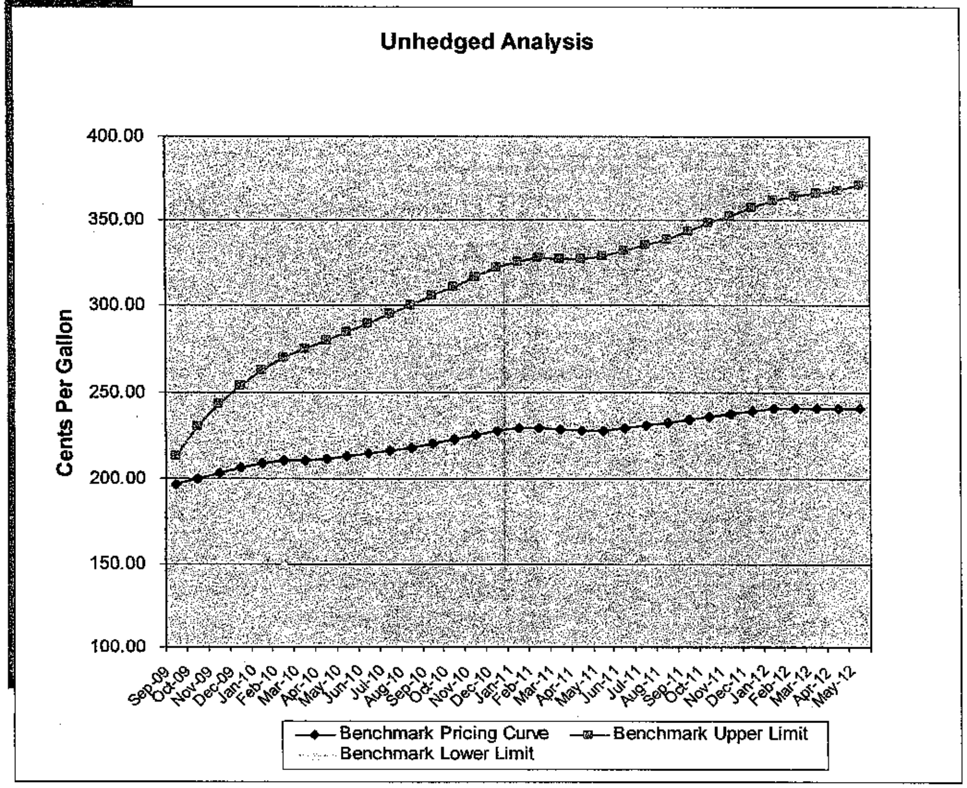


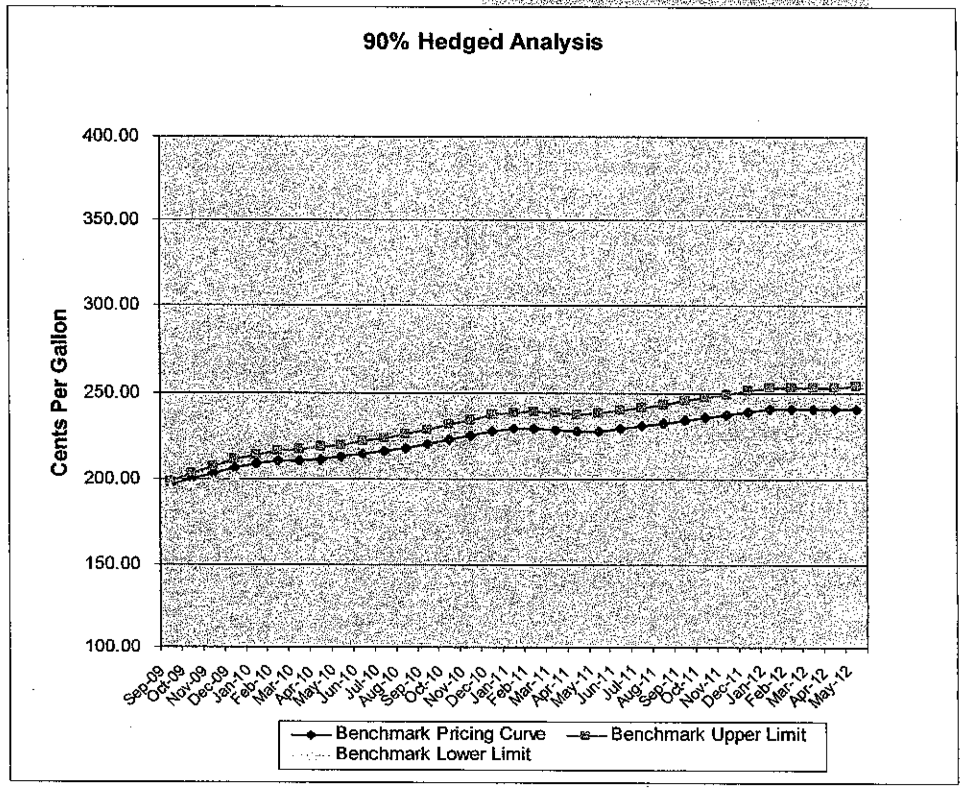
What do the Energy Markets Tell Us?

- Expected Range of Expected Prices – Level of Uncertainty Associated with Expected Prices



Hedged vs. Un-Hedged





- No Hedging
- Wide Range of Expected Cost
- Maximum Risk Exposure
- High Budget Risk

- Hedging
- Narrower Range of Expected Cost
- Managed Risk Exposure
- More Certain Future Costs

Hedging Basics

- **Why is Fuel Hedging Advantageous?**
  - Better planning, budgeting, forecasting
  - More efficient capital structure – less need for reserves in case of higher fuel costs.
  - Increases overall organizational efficiency
- **Why Public Entities?**
  - Relatively fuel intensive
  - No shareholders to absorb higher fuel costs.
  - Difficult to pass along to customers.
  - Public entities do not directly compete with other organizations – No competitive pressures

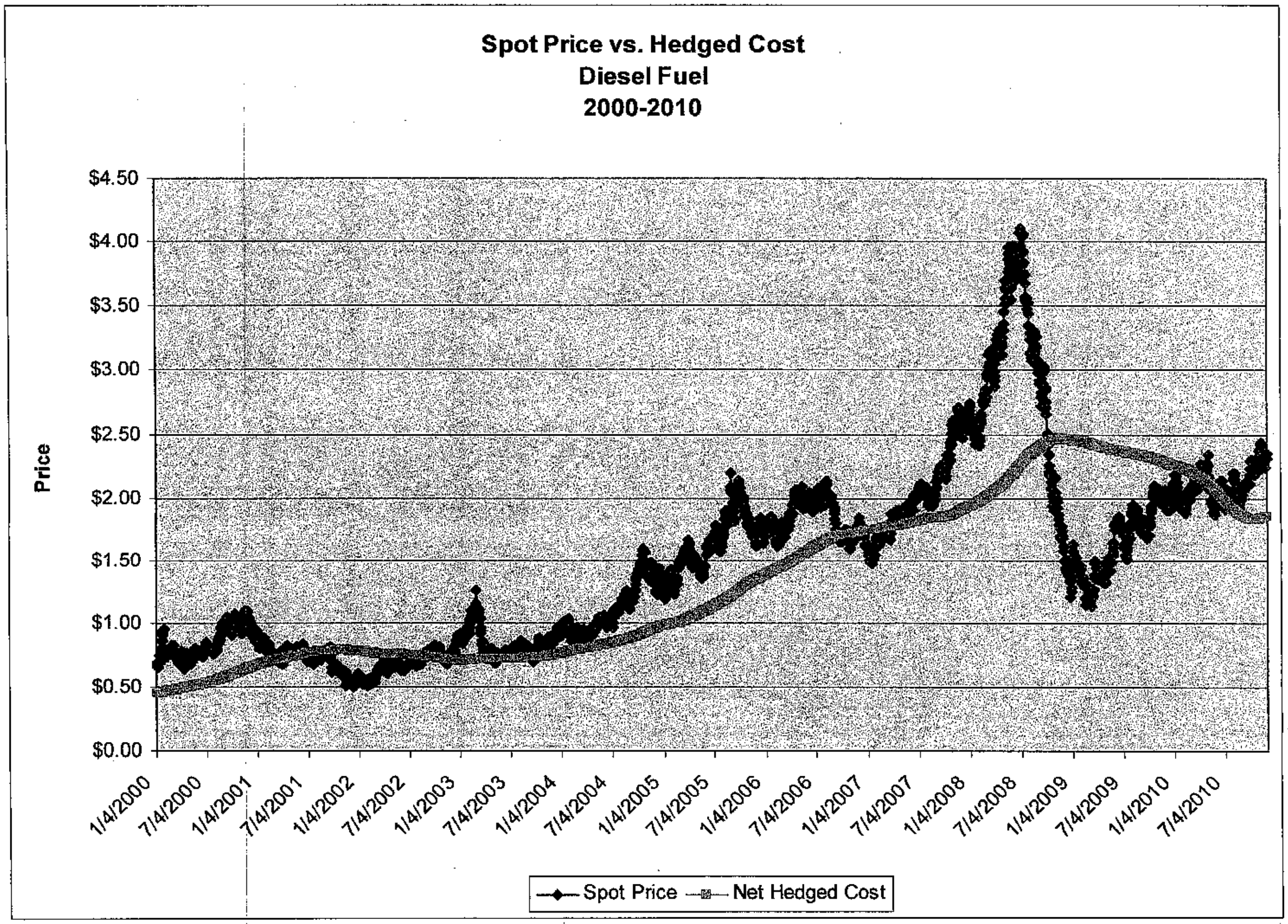
Hedging Program Policy

- Forward Pricing Window
  - 36 Months or 12 Months?
- Maximum Allowable Hedge
  - 95% or 50% of projected consumption?
- Reporting & Oversight
  - Who's in charge? Who's doing what?
- Hedging Instruments
  - Fixed-Price supply contracts
    - Easy, expensive, not flexible in use
  - Financial Instruments
    - More difficult, less expensive, more flexible in use
  - Hedging Pools
    - Good solution for smaller consumers to get economies of scale

Hedging Program Strategy

- Static
  - Hedge most or all of fuel for a year or more in one transaction. – Timing Risk
- Dynamic
  - Market Driven
    - Opportunity Capture – hedging when prices are relatively low
    - Risk Management – hedging as prices rise to protect budgets
    - Seeking overall lowest cost while managing risk
  - Time Driven
    - Average in average out through time regardless of market conditions. – Mitigates timing risk but ignores price.

Example Forward Pricing Performance



Assuming 24 month forward pricing window and 100% hedged

Forward Pricing Example – Price Increase

Forward Pricing Example

Budget = $2.60 per gallon

Actual Fuel Cost From Supplier
$3.00 per gallon x 300,000 gals for one month. $900,000.00

Forward Pricing:
6 Forward Pricing Contracts (84% hedged)
(6x42,000 gallons = 252,000 gallons)

Contract buy price =	$2.50 per gallon
Average Contract sell price =	$3.00 per gallon
Realized Gain =	$0.50 per gallon

Realized Gain (negative fuel cost)
=$0.50 per gallon x 252,000 gals. ($126,000.00)

Net Fuel Cost = $2.58 per gallon $774,000.00

Forward Pricing Example – Price Decrease

Forward Pricing Example

Budget = $2.60 per gallon

Actual Fuel Cost From Supplier
$2.00 per gallon x 300,000 gals for one month. $600,000.00

Forward Pricing:
6 Forward Pricing Contracts (84% hedged)
(6x42,000 gallons = 252,000 gallons)

Contract buy price =	$2.50 per gallon
Average Contract sell price =	$2.00 per gallon
Realized Loss =	$0.50 per gallon

Realized Loss (positive fuel cost)
=$0.50 per gallon x 252,000 gals. $126,000.00

Net Fuel Cost = $2.42 per gallon $726,000.00

Summary

- Factors beyond our control cause energy prices to be volatile and uncertain
- Public entities do not benefit from energy market exposure
- Hedging is avoiding energy market exposure
- Hedging is deciding today what tomorrow's cost will be
- This is accomplished through using financial instruments or fixed price supply contracts designed for this purpose
- Having a policy and strategy is important in meeting goals and expectations