In the opinion of Nabors, Giblin & Nickerson, P.A., Tampa, Florida ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions and subject to the conditions described herein under "TAX EXEMPTION," interest on the 2011 Bonds is (a) excludable from gross income for federal income tax purposes, and (b) not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations. Such interest, however, will be includable in the calculation of a corporation's alternative minimum taxable income and may be subject to other federal income tax consequences referred to herein under "TAX EXEMPTION." See "TAX EXEMPTION" herein for a discussion of Bond Counsel's opinion.

$104,645,000
TAMPA BAY WATER
A Regional Water Supply Authority
Utility System Refunding Revenue Bonds,
Series 2011

Dated: Date of Delivery

Tampa Bay Water, A Regional Water Supply Authority ("Tampa Bay Water"), is issuing its $104,645,000 Utility System Refunding Revenue Bonds, Series 2011 (the "2011 Bonds"). The 2011 Bonds will be issued in fully registered form, in denominations of $5,000 and any integral multiple thereof. Interest on the 2011 Bonds will be payable on October 1, 2011, and semiannually thereafter on each April 1 and October 1 until maturity or earlier redemption. When initially issued, the 2011 Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2011 Bonds. Purchasers will not receive certificates representing their beneficial interest in the 2011 Bonds purchased. Accordingly, principally of and interest on the 2011 Bonds will be paid by U.S. Bank National Association, as paying agent (the "Paying Agent"), directly to DTC, as the registered owner thereof. Principal of the 2011 Bonds will be payable upon presentation when due at the designated corporate trust office of the Paying Agent. DTC will in turn be responsible for remitting all payments to its DTC Participants (as defined herein) for subsequent distribution to the Beneficial Owners (as defined herein) of the 2011 Bonds. See "THE 2011 BONDS - Book-Entry Only System" herein.

THE 2011 BONDS ARE NOT SUBJECT TO REDEMPTION PRIOR TO THEIR MATURITY.

Together with other legally available funds of Tampa Bay Water, the 2011 Bonds are being issued to (1) currently refund certain of Tampa Bay Water's outstanding Utility System Refunding and Improvement Revenue Bonds, Series 2001A, as all as described herein, and (2) pay certain costs of issuance of the 2011 Bonds.

The 2011 Bonds are secured by a pledge of and lien upon (1) the Net Revenues (as defined herein) to be derived from the operation of Tampa Bay Water's utility system (the "System") and (2) until applied in accordance with the provisions of the Bond Resolution (as defined herein), all moneys, including investments thereof in the funds and accounts established by the Bond Resolution, except (A) the Rebate Fund, (B) moneys in any fund or account to the extent such moneys shall be required to pay the Operating Expenses (as defined herein) of the System in accordance with the terms of the Bond Resolution, and (C) moneys on deposit in a subaccount of the Reserve Account established by the Bond Resolution to the extent such moneys shall be pledged solely for the payment of the Series of Bonds for which it was established in accordance with the provisions of the Bond Resolution (collectively, the "Pledged Funds"). The 2011 Bonds will be issued on a parity with Tampa Bay Water's Utility System Revenue Bonds, Series 1999, outstanding as of October 1, 2010, in the principal amount of $7,585,000, Utility System Refunding and Improvement Revenue Bonds, Series 2001A, outstanding as of October 1, 2010 in the principal amount of $180,550,000 (the "2001A Bonds"); Utility System Revenue Bonds, Series 2001B (the "2001B Bonds"), outstanding as of October 1, 2010 in the principal amount of $151,155,000, after the refunding of $6,740,000 in principal amount of such 2001B Bonds with proceeds from the 2010 Bonds (defined below); Utility System Refunding Revenue Bonds, Series 2004, outstanding as of October 1, 2010 in the principal amount of $167,965,000; Utility System Refunding and Improvement Revenue Bonds, Series 2006, outstanding as of October 1, 2010 in the principal amount of $73,860,000; Utility System Revenue Bonds, Series 2008, outstanding as of October 1, 2010 in the principal amount of $101,375,000; and Utility System Revenue Bonds, Series 2010 (the "2010 Bonds"), to be issued on November 10, 2010 in the principal amount of $66,980,000.

The 2011 Bonds shall not be or constitute general obligations or indebtedness of Tampa Bay Water as "Bonds" within the meaning of any constitutional or statutory provision, but shall be special obligations of Tampa Bay Water, payable solely from and secured by a lien upon and pledge of the Pledged Funds, in the manner and to the extent provided in the Bond Resolution. No Holder of any 2011 Bond shall ever have the right to compel the exercise of any ad valorem taxing power to pay such 2011 Bond, or be entitled to payment of such 2011 Bond from any moneys of Tampa Bay Water except from the Pledged Funds in the manner and to the extent provided in the Bond Resolution. The 2011 Bonds do not constitute a lien upon the System or any property of Tampa Bay Water, but constitute a lien only on the Pledged Funds, in the manner and to the extent provided in the Bond Resolution.

The 2011 Bonds are offered for delivery when, as and if issued at Delayed Delivery Closing Date by Tampa Bay Water and received by the Underwriters, subject to the approval of legality by Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel. Certain other legal matters are being passed upon by GrayRobinson, P.A., Tampa, Florida, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by Squire, Sanders & Dempsey L.L.P., Miami, Florida, Underwriters' Counsel. Certain legal matters will be passed upon for Tampa Bay Water by Richard A. Lotspeich, Esq., its General Counsel. Public Financial Management, Orlando, Florida, is serving as Financial Advisor to Tampa Bay Water. It is expected that the 2011 Bonds in definitive form will be available for delivery in New York, New York on or about July 7, 2011. See "DELAYED DELIVERY RISKS" herein.

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

Citi

BofA Merrill Lynch

This Official Statement is dated November 3, 2010.

*Rating assigned subject to delay in delivery.
$104,645,000
TAMPA BAY WATER
A REGIONAL WATER SUPPLY AUTHORITY
Utility System Refunding Revenue Bonds,
Series 2011

Principal Amounts, Maturities, Interest Rates, Prices, Yields and CUSIP Numbers*

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<th>Maturity (October 1)</th>
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<th>Yield</th>
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*Tampa Bay Water is not responsible for the use of CUSIP numbers, nor is a representation made as to their correctness. The CUSIP numbers are included solely for the convenience of the readers of this Official Statement.
BOARD OF DIRECTORS
Mark Sharpe, Chairman/Hillsborough County Commissioner
Ann Hildebrand, Vice Chairman/Pasco County Commissioner
Neil Brickfield/Pinellas County Commissioner
Al Higginbotham/Hillsborough County Commissioner
Susan Latvala/Pinellas County Commissioner
Scott McPherson/Mayor, New Port Richey
Charlie Miranda/Councilman, City of Tampa
Karl Nurse/Councilman, City of St. Petersburg
Ted Schrader/Pasco County Commissioner

TAMPA BAY WATER MANAGEMENT
Gerald J. Seeber, General Manager
Koni M. Cassini, C.P.A., Director of Finance and Administration
Charles H. Carden, Director of Operations and Facilities Management
Donald J. Polmann, Ph.D., P.E., Director of Resource Evaluation and Protection

GENERAL COUNSEL TO TAMPA BAY WATER
Richard A. Lotspeich, Esq.

BOND COUNSEL
Nabors, Giblin & Nickerson, P.A.
Tampa, Florida

DISCLOSURE COUNSEL
GrayRobinson, P.A.
Tampa, Florida

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS - TAMPA BAY WATER
Ernst & Young LLP
Tampa, Florida

FINANCIAL ADVISOR
Public Financial Management, Inc.
Orlando, Florida

CONSULTING ENGINEER
Black & Veatch Corporation
Tampa, Florida
No dealer, broker, account executive, financial consultant or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the 2011 Bonds described herein, and if given or made, such information or representations must not be relied upon as having been authorized by Tampa Bay Water or the Underwriters. This Official Statement does not constitute an offer to sell the 2011 Bonds or a solicitation of an offer to buy nor shall there be any sale of the 2011 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The Underwriters have reviewed the information in this Official Statement in accordance with and as a part of their responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. Any statements in this Official Statement involving estimates, assumptions and matters of opinion, whether or not expressly so stated, are intended as such and are not representations of fact, and Tampa Bay Water expressly makes no representation that such estimates, assumptions or opinions will be realized or fulfilled. The information and expressions of opinion herein are subject to change without notice and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Tampa Bay Water since the date hereof.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2011 BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

$104,645,000
TAMPA BAY WATER,
A Regional Water Supply Authority
Utility System Refunding Revenue Bonds,
Series 2011

INTRODUCTION

The purpose of this Official Statement, including the cover page, the inside cover page and the Appendices, is to present information in connection with the sale of the $104,645,000 Utility System Refunding Revenue Bonds, Series 2011 (the "2011 Bonds"), to be issued by Tampa Bay Water, A Regional Water Supply Authority ("Tampa Bay Water").

The 2011 Bonds are being issued pursuant to and under the authority of the Constitution and laws of the State of Florida, particularly Sections 373.1962, 373.1963 and 163.01, Florida Statutes, an Amended and Restated Interlocal Agreement among Hillsborough County, Florida ("Hillsborough"), Pasco County, Florida ("Pasco"), Pinellas County, Florida ("Pinellas"), the City of New Port Richey, Florida ("New Port Richey"), the City of St. Petersburg, Florida ("St. Petersburg") and the City of Tampa, Florida ("Tampa"), dated as of May 1, 1998 (the "Interlocal Agreement") and other applicable provisions of law (collectively, the "Act"), a resolution of Tampa Bay Water duly adopted by the Board of Directors of Tampa Bay Water (the "Board") on August 31, 1998, and as amended and supplemented by Resolution No. 2011-002 adopted by the Board on October 18, 2010 (collectively, the "Bond Resolution"). Hillsborough, Pasco, Pinellas, New Port Richey, St. Petersburg and Tampa collectively shall be referred to herein from time to time as the "Member Governments." Tampa Bay Water is the successor authority to West Coast Regional Water Supply Authority (the "Predecessor Authority").

Together with other legally available funds of Tampa Bay Water, the 2011 Bonds are being issued to (1) currently refund on the Delayed Delivery Closing Date (as defined herein) certain of Tampa Bay Water's outstanding Utility System Refunding and Improvement Revenue Bonds, Series 2001A, as described herein, and (2) pay certain costs of issuance of the 2011 Bonds. See "THE REFUNDING PLAN" and "ESTIMATED SOURCES AND USES OF PROCEEDS" herein.

The 2011 Bonds are payable solely from and secured by a pledge of and lien upon (1) the Net Revenues (as defined herein) to be derived from the operation of Tampa Bay Water's utility system (the "System") and (2) until applied in accordance with the provisions of the Bond Resolution (as defined herein), all moneys, including investments thereof in the funds and accounts established by the Bond Resolution, except (A) the Rebate Fund, (B) moneys in any fund or account to the extent such moneys shall be required to pay the Operating Expenses (as defined herein) in accordance with the terms of the Bond Resolution, and (C) moneys on deposit in a subaccount of the Reserve Account established by the Bond Resolution to the extent such moneys shall be pledged solely for the payment of the Series of Bonds for which it was established in accordance with the provisions of the Bond Resolution (collectively, the "Pledged Funds").
The 2011 Bonds will be issued on a parity with Tampa Bay Water's Utility System Revenue Bonds, Series 1999, outstanding as of October 1, 2010 in the principal amount of $7,585,000 (the "1999 Bonds"), Utility System Refunding and Improvement Revenue Bonds, Series 2001A, outstanding as of October 1, 2010 in the principal amount of $189,550,000 (the "2001A Bonds"), Utility System Revenue Bonds, Series 2001B, outstanding as of October 1, 2010 in the principal amount of $151,155,000 (the "2001B Bonds"), after the refunding of $6,740,000 in principal amount of such 2001B Bonds with proceeds from the 2010 Bonds (defined below), Utility System Refunding Revenue Bonds, Series 2004, outstanding as of October 1, 2010 in the principal amount of $95,050,000 (the "2004 Bonds"), Utility System Refunding and Improvement Revenue Bonds, Series 2005, outstanding as of October 1, 2010 in the principal amount of $151,155,000 (the "2005 Bonds"), Utility System Revenue Bonds, Series 2006, outstanding as of October 1, 2010 in the principal amount of $151,155,000 (the "2006 Bonds"), Utility System Revenue Bonds, Series 2008, outstanding as of October 1, 2010 in the principal amount of $101,375,000 (the "2008 Bonds"), and the Utility System Revenue Bonds, Series 2010 to be issued on November 10, 2010, in the principal amount of $66,980,000 (the "2010 Bonds"). For a more detailed description see the discussion under the caption "SECURITY AND SOURCES OF PAYMENT" herein.

Unless the context requires otherwise, capitalized terms used in this Official Statement that are not defined in the text hereof or under the caption "CERTAIN DEFINITIONS" shall have the meanings ascribed thereto in the definitional sections included in APPENDIX B – "Composite Bond Resolution," APPENDIX C – "Form of Interlocal Agreement" and APPENDIX D – "Form of Master Water Supply Contract," all of which are attached hereto. The descriptions of the 2011 Bonds, the Bond Resolution, the Interlocal Agreement, the Master Water Supply Contract, and the documents authorizing and securing the same, and the information from various reports and statements contained herein are not comprehensive or definitive. All references herein to such documents, reports and statements are qualified by the entire, actual content of such documents, reports and statements. Copies of such documents, reports and statements referred to herein that are not included in their entirety in this Official Statement may be obtained from Tampa Bay Water at 2575 Enterprise Road, Clearwater, Florida 33763, telephone, 727-796-2355.

DELAYED DELIVERY OF 2011 BONDS

The following is a summary description of certain provisions of the Forward Delivery Purchase Contract and the conditions therein. This description is not to be considered a full statement of the terms of the Forward Delivery Purchase Contract and accordingly is qualified by reference thereto and is subject to the full text thereof.

Forward Delivery Purchase Contract Signing and Delayed Delivery Pre-Closing

Pursuant to the Forward Delivery Purchase Contract, the Underwriters will agree to purchase the 2011 Bonds on the Delayed Delivery Closing Date defined below. A delayed delivery pre-closing will be held with respect to the 2011 Bonds on or about November 15, 2010 (the "Delayed Delivery Pre-Closing Date"). On the Delayed Delivery Pre-Closing Date, the conditions for the issuance and delayed delivery of the 2011 Bonds and payment therefor by the Underwriters will be met, except for the confirmation of certain facts and delivery of certain certificates and opinions, including an opinion of Bond Counsel substantially in the form set forth in APPENDIX G hereto (collectively, the "Delayed Delivery Closing Conditions"), which are to be delivered on the date the 2011 Bonds are issued (receipt thereof is a condition to the issuance of the 2011 Bonds). After the Delayed Delivery Pre-Closing, subject to

* Takes into account the refunding of $112,385,000 in principal amount of the 2001A Bonds on the Delayed Delivery Closing Date.
compliance with the Delayed Delivery Closing Conditions, described below and in the Forward Delivery Purchase Contract, Tampa Bay Water will be obligated to issue the 2011 Bonds, and the Underwriters will be obligated to take delivery of and pay for the 2011 Bonds on the Delayed Delivery Closing Date. However, there will be no delivery of the 2011 Bonds nor any payment therefor on the Delayed Delivery Pre-Closing Date.

The Forward Delivery Purchase Contract provides that Tampa Bay Water will be under no obligation, subsequent to the Delayed Delivery Pre-Closing Date, as a condition to the delivery of the documents or the satisfaction of any conditions specified in the Forward Delivery Purchase Contract to: (i) enter into or execute any amendment or supplement to the Bond Resolution, the 2011 Bonds, any tax certificate or compliance agreement (except as provided in the Forward Delivery Purchase Contract), or any other document which has been executed and delivered by Tampa Bay Water in connection with the issuance of the 2011 Bonds as of the Delayed Delivery Pre-Closing Date; (ii) (except as provided in the Forward Delivery Purchase Contract) deliver any additional documentation (other than a tax certificate or compliance agreement, both reasonably necessary to permit Bond Counsel to deliver the opinion set forth in APPENDIX G hereto and certain "bring-down" certificates and opinions, which does not impose any additional material obligation upon, or materially alter any existing obligation of, Tampa Bay Water under the Forward Delivery Purchase Contract); (iii) agree to, or to undertake, any additional material obligations; or (iv) make any changes to its organization, activities or operations.

Delayed Delivery Closing

On July 7, 2011, or at such other time or on such other date as will have been mutually agreed upon by Tampa Bay Water and the Underwriters (the "Delayed Delivery Closing Date"), Tampa Bay Water will, subject to the terms and conditions of the Forward Delivery Purchase Contract, deliver the 2011 Bonds to The Depository Trust Company ("DTC") on behalf of the Underwriters and deliver or cause to be delivered to the Underwriters the other documents, opinions, certificates and instruments required by the Forward Delivery Purchase Contract to be delivered, as more fully discussed below (the "Delayed Delivery Closing Documents"). Subject to the terms and conditions of the Forward Delivery Purchase Contract, the Underwriters will be obligated to accept such delivery and pay the purchase price for the 2011 Bonds. All of the foregoing described transactions are referred to herein as the "Delayed Delivery Closing."

Delayed Delivery Closing Conditions

General. Tampa Bay Water's obligation to issue and deliver the 2011 Bonds to the Underwriters, and the Underwriters' obligation to accept delivery of and pay for, the 2011 Bonds, on the Delayed Delivery Closing Date, are contingent on certain conditions precedent, as set forth in the Bond Purchase Contract. This description of the Forward Delivery Purchase Contract is not considered a full statement of the terms of the Forward Delivery Purchase Contract and accordingly is qualified by reference thereto and is subject to the full text thereof. These conditions include, but are not limited to, the following:

(1) there shall have been no "Change in Law," as hereinafter described; and
(2) Ratings on the 2011 Bonds are provided from Standard & Poor's Ratings Services ("S&P"), Fitch, Inc. ("Fitch"), and Moody's Investing Service, Inc. ("Moody's") (see "RATINGS" herein); provided, however, if one or more of such rating agencies are no longer in business and no longer provide any ratings as of the Delayed Delivery Closing Date, then the requirement to provide a rating by such rating agency shall be waived at the Delayed Delivery Closing by the Underwriters (as defined herein); and
(3) Bond Counsel shall render its approving opinion in substantially the form attached hereto as APPENDIX G.
It is also a condition of Tampa Bay Water's obligation to sell and deliver the 2011 Bonds to the Underwriters that the entire authorized principal amount thereof be accepted and paid for by the Underwriters at the Delayed Delivery Closing. It is a condition to the Underwriters' obligation to accept delivery of and to pay for the 2011 Bonds that the entire authorized principal amount thereof be issued and delivered by Tampa Bay Water at the Delayed Delivery Closing.

Although Tampa Bay Water is not aware, as of the date of this Official Statement, of any information that would lead it to believe that it will be unable to satisfy its obligations under the Forward Delivery Purchase Contract on the Delayed Delivery Closing Date, no assurances can be made that, as of the Delayed Delivery Closing Date: (i) there will have been no Change in Law, as hereinafter defined; (ii) the facts and circumstances that are material to one or more of the required legal opinions will not differ from the facts and circumstances as of the Delayed Delivery Pre-Closing Date, or (iii) that all necessary certifications and representations can or will be delivered and made in connection with the proposed issuance and delivery of the 2011 Bonds. As a consequence of any of the foregoing, one or more of the foregoing legal opinions may not be rendered or one or more of the Delayed Delivery Closing Conditions may not be met, with the possible result that the Delayed Delivery Closing will not occur.

THE FORWARD DELIVERY PURCHASE CONTRACT REQUIRES THE UNDERWRITERS TO ACCEPT DELIVERY OF AND PAY FOR THE 2011 BONDS ON THE DELAYED DELIVERY CLOSING DATE NOTWITHSTANDING ANY SUBSEQUENT ADVERSE CHANGE IN THE BUSINESS OR AFFAIRS OF TAMPA BAY WATER.

FAILURE TO SATISFY THE DELAYED DELIVERY CLOSING CONDITIONS, INCLUDING FAILURE OF ANY PARTY TO DELIVER ANY OF THE DELAYED DELIVERY CLOSING DOCUMENTS IN THE FORM AND SUBSTANCE PROVIDED FOR IN THE FORWARD DELIVERY PURCHASE CONTRACT (UNLESS SUCH FAILURE IS WAIVED BY THE UNDERWRITERS), WILL MEAN THAT THE 2011 BONDS WILL NOT BE ISSUED AND DELIVERED. THE UNDERWRITERS HAVE THE RIGHT, BUT ARE UNDER NO OBLIGATION, TO WAIVE ANY SUCH FAILURE.

Change in Law. The Underwriters may terminate the Forward Delivery Purchase Contract, without liability, by notification to Tampa Bay Water if, on the Delayed Delivery Closing Date, as a result of a Change in Law, the Underwriters are or would be prohibited either from lawfully accepting delivery of and paying for the 2011 Bonds in accordance with the provisions of the Forward Delivery Purchase Contract.

A "Change in Law" means (i) any change in or addition to applicable federal or state law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or state agencies; (ii) any legislation enacted by the Congress of the United States or introduced therein or recommended for passage by the President of the United States (if such enacted, introduced or recommended legislation has a proposed effective date which is on or before the Delayed Delivery Closing Date); (iii) any law, rule or regulation proposed or enacted by any governmental body, department or agency (if such proposed or enacted law, rule or regulation has a proposed effective date which is on or before the Delayed Delivery Closing Date); (iv) any judgment, ruling or order issued by any court or administrative body, which in any such case (as provided in (i) – (iv) herein), would (A) as to the Underwriters, legally prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) the Underwriters from (1) accepting delivery of and paying for the 2011 Bonds in accordance with the provisions of the Forward Delivery Purchase Contract or (2) selling the 2011 Bonds or beneficial ownership interests therein to bona fide purchasers, or, (B) as to Tampa Bay Water, would make the sale or issuance and delivery of the 2011 Bonds illegal.
Bonds illegal (or have the retroactive effect of making such sale, issuance, or delivery illegal, if enacted, adopted, passed or finalized), (C) eliminate the exclusion from gross income of interest on the 2011 Bonds (or have the retroactive effect of eliminating such exclusion if enacted, adopted, passed, or finalized); or (D) require the 2011 Bonds to be registered under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended, or require the Bond Resolution to be qualified under the Trust Indenture Act of 1939, as amended (or have the retroactive effect of requiring such registration or qualification if enacted, passed, finalized or adopted); provided, however, that such change in or addition to law, legislation, rule or regulation, or judgment, ruling or order shall have become effective, been enacted, introduced or recommended, or been proposed or been issued, as the case may be, subsequent to the date of execution of the Forward Delivery Purchase Contract; or (4) a stop order, ruling, regulation, or official statement by the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall have been issued or made or any other event occurs, the effect of which is that the issuance, offering, or sale of the 2011 Bonds, or the delivery of the Bond Resolution is or would be in violation of any provision of the federal securities laws, including the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or the Trust Indenture Act of 1939, as amended. If the Change of Law involves the enactment of legislation which only diminishes the value of, as opposed to eliminating the exclusion from gross income for federal income tax purposes, interest payable on "state or local bonds," Tampa Bay Water may, nonetheless, be able to satisfy the requirements for the delivery of the 2011 Bonds. In such event, the purchasers would be required to accept delivery of the 2011 Bonds.

**Issuance of Legal Opinions.** It is a condition to the issuance of the 2011 Bonds on the Delayed Delivery Closing Date that Bond Counsel deliver its final approving opinion in substantially the form attached hereto as APPENDIX G. The ability of Bond Counsel to deliver such an opinion on the Delayed Delivery Closing Date is subject to its review and analysis as of the Delayed Delivery Closing Date of certain matters, including, among others, pertinent provisions of statutes, regulations, rulings and court decisions, including, but not necessarily limited to, Florida law and federal income tax law then in effect or proposed to be in effect. Bond Counsel has advised Tampa Bay Water and the Underwriters that, subject to such review and analysis and certain assumptions, it expects to be able to issue on the Delayed Delivery Closing Date an opinion substantially in the form attached hereto as APPENDIX G. Issuance of the 2011 Bonds on the Delayed Delivery Closing Date is further conditioned upon the receipt of the other opinions of Bond Counsel, Disclosure Counsel, Underwriters' Counsel and Tampa Bay Water's General Counsel, as to the continued accuracy of their opinions as to certain additional legal matters, and relating to the continued accuracy or adequacy of the Official Statement, initially addressed in the respective opinions delivered by such counsel in connection with the Delayed Delivery Pre-Closing.

**DELAYED DELIVERY RISKS**

Tampa Bay Water anticipates that the 2011 Bonds will be issued and delivered on or about July 7, 2011. Delivery of the 2011 Bonds is contingent upon delivery of certain certificates, reports, documents and legal opinions and the satisfaction of certain other conditions as of the Delayed Delivery Closing Date, as provided in the Forward Delivery Purchase Contract and described under the heading "DELAYED DELIVERY OF 2011 BONDS" above.

During the period of time between the date hereof and the Delayed Delivery Closing Date (the "Delayed Delivery Period"), certain information contained in this Official Statement could change in one or more material respects. Tampa Bay Water has agreed to provide to purchasers of the 2011 Bonds an updated form of this Official Statement at least 10 days prior to the Delayed Delivery Closing Date. Purchasers of the 2011 Bonds will be subject to this and other risks, some of which are described below.
**Ratings Risk.** The 2011 Bonds are currently rated "AA+" by S&P, "AA+" by Fitch and "Aa2" by Moody's. See "RATINGS" herein. No assurance can be given that the ratings assigned to the 2011 Bonds on the Delayed Delivery Closing Date will not be different from those currently assigned to the 2011 Bonds. If one or more of such rating agencies are no longer in business and no longer provide any ratings as of the Delayed Delivery Closing Date, then the requirement to provide a rating by such rating agency shall be waived by the Underwriters at the Delayed Delivery Closing. A rating downgrade does not terminate the Forward Delivery Purchase Contract or release the Underwriters from their obligation to purchase the 2011 Bonds.

**Secondary Market Risk.** While the Underwriters may make a secondary market in the 2011 Bonds during the Delayed Delivery Period, there can be no guarantee that the Underwriters will be successful in establishing such a secondary market, or, if a secondary market is established, that it will be maintained or that the 2011 Bonds can be sold for any particular price. **Prospective purchasers of the 2011 Bonds should assume that the 2011 Bonds will be illiquid throughout the Delayed Delivery Period.**

**Market Value Risk.** The market value of the 2011 Bonds as of the delivery date thereof may be affected by a variety of factors including, without limitation, general market conditions, the ratings on the 2011 Bonds, the financial condition and business operations of Tampa Bay Water, and federal and state income tax and other laws. **The market value of the 2011 Bonds on the Delayed Delivery Closing Date, therefore, could be greater or less than the purchase price agreed to be paid by the initial purchasers thereof, and the difference could be substantial. The Underwriters will, nevertheless, be obligated to take delivery of and pay for the 2011 Bonds if the Delayed Delivery Closing Conditions described above are satisfied. Neither Tampa Bay Water nor the Underwriters make any representation as to the market price of the 2011 Bonds as of the Delayed Delivery Closing Date.**

**Federal Tax Proposals.** The Forward Delivery Purchase Contract obligates Tampa Bay Water to deliver and the Underwriters to purchase the 2011 Bonds if Tampa Bay Water receives an opinion of Bond Counsel substantially in the form set forth in APPENDIX G to the effect that the interest on the 2011 Bonds is not included in the gross income of the holders thereof for federal income tax purposes as of the Delayed Delivery Closing Date. Certain legislation may be introduced in the U.S. Congress that, if adopted, would reform the system of federal taxation generally or the tax consequences of ownership and/or transfer of obligations of the character of the 2011 Bonds. That legislation could either (a) eliminate the exclusion from gross income for federal income tax purposes of interest payable on "state or local bonds," such as the 2011 Bonds, or (b) diminish the value of such exclusion. **If legislation is enacted which eliminates the exclusion for federal income tax purposes of interest payable on "state and local bonds" such as the 2011 Bonds, it is expected that Bond Counsel will not deliver their approving opinion in the form attached hereto as APPENDIX G and, therefore, that the 2011 Bonds will not be issued and delivered to the Underwriters and will not be available for delivery to the purchasers. If the enactment of legislation only diminishes the value, as opposed to eliminating the exclusion from gross income for federal income tax purposes of interest payable on "state or local bonds," Tampa Bay Water may, nonetheless, be able to satisfy the requirements for the delivery of the 2011 Bonds. In such event, the Underwriters would be required to accept delivery of the 2011 Bonds. Prospective purchasers are encouraged to consult their tax advisors regarding the likelihood that legislation affecting the treatment of interest on the 2011 Bonds may be enacted and the consequences of such enactment for the purchasers.**
General

The West Coast Regional Water Supply Authority, the predecessor to Tampa Bay Water (the "Predecessor Authority") was established on October 25, 1974, as a result of state enabling legislation (74-114, Laws of Florida) and a five party agreement among Hillsborough, Pinellas and Pasco Counties and the Cities of St. Petersburg and Tampa. The Predecessor Authority was the first such entity organized under the provisions of Section 163.01 and Chapter 373, Florida Statutes. The City of New Port Richey joined the Predecessor Authority in 1982 as a nonvoting member. As stated in Subsection 373.1962, Florida Statutes, the Predecessor Authority was created "for the purpose of developing, storing, and supplying water for county or municipal purposes in such a manner as will give priority to reducing adverse environmental effects of excessive or improper withdrawals of water from concentrated areas."

During its 1996 session, the Florida Legislature directed the Predecessor Authority and its member governments to evaluate the Predecessor Authority's operations and make recommendations for improvements. An independent report to the Florida Legislature prepared by KPMG Peat Marwick LLP for the 1997 legislative session (the "Governance Study"), analyzed and confirmed the strength of a regional solution. The Governance Study submitted by the Predecessor Authority to the Florida Legislature set forth specific recommendations that included the following: expanding the Board from five to nine voting members; specifying that the Predecessor Authority should be the region's exclusive provider of wholesale water; implementing the Predecessor Authority's Master Water Plan for 20 years of future water supply; and utilizing millage from the Southwest Florida Water Management District ("SWFWMD") for funding new water sources, if so directed by the Legislature. SWFWMD is a public agency of the State of Florida created and existing pursuant to Chapter 373, Florida Statutes. That Chapter provides for the establishment of permit application fees and a method of ad valorem taxation to finance the activities of water management districts such as SWFWMD.

The Governance Study recommendations submitted to the Florida Legislature resulted in the passage of Chapter 97-160, Section 30, Laws of Florida, which encouraged and facilitated the implementation of the Governance Study. That legislation states that "the Authority may reconstitute its Governance in a manner consistent with its report to the Legislature under a voluntary interlocal agreement with a term of not less than 20 years." The 1997 legislation delineated the following specific provisions which any restructured Authority should provide:

- All member governments shall relinquish to Tampa Bay Water their individual rights to develop drinking water supplies for all member governments;
- Tampa Bay Water shall be the sole and exclusive wholesale drinking water supplier for all member governments;
- Tampa Bay Water shall have the absolute and unequivocal obligation to meet the wholesale drinking water needs of the member governments;
- Tampa Bay Water shall acquire all regionally significant wholesale water supply facilities and tangible assets owned by the member governments at an agreed value;
- Tampa Bay Water shall charge a uniform per-gallon wholesale rate to member governments for the wholesale supply of drinking water;
• To the extent provided in the Interlocal Agreement and as permitted by law, Tampa Bay Water and the member governments shall develop procedures for resolving their differences over permitting and other issues, including alternative dispute resolution to minimize the potential for litigation; and

• Tampa Bay Water's governing Board of Directors shall be expanded to nine members, two each from Pinellas, Pasco and Hillsborough counties and one each from Tampa, St. Petersburg and New Port Richey.

Subsequent to the 1997 legislation, the Predecessor Authority, together with its member governments and their staffs, special counsel and consultants worked cooperatively to carry out the mandate of the 1997 Legislation. Specifically, the Predecessor Authority and its Member Governments conducted multiple workshops, developed new governing documents for Tampa Bay Water including the Interlocal Agreement and the Master Water Supply Contract to supersede existing contracts, and conducted extensive studies related to water rates, water quality, legal issues, title to real property, and an overall water supply facility assessment. The conclusion to all of these efforts was the creation of Tampa Bay Water as the regional water supply authority for the Tampa Bay area which is responsible for supplying all of the Member Governments with water according to the terms of the Interlocal Agreement and the Master Water Supply Contract. See "SUMMARY OF PRINCIPAL AGREEMENTS" herein.

Board of Directors

The Board of Directors (the "Board") of Tampa Bay Water is composed of two directors each for Hillsborough, Pasco and Pinellas Counties and one director each from the Cities of New Port Richey, St. Petersburg and Tampa. Each member of the Board is an elected official. In the case of Hillsborough, Pasco and Pinellas Counties, the members of the Board are appointed by their respective Board of County Commissioners and serve at the pleasure of their respective Boards. In the case of St. Petersburg and Tampa, their representatives are currently chosen by their respective Mayors. In the case of New Port Richey, its representative is currently the Mayor. Officers of the Board are elected annually by the Board of Directors.

Personnel

Gerald J. Seeber, General Manager. Mr. Seeber joined the staff of Tampa Bay Water and assumed the role of General Manager on March 1, 2008. Prior to joining Tampa Bay Water, Mr. Seeber most recently served as the City Manager for the City of Oviedo, Florida. His prior public administration experience includes six years as the City Manager in Brown Deer, Wisconsin and fifteen years as the City Manager of New Port Richey, Florida, one of the six Member Governments comprising Tampa Bay Water. In 1998, as City Manager of New Port Richey, Mr. Seeber participated with his counterparts in Pasco, Pinellas and Hillsborough Counties as well as the Cities of Tampa and St. Petersburg in the creation of Tampa Bay Water. Mr. Seeber graduated with a Bachelor of Arts degree in Political Science from Marquette University in Milwaukee and holds a Master of Public Administration degree from Pennsylvania State University.

Richard A. Lotspeich, General Counsel. Mr. Lotspeich joined the staff of Tampa Bay Water on September 18, 2006 and assumed the role of General Counsel at the Board meeting of October 16, 2006. Mr. Lotspeich had previously served as Staff Director – Florida House of Representatives, Committee on Natural Resources and Committee on Water and Natural Resources since February 2003. He was a senior attorney with the Florida Department of Community Affairs, Office of General Counsel from August 2001 to February 2003. Prior to that Mr. Lotspeich was in private practice. Mr. Lotspeich was admitted to the Florida Bar in 1986. He obtained his J.D. in 1986 from Florida State University with honors.
Koni M. Cassini, Director of Finance and Administration. Ms. Cassini joined the Predecessor Authority in October 1987. Prior to joining the Predecessor Authority Ms. Cassini was Senior Accountant for Risser Oil Corporation. Ms. Cassini is a certified public accountant and has a Bachelors degree in Accounting from the University of South Florida and a Masters of Business Administration from the University of Tampa.

Charles (Chuck) H. Carden, Director of Operations and Facilities. Mr. Carden joined the staff of Tampa Bay Water in 1993. Mr. Carden has held several positions at Tampa Bay Water including Senior Infrastructure Manager, Construction Manager, Contracts Manager and Finance Manager. Prior to joining the staff, Mr. Carden worked for Pasco County, a Member Government. Mr. Carden holds a Bachelor of Science degree in Business Management from the University of Tampa. Mr. Carden currently serves on the Executive Committee of the Florida Section American Water Works Association as the Vice-Chairman.

Donald J. Polmann, Director of Science and Engineering. Dr. Polmann joined the Predecessor Authority in September 1994. Prior to joining the Predecessor Authority, he was a senior water resources engineer with Law Environmental, Inc. Dr. Polmann earned his Bachelors degree in environmental engineering from Rensselaer Polytechnic Institute, a Masters degree in environmental engineering science from the University of Florida, and Doctorate in Civil Engineering (Hydrology) from Massachusetts Institute of Technology. Dr. Polmann is a registered Professional Engineer.

Tampa Bay Water's professional staff includes 3 hydrogeologists, 6 chemists of which one holds a Ph.D., 1 Water Quality Officer which has a Ph.D., 4 environmental analysts, 12 professional engineers, of which 4 hold Ph.D.’s in various specialties such as Civil Engineering, Hydrology, and Water Resource Engineering and 2 certified public accountants. Tampa Bay Water currently has a total of 125 full time employees.

THE 2011 BONDS

General Provisions

The 2011 Bonds shall be issued only in fully registered form without coupons in principal denominations of $5,000 each and any integral multiple thereof. The 2011 Bonds shall be dated the date of delivery and shall bear interest at the rates per annum and mature on the dates set forth on the inside cover page hereof. Interest on the 2011 Bonds is payable semianually on each October 1 and April 1, commencing October 1, 2011 (each an "Interest Date"), by check or draft of U.S. Bank National Association, as Paying Agent (the "Paying Agent" and "Registrar") to the Holder in whose name such 2011 Bond shall be registered at the close of business on the date which shall be the fifteenth day (whether or not a business day) of the calendar month next preceding such Interest Date, or, at the request and expense of such Holder, by bank wire transfer for the account of such Holder. Principal of the 2011 Bonds will be payable upon presentation, when due, of the 2011 Bonds at the designated corporate trust office of the Paying Agent. All payments of principal of the 2011 Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

Upon initial issuance, the 2011 Bonds will be registered in the name of and held by Cede & Co. as nominee for The Depository Trust Company ("DTC"), an automated depository for securities and a clearinghouse for securities transactions. So long as DTC or Cede & Co. is the registered owner of the 2011 Bonds, payments of the principal of, redemption premium, if any, and interest on the 2011 Bonds held by Cede & Co. will be mailed directly to DTC or Cede & Co., which is to remit such payments to the Participants (as defined herein) of DTC, which in turn are to remit such payments to the Beneficial
Owners (as defined herein) of the 2011 Bonds. See the discussion under the caption "THE 2011 BONDS - Book-Entry Only System" which immediately follows.

**Book-Entry Only System**

The information in this caption concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book entry system has been obtained from DTC and neither Tampa Bay Water nor the Underwriters make any representation or warranty or take any responsibility for the accuracy or completeness of such information.

DTC will act as securities depository for the 2011 Bonds. The 2011 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2011 Bonds and deposited with DTC.

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

Purchases of the 2011 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such 2011 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2011 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2011 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2011 Bonds, except in the event that use of the book-entry system for the 2011 Bonds is discontinued.

To facilitate subsequent transfers, all of the 2011 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may
be requested by an authorized representative of DTC. The deposit of the 2011 Bonds with DTC and their
registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial
ownership. DTC has no knowledge of the actual Beneficial Owners of the 2011 Bonds; DTC's records
reflect only the identity of the Direct Participants to whose accounts such 2011 Bonds are credited, which
may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible
for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct
Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial
Owners will be governed by arrangements among them, subject to any statutory or regulatory
requirements as may be in effect from time to time. Beneficial Owners of the 2011 Bonds may wish to
take certain steps to augment the transmission to them of notices of significant events with respect to the
2011 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents.
For example, Beneficial Owners of the 2011 Bonds may wish to ascertain that the nominee holding the
2011 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the
alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request
that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of a maturity of the 2011 Bonds are
being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct
Participant in such Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to
the 2011 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures.
Under its usual procedures, DTC mails an Omnibus Proxy to Tampa Bay Water as soon as possible after
the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct
Participants to whose accounts the 2011 Bonds are credited on the record date (identified in a listing
attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2011 Bonds will be
made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC.
DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding
detail information from Tampa Bay Water or the Paying Agent on the payable date in accordance with
their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will
be governed by standing instructions and customary practices, as is the case with securities held for the
accounts of customers in bearer form or registered in "street name," and will be the responsibility of such
Participant and not of DTC, the Paying Agent, or Tampa Bay Water, subject to any statutory or regulatory
requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and
dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized
representative of DTC) is the responsibility of Tampa Bay Water or the Paying Agent, disbursement of
such payments to Direct Participants will be the responsibility of DTC, and disbursement of such
payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2011
Bonds at any time by giving reasonable notice to Tampa Bay Water or the Paying Agent. Under such
circumstances, in the event that a successor securities depository is not obtained, the 2011 Bonds are
required to be printed and delivered.

Tampa Bay Water may, pursuant to the procedures of DTC, decide to discontinue use of the
system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the
2011 Bonds will be printed and delivered to DTC.
The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that Tampa Bay Water believes to be reliable, but Tampa Bay Water takes no responsibility for the accuracy thereof.


Tampa Bay Water can make no assurances that DTC will distribute payments of principal of, redemption premium, if any, or interest on the 2011 Bonds to the Direct Participants, or that Direct and Indirect Participants will distribute payments of principal of, redemption price, if any, or interest on the 2011 Bonds or redemption notices to the Beneficial Owners of such 2011 Bonds or that they will do so on a timely basis, or that DTC or any of its Participants will act in a manner described in this Official Statement. Tampa Bay Water is not responsible or liable for the failure of DTC to make any payment to any Direct Participant or failure of any Direct or Indirect Participant to give any notice or make any payment to a Beneficial Owner in respect to the 2011 Bonds or any error or delay relating thereto.

The rights of holders of beneficial interests in the 2011 Bonds and the manner of transferring or pledging those interests is subject to applicable state law. Holders of beneficial interests in the 2011 Bonds may want to discuss the manner of transferring or pledging their interest in the 2011 Bonds with their legal advisors.

Tampa Bay Water may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the 2011 Bond certificates will be printed and delivered. Thereafter, the 2011 Bond certificates may be transferred and exchanged as described in the Bond Resolution. See APPENDIX B – "Composite Bond Resolution."

**Transfers and Exchanges of 2011 Bonds**

So long as the 2011 Bonds are registered in the name of Cede & Co., as the nominee of DTC, the transfer and exchange of any 2011 Bonds shall be governed by rules established between DTC and its Participants. See "THE 2011 BONDS - Book-Entry Only System" above. Upon the discontinuance of the book-entry only registration system for the 2011 Bonds, the following provisions shall apply for Beneficial Owners of the 2011 Bonds.

The 2011 Bonds, upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of registered 2011 Bonds and maturity of any other authorized denominations.

The 2011 Bonds issued under the Bond Resolution shall be and have all the qualities and incidents of negotiable instruments under the law merchant and the Uniform Commercial Code of the State of Florida, subject to the provisions for registration and transfer contained in the Bond Resolution and in the 2011 Bonds. So long as any of the 2011 Bonds shall remain Outstanding, Tampa Bay Water shall maintain and keep, at the office of the Registrar, books for the registration and transfer of the 2011 Bonds.

Each 2011 Bond shall be transferable only upon the books of Tampa Bay Water, at the office of the Registrar, under such reasonable regulations as Tampa Bay Water may prescribe, by the Holder thereof in person or by his attorney duly authorized in writing upon surrender thereof together with a
written instrument of transfer satisfactory to the Registrar duly executed and guaranteed by the Holder or his duly authorized attorney. Upon the transfer of any such 2011 Bond, Tampa Bay Water shall issue, and cause to be authenticated, in the name of the transferee a new 2011 Bond or 2011 Bonds of the same aggregate principal amount and maturity as the surrendered 2011 Bond. Tampa Bay Water, the Registrar and any Paying Agent or fiduciary of Tampa Bay Water may deem and treat the Person in whose name any Outstanding 2011 Bond shall be registered upon the books of Tampa Bay Water as the absolute owner of such 2011 Bond, whether such 2011 Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if applicable, and interest on such 2011 Bond and for all other purposes, and all such payments so made to any such Holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon such 2011 Bond to the extent of the sum or sums so paid and neither Tampa Bay Water nor the Registrar nor any Paying Agent or other fiduciary of Tampa Bay Water shall be affected by any notice to the contrary.

In all cases in which the privilege of exchanging 2011 Bonds or transferring 2011 Bonds is exercised, Tampa Bay Water shall execute and deliver 2011 Bonds and the Registrar shall authenticate such 2011 Bonds in accordance with the provisions of the Bond Resolution. Execution of 2011 Bonds by the Chairman and Secretary for purposes of exchanging, replacing or transferring 2011 Bonds may occur at the time of the original delivery of the 2011 Bonds. All 2011 Bonds surrendered in any such exchanges or transfers shall be held by the Registrar in safekeeping until directed by Tampa Bay Water to be canceled by the Registrar. For every such exchange or transfer of 2011 Bonds, Tampa Bay Water or the Registrar may make a charge sufficient to reimburse it for any tax, fee, expense or other governmental charge required to be paid with respect to such exchange or transfer. Tampa Bay Water and the Registrar shall not be obligated to make any such exchange or transfer of 2011 Bonds during the 15 days next preceding an Interest Date on the 2011 Bonds (other than Capital Appreciation Bonds and Variable Rate Bonds), or, in the case of any proposed redemption of 2011 Bonds, then, for the 2011 Bonds subject to redemption, during the 15 days next preceding the date of the first mailing of notice of such redemption and continuing until such redemption date.

Redemption

The 2011 Bonds are not subject to redemption prior to their maturity.

CERTAIN DEFINITIONS

Capitalized terms used herein shall have the following meanings. All other capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Bond Resolution, the Interlocal Agreement and/or the Master Water Supply Contract. See the definitional sections included in APPENDIX B – "Composite Bond Resolution," APPENDIX C – "Form of Interlocal Agreement" and APPENDIX D – "Form of Master Water Supply Contract."

Bond Resolution

The following definitions are some of the primary definitions included in the definitional sections included in APPENDIX B – "Composite Bond Resolution."

"Annual Debt Service" shall mean the aggregate amount of Debt Service on the Bonds for each applicable Fiscal Year.

"Capital Improvement Charges" shall mean the costs identified by Tampa Bay Water for planning, designing, acquiring and constructing capital improvements to the System pursuant to the Master Water Supply Contract; provided such costs are not payable from proceeds of the Bonds or other
debt of Tampa Bay Water (other than costs which are to be reimbursed from such proceeds) or from moneys received in relation to the Renewal and Replacement Charges.

"Debt Service" shall mean, at any time, the aggregate amount in the then applicable period of time of (1) interest required to be paid on the Outstanding Bonds during such period of time, except to the extent that such interest is to be paid from deposits in the Interest Account made from Bond proceeds, (2) principal of Outstanding Serial Bonds maturing in such period of time, and (3) the Sinking Fund Installments designated in the Bond Resolution with respect to such period of time. For such purposes of this definition, (A) all amounts payable on a Capital Appreciation Bond shall be considered a principal payment in the year it becomes due, (B) with respect to debt service on any Bonds which are subject to a Qualified Hedge Agreement, interest on such Bonds during the term of such Qualified Hedge Agreement shall be deemed to be the Hedge Payments coming due during such period of time, (C) if any Series of Bonds has 25% or more of the aggregate principal amount of such Series coming due in any one year, Debt Service shall be determined on such Series during such period of time as if the principal of and interest on such Series were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of 25 years from the date of calculation, and (D) the amount on deposit in the Reserve Account (or any subaccount thereof) on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Bonds which are secured by such Reserve Account (or subaccount thereof) and in each preceding year until such amount is exhausted. For purposes of the section of the Bond Resolution with the heading "Rates," clause (C) above shall be applicable only in a Fiscal Year in which principal on a Series of Bonds described in such clause (C) comes due.

"Fiscal Year" shall mean the period commencing on October 1 of each year and continuing through the next succeeding September 30, or such other period as may be prescribed by law.

"Fund Balance" shall mean an amount of money equal to the unencumbered moneys on deposit in the Utility Reserve Fund as of September 30 of the immediately preceding Fiscal Year. Moneys shall be considered unencumbered to the extent such moneys may be used for purposes relating to the System.

"Government Grant," when used with respect to the System, shall mean any sum of money heretofore or hereafter received by Tampa Bay Water from the United States of America or any agency thereof or from the State of Florida or any agency or political subdivision thereof as or on account of a grant or contribution, not repayable by Tampa Bay Water, for or with respect to the construction, acquisition or other development of an addition, extension or improvement to any part of the System or any costs of any such construction, acquisition or development. Government Grant shall not include any grants or contributions received by Tampa Bay Water for purposes of (1) funding Operating Expenses or (2) paying debt service on obligations of Tampa Bay Water that are payable in whole or in part from moneys received by Tampa Bay Water from SWFWMD pursuant to the Northern Tampa Bay New Water Supply and the Ground Water Withdrawal Reduction Agreement, or any funding agreements related thereto. Any grants or contributions described in the preceding sentence shall be considered "Gross Revenues."

"Gross Revenues" shall mean all income and moneys received by Tampa Bay Water from the rates, fees, rentals, charges and other income to be made and collected by Tampa Bay Water for the use of the products, services and facilities to be provided by the System, or otherwise received by Tampa Bay Water or accruing to Tampa Bay Water in the management and operation of the System, calculated in accordance with generally accepted accounting principles applicable to public utility systems similar to the System, including, without limiting the generality of the foregoing, (1) moneys deposited from the Rate Stabilization Account into the Revenue Account in accordance with the terms of the Bond Resolution, provided any moneys transferred from the Rate Stabilization Account into the Revenue Account within 90 days following the end of a Fiscal Year may be designated by Tampa Bay Water as
Gross Revenues of such prior Fiscal Year, (2) proceeds from use and occupancy insurance on the System, and (3) and Investment Earnings. "Gross Revenues" shall include all moneys received by Tampa Bay Water pursuant to the terms of the Master Water Supply Contract. "Gross Revenues" shall not include (A) Government Grants, to the extent prohibited or restricted as to its use by the terms of the Government Grants, (B) proceeds of Bonds or other Tampa Bay Water debt, (C) moneys deposited to the Rate Stabilization Account from the Utility Reserve Fund, including any moneys transferred from the Utility Reserve Fund to the Rate Stabilization Account within 90 days following the end of a Fiscal Year which Tampa Bay Water determines not to be Gross Revenues of such prior Fiscal Year, and (D) any moneys received by Tampa Bay Water as part of a True-Up. Gross Revenues may include other revenues related to the System which are not enumerated in the definition of "Gross Revenues" if and to the extent the same shall be approved for inclusion by the Insurers of the Bonds (provided all Bonds are insured as to payment of principal and interest at the time of such inclusion).

"Maximum Annual Debt Service" shall mean the largest aggregate amount of the Annual Debt Service becoming due in any Fiscal Year in which Bonds are Outstanding.

"Net Revenues" shall mean Gross Revenues less Operating Expenses.

"Operating Expenses" shall mean any and all costs incurred by Tampa Bay Water in operating, maintaining and administering the System, including, but not limited to, the general administrative and legal costs of Tampa Bay Water related to operation, maintenance, management, security and development of the System; costs associated with tools, equipment, vehicles, supplies, materials, services and support for the operation, maintenance, management, security and development of the System; any costs of litigation or a legal judgment against Tampa Bay Water; costs relating to water conservation and public education activities; costs of purchasing any Water; development expenses relating to expansion of the System; all costs incurred in planning or applying for, obtaining, maintaining and defending Environmental Permits which shall not be paid from the Capital Improvement Charges; accounting, legal and engineering expenses; ordinary and current rentals of equipment or other property; refunds of moneys lawfully due to others; pension, retirement, health and hospitalization funds; payments in lieu of taxes and facility impact fees; and fees for management of the System or any portion thereof; but does not include any costs or expenses in respect of original construction or improvement other than expenditures necessary to prevent an interruption or continuance of an interruption of service or of Gross Revenues or minor capital expenditures necessary for the proper and economical operation or maintenance of the System, or any provision for interest, depreciation, amortization or similar charges.

"Pledged Funds" shall mean, (1) the Net Revenues and (2) until applied in accordance with the provisions of the Bond Resolution, all moneys, including investments thereof, in the funds and accounts established under the Bond Resolution, except (A) as for the Rebate Fund, (B) moneys in any fund or account to the extent such moneys shall be required to pay the Operating Expenses of the System in accordance with the terms of the Bond Resolution, and (C) moneys on deposit in a subaccount of the Reserve Account to the extent moneys on deposit therein shall be pledged solely for the payment of the Series of Bonds for which it was established in accordance with the provisions of the Bond Resolution.

"Renewal and Replacement Charges" shall mean those certain charges collected by Tampa Bay Water pursuant to the Master Water Supply Contract to be deposited to the Renewal and Replacement Fund.

"Renewal and Replacement Fund Requirement" shall mean, on the date of calculation, an amount of money equal to (1) five percent of the Gross Revenues for the preceding Fiscal Year, or (2) such greater or lesser amount as may be certified to Tampa Bay Water by the Consulting Engineer as an amount appropriate for the purposes of the Bond Resolution.
"Reserve Account Requirement" shall mean, as of any date of calculation for the Reserve Account, an amount equal to the lesser of (1) Maximum Annual Debt Service for all Outstanding Bonds, (2) 125% of the average Annual Debt Service for all Outstanding Bonds, or (3) the maximum amount allowed to be funded from proceeds of tax-exempt obligations and invested at an unrestricted yield pursuant to the Code; provided, however, Tampa Bay Water may establish by Supplemental Resolution a different Reserve Account Requirement for a subaccount of the Reserve Account which secures a Series of Bonds pursuant to the Bond Resolution. In computing the Reserve Account Requirement in respect of a Series of Bonds that constitutes Variable Rate Bonds, the interest rate on such Bonds shall be assumed to be (A) if such Variable Rate Bonds have been Outstanding for at least 24 months prior to the date of calculation, the highest average interest rate borne by such Variable Rate Bonds for any 30-day period, and (B) if such Variable Rate Bonds have not been Outstanding for at least 24 months prior to the date of calculation, the Bond Buyer Revenue Bond Index most recently published prior to the time of calculation. The time of calculation for Variable Rate Bonds shall be each March 1.

"True-up" shall mean the annual reconciliation of moneys paid by Member Governments as provided in the Master Water Supply Contract. True-up shall also include any reconciliation of moneys paid by other Persons which purchase Water from Tampa Bay Water pursuant to a water supply contract.

Interlocal Agreement

The following definitions are some of the primary definitions included in the definitional sections included in APPENDIX C – "Form of Interlocal Agreement."

"Actual Direct Cost" means (1) with respect to the acquisition of Water Supply Facilities, the total capital cost of acquiring and constructing such Water Supply Facilities, excluding any indirect cost; and (2) with respect to Water treatment, the total capital and operating cost of providing such treatment, excluding any indirect cost.

"Points of Connection" means the points identified pursuant to the Master Water Supply Contract, as revised by Tampa Bay Water and the Member Governments from time to time, at which the Member Governments' water utility systems connect to Tampa Bay Water's system.

"Production Failure" means (1) the occurrence of a Shortfall, provided however, that a Shortfall that results from a mechanical, equipment or other facility failure shall not constitute a "Production Failure," or (2) following December 31, 2002, the actual delivery by Tampa Bay Water to the Member Governments during any twelve-month period of a quantity of Quality Water that exceeds 94 percent of the aggregate permitted capacity of Tampa Bay Water's production facilities on an average annual basis, provided however, that if Tampa Bay Water has received a Primary Environmental Permit for additional production facilities and Tampa Bay Water has entered into a contract for final design and has bid construction of the facilities, the additional production quantity specified in the Primary Environmental Permit shall be added to the actual production capacity for purposes of determining if a "Production Failure" has occurred.

"Shortfall" means a situation in which Tampa Bay Water fails to deliver the quantity of Quality Water required by a Member Government.

"Shortfall Amount" means, in the event of a Shortfall, the amount computed by deducting the quantity of Quality Water actually delivered by Tampa Bay Water to a Member Government from the total quantity of Quality Water required by a Member Government.
"Transferred Assets" means the Water Supply Facilities (including real property, tangible personal property and intangible personal property) conveyed to Tampa Bay Water pursuant to the Interlocal Agreement.

"Water Supply Facilities" means Water production, treatment and/or transmission facilities and related real property. The term "Water Supply Facilities" does not include facilities for local distribution.

"Wheel" or "Wheeling" means the process of utilizing any unused transmission capacity in Tampa Bay Water's Water delivery system to transport Quality Water (1) purchased from a supplier other than Tampa Bay Water pursuant to the Interlocal Agreement (regarding Production Failure), or (2) produced from a Member Government's Water Supply Facility acquired or constructed pursuant to the Interlocal Agreement (regarding Production Failure), to a Member Government's Point of Connection during a Shortfall.

Master Water Supply Contract

The following definitions are some of the primarily definitions included in the definitional sections included in APPENDIX D – "Form of Master Water Supply Contract."

"Bond Coverage Costs" shall mean the costs of providing the coverage requirements established by the Financing Documents.

"Debt Service Charges" shall mean the principal, redemption premium, if any, and interest coming due on the Obligations and any recurring costs and expenses relating to the Obligations, including, but not limited to, paying agent, registrar and escrow agent fees, credit enhancement fees and other charges, but only to the extent such costs and expenses are not otherwise reflected in Operation, Maintenance and Administrative Costs.

"Bond Coverage Costs" shall mean the costs of providing the coverage requirements established by the Financing Documents.

"Debt Service Charges" shall mean the principal, redemption premium, if any, and interest coming due on the Obligations and any recurring costs and expenses relating to the Obligations, including, but not limited to, paying agent, registrar and escrow agent fees, credit enhancement fees and other charges, but only to the extent such costs and expenses are not otherwise reflected in Operation, Maintenance and Administrative Costs.

"Financing Documents" shall mean any resolution or resolutions of Tampa Bay Water, as well as any indenture of trust, trust agreement or similar document relating to the issuance or security of the Obligations.

"Fixed Costs" shall mean all costs and expenses incurred by Tampa Bay Water for the operation, maintenance, management, security, development and financing of the System other than Variable Costs.

"Obligations" shall mean the 1999 Bonds, 2001A Bonds, the 2001B Bonds, the 2004 Bonds, the 2005 Bonds, the 2006 Bonds, the 2008 Bonds and the 2011 Bonds and any other Series of bonds or other evidence of indebtedness, including, but not limited to, notes, commercial paper, capital leases or any other obligations of Tampa Bay Water heretofore or hereafter issued or incurred.

"Operating Reserve Funds" shall mean those funds which are deemed by Tampa Bay Water as necessary to meet any cash flow and revenue collection shortfalls due to inaccuracies in the Annual Reports or Annual Estimates or due to the requirements of the Financing Documents. The amount of Operating Reserve Funds shall be established by Tampa Bay Water policy; provided such amount shall not exceed an amount equal to two times the monthly average Variable Costs as provided in Tampa Bay Water's preliminary budget.

"Operation, Maintenance and Administrative Costs" shall mean any and all costs incurred by Tampa Bay Water in operating, maintaining and administering the System, including, but not limited to, the general administrative and legal costs of Tampa Bay Water related to operation, maintenance, management, security and development of the System; costs associated with tools, equipment, vehicles,
supplies, materials, services and support for the operation, maintenance, management, security and development of the System; any costs of litigation or a legal judgment against Tampa Bay Water; costs relating to Water conservation and public education activities; costs of purchasing any Water; development expenses relating to expansion of the System; all costs incurred in planning or applying for, obtaining, maintaining and defending Environmental Permits which shall not be paid from the Capital Improvement Charge; accounting, legal and engineering expenses; ordinary and current rentals of equipment or other property; refunds of moneys lawfully due to others; pension, retirement, health and hospitalization funds; payments in lieu of taxes and facility impact fees; moneys to be deposited to a rate stabilization fund; and fees for management of the System or any portion thereof.

"Quality Water" shall mean Water which (1) meets State and federal drinking water regulations and standards as defined in Rule 62-550, Florida Administrative Code, as it may be amended or superseded from time to time, including regulations pertaining to surface water or groundwater under the direct influence of surface waters, but excluding regulations pertaining to disinfection and corrosivity, and (2) would not cause a particular Member Government utility to adopt new treatment techniques beyond modified chemical dosages and/or optimization of existing unit processes to meet a moderately altered source of Water. Except as otherwise provided in the Master Water Supply Contract, the provisions of this definition are not intended as permission for a Member Government to reject the type of Quality Water to be provided by Tampa Bay Water to such Member Government; provided, however, Tampa Bay Water shall pay for any additional treatment costs required to meet the standards for Quality Water as described in the Master Water Supply Contract. In addition, Quality Water shall meet the standards provided in Exhibit D attached to the Master Water Supply Contract. The term "Quality Water" also includes Water delivered to the Points of Connection identified in Section 3.03(D) of the Interlocal Agreement or to Points of Connection at which a Member Government agrees, at its sole option, to accept Water not meeting the standards for Quality Water pursuant to Section 3.03(E) of the Interlocal Agreement.

"Variable Costs" shall mean all costs and expenses of Tampa Bay Water for the operation, maintenance and management of the System that change in direct proportion to changes in the volume of Water produced by Tampa Bay Water, including, but not limited to, power, chemical and Water purchases.

"Water" shall mean Quality Water and any other water to be used by a Member Government in its public water supply system.

"Water Service" shall mean the provision of Water as required in the Interlocal Agreement to any and all of the Member Governments at the Points of Connection (described in Exhibit C attached to the Master Water Supply Contract) and provision of Water by the Member Governments to their customers.

SECURITY AND SOURCES OF PAYMENT

General

The 2011 Bonds are limited obligations of Tampa Bay Water payable solely from and secured by a lien upon and a pledge of the Pledged Funds, subject in each case to the application thereof for the purposes and on the conditions permitted by the Bond Resolution.

The obligations and liabilities of the Member Governments pursuant to the Master Water Supply Contract are an operating expense of each Member Government's water utility system and are to be paid from their operation and maintenance account except to the extent available moneys have been otherwise
budgeted by a Member Government and legally appropriated for such purpose. See "SUMMARY OF PRINCIPAL AGREEMENTS" - herein and APPENDIX D – "Form of Master Water Supply Contract."

THE 2011 BONDS SHALL NOT BE OR CONSTITUTE GENERAL OBLIGATIONS OR INDEBTEDNESS OF TAMPA BAY WATER WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF FLORIDA, BUT SHALL BE PAYABLE SOLELY FROM AND SECURED BY A LIEN UPON AND A PLEDGE OF THE PLEDGED FUNDS IN THE MANNER AND TO THE EXTENT PROVIDED IN THE BOND RESOLUTION. NO 2011 BONDHOLDER SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF TAMPA BAY WATER OR TAXATION IN ANY FORM ON ANY REAL OR PERSONAL PROPERTY TO PAY SUCH 2011 BONDS OR THE INTEREST THEREON, NOR SHALL ANY 2011 BONDHOLDER BE ENTITLED TO PAYMENT OF SUCH PRINCIPAL AND INTEREST FROM ANY OTHER FUNDS OF TAMPA BAY WATER OTHER THAN THE PLEDGED FUNDS ALL IN THE MANNER AND TO THE EXTENT PROVIDED IN THE BOND RESOLUTION.

Rate Covenant

Tampa Bay Water has covenanted in the Bond Resolution that it shall take all actions to collect Net Revenues, together with the Fund Balance, in each of its Fiscal Years, equal to at least 125% of the Annual Debt Service becoming due in such Fiscal Year, and such Net Revenues shall also be adequate at all times to pay in each Fiscal Year at least 100% of (1) the Annual Debt Service becoming due in such Fiscal Year, (2) any amounts required by the terms of the Bond Resolution to be deposited in the Reserve Account or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy, (3) any amounts to be deposited in the Renewal and Replacement Fund in such Fiscal Year, and (4) any amounts to be repaid to the Capital Improvement Fund in such Fiscal Year.

Reserve Account

The Bond Resolution requires the Reserve Account be funded in an amount equal to the Reserve Account Requirement for all Outstanding Bonds. The Reserve Account Requirement for the Bonds is defined in the Bond Resolution as an amount equal to the lesser of (1) Maximum Annual Debt Service for all Outstanding Bonds, (2) 125% of the average Annual Debt Service for all Outstanding Bonds, or (3) the maximum amount allowed to be funded from proceeds of tax-exempt obligations and invested at an unrestricted yield pursuant to the Code; provided, however, Tampa Bay Water may establish by Supplemental Resolution a different Reserve Account Requirement for a subaccount of the Reserve Account which secures a particular Series of Bonds.

The Reserve Account Requirement for the benefit of the holders of the Outstanding Bonds is currently cash funded in the Reserve Account in the amount of $74,257,841.26. See "ESTIMATED DEBT SERVICE REQUIREMENTS" herein.

Pursuant to the Bond Resolution, Tampa Bay Water is required to fund the Reserve Account upon the issuance of any Additional Bonds in an amount equal to the applicable Reserve Account Requirement. For a more detailed discussion see APPENDIX B – "Composite Bond Resolution."

Flow of Funds

Tampa Bay Water has established under the Bond Resolution the following funds and accounts:

(1) Construction Fund;
(2) Revenue Fund (established therein, the Revenue Account and the Rate Stabilization Account);
(3) Operation, Maintenance and Administration Fund;
(4) Sinking Fund (established therein, the Interest Account, the Principal Account, the Term Bonds Redemption Account and the Reserve Account);
(5) Renewal and Replacement Fund;
(6) Capital Improvement Fund;
(7) Utility Reserve Fund; and
(8) Rebate Fund.

Tampa Bay Water shall deposit promptly, as received, the Gross Revenues (other than the Capital Improvement Charges and Renewal and Replacement Charges) into the Revenue Account. Tampa Bay Water shall deposit promptly, as received, all Renewal and Replacement Charges into the Renewal and Replacement Fund and all Capital Improvement Charges into the Capital Improvement Fund. All moneys received as the result of a True-up shall be deposited promptly into the Utility Reserve Fund. All Government Grants shall be utilized in accordance with the terms of such Government Grant and applicable law.

Operation, Maintenance and Administration Fund. Moneys in the Revenue Account shall first be used each month to deposit in the Operation, Maintenance and Administration Fund such sums as are necessary to pay Operating Expenses for the ensuing month; provided Tampa Bay Water may transfer moneys from the Revenue Account to the Operation, Maintenance and Administration Fund at any time to pay Operating Expenses to the extent there is a deficiency in the Operation, Maintenance and Administration Fund for such purpose. Amounts in the Operation, Maintenance and Administration Fund shall be paid out from time to time by Tampa Bay Water for Operating Expenses. Tampa Bay Water shall establish and fund an operating reserve within the Operation, Maintenance and Administration Fund in an amount which shall be equal to two times the monthly average Variable Costs as provided in Tampa Bay Water's preliminary budget. Moneys in the operating reserve shall be used to pay Operating Expenses to the extent other moneys in the Operation, Maintenance and Administration Fund are not available for such purpose.

All moneys at any time on deposit in the Revenue Account after the aforementioned transfers to the Operation, Maintenance and Administration Fund shall be disposed of by Tampa Bay Water on or before the 25th day of each month in the following manner and in the following order of priority:

Sinking Fund - Interest Account. Tampa Bay Water shall deposit or credit to the Interest Account of the Sinking Fund the sum which, together with the balance in said Account, shall equal the interest on all Bonds Outstanding (except as to Capital Appreciation Bonds) accrued and unpaid and to accrue to the end of the then current calendar month. All Hedge Receipts shall be deposited directly to the Interest Account upon receipt. With respect to interest on Bonds which are subject to a Qualified Hedge Payment, interest on such Bonds during the term of the Qualified Hedge Agreement shall be deemed to be the corresponding Hedge Payments. Moneys in the Interest Account shall be applied by Tampa Bay Water (a) for deposit with the Paying Agents to pay the interest on the Bonds on or prior to the date the same shall become due and (b) for Hedge Payments. Tampa Bay Water shall adjust the amount of the deposit to the Interest Account not later than a month immediately preceding any Interest Date so as to provide sufficient moneys in the Interest Account to pay the interest on the Bonds coming due on such Interest Date. No further deposit need be made to the Interest Account when the moneys therein are equal to the interest coming due on the Outstanding Bonds on the next succeeding Interest Date. With respect to debt service on any Bonds which are subject to a Qualified Hedge Agreement, any Hedge Payments due to the Qualified Hedge Agreement Counterparty relating to such Bonds, shall be paid to the Qualified Hedge Agreement Counterparty on a parity basis with the aforesaid required payments into the Sinking
Fund. In computing the interest on Variable Rate Bonds which shall accrue during a calendar month, the interest rate on such Variable Rate Bonds shall be assumed to be (A) if such Variable Rate Bonds have been Outstanding for at least 24 months prior to the commencement of such calendar month, the highest average interest rate borne by such Variable Rate Bonds for any 30-day period, and (B) if such Variable Rate Bonds have not been Outstanding for at least 24 months prior to the date of calculation, the Bond Buyer Revenue Bond Index most recently published prior to the commencement of such calendar month.

Sinking Fund - Principal Account. Commencing no later than the month which is one year prior to the first principal due date, Tampa Bay Water shall next deposit into the Principal Account the sum which, together with the balance in said Account, shall equal the principal amounts on all Bonds Outstanding due and unpaid and that portion of the principal next due which would have accrued on such Bonds during the then current calendar month if such principal amounts were deemed to accrue monthly (assuming that a year consists of 12 equivalent calendar months having 30 days each) in equal amounts from the next preceding principal payment due date, or, if there be no such preceding payment due date from a date one year preceding the due date of such principal amount. Moneys in the Principal Account shall be applied by Tampa Bay Water for deposit with the Paying Agents to pay the principal of the Bonds on or prior to the date the same shall mature, and for no other purpose. Serial Capital Appreciation Bonds shall be payable from the Principal Account in the years in which such Bonds mature and monthly payments into the Principal Account on account of such Bonds shall commence in the month of the respective Bond Years in which such Bonds mature. Tampa Bay Water shall adjust the amount of the deposit to the Principal Account not later than the month immediately preceding any principal payment date so as to provide sufficient moneys in the Principal Account to pay the principal on Bonds becoming due on such principal payment date. No further deposit need be made to the Principal Account when the moneys therein are equal to the principal coming due on the Outstanding Bonds on the next succeeding principal payment date.

Sinking Fund - Term Bonds Redemption Account. Commencing in the month which is one year prior to the first Sinking Fund Installment due date, there shall be deposited to the Term Bonds Redemption Account the sum which, together with the balance in such Account, shall equal the Sinking Fund Installments on all Bonds Outstanding due and unpaid and that portion of the Sinking Fund Installments of all Bonds Outstanding next due which would have accrued on such Bonds during the then current calendar month if such Sinking Fund Installments were deemed to accrue monthly (assuming that a year consists of 12 equivalent calendar months having 30 days each) in equal amounts from the next preceding Sinking Fund Installment due date, or, if there is no such preceding Sinking Fund Installment due date, from a date one year preceding the due date of such Sinking Fund Installment. Moneys in the Term Bonds Redemption Account shall be used to purchase or redeem Term Bonds in the manner provided below, and for no other purpose. Tampa Bay Water shall adjust the amount of the deposit to the Term Bonds Redemption Account on the month immediately preceding any Sinking Fund Installment Date so as to provide sufficient moneys in the Term Bonds Redemption Account to pay the Sinking Fund Installments becoming due on such date. Payments to the Term Bonds Redemption Account shall be on parity with payments to the Principal Account.

Amounts accumulated in the Term Bonds Redemption Account with respect to any Sinking Fund Installment (together with amounts accumulated in the Interest Account with respect to interest, if any, on the Term Bonds for which such Sinking Fund Installment was established) may be applied by Tampa Bay Water, on or prior to the 60th day preceding the due date of such Sinking Fund Installment, (a) to the purchase of Term Bonds of the Series and maturity for which such Sinking Fund Installment was established, or (b) to the redemption at the applicable Redemption Prices of such Term Bonds, if then redeemable by their terms. Amounts in the Term Bonds Redemption Account which are used to redeem Term Bonds shall be credited against the next succeeding Amortization Installment which shall become due on such Term Bonds. The applicable Redemption Price (or principal amount of maturing Term Bonds) shall be applied to such Term Bonds, and Tampa Bay Water shall adjust the amount of the deposit to the Term Bonds Redemption Account on the month immediately preceding any Sinking Fund Installment Date so as to provide sufficient moneys in the Term Bonds Redemption Account to pay the Sinking Fund Installments becoming due on such date. Payments to the Term Bonds Redemption Account shall be on parity with payments to the Principal Account.
Bonds) of any Term Bonds so purchased or redeemed shall be deemed to constitute part of the Term Bonds Redemption Account until such Sinking Fund Installment date, for the purposes of calculating the amount of such Account. As soon as practicable after the 60th day preceding the due date of any such Sinking Fund Installment, Tampa Bay Water shall proceed to call for redemption on such due date, by causing notice to be given as provided in the Bond Resolution, Term Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Term Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. Tampa Bay Water shall pay out of the Term Bonds Redemption Account and the Interest Account to the appropriate Paying Agents, on or before the day preceding such redemption date (or maturity date), the amount required for the redemption (or for the payment of such Term Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Term Bonds shall be paid by Tampa Bay Water from the Operation, Maintenance and Administration Fund.

**Sinking Fund - Reserve Account.** There shall be deposited to the Reserve Account an amount which would enable Tampa Bay Water to restore the funds on deposit in the Reserve Account to an amount equal to the Reserve Account Requirement applicable thereto. All deficiencies in the Reserve Account must be made up no later than 12 months from the date such deficiency first occurred, whether such shortfall was caused by decreased market value or withdrawal (whether from cash or a Reserve Account Insurance Policy or Reserve Account Letter of Credit). On or prior to each principal payment date and Interest Date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Reserve Account shall be applied by Tampa Bay Water to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds to the extent moneys in the Interest Account, the Principal Account and the Term Bonds Redemption Account shall be insufficient for such purpose, but only to the extent the moneys transferred from the Utility Reserve Fund for such purposes pursuant to the subsection "Utility Reserve Fund" below shall be inadequate to fully provide for such insufficiency. Whenever there shall be surplus moneys in the Reserve Account by reason of a decrease in the Reserve Account Requirement or as a result of a deposit in the Reserve Account Letter of Credit or a Reserve Account Insurance Policy, such surplus moneys, to the extent practicable, shall be deposited by Tampa Bay Water into the Utility Reserve Fund.

**Renewal and Replacement Fund.** There shall be deposited to the Renewal and Replacement Fund such sums as shall be sufficient to pay 1/12 of an amount equal to the Renewal and Replacement Fund Requirement until the amount accumulated in such Fund is equal to such Renewal and Replacement Fund Requirement. In the event that the Consulting Engineer shall certify that the Renewal and Replacement Fund Requirement is excessive for the purposes of the Renewal and Replacement Fund such excess amount as may be on deposit therein may be transferred by Tampa Bay Water from the Renewal and Replacement Fund for deposit into the Utility Reserve Fund. Deposits to the Renewal and Replacement Fund described above shall first come from the Renewal and Replacement Charges, and thereafter from moneys in the Revenue Account. Moneys in the Renewal and Replacement Fund may be transferred to the Interest Account, the Principal Account, the Term Bonds Redemption Account and the Operation, Maintenance and Administration Fund to the extent other moneys available therefor shall be insufficient for such purpose.

**Subordinated Indebtedness.** Gross Revenues shall next be applied by Tampa Bay Water for the payment of any debt service and other required deposits on Subordinated Indebtedness incurred by Tampa Bay Water in connection with the System and in accordance with the proceedings authorizing such Subordinated Indebtedness.

**Utility Reserve Fund.** The balance of any Gross Revenues remaining in said Revenue Account shall be deposited in the Utility Reserve Fund and applied to the payment, on or prior to each principal
and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein shall be insufficient to pay the principal of and interest on the Bonds coming due. Moneys not required to meet such a deficiency shall be deposited, first, to the Capital Improvement Fund to make up any withdrawal from such Fund pursuant to the Bond Resolution, second, to the Reserve Account to make up any deficiency therein, and, third, to the Rebate Fund to the extent moneys are required to be on deposit therein. Thereafter, moneys in the Utility Reserve Fund may be applied for any lawful purpose relating to the System, including, but not limited to, purchase or redemption of Bonds, payment of Subordinated Indebtedness, deposit to the Rate Stabilization Account and improvements, renewals and replacements to the System; provided, however, that none of such moneys shall ever be used for the purposes provided in this subsection unless all payments required in the subsections above, including any deficiencies for prior payments, have been made in full to the date of such use. All moneys required to be paid by Tampa Bay Water to a Member Government as part of a True-Up shall be paid from the Utility Reserve Fund. Any moneys received by or paid by Tampa Bay Water in regard to a True-Up shall not be considered either a Gross Revenue or Operating Expense under the Bond Resolution.

**Capital Improvement Fund.** Tampa Bay Water shall deposit into the Capital Improvement Fund all Capital Improvement Charges as received and such Capital Improvement Charges shall be accumulated in the Capital Improvement Fund and applied by Tampa Bay Water in the following manner and order of priority:

(A) For the payments on or prior to each principal and interest payment date (in no event earlier than the 25th day of the month next preceding such payment date) into the Interest Account, the Principal Account and the Term Bonds Redemption Account, when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund, the Reserve Account, the Renewal and Replacement Fund and the Rate Stabilization Account for such purpose pursuant to the Bond Resolution shall be inadequate to fully provide for such insufficiency. Any moneys transferred to the aforementioned Accounts described above shall be repaid from Gross Revenues as described in the subsection "Utility Reserve Fund" on or prior to the date such amounts are needed for the purposes described in the Bond Resolution.

(B) To pay or reimburse the capital cost of acquiring and/or constructing such improvements or additions to the System for which the Capital Improvement Charges were imposed in accordance with requisitions for disbursement of moneys provided by Tampa Bay Water.

See "SUMMARY OF PRINCIPAL AGREEMENTS - Master Water Supply Contract - Setting Annual Rate." (It should be noted that Capital Improvement Charges are based upon the amounts identified therefor in Tampa Bay Water's annual budgeting process. Such charges are discretionary in that they have to be approved by the Member Governments in setting annual rates.)

**Rate Stabilization Account.** Tampa Bay Water may transfer into the Rate Stabilization Account such moneys which are on deposit in the Utility Reserve Fund as it deems appropriate. Tampa Bay Water may transfer such amounts from the Rate Stabilization Account to the Revenue Account as it deems appropriate; provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Rate Stabilization Account shall be applied for payment into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund, the Reserve Account and the Renewal and Replacement Fund for such purposes pursuant to the Bond Resolution shall be inadequate to fully provide for such insufficiency.
Additional Bonds

Tampa Bay Water may issue one or more Series of Additional Bonds for any one or more of the following purposes: (i) financing the Cost of a Project, or the completion thereof, or (ii) refunding any or all Outstanding Bonds or of any Subordinated Indebtedness of Tampa Bay Water.

No such Additional Bonds shall be issued unless the following conditions are complied with:

(A) Except in the case of Additional Bonds issued for the purpose of refunding Outstanding Bonds, Tampa Bay Water shall certify that it is current in all deposits into the various funds, accounts and subaccounts established hereby and all payments theretofore required to have been deposited or made by it under the provisions of the Bond Resolution have been deposited or made and it has complied with the covenants and agreements of the Bond Resolution.

(B) The General Manager shall certify on behalf of Tampa Bay Water to the effect that:
   (1) the Net Revenues for any 12 consecutive months selected by Tampa Bay Water of the 24 months immediately preceding the issuance of said Additional Bonds, together with the Fund Balance on the last day of such 12-month period, were equal to at least 125% of the Debt Service on the Outstanding Bonds during such 12-month period; and
   (2) the Net Revenues for such 12-month period were equal to at least 100% of (a) the Debt Service on the Outstanding Bonds for such 12-month period, (b) any amounts required by the terms of the Bond Resolution to be deposited in the Renewal and Replacement Fund during such 12-month period, (c) any amounts required by the terms of the Bond Resolution to be deposited to the Reserve Account or with any issuer of a Reserve Account Insurance Policy or Reserve Account Letter of Credit during such 12-month period, and (d) any amounts required by the terms of the subparagraph (A) of the "Capital Improvement Fund" subsection above to be repaid to the Capital Improvement Fund during such 12-month period.

(C) The General Manager shall certify on behalf of Tampa Bay Water to the effect that:
   (1) the Net Revenues for any 12 consecutive months selected by Tampa Bay Water of the 24 months immediately preceding the issuance of said Additional Bonds, together with the Fund Balance on the last day of such 12-month period and Debt Service on any Additional Bonds issued subsequent to the commencement of such 12-month period, were equal to at least 125% of the Debt Service on the Outstanding Bonds during such 12-month period and Debt Service on any Additional Bonds issued subsequent to the commencement of such 12-month period (assuming such Additional Bonds had been issued at the beginning of such 12-month period), and
   (2) the amount of Net Revenues for such 12-month period were equal to at least 100% of (a) the Debt Service on the Outstanding Bonds during such 12-month period and Debt Service for such 12-month period on any Additional Bonds issued subsequent to the commencement of such 12-month period (assuming such Additional Bonds had been issued at the beginning of such 12-month period), (b) any amounts required by the terms of the Bond Resolution to be deposited in the Renewal and Replacement Fund during such 12-month period, (c) any amounts required by the terms of the Bond Resolution to be deposited to the Reserve Account or with any issuer of a Reserve Account Insurance Policy or Reserve Account Letter of Credit during such 12-month period, and (d) and amounts required by the terms of Section 4.06(A) of the Bond Resolution to be repaid to the Capital Improvement Fund during such 12-month period. For purposes of this subsection (C), Net Revenues may be adjusted to take into account any additional sales of water and any increases or decreases in the rates, fees or other charges for the product, services or facilities of the System which occurred subsequent to the commencement of the 12-month period and which went into effect prior to the date of issuance of the Additional Bonds in question, all as set forth in a certificate of the General Manager. Such certificate shall assume such increase or decrease was in effect during the entire 12-month period.

(D) The Rate Consultant shall provide Tampa Bay Water with a report or, at the option of Tampa Bay Water, the General Manager shall certify on behalf of Tampa Bay Water to the effect that
Tampa Bay Water shall be in compliance with the rate covenant described above under the subheading Rate Covenant for the Fiscal Year in which such Additional Bonds are issued and each of the next succeeding four Fiscal Years. The Rate Consultant or the General Manager, as the case may be, may make an allowance for estimated Net Revenues and Fund Balance for each of the aforementioned Fiscal Years arising from any increase or decrease in the rates, fees or other charges for the product, services or facilities of the System estimated to be fixed, prescribed and received and which, in the opinion of the General Manager, are economically feasible and reasonably considered necessary based upon projected operations for such period. The Rate Consultant or the General Manager, as the case may be, may also take into account any increases in income reasonably expected to be received during the aforementioned Fiscal Years and the issuance of any Additional Bonds during such time period.

(E) For purposes of subsections (B) and (C), the term "12-month period" shall mean any 12 consecutive months selected by Tampa Bay Water of the 24 months immediately preceding the issuance of the Additional Bonds.

(F) For the purpose of determining the Debt Service under this section, the interest rate on additional parity Variable Rate Bonds then proposed to be issued shall be deemed to be the Bond Buyer Revenue Bond Index most recently published prior to the sale of such Additional Bonds.

(G) For the purpose of determining the Debt Service under this section, the interest rate on Outstanding Variable Rate Bonds shall be deemed to be (1) if such Variable Rate Bonds have been Outstanding for at least 24 months prior to the date of sale of such Additional Bonds, the highest average interest rate borne by such Variable Rate Bonds for any such 30-day period, or (2) if such Variable Rate Bonds have not been Outstanding for at least 24 months prior to the date of sale of such Additional Bonds, the Bond Buyer Revenue Bond Index most recently published prior to the sale of such Additional Bonds.

(H) Additional Bonds shall be deemed to have been issued pursuant to the Bond Resolution the same as the Outstanding Bonds, and all of the other covenants and other provisions of the Bond Resolution (except as to details of such Additional Bonds inconsistent therewith) shall be for the equal benefit, protection and security of the Holders of all Bonds issued pursuant to the Bond Resolution. Except as provided in Sections 4.02 and 4.05 of the Bond Resolution (regarding security for the Bonds and disposition of gross revenues), all Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Pledged Funds and their sources and security for payment therefrom without preference of any Bonds over any other.

(I) In the event any Additional Bonds are issued for the purpose of refunding any Bonds then Outstanding, the conditions of subsections (B), (C) and (D) shall not apply, provided that the issuance of such Additional Bonds shall not result in an increase in Maximum Annual Debt Service. The conditions of subsections (B), (C) and (D) shall apply to Additional Bonds issued to refund Subordinated Indebtedness and to Additional Bonds issued for refunding purposes which cannot meet the conditions of this paragraph.

Other Covenants

Tampa Bay Water has made several other covenants in the Bond Resolution including, but not limited to, matters relating to maintaining books and records, completing annual audits, enforcing collections under the Master Water Supply Contract, maintaining insurance on the System, mortgaging or selling components of the System and maintaining the System. For a more complete description of these and other covenants, see APPENDIX B – "Composite Bond Resolution."
THE REFUNDING PLAN

A portion of the net proceeds of the 2011 Bonds, combined with other legally available funds of Tampa Bay Water, will be used by Tampa Bay Water to currently refund on the Delayed Delivery Closing Date certain of its Utility System Refunding and Improvement Revenue Bonds, Series 2001A, currently outstanding in the principal amount of $112,385,000, namely the 2001A Serial Bonds maturing on October 1, 2012 through October 1, 2021 (the "Refunded Bonds"). The Refunded Bonds will be called for redemption on October 1, 2011. See "ESTIMATED SOURCES AND USES OF PROCEEDS" herein. Tampa Bay Water and U.S. Bank National Association, (the "Escrow Agent"), upon delivery of the 2011 Bonds, will enter into an Escrow Deposit Agreement (the "Escrow Agreement"), which provides for an irrevocable escrow deposit trust fund (the "Escrow Fund") to be held by the Escrow Agent. Immediately upon the issuance and delivery of the 2011 Bonds on the Delayed Delivery Closing Date, Tampa Bay Water will deposit a portion of the proceeds from the sale of the 2011 Bonds as well as other available funds of Tampa Bay Water into the Escrow Fund. Moneys deposited in the Escrow Fund may be invested in direct obligations of the United States of America (the "Escrow Investments"), maturing in amounts, without reinvestment, together with cash held in such Escrow Fund, to pay the principal of and accrued interest to the redemption date (October 1, 2011) for the Refunded Bonds.

The moneys and Escrow Investments held in such Escrow Fund, all interest or other income thereon and any proceeds from the disposition thereof, will be used only to pay the principal of and accrued interest to the redemption date on the Refunded Bonds and will not be available for payment of debt service on the 2011 Bonds.

Upon the Delayed Delivery Pre-Closing Date for the 2011 Bonds, The Arbitrage Group, Inc. will verify the accuracy of the arithmetical computations of the adequacy of the amount of the proceeds from the 2011 Bonds, without the need for investment, to be held in the Escrow Fund to pay the principal of and interest on the Refunded Bonds prior to maturity, as referenced above. See "VERIFICATION OF ARITHMETICAL COMPUTATIONS" herein. Based upon and in reliance on such verification and other certificates and opinions, in the opinion of Bond Counsel, the Refunded Bonds will be deemed to be no longer outstanding under the Bond Resolution as of the Delayed Delivery Closing Date.

ESTIMATED SOURCES AND USES OF PROCEEDS

**SOURCES**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Amount of 2011 Bonds</td>
<td>$104,645,000.00</td>
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<tr>
<td>Original Issue Premium</td>
<td>10,145,938.30</td>
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<tr>
<td>Other Legally Available Funds of Tampa Bay Water</td>
<td>1,397,131.25</td>
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<tr>
<td><strong>Total Sources</strong></td>
<td><strong>$116,188,069.55</strong></td>
</tr>
</tbody>
</table>

**USES**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Deposit to Escrow Account</td>
<td>$115,179,262.50</td>
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<tr>
<td>Costs of Issuance(1)</td>
<td>1,008,807.05</td>
</tr>
<tr>
<td><strong>Total Uses</strong></td>
<td><strong>$116,188,069.55</strong></td>
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</table>

(1) Includes the fees and out-of-pocket expenses for Bond Counsel, Disclosure Counsel and Financial Advisor, Underwriters' Discount, printing, rating and other associated costs of issuance.
<table>
<thead>
<tr>
<th>Fiscal Year Ending September 30</th>
<th>Currently Outstanding Bonds (1)</th>
<th>2011 Bonds</th>
<th>Aggregate Debt Service</th>
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<tbody>
<tr>
<td></td>
<td>Principal</td>
<td>Interest</td>
<td>Debt Service</td>
</tr>
<tr>
<td>2011</td>
<td>$68,177,186</td>
<td>$1,220,858</td>
<td>$1,220,858</td>
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<tr>
<td>2012</td>
<td>$59,532,716</td>
<td>$8,325,000</td>
<td>5,232,250</td>
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<tr>
<td>2013</td>
<td>$59,548,366</td>
<td>8,735,000</td>
<td>4,816,000</td>
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<tr>
<td>2014</td>
<td>$58,176,716</td>
<td>9,170,000</td>
<td>4,379,250</td>
</tr>
<tr>
<td>2015</td>
<td>$56,541,829</td>
<td>9,630,000</td>
<td>3,920,750</td>
</tr>
<tr>
<td>2016</td>
<td>$56,537,766</td>
<td>10,115,000</td>
<td>3,439,250</td>
</tr>
<tr>
<td>2017</td>
<td>$56,553,066</td>
<td>10,615,000</td>
<td>2,933,500</td>
</tr>
<tr>
<td>2018</td>
<td>$56,550,379</td>
<td>11,140,000</td>
<td>2,402,750</td>
</tr>
<tr>
<td>2019</td>
<td>$56,536,216</td>
<td>11,710,000</td>
<td>1,845,750</td>
</tr>
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<td>2020</td>
<td>$56,535,204</td>
<td>12,290,000</td>
<td>1,260,250</td>
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<td>2021</td>
<td>$56,535,489</td>
<td>12,915,000</td>
<td>645,750</td>
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<td>2022</td>
<td>71,131,183</td>
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<td>2023</td>
<td>71,128,463</td>
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<td>2024</td>
<td>71,127,213</td>
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<td>2025</td>
<td>69,346,813</td>
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<td>2026</td>
<td>69,348,175</td>
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<td>2027</td>
<td>69,346,688</td>
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<td>2028</td>
<td>71,253,606</td>
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<td>2029</td>
<td>71,257,731</td>
<td>--</td>
<td>--</td>
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<td>2030</td>
<td>71,254,544</td>
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<td>2031</td>
<td>71,255,263</td>
<td>--</td>
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<td>2032</td>
<td>26,836,888</td>
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<td>2033</td>
<td>26,838,750</td>
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<td>2034</td>
<td>26,839,800</td>
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<td>--</td>
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<td>2035</td>
<td>26,840,125</td>
<td>--</td>
<td>--</td>
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<tr>
<td>2036</td>
<td>26,837,650</td>
<td>--</td>
<td>--</td>
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<tr>
<td>2037</td>
<td>26,840,250</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>2038</td>
<td>26,838,000</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>TOTAL(2)</td>
<td>$1,535,546,073</td>
<td>$104,645,000</td>
<td>$32,096,358</td>
</tr>
</tbody>
</table>

(1) Includes the 2010 Bonds and reflects the refunding of the Utility System Revenue Bonds, Series 1998A in the principal amount of $27,360,000, the Utility System Revenue Bonds, Series 1998B in the principal amount of $38,340,000 and the Utility System Revenue Bonds, Series 2001B in the principal amount of $6,740,000 with proceeds from the 2010 Bonds. It also takes into account the refunding of the Refunded Bonds with proceeds from the 2011 Bonds on the Delayed Delivery Closing Date.

(2) Totals may not add due to rounding.

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DERIVATIVE FINANCIAL INSTRUMENTS

In August 2005, Tampa Bay Water's Board of Directors authorized multiple forward starting Bond Market Association ("BMA") Municipal Swap Index swaptions on a portion of the 2001A Bonds and 2001B Bonds. Tampa Bay Water entered into three floating-to-fixed interest rate swap option transactions that month (collectively, the "2005 Swaption"). The 2005 Swaption, in the notional amortizing principal amount of $147,645,000, was allocated evenly among the following Counterparties: Bear Stearns Financial Products Inc.*, Raymond James/J.P. Morgan Chase Bank, N.A. and Citibank, N.A. The upfront gross premium amount paid to Tampa Bay Water to enter into the 2005 Swaption was $7.666 million (5.2% net present value savings). The 2005 Swaption allowed Tampa Bay Water to achieve a synthetic forward refunding of certain of the 2001B Bonds to lock in savings based on the then current market conditions. Such 2001B Bonds are not eligible for a traditional current refunding until October 1, 2011. The terms of the 2005 Swaption were structured to mirror the terms on the optional redemption features of the 2001B Bonds.

Tampa Bay Water entered into three floating-to-fixed interest rate swap option transactions (collectively, the "2007 Swaption") in February 2007. The 2007 Swaption, in the notional amortizing principal amount of $138,550,000, was allocated evenly among the Counterparties, Bear Stearns Financial Products Inc.*, Raymond James/J.P. Morgan Chase Bank, N.A. and Citibank, N.A. The upfront gross premium amount paid to Tampa Bay Water to enter into the 2007 Swaption was $7.216 million (5.21% net present value savings). The 2007 Swaption allowed Tampa Bay Water to achieve a synthetic forward refunding of certain of the 2001A Bonds (not any of the Refunded Bonds) to lock in savings based on the then current market conditions. Such 2001A Bonds are not eligible for a traditional current refunding until October 1, 2011. The terms of the 2007 Swaption were structured to mirror the terms on the optional redemption features of the 2001A Bonds.

For more information, see APPENDIX E – "Tampa Bay Water's Financial Statements – Notes to Financial Statements – Derivative Financial Interests."

TAMPA BAY WATER'S SYSTEM**

Background and History

Tampa Bay Water currently provides water to all of the Member Governments which supply water to approximately 2.4 million residents of the Tampa Bay area. Total Water Year ("WY") 2009 (October 1, 2008 – September 30, 2009) production from Tampa Bay Water managed facilities was approximately 62.5 billion gallons, an average of approximately 171 million gallons per day ("mgd").

Prior to the acquisition of the Transferred Assets and the adoption of both the Interlocal Agreement and the Master Water Supply Contract, Tampa Bay Water supplied the Member Governments with water under the Regional System Water Supply Contract through a "subscription" method of distribution. The "subscription" approach recovered cost by apportioning the cost of each facility in the system to specific Member Governments that were entitled to receive water from that facility. Water entitlements and rates for water varied widely under this method of water supply. The Predecessor Authority also supplied water to Pasco and New Port Richey under the Starkey Wellfield Water Supply Contract and the North Pasco Regional Wellfield Water Supply Contract, to Hillsborough County under

* JPMorgan Chase & Co. acquired The Bear Stearns Companies Inc. on June 1, 2008.
** For more information regarding Tampa Bay Water's System, see "Consulting Engineer's Report" in APPENDIX A hereto. The Consulting Engineer's Report will not be updated between the Delayed Delivery Pre-Closing Date and the Delayed Delivery Closing Date.
the Water Supply Contract for Hillsborough County, and to Tampa under the Water Supply Contract for the Tampa Bypass Canal. Tampa Bay Water controlled the supply of water from the Cosme-Odessa and Section 21 Wellfields owned by St. Petersburg under an Operation and Management Agreement between the Predecessor Authority and St. Petersburg.

By entering into the Interlocal Agreement and the Master Water Supply Contract, Tampa Bay Water eliminated the subscription/entitlement method of water supply and operates a water supply system with a uniform rate charged to all of the Member Governments with the exception of the City of Tampa. Tampa Bay Water charges the City of Tampa a separate rate for water delivered from the Tampa Bypass Canal that is not attributable to Tampa Bay Water augmentation projects. See "WATER RATES AND CHARGES - Description of Uniform Rate."

**Description of the System**

Tampa Bay Water's water utility system consists of a number of wellfields, transmission pipelines, a surface water treatment plant (the "Surface Water Treatment Plant"), the 15 billion gallon the C.W. Bill Young Regional Reservoir (the "Regional Reservoir"), a desalination water treatment plant, storage facilities, metered interconnects, and pumping stations (the "System"). The water supply sources, treatment facilities, storage facilities and distribution facilities described below make up the entire System which supplies water to meet the water demands of the Member Governments under the Governance Documents.

**Service Area**

Tampa Bay Water and its Member Governments serve approximately 85% of persons residing in Hillsborough, Pinellas and Pasco Counties. Tampa Bay Water has divided Hillsborough, Pinellas and Pasco Counties into eight Water Demand Planning Areas ("WDPAs") in order to more efficiently provide service to its customers. The WDPAs generally correspond with Member Governments' water service area boundaries. Some portions of the WDPAs are served by other water supply providers or domestic self-supply wells. Member Governments distribute water provided by Tampa Bay Water to individual households and other establishments through distribution systems they own and manage, and some Member Governments also supply bulk quantities of water on a wholesale basis to other utilities. These other utilities then distribute water to retail customers through distribution systems they own and operate. See the table below for a list of retail and wholesale areas served by each Member Government.
### Retail and Wholesale Customers Served by Member Governments

<table>
<thead>
<tr>
<th>Description</th>
<th>Member Government</th>
<th>Direct Retail</th>
<th>Customer Type</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hillsborough</td>
<td>Unincorporated Hillsborough</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>New Port Richey</td>
<td>New Port Richey and unincorporated Pasco (Maytum-Chambers Service Area)</td>
<td>Port Richey, Lindrick Service Corp.</td>
</tr>
<tr>
<td></td>
<td>Pasco</td>
<td>Unincorporated Pasco</td>
<td>Various private utilities</td>
</tr>
<tr>
<td></td>
<td>Pinellas</td>
<td>Unincorporated Pinellas, and fifteen municipalities including Largo, Seminole, Kenneth City, and beach communities south of Clearwater</td>
<td>Clearwater, Pinellas Park, Tarpon Springs, Safety Harbor, Dunedin and Oldsmar</td>
</tr>
<tr>
<td></td>
<td>St. Petersburg</td>
<td>St. Petersburg, South Pasadena, and unincorporated Pinellas County</td>
<td>Gulfport</td>
</tr>
<tr>
<td></td>
<td>Tampa</td>
<td>Tampa and unincorporated Hillsborough</td>
<td>Negligible wholesale distribution</td>
</tr>
</tbody>
</table>

### Water Demand

In 2008, Tampa Bay Water updated its demand forecast system ("DFS") to forecast future water demands. The DFS quantifies how socioeconomic, meteorological, and policy decisions influence potable water demand in its service area. The regional demand model calculates demand inclusive of the influence of meteorological, socioeconomic, and policy conditions. This updated model is combined with projections of socioeconomic growth and meteorological conditions to generate forecasts of water demands for each water demand planning area served by Tampa Bay Water. It also reflects uncertainties in long-term projection data such as seasonality, abnormal weather patterns, or population projections. Tampa Bay Water believes the updated DFS allowed it to better plan the capacity and construction sequencing of future water supply projects to maximize cost effectiveness.

Total expected delivery to all the Member Governments for Fiscal Year 2010 is approximately 153 mgd and for Fiscal Year 2011 is estimated to be 160 mgd. See "MEMBER GOVERNMENT WATER CONSUMPTION." Tampa Bay Water is required under the terms and conditions of the Master Water Supply Contract to meet its Member Governments' water demands. The increase in water demand by the Member Governments together with water withdrawal reduction requirements is being met by the development of new water supplies by Tampa Bay Water through the implementation of its Master Water Plan.
Water Supply

General

Water to supply Tampa Bay Water's System is obtained from thirteen (13) wellfields, two (2) interconnections with the City of Tampa's water distribution system, and surface water withdrawal facilities. Tampa Bay Water also owns and operates two small groundwater facilities, the Eagles Wells and the Carrollwood Wells. The Regional Reservoir, desalination water treatment plant, the Surface Water Treatment Plant, Cross Bar Ranch Wellfield, Cypress Bridge Wellfield, Cypress Creek Wellfield, Northwest Hillsborough Regional Wellfield, North Pasco Wellfield, Starkey Wellfield, Brandon Dispersed Wells and South Central Hillsborough Regional Wellfield are owned by Tampa Bay Water. Cosme-Odessa Wellfield, Section 21 Wellfield and South Pasco Wellfield were previously owned by St. Petersburg. The wellhead sites and transmission lines and their easements are now owned by Tampa Bay Water. Pinellas had contractual rights to the removal of water from Eldridge-Wilde Wellfield and transferred those rights to Tampa Bay Water as part of the Transferred Assets. Morris Bridge Wellfield facilities were owned by Tampa and were transferred to Tampa Bay Water as part of the Transferred Assets. The Northwest, Brandon and South Central Hillsborough Wellfields include several dispersed wells which were owned and operated by Hillsborough and were transferred to Tampa Bay Water as part of the Transferred Assets.

The sources of surface water supply include the Hillsborough River, Tampa Bypass Canal, Alafia River, and seawater from Tampa Bay. The Tampa Bypass Canal Pump Station diverts 0 to 194 mgd from the Hillsborough River to the Tampa Bypass Canal based on the flow rate of the river. This excess river flow, as well as flow originating from the Tampa Bypass Canal, is withdrawn at a single pumping facility. The pump station delivers raw water to the Surface Water Treatment Plant. Excess withdrawals are pumped to the Regional Reservoir for seasonal storage. The Alafia River Pump Station diverts from 0 to 51.8 mgd of flow from the Alafia River to the Surface Water Treatment Plant through the South-Central Hillsborough Intertie, or excess flows are pumped to the Regional Reservoir. The Regional Reservoir provides storage capacity during high river flow periods so that the stored water can be utilized as a reliable water source when surface water is not available for withdrawal from the river systems. The designed storage capacity of the Regional Reservoir is approximately 15 billion gallons.

Tampa Bay Water owns and operates a booster pump station at the Tampa/Hillsborough Interconnect that can be utilized to increase the pressure of the City of Tampa supply, allowing 0 to 15 mgd of surplus supply to be delivered into the Hillsborough County water distribution system on a seasonal basis. Tampa Bay Water's Harney Pumping Station (also known as the Tampa Bypass Canal at Harney Road Pumping Station) augments the City of Tampa's water supply when necessary by pumping raw water from the Tampa Bypass Canal to the Hillsborough River Reservoir. Tampa Bay Water may repurchase some of the water through the Tampa/Hillsborough Interconnect after it is treated at the City of Tampa's water treatment plant.

Regional Reservoir

The Regional Reservoir is located in southern Hillsborough County. The facility is designed to store up to 15 billion gallons from various surface water sources. Construction of the facility was completed in 2005 and, following approval from the Florida Department of Environmental Protection (the "FDEP"), was placed into full operational status in June 2005. Beginning in December 2006, larger-than-expected cracks began to form in the flat-plate soil-cement on the interior face of the embankment. The flat-plate soil-cement is an erosion barrier that provides erosion protection for the embankment and is not a structural component of the reservoir. Engineers engaged by both Tampa Bay Water and the FDEP agree that the reservoir is safe and poses no public safety hazard. In August 2008, the FDEP and Tampa
Bay Water agreed to limit the fill elevation at the Regional Reservoir to 105 feet (approximately 6.5 billion gallons) to prevent potential storm-related wave damage to the cracked areas in the flat-plate soil-cement, until Tampa Bay Water could provide reasonable assurances that erosion features that might exist beneath the flat-plate soil-cement in these areas had been identified and repaired. In November and December 2008, Tampa Bay Water completed test procedures that demonstrated the erosion features in the soil wedge directly under the flat plate soil cement could be located using ground penetrating radar. In June 2009, Tampa Bay Water completed a short-term repair program at a cost of approximately $2 million at the facility and received FDEP approval to return the Regional Reservoir to its designed capacity. Tampa Bay Water believes it will be necessary to perform similar short-term repairs to this Reservoir in the future until the causal factors underlying the cracks are addressed.

Tampa Bay Water developed a plan and schedule for completing the analysis of causal factors for the failure of the flat-plate soil-cement as an erosion control measure and for development of a solution. In June 2009, the Board of Directors approved a program that will move forward with design and environmental permitting of the planned construction remedy which will be planned for the 2012 to 2013 timeframe.

On December 10, 2008, Tampa Bay Water filed suit for damages related to the abnormal cracking of the soil-cement interior facing of the Regional Reservoir. Tampa Bay Water estimates its damages to be in excess of $100,000,000 and is pursuing this litigation vigorously. There have been two mediation sessions to date with another scheduled for October 2010. On October 18, 2010, the Board of Directors approved key terms for a $6 million settlement agreement with CDG, the firm that provided construction management and administration for the Regional Reservoir. When finalized, the settlement agreement will generate the first proceeds from the litigation filed against the reservoir's designer, contractor and construction manager. Trial is now scheduled for July 2011 for the remaining defendants.

**Tampa Bay Seawater Desalination Plant**

The Tampa Bay Seawater Desalination Plant (the "Desalination Plant") can provide up to 28.75 mgd of drought-proof supply to the System, and may be expanded to 35 mgd in the future. Water from the bay is pumped to the Desalination Plant and treated. The treated water is pumped to Tampa Bay Water's Regional Facilities Site via the Desalination Transmission Main. At the Regional Facilities Site, the desalinated water is combined with treated surface water and groundwater supplies, then it is pumped out for distribution to the Member Governments.

On November 15, 2004, the Tampa Bay Water Board of Directors approved a 20-year Operation, Maintenance and Management Services Agreement for operation of the Desalination Plant with American Water-Pridesa, LLC. Under this Agreement, American Water-Pridesa, LLC operates and maintains the Desalination Plant and Tampa Bay Water pays a service fee consisting of a Base OM&M Charge, as defined in the Agreement, certain pass-through charges, maintenance reserve fund charges and various fee adjustments. The Base OM&M Charge is adjusted at the beginning of each contract year based on certain labor and plant cost indexes. The contract can be terminated by Tampa Bay Water for convenience with 90 days notice and payment for all services performed, reimbursable expenses due, a termination fee of $1 million gradually declining to zero after 15 years and a demobilization fee of $50,000.

The Desalination Plant was contractually completed on January 31, 2008, with the Acceptance Test completed on November 30, 2007. The Desalination Plant transferred to the Operations Phase as of that date and is currently operating as an element of the entire water supply system and used to meet the demands for water by the Member Governments. Under the Operation, Maintenance and Management
Services Agreement, American Water Pridesa, LLC will assume responsibility for the cost of all maintenance of the Desalination Plant.

Tampa Bay Water had a funding agreement with SWFWMD whereby Tampa Bay Water received reimbursement for eligible Desalination Plant project costs of $85,000,000 upon completion and final acceptance of the Desalination Plant. In addition, Tampa Bay Water received interest earned after January 24, 2006 on the $85 million trust fund of $10,342,814. Proceeds from the reimbursement agreement of $85 million were applied to pay off the Series 2002 Bonds used to initially finance the Desalination Plant with final pay-off made on April 30, 2010. The $10,342,814 interest received was applied to pay current debt service.

Treatment Facilities

The water treatment facilities for the System include the Cypress Creek Water Treatment Plant, the Surface Water Treatment Plant, the South Pasco Water Treatment Plant, the Lake Bridge Water Treatment Plant, The Morris Bridge Booster Water Treatment Plant, the Brandon Wells Treatment Plants at wells 5 and 7, the Desalination Plant, and hydrogen sulfide treatment facilities at Keller Water Treatment Plant. The Cypress Creek Water Treatment Plant is located in Pasco County and provides storage, pH adjustment, chloramination and high service pumping. The Cypress Creek Water Treatment Plant treats raw groundwater from the Cypress Creek Wellfield and Cross Bar Ranch Wellfield and pumps treated water into the Cypress Creek Transmission Main. Treated water is withdrawn from the transmission system by the Member Governments at various points of connection and may be further treated by some Member Governments prior to being transmitted to their retail customers.

The Surface Water Treatment Plant is located in Hillsborough County. The Surface Water Treatment Plant is currently designed to treat up to 72 mgd of raw surface water originating from the Hillsborough River, Tampa Bypass Canal, and Alafia River, either directly or from withdrawals from the Regional Reservoir. Treatment at the Surface Water Treatment Plant includes coagulation, ozonation, filtration, pH adjustment, disinfection, and alkalinity adjustment. Finished water from the surface water is pumped to three 7.5 million gallon clearwells, with a total of 22 million gallons for storage, and blended with treated water from the Desalination Plant.

The Desalination Plant uses a reverse osmosis ("RO") process to produce potable water to the Tampa Bay Water regional system. (The daily maximum permitted quantity for the Desalination Plant is 28.75 mgd.) Following RO membrane treatment, the product water goes through lime addition, chlorination, and carbon dioxide addition. Finished water flows by gravity to an onsite 5 million gallon storage tank. The water is then pumped to the Surface Water Treatment Plant through the Seawater Desalination Transmission Main for storage and blending with treated surface water. See "TAMPA BAY WATER'S SYSTEM – Water Supply – Tampa Bay Seawater Desalination Plant."

The Keller Water Treatment Plant is located in Pinellas County. It treats water from the Eldridge-Wilde wellfield. Tampa Bay Water owns and operates the forced-draft aeration equipment that removes hydrogen sulfide from the raw water. The remaining treatment is performed by Pinellas County Utilities.

The South Pasco Water Treatment Plant is located in Pasco County. The facility disinfects water from the South Pasco wellfield for delivery into the Regional System.

The Lake Bridge Water Treatment Plant is located in Hillsborough County. The facility disinfects and boosts pressure in water from the Cypress Bridge wellfield. The facility can also boost pressure from water supplied from the Regional System.
The Morris Bridge Booster Water Treatment Plant is located on property adjacent to the City of Tampa's Morris Bridge filtration plant in the City of Tampa. The facility disinfects and boosts pressure in water from the Morris Bridge wellfield for delivery into the Regional System. Tampa Bay Water owns and operates the Morris Bridge Booster facility.

The Brandon Wells Treatment Plants at wells 5 and 7 are located in Hillsborough County. The facilities disinfect water from the individual Brandon wells for delivery into the Brandon South Central Connection transmission line.

Transmission Facilities

The System's distribution facilities include transmission mains and pump stations. The following table summarizes the primary transmission mains owned by Tampa Bay Water.

<table>
<thead>
<tr>
<th>Pipeline</th>
<th>Diameter (inches)</th>
<th>Location/Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brandon Wells TM</td>
<td>8 to 36</td>
<td>Brandon Wells to Regional Facilities Site</td>
</tr>
<tr>
<td>North Central Hillsborough Intertie</td>
<td>84</td>
<td>Regional Facilities Site to Morris Bridge Booster Station</td>
</tr>
<tr>
<td>Morris Bridge TM</td>
<td>64</td>
<td>Morris Bridge Booster Station to Cypress Bridge TM</td>
</tr>
<tr>
<td>Cypress Bridge TM</td>
<td></td>
<td>Morris Bridge TM to Cypress Creek Pump Station</td>
</tr>
<tr>
<td></td>
<td>Phase A</td>
<td>66</td>
</tr>
<tr>
<td></td>
<td>Phase B</td>
<td>64</td>
</tr>
<tr>
<td>Cross Bar Ranch TM</td>
<td>60</td>
<td>Cross Bar Ranch WF to Cypress Creek Pump Station</td>
</tr>
<tr>
<td>Cypress Creek TM (84”/66” TM)</td>
<td>42 to 84</td>
<td>Cypress Creek Pump Station to Keller TM, S. Pasco WF</td>
</tr>
<tr>
<td>Cosme TM</td>
<td>48 to 64</td>
<td>Cypress Creek TM to Cosme WTP</td>
</tr>
<tr>
<td>Keller Connector TM</td>
<td>66</td>
<td>Cypress Creek TM to Keller WTP</td>
</tr>
<tr>
<td>South Pasco TM</td>
<td>24 to 42</td>
<td>S. Pasco WF to Cosme WTP</td>
</tr>
<tr>
<td>Sheldon Road TM</td>
<td>30</td>
<td>Northwest Hillsborough Regional WF to Northwest Hillsborough WTP</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>16 to 36</td>
<td>Northwest Hillsborough Regional WF to Cosme WTP</td>
</tr>
<tr>
<td></td>
<td>16 to 54</td>
<td>South Central Hillsborough Regional WF to Lithia WTP</td>
</tr>
<tr>
<td></td>
<td>72</td>
<td>Alafia Pump Station to Regional WTP</td>
</tr>
<tr>
<td></td>
<td>16, 36</td>
<td>North Pasco WF to Starkey WF</td>
</tr>
<tr>
<td></td>
<td>24 to 42</td>
<td>Starkey WF to Pasco's WTP, New Port Richey's WTP</td>
</tr>
<tr>
<td></td>
<td>84</td>
<td>Tampa Bypass Canal to Regional WTP</td>
</tr>
<tr>
<td></td>
<td>30</td>
<td>Lithia WTP to Brandon TM</td>
</tr>
<tr>
<td></td>
<td>42</td>
<td>Desalination Plant to Regional Facilities Site</td>
</tr>
<tr>
<td></td>
<td>36 to 42</td>
<td>Regional System to Maytum WTP</td>
</tr>
<tr>
<td></td>
<td>36</td>
<td>Tampa to Tampa Bay Water</td>
</tr>
</tbody>
</table>

The U.S. 41 Booster Pump Station is located in Pasco County. The station draws treated water from the Cypress Creek Transmission Main and discharges it to Pasco's distribution system. The West Pasco Pump Station is located in western Pasco County and draws treated water from the Cypress Creek Transmission Main and discharges it to Pasco County's distribution system. Morris Bridge Booster Pump Station is located in north-central Hillsborough County. The booster station provides additional water storage and booster pumping facilities to supply water from the Morris Bridge Wellfield to the Regional System. Tampa Bypass Canal Pump Station withdraws water from the Tampa Bypass Canal and the
Hillsborough River. The water is pumped through the Tampa Bypass Canal Transmission Main to either the Surface Water Treatment Plant or to the Regional Reservoir.

**Operation of the System**

Water from the Alafia River, Hillsborough River, Tampa Bypass Canal, and from the Regional Reservoir, is treated at the Surface Water Treatment Plant. Water from the Brandon Urban Dispersed Wells ("BUDW") is treated and pumped to either the Lithia WTP Operated by Hillsborough County or the Surface Water Treatment Plant for distribution to other Member Governments. Blended water from the Surface Water Treatment Plant is pumped through the High Service Pump Station into the Regional Transmission System.

Water from the Morris Bridge Wellfield is disinfected and chloraminated at the Morris Bridge Booster Station and pumped into the regional transmission main.

Water from the Cypress Bridge Wellfield is disinfected and chloraminated at the Lake Bridge site and delivered into the Regional Transmission System.

The Cypress Creek Water Treatment Plant receives untreated water from the Cross Bar Ranch and Cypress Creek Wellfields. Water from the Cypress Creek Water Treatment Plant is discharged to the Cypress Creek Transmission Main. The Cypress Creek Transmission Main delivers to Pinellas and Pasco Counties and to the South Pasco TM, West Pasco TM and the Cosme TM. The South Pasco TM also collects untreated water from the South Pasco and Section 21 Wellfields. The South Pasco Transmission Main delivers water to the City of St. Petersburg's Cosme Water Treatment Plant and to Hillsborough County's Lake Park Water Treatment Plant for further treatment. The Northwest Hillsborough Regional Wellfield supplies raw water to the Cosme Water Treatment Plant and the Northwest Hillsborough Regional Water Treatment Plant. The Cosme-Odessa Wellfield also supplies water to the Cosme Water Treatment Plant.

Water from the Starkey and North Pasco Wellfields is pumped to New Port Richey's Maytum Water Treatment Plant. Water from the South Central Hillsborough Regional Wellfield is pumped to Hillsborough County's Lithia Water Treatment Plant. The Eldridge-Wilde wellfield is pumped to the Pinellas County's Keller Water Treatment Plant.

The interconnected system of transmission mains allows Tampa Bay Water great flexibility in the distribution of pumping between most of its wellfields. In December 2007, the West Pasco TM project was completed, which provides regional potable water to the Maytum and Little Road facilities, ending the isolation of the Starkey/North Pasco wellfields. In April 2007, the SCHIP 1B project was completed, which provides regional water to the Lithia facility, ending the isolation of the South Central Hillsborough wellfield.

**Permits, Regulation and Compliance**

The key regulations affecting the operations of Tampa Bay Water are state regulations applicable to Tampa Bay Water's withdrawals of water from its water supply sources, and state and federal regulations applicable to operation of Tampa Bay Water's treatment and distribution systems and Seawater Desalination Plant Withdrawals of water are regulated under Water Use Permits issued by SWFWMD. The water treatment facilities, Desalination Plant, and distribution system are regulated through permits issued by the FDEP.
The Consolidated Permit, issued by SWFWMD in January 1999, regulates withdrawals from 11 of the 13 wellfield systems currently operated by Tampa Bay Water. The Consolidated Permit included initial withdrawal limits for each wellfield (annual average) and for each well within each wellfield (peak month and annual average). A condition of the Consolidated Permit is to manage withdrawals from the wellfields in order to minimize environmental impacts through optimum distribution of pumping among all wells according to an approved Operations Plan.

Since January 1, 2003, the 11 wellfields of the Consolidated Permit no longer have individual withdrawal limits and are considered a single system for the purpose of measuring compliance with the permitted annual average withdrawal quantity. Combined withdrawals from the 11 wellfields are currently limited to 90 mgd on a 12-month running average basis.

The remaining four wellfield systems, the South-Central Hillsborough Regional Wellfield, the Brandon Wells, the Carrollwood Wells, and the Eagles Wells, are regulated under separate Water Use Permits issued by SWFWMD. Withdrawals from the Brandon Wells are limited to 6 mgd on a 12-month running average basis. Withdrawals from the South Central Hillsborough Regional Wellfield are limited to 24.1 mgd on a 12-month running average basis. The Carrollwood and Eagles wells can supply 0.82 and 0.198 mgd, respectively, on a 12-month running average. Withdrawals from the Tampa Bypass Canal that are used to provide water to the City of Tampa via augmentation of the Hillsborough River Reservoir on an as-needed basis are separately permitted and limited to 20 mgd on a 12-month running average basis.

The two surface water facilities that comprise the withdrawal component of the Enhanced Surface Water System are the Tampa Bypass Canal Pump Station and the Alafia River Pump Station. The Water Use Permits for these two surface water sources allow the harvesting of high flows from these river systems when a minimum threshold flow has occurred in each system. It is estimated that the Enhanced Surface Water System yields on a long term average basis approximately 90 mgd under normal hydrologic conditions. The Tampa Bypass Canal Pump Station and transmission facilities were completed in 2002 and convey water during high flow periods from the Tampa Bypass Canal and Hillsborough River to the Surface Water Treatment Plant and the Regional Reservoir. A permit modification was issued in August 2007 for this permit, which now operates on water levels in the middle and lower pools. The modification has been secured to provide an annual average increase in the median year yield of the Tampa Bypass Canal/Hillsborough River system by approximately 25 mgd. The Alafia River Pump Station and transmission facilities were completed in January 2003 and also convey water during high flow periods to the Surface Water Treatment Plant and the Regional Reservoir. It is estimated that the expanded permitted withdrawals of the Tampa Bypass Canal and the current expansion of the Enhanced Surface Water System (including the Tampa Bypass Canal/Hillsborough River System, Alafia River, the Regional Reservoir and Surface Water Treatment Plant), will allow Tampa Bay Water to meet the future drinking water needs of its six Member Governments through at least 2017.

The Surface Water Treatment Plant is designed to treat up to 72 mgd from the surface water sources and deliver that water to the Regional System. The Surface Water Treatment Plant is currently undergoing expansion and is expected to be able to treat up to 120 mgd after the completion of the project, which is on schedule for completion in the fall of 2010. The Regional Reservoir provides storage capacity during high river flow periods so that the stored water can be utilized as a reliable water source when surface water is not available for withdrawal from the river systems. The designed storage capacity of the reservoir is approximately 15 billion gallons. Production from the Desalination Plant is also used to meet drinking water demands. The desalination facility has the capability of providing 25 mgd to the Regional System on a nominal basis.
The permitted quantity withdrawal limit for the 11 wellfields as stated in the Consolidated Permit is listed below as well as the permitted quantities for the remaining two wellfields and the surface water facilities:

<table>
<thead>
<tr>
<th>Permitted Capacity in mgd</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated Permit Wellfields – Total *</td>
</tr>
<tr>
<td>South Central Hillsborough Regional Wellfield</td>
</tr>
<tr>
<td>Brandon Urban Dispersed Wells</td>
</tr>
<tr>
<td>Enhanced Surface Water System **</td>
</tr>
<tr>
<td>Tampa Bay Seawater Desalination Plant</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

* Consolidated Permit Wellfields – Cross Bar Ranch, Cypress Creek, Cypress Bridge, Morris Bridge, Starkey, North Pasco, South Pasco, Eldridge-Wilde, Cosme/Odessa, Section 21, and Northwest Hillsborough. These wellfields are permitted as a single system and there is no annual withdrawal quantity assigned to any individual wellfield. These wellfields are operated in compliance with the Optimized Regional Operations Plan. Due to the rotational capacity of Tampa Bay Water's system, it was able to achieve the reduced consolidated wellfields' permitted production limits for 2006.

** The Water Use Permits for the Tampa Bypass Canal/Hillsborough River and the Alafia River facilities do not have assigned average annual quantities. The permit authorizes the harvest of high river flows after a threshold flow has been achieved in each river system. The quantities shown represent the estimated median year yield for these facilities based on projections using the past 30 years of historical data.

SWFWMD has adopted Minimum Flows and Levels ("MFLs") for some wetlands, lakes, rivers, springs, and aquifers and is in the final stages of adoption of other "MFLs" which may affect Tampa Bay Water's development of certain new sources. It is not anticipated that MFL's will affect existing sources through the year 2020. Prior to the year 2020, Tampa Bay Water is required to develop a plan that identifies mitigation actions for any adverse environmental impacts due to wellfield pumpage that continue to exist following the reduction in ground water pumpage. Following SWFWMD adoption of any additional MFLs, Tampa Bay Water expects that administrative challenges may be filed which could delay its effectiveness for up to two years and may lead to further revisions to MFLs by SWFWMD. For these reasons, the final impact of MFLs on Tampa Bay Water, if any, is speculative.

Future Capital Improvements

The increased water capacity provided by the completion of prior projects, and upon completion of the Desalination Project allowed Tampa Bay Water to comply with the reduced water capacity permit from SWFWMD while still satisfying the water supply demands from the Member Governments. Tampa Bay Water has continued its planning and permitting efforts related to new water supply source initiatives as described in the New Water Plan to meet the December 31, 2007 threshold set by SWFWMD. The completion of these projects, making up System Configuration I of the Master Water Plan, were sized to meet the region's water needs through approximately 2012. In 2003, the Board commenced evaluating several projects for System Configuration II to meet water supply needs beyond 2012. The projects that were evaluated included 15 groundwater, surface water, brackish water and desalinated seawater projects selected by the Board for further study in December 2007 as part of the Long Term Water Supply Plan. At its October 16, 2006 Board meeting, the Board of Directors of Tampa Bay Water approved the Downstream Enhancements Project Phases A and B for System Configuration II, including continued evaluation of a future surface water expansion study, continued pursuit of outside funding,
implementation of the Long-term planning update, and deferring the remaining candidate projects back into the Master Water Plan.

The Downstream Enhancement Project Phases A and B include a group of projects that will increase the capacity of the currently existing Enhanced Surface Water System. The ten projects within the System Configuration II program are underway and will be completed by 2012, allowing Tampa Bay Water to develop new supply capacity at a rate that is appropriate for meeting the demands at least through 2017. Phases A and B include construction and expansion of treatment facilities and pumping stations needed to capture additional surface water flows from the Tampa Bypass Canal and the Hillsborough River. Total median year projected yield for Phases A and B of the project is 25 mgd.

The future surface water expansion study could include construction of a second regional reservoir, additional surface water from the Alafia River, and implementation of the Downstream Augmentation of the Hillsborough or Alafia River utilizing surplus reclaimed water from the City of Tampa's Howard F. Curren Advanced Wastewater Treatment Plant ("HFCAWTP") to augment surface water flows downstream of the surface water intake in conjunction with a 1-for-1 withdrawal upstream. This project is part of SWFWMD's Tampa Bay Regional Reclaimed Water and Downstream Augmentation Program and would potentially receive funding by SWFWMD and cost sharing by other participants. Additional analysis is necessary to determine the potential firm yield of this project.

As required by the Governance Documents, Tampa Bay Water completed the five year update of the Master Water Plan's Long-Term Water Supply Plan in December 2008. The December 2008 approval of the update included carrying forward for further study, a total of 7 projects including brackish water, desalinated seawater, reclaimed water, surface water and fresh groundwater. Due to a slowing of increased demands in the near term, based upon water conservation imposed by Member Governments, the schedule for studying these projects has been lengthened apace with updated demand projections.

**WATER RATES AND CHARGES**

**Description of Uniform Rate**

The "Uniform Rate" is the uniform dollars per 1,000 gallons wholesale rate charged by Tampa Bay Water to the Member Governments for the supply of water through a Fixed Cost and Variable Cost component. The Uniform Rate is based upon the annual estimate and the projected quantity of water expected to be delivered to customers. For a description of the Annual Estimate see "SUMMARY OF PRINCIPAL AGREEMENTS – Master Water Supply Contract – Annual Estimate."

The only exception to the Uniform Rate for water supply is the rate charged to the City of Tampa for water supplied from the Tampa Bypass Canal. The Interlocal Agreement provides for an average of 20 mgd to be supplied to Tampa from this resource with a rate based on actual costs incurred and Allocated Overhead (as defined in the Master Water Supply Contract).

The annual True-up required by the Master Water Supply Contract provides for a year end adjustment in the Fixed Costs component of bills paid during the fiscal year. Each member's pro-rata share of the Annual Estimate of Fixed Costs in effect during the fiscal year is adjusted based on the actual quantity of Quality Water delivered. Any adjustments are payable within sixty days of determination.

The Interlocal Agreement provides for two credits to be applied against charges to Member Governments for water service provided by Tampa Bay Water. The annual credit for the debt service amortization for Tampa Bay Water's purchase of the Member's water supply facilities is the most significant credit. This credit is applied to the Member Governments' water bills. An additional annual
credit consists of a credit for the actual direct costs of water treatment. In the event water delivered to Member Governments does not meet specifications for Quality Water in relation to hydrogen sulfide removal, a credit for hydrogen sulfide treatment is applied.

The annual debt service/credit is computed on a 30-year amortization of the net purchase price, compounded semiannually at 4.865%, the interest rate borne by the 1998 Bonds. The aggregate annual debt service cost/credit is $10,231,557.

The annual credit for water treatment is derived by applying the unit treatment rates specified in the Master Water Supply Contract to the quantity of water expected to be delivered to the Member Governments. Hydrogen sulfide was and remains an issue for the existing groundwater system, but not for the new supply sources. The water quality credit for hydrogen sulfide treatment affects the Cities of St. Petersburg and New Port Richey, and Hillsborough County. The annual Water Quality credit for hydrogen sulfide for the 2008-2009 fiscal year totaled $292,000.

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HISTORICAL DEBT SERVICE COVERAGE

The historical debt service coverage for Tampa Bay Water's Outstanding Bonds for the Fiscal Years ended September 30, 2005 through September 30, 2009 is presented in the table below. The information for the Fiscal Years ended September 30, 2005 through September 30, 2009 has been derived from Tampa Bay Water's audited financial statements.

### Revenue:

<table>
<thead>
<tr>
<th>Actual Water Demand (mgd)</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>168.43</td>
<td>182.65</td>
<td>186.68</td>
<td>176.34</td>
<td>171.14</td>
</tr>
<tr>
<td>Uniform Rate (per 1,000 gallons)</td>
<td>2.0675</td>
<td>2.1149</td>
<td>2.2036</td>
<td>2.2488</td>
<td>2.2451</td>
</tr>
<tr>
<td>Revenue from sales</td>
<td>$126,289,102</td>
<td>$133,493,600</td>
<td>$145,467,440</td>
<td>$152,547,254</td>
<td>$151,725,100</td>
</tr>
<tr>
<td>Less: Transfer (to) from Rate Stabilization Account</td>
<td>(755,592)</td>
<td>2,619,546</td>
<td>(17,299,246)</td>
<td>2,855,489</td>
<td>6,287,418</td>
</tr>
</tbody>
</table>

| Less: Purchase price amortization credit Grant proceeds available for debt service | (10,415,634) | (10,415,634) | (10,415,634) | (10,415,634) | (10,338,935) |
| Total Revenue               | 137,250,496 | 150,698,317 | 151,909,241 | 152,710,497 | 161,172,844 |

| Operation and maintenance expenditures | (55,421,995) | (62,173,244) | (56,162,146) | (78,608,896) | (84,561,533) |
| NET REVENUE                  | $81,828,501  | $88,525,073  | $95,747,095  | $74,101,601  | $76,611,311  |

| Annual Debt Service Payments: 1998 Bonds | $15,358,028 | $12,210,690 | $12,209,890 | $12,207,950 | $12,007,500 |
| 1999 Bonds                      | 17,097,490  | 23,097,490  | 23,101,489  | 7,961,330   | 7,955,730   |
| 2001A Bonds                    | 16,554,513  | 16,558,113  | 16,555,312  | 16,556,312  | 16,555,192  |
| 2001B Bonds                    | 13,013,454  | 8,271,885   | 9,541,885   | 11,379,975  | 11,381,575  |
| 2002 Bonds                     | 4,512,987   | 5,749,509   | 3,460,158   | 2,268,394   | 653,812     |
| 2004 Bonds                     | 5,479,788   | 5,480,887   | 5,480,288   | 5,480,388   | 11,079,763  |
| 2005 Bonds                     | 5,274,164   | 9,399,500   | 9,399,500   | 9,399,500   | 12,889,500  |
| 2006 Bonds                     | --          | --          | 3,621,317   | 6,191,404   | 6,204,004   |
| 2008 Bonds                     | --          | --          | 3,621,317   | 6,191,404   | 6,204,004   |
| TOTAL DEBT SERVICE             | 77,290,424  | 80,767,274  | 83,369,839  | 71,445,253  | 74,909,796  |

| Debt Service on Loan           | 646,065     | 1,536,005   |               |               |               |
| Required deposit to Capital Improvement Fund | 2,850,339 | 3,967,700 | 9,407,000 | 823,656 | 213,606 |
| Required deposit to Renewal & Replacement Fund | 361,313 | 1,328,087 | 1,700,479 | 858,303 | 801,337 |
| TOTAL DEBT SERVICE AND RESERVE REQUIREMENTS | $81,148,141 | $87,599,066 | $94,477,318 | $73,127,212 | $75,924,739 |

| Debt service and reserve coverage | 1.01x | 1.01x | 1.01x | 1.01x | 1.01x |
| Fund balance | $21,454,941 | $23,546,546 | $23,062,472 | $23,370,892 | $23,641,861 |
| NET REVENUE PLUS FUND BALANCE | $103,283,442 | $112,071,619 | $118,809,567 | $97,472,493 | $100,253,172 |

| Debt Service Coverage | 1.34x | 1.39x | 1.43x | 1.36x | 1.34x |

Footnotes follow on next page.

Source: Tampa Bay Water
(1) Water demand decreased in Fiscal Years 2008 and 2009 due in general to depressed economic conditions, home foreclosures and lack of new home construction as well as the implementation by the Member Governments of water conservation.

(2) For purposes of calculating Debt Service Coverage, the Bond Resolution defines "Gross Revenues" to include proceeds of government grants available for payment of debt service.

(3) Litigation and insurance recoveries does not include recoveries of $2,804,636 restricted as to purpose in 2007.

(4) Interest income does not include interest on construction and rebatable arbitrage funds of $60,389, $556,074, $1,617, $103,669, and $171,384 in 2009, 2008, 2007, 2006 and 2005, respectively.

(5) Operation and maintenance expenditures include capital expenditures for maintenance of the existing system of $3,601,797, $5,019,286, $201,689, $9,969,896 and $7,726,386 in 2009, 2008, 2007, 2006 and 2005, respectively, as well as $2,000,000 litigation settlement in 2008.

(6) Being refunded with proceeds from the 2010 Bonds.

(7) Certain of the 2001A Bonds are being refunded with proceeds from the 2011 Bonds, to be called for redemption on October 1, 2011.


(9) Fund balance is defined by the Bond Resolution and is calculated as of the prior year-end in accordance with the Bond Resolution.

(10) Debt service coverage is calculated on the total debt service requirement, net of any capitalized interest provided from bond proceeds, in accordance with the Bond Resolution. Interest on the 2008 bonds of $1,633,264 was funded from bond proceeds, therefore is not includable in the coverage calculation for 2008.

MEMBER GOVERNMENT WATER CONSUMPTION

The table below illustrates the historical water consumption for Tampa Bay Water by the Member Governments for Fiscal Years 2005 through 2009 in million gallons per day.

<table>
<thead>
<tr>
<th>Member Government</th>
<th>10/1/04-9/30/05</th>
<th>10/1/05-9/30/06</th>
<th>10/1/06-9/30/07</th>
<th>10/1/07-9/30/08</th>
<th>10/1/08-9/30/09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hillsborough</td>
<td>46.35</td>
<td>51.73</td>
<td>52.63</td>
<td>49.54</td>
<td>47.17</td>
</tr>
<tr>
<td>New Port Richey</td>
<td>2.83</td>
<td>2.99</td>
<td>2.86</td>
<td>3.49</td>
<td>2.39</td>
</tr>
<tr>
<td>Pasco</td>
<td>21.64</td>
<td>25.25</td>
<td>26.57</td>
<td>26.10</td>
<td>23.18</td>
</tr>
<tr>
<td>Pinellas</td>
<td>65.90</td>
<td>65.82</td>
<td>64.76</td>
<td>62.01</td>
<td>57.64</td>
</tr>
<tr>
<td>St. Petersburg</td>
<td>31.71</td>
<td>32.01</td>
<td>30.45</td>
<td>29.02</td>
<td>27.88</td>
</tr>
<tr>
<td>Tampa</td>
<td>--</td>
<td>4.85</td>
<td>9.41(1)</td>
<td>6.18</td>
<td>12.88</td>
</tr>
<tr>
<td>Avg. MGD</td>
<td>168.43</td>
<td>182.65</td>
<td>186.68</td>
<td>176.34(2)</td>
<td>171.14(2)</td>
</tr>
</tbody>
</table>

(1) Drought conditions reduced the amount of surface water the City of Tampa could draw down from the Hillsborough River and required the City to purchase more water from Tampa Bay Water.

(2) Water demand decreased in Fiscal Years 2008 and 2009 due in general to depressed economic conditions, home foreclosures and lack of new home construction as well as the implementation by the Member Governments of water conservation.

Source: Tampa Bay Water

[Balance of page intentionally left blank.]
## PROJECTED FINANCIAL OPERATIONS AND DEBT SERVICE COVERAGE

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
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</thead>
<tbody>
<tr>
<td>Projected Water Demand (mgd)</td>
<td>176.60</td>
<td>163.00</td>
<td>169.30</td>
<td>170.90</td>
<td>173.00</td>
<td>176.20</td>
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<tr>
<td>Projected Uniform Rate ($/1,000 gal)</td>
<td>2.3980</td>
<td>2.5295</td>
<td>2.5841</td>
<td>2.6171</td>
<td>2.7166</td>
<td>2.7172</td>
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<tr>
<td>Revenue From Sales</td>
<td>$155,157,155</td>
<td>$151,073,658</td>
<td>$160,266,213</td>
<td>$163,833,198</td>
<td>$172,120,467</td>
<td>$175,331,532</td>
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<tr>
<td>Transfer From (to) Rate Stabilization Account</td>
<td>8,280,893</td>
<td>3,997,683</td>
<td>1,504,924</td>
<td>1,596,850</td>
<td>1,632,529</td>
<td>(1,784,608)</td>
</tr>
<tr>
<td>Interest Income(1)</td>
<td>2,298,626</td>
<td>2,943,433</td>
<td>2,904,002</td>
<td>2,443,384</td>
<td>3,301,841</td>
<td>3,426,628</td>
</tr>
<tr>
<td>SWFWMD Grant-Trust Fund Interest (Rate Stabilization Fund)(2)(3)</td>
<td>10,000,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenue</td>
<td>175,736,674</td>
<td>158,014,774</td>
<td>164,675,139</td>
<td>167,874,432</td>
<td>177,054,837</td>
<td>176,973,552</td>
</tr>
<tr>
<td>Purchase Price Amortization Credit</td>
<td>(10,231,557)</td>
<td>(10,231,557)</td>
<td>(10,231,557)</td>
<td>(10,231,557)</td>
<td>(10,231,557)</td>
<td>(10,231,557)</td>
</tr>
<tr>
<td>Gross Revenue</td>
<td>165,505,117</td>
<td>147,783,217</td>
<td>154,443,582</td>
<td>157,642,875</td>
<td>166,823,280</td>
<td>166,741,995</td>
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<tr>
<td>Revenue Requirements and Debt Service Coverage Operations and Maintenance Expenditures(4)</td>
<td>(89,190,706)</td>
<td>(75,452,162)</td>
<td>(80,259,420)</td>
<td>(83,039,457)</td>
<td>(86,412,981)</td>
<td>(89,407,264)</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$76,314,411</td>
<td>$72,331,055</td>
<td>$74,184,162</td>
<td>$74,603,418</td>
<td>$80,410,299</td>
<td>$77,334,731</td>
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<tr>
<td>Annual Debt Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 1998A Bonds(5)</td>
<td>$1,299,600</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Series 1998B Bonds(5)</td>
<td>1,821,150</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Series 1999 Bonds</td>
<td>7,960,250</td>
<td>$7,964,250</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Series 2001A Bonds(6)</td>
<td>16,554,113</td>
<td>13,764,263</td>
<td>$9,927,500</td>
<td>$9,927,500</td>
<td>$9,927,500</td>
<td>$9,927,500</td>
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<tr>
<td>Series 2001B Bonds(5)</td>
<td>11,380,770</td>
<td>11,040,140</td>
<td>7,382,250</td>
<td>7,382,250</td>
<td>7,382,250</td>
<td>7,382,250</td>
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<tr>
<td>Series 2002 Bonds(7)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Series 2004 Refunding Bonds</td>
<td>11,073,388</td>
<td>11,073,538</td>
<td>14,249,788</td>
<td>14,251,788</td>
<td>14,254,538</td>
<td>14,246,788</td>
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<tr>
<td>Series 2005 Bonds</td>
<td>12,887,350</td>
<td>12,881,000</td>
<td>13,370,175</td>
<td>13,374,425</td>
<td>13,365,825</td>
<td>13,379,888</td>
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<tr>
<td>Series 2006 Bonds</td>
<td>6,205,254</td>
<td>6,208,654</td>
<td>6,202,454</td>
<td>6,211,854</td>
<td>4,846,054</td>
<td>3,204,854</td>
</tr>
<tr>
<td>Series 2008 Bonds</td>
<td>5,068,750</td>
<td>5,068,750</td>
<td>5,068,750</td>
<td>5,068,750</td>
<td>5,068,750</td>
<td>5,068,750</td>
</tr>
<tr>
<td>Series 2010 Bonds(5)</td>
<td>-</td>
<td>2,954,315</td>
<td>3,313,250</td>
<td>3,313,250</td>
<td>3,313,250</td>
<td>3,313,250</td>
</tr>
<tr>
<td>Series 2011 Bonds(6)</td>
<td>-</td>
<td>1,176,743</td>
<td>13,380,900</td>
<td>13,377,700</td>
<td>13,376,100</td>
<td>13,375,500</td>
</tr>
<tr>
<td>Estimated 2013 Bond Issue ($96m)</td>
<td>-</td>
<td>-</td>
<td>6,010,085</td>
<td>6,010,085</td>
<td>6,010,085</td>
<td>6,010,085</td>
</tr>
<tr>
<td>Total Debt Service</td>
<td>$74,250,625</td>
<td>$72,131,653</td>
<td>$72,895,067</td>
<td>$72,907,517</td>
<td>$77,544,352</td>
<td>$75,908,865</td>
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<tr>
<td>Required Deposit to Renewal &amp; Replacement Fund</td>
<td>150,000</td>
<td>-</td>
<td>1,083,241</td>
<td>1,543,223</td>
<td>2,731,646</td>
<td>1,309,434</td>
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<tr>
<td>Required Deposit to Capital Improvement Fund</td>
<td>-</td>
<td>-</td>
<td>199,402</td>
<td>205,854</td>
<td>152,678</td>
<td>134,301</td>
</tr>
<tr>
<td>Net to Utility Reserve/Operating Reserve(5)</td>
<td>$1,913,786</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Debt Service and Reserve Coverage (100%)(9)</td>
<td>1.03x</td>
<td>1.00x</td>
<td>1.00x</td>
<td>1.00x</td>
<td>1.00x</td>
<td>1.00x</td>
</tr>
<tr>
<td>Fund Balance – Utility Reserve Fund</td>
<td>$24,130,780</td>
<td>$24,130,780</td>
<td>$24,130,780</td>
<td>$24,130,780</td>
<td>$24,130,780</td>
<td>$24,130,780</td>
</tr>
<tr>
<td>Debt Service Coverage (125%)(10)</td>
<td>1.35x</td>
<td>1.34x</td>
<td>1.35x</td>
<td>1.35x</td>
<td>1.35x</td>
<td>1.34x</td>
</tr>
</tbody>
</table>

Footnotes follow on next page.

Source: Table 7-3 Consulting Engineer's Report in APPENDIX A.
1. Interest income is estimated pursuant to the Resolution based on projected fund and account balances available for investment and, accordingly, excludes earnings on construction and rebated funds.

2. Tampa Bay Water received the interest earnings of $10,342,814 on the $85 million SWFWMD grant trust fund in 2010. The interest received was applied to pay current debt service.

3. Pursuant to the Bond Resolution, monies transferred from the Rate Stabilization Fund are considered to be Gross Revenues. Transfers to/from Rate Stabilization Account are budgeted to provide more level rates from year to year.

4. Pursuant to the Bond Resolution, Operations and Maintenance Expenditures do not include depreciation and amortization and do include minor capital equipment costs of the system.

5. Being refunded with proceeds from the 2010 Bonds. Debt service has been reduced in 2011 through 2015 to reflect such refunding. However, such debt service does not reflect the 2007 Swaption. See "DERIVATIVE FINANCIAL INSTRUMENTS" herein and APPENDIX A – "Consulting Engineer's Report."

6. Certain of the 2001A Bonds are being refunded with proceeds from the 2011 Bonds, to be called for redemption on October 1, 2011. Debt service has been reduced in 2012 through 2015 to reflect such refunding. However, such debt service does not reflect the 2005 Swaption. See "DERIVATIVE FINANCIAL INSTRUMENTS" herein and APPENDIX A – "Consulting Engineer's Report."

7. Proceeds from the $85 million SWFWMD grant were received by Tampa Bay Water and were applied to pay off the 2002 Bonds with the final pay-off made on April 30, 2010.

8. In accordance with the Master Water Supply Contract, Tampa Bay Water budget funds for deposit to the Utility Reserve Fund for subsequent transfer to the Operating Reserve Fund which is maintained at two months of annual budgeted variable costs.

9. Net Revenues must equal at least 100% of annual debt service plus required deposits to Renewal and Replacement Fund.

10. Net Revenues plus Fund Balance (Utility Reserve Fund) are required to equal at least 125% of debt service coming due during the year.

PROJECTED MEMBER GOVERNMENT WATER CONSUMPTION

Annual Average Demand Projections (mgd) by Water Year(1)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hillsborough</td>
<td>51.8</td>
<td>48.0</td>
<td>49.3</td>
<td>50.2</td>
<td>51.1</td>
<td>52.5</td>
</tr>
<tr>
<td>New Port Richey</td>
<td>2.5</td>
<td>2.7</td>
<td>2.3</td>
<td>2.3</td>
<td>2.3</td>
<td>2.3</td>
</tr>
<tr>
<td>Pasco County</td>
<td>26.9</td>
<td>24.5</td>
<td>25.4</td>
<td>25.9</td>
<td>26.6</td>
<td>27.5</td>
</tr>
<tr>
<td>Pinellas County</td>
<td>60.7</td>
<td>57.9</td>
<td>58.7</td>
<td>58.7</td>
<td>59.1</td>
<td>59.7</td>
</tr>
<tr>
<td>St. Petersburg</td>
<td>28.7</td>
<td>27.3</td>
<td>27.6</td>
<td>27.8</td>
<td>27.9</td>
<td>28.2</td>
</tr>
<tr>
<td>Tampa(2)</td>
<td>6.0</td>
<td>2.6</td>
<td>6.0</td>
<td>6.0</td>
<td>6.0</td>
<td>6.0</td>
</tr>
<tr>
<td>Total</td>
<td>176.6</td>
<td>163.0</td>
<td>169.3</td>
<td>170.9</td>
<td>173.0</td>
<td>176.2</td>
</tr>
</tbody>
</table>

(1) Source Tampa Bay Water.

(2) Most of the City of Tampa's water supply is derived from sources other than Tampa Bay Water.

[Balance of page intentionally left blank.]
CONSULTING ENGINEER'S REPORT*

1. The forecast of revenue and other income and credits minus the projected operation and maintenance expenses and debt service payments over the period Fiscal Year 2010 through Fiscal Year 2015 reasonably reflect the expected Net Revenue of Tampa Bay Water.

2. The projected net revenues of Tampa Bay Water will be in compliance with the covenants contained in the Bond Resolution authorizing the issuance of the 2010 Bonds and the 2011 Bonds. The projected yearly revenues from the Uniform Water Rates along with the revenue adjustments, transfers and other income are sufficient to meet the debt service requirements of the Bond Resolution. For the 2010 Bond and 2011 Bond issues, all debt service requirements will be met.

3. The Consulting Engineer has not made a detailed determination of an appropriate level for the annual deposit to the Renewal and Replacement Fund, Operating Reserve and Rate Stabilization Account. However, the forecast level of Renewal and Replacement Fund, Operating Reserve and Rate Stabilization Account transfers shown in the Consulting Engineer's Report included as APPENDIX A is considered appropriate for purposes of such Report.

4. The cost estimates for all major facilities of the capital improvement program of Tampa Bay Water are reasonable. The capital improvement program is technically sound, and is in accordance with generally accepted engineering practice.

5. Development of new water sources identified in Tampa Bay Water's Supply Development Program is necessary to fulfill future Member Government water demands and comply with the contractual and regulatory requirements to which Tampa Bay Water has committed.

6. Based on the assumptions presented in the accompanying schedules, the aggregate 2010 debt service requirement of $74,250,625 and anticipated aggregate 2011 debt service of $72,131,653 appear to be within Tampa Bay Water's overall financial capacity. The 2010 and 2011 Bond issues are considered to be well conceived and necessary for Tampa Bay Water to continue to serve its customers and the region with a reliable supply of potable water.

SUMMARY OF PRINCIPAL AGREEMENTS

Interlocal Agreement

The Interlocal Agreement entered into by and among Hillsborough, Pasco, and Pinellas Counties and the Cities of New Port Richey, St. Petersburg and Tampa, reorganizes the Predecessor Authority created pursuant to Section 373.1962 and 163.01, Florida Statutes, and other applicable law, for the purpose of developing, recovering, storing and supplying Quality Water for county and municipal purposes in such a manner as to give priority to reducing adverse environmental effects of excessive or improper withdrawals of water from concentrated areas.

Term

The term of the Interlocal Agreement became effective upon the occurrence of certain events set forth therein. See Sections 6.03(A) and (D) in the Form of Interlocal Agreement included as APPENDIX C hereto. Unless terminated earlier pursuant to the terms of the Interlocal Agreement, it shall expire upon

* The Consulting Engineer's Report will not be updated between the Delayed Delivery Pre-Closing Date and the Delayed Delivery Closing Date.
the later of the following dates: (i) the fortieth anniversary of the commencement date of the Interlocal Agreement, or (ii) the date on which no Obligations remain outstanding pursuant to the Financing Documents and the Bond Resolution. See Sections 6.03 (F) and 6.04 in the Form of Interlocal Agreement included as APPENDIX C hereto.

Exclusivity

Pursuant to the Interlocal Agreement, Tampa Bay Water became the exclusive provider for the Member Governments of Water for the geographic territory of Hillsborough, Pasco and Pinellas Counties. If any Member Government acquires a private utility company, Tampa Bay Water shall be entitled to acquire any Water Supply Facilities owned by the private utility. The Interlocal Agreement requires that (i) the Member Governments shall neither create nor, to the extent permitted by law, allow creation of any special district or other governmental authority located wholly or partially within the geographic territory of Tampa Bay Water, if the special district or other governmental authority is authorized to produce Water for use within the geographic territory (this subsection (i) shall not apply to the creation of any special district or other governmental authority that is required to use Tampa Bay Water (through a Member Government) as its exclusive supplier of Water to be delivered to customers located within the geographic territory of Tampa Bay Water to the same extent as required by Member Governments (other than Tampa) under the Interlocal Agreement; (ii) the Member Governments shall not privatize all or any portion of their water utility systems without including in the contract with the private entity a provision which obligates the private entity to use Tampa Bay Water as its exclusive supplier of Water to be delivered to customers located within the geographic territory of Tampa Bay Water to the same extent as required by the Member Governments (other than Tampa) under the Interlocal Agreement; (iii) the Member Governments shall not sell, lease or otherwise dispose of all or any portion of their water utility systems' distribution facilities without requiring the purchaser or lessee to use Tampa Bay Water (through a Member Government) as its exclusive supplier of Water to be delivered to customers located within the geographic territory of Tampa Bay Water to the same extent as required by the Member Governments (other than Tampa) under the Interlocal Agreement; (iv) to the extent permitted by law, the Member Governments shall not franchise new or expanded private water utilities unless the franchisee agrees to use Tampa Bay Water (through the Member Government) as its exclusive supplier of Water to be delivered to customers located within the geographic territory of Tampa Bay Water to the same extent as required by the Member Governments (other than Tampa) under the Interlocal Agreement; (v) the Member Governments shall not assist or encourage the creation or expansion of a private utility by the Florida Public Service Commission unless the private utility agrees to use Tampa Bay Water (through a Member Government) as its exclusive supplier of Water to be delivered to customers located within the geographic territory of Tampa Bay Water to the same extent as required by the Member Governments (other than Tampa) under the Interlocal Agreement; (vi) the Member Governments shall not merge or consolidate their water utility systems with water utility systems owned and/or operated by other Member Governments, other local governments, units of federal or State government, special districts, governmental authorities, persons, corporations or other entities without requiring all other parties to use Tampa Bay Water (through a Member Government) as their exclusive supplier of Water to be delivered to customers located within the geographic territory of Tampa Bay Water to the same extent as required by the Member Governments (other than Tampa) under the Interlocal Agreement; and (vii) the Member Governments shall not work in concert with any person, corporation, local government, unit of federal or State government, special district, governmental authority or other entity for the purpose of avoiding or evading the exclusivity requirements of the Interlocal Agreement.
Exceptions to Exclusivity

The above set forth exclusivity provisions are subject only to the following exceptions: (i) the Member Governments shall have the right to construct, operate and maintain certain isolated Water Supply Facilities as authorized by the Master Water Supply Contract (see Sections 3.06 through 3.10, inclusive of the Interlocal Agreement included as APPENDIX C hereto); (ii) the Member Governments shall have the right to acquire Water, construct Water Supply Facilities and Wheel Quality Water upon the occurrence of a Production Failure, as set forth below; (iii) Hillsborough may continue its practice of purchasing Water from Plant City at the current quantity of approximately 0.2 mgd, plus any increases necessary to adequately supply the Oaks Utility service area; (iv) Pasco may continue its practice of purchasing Water from Dade City at the current quantity of approximately 0.009 mgd, plus any increases necessary to adequately supply the Eldred Subdivision; (v) Pasco may continue its practice of purchasing Water from Zephyrhills at the current quantity of approximately 0.020 mgd, plus any increases necessary to adequately supply the Florida Trailer Estates; (vi) Member Governments may acquire Water Supply Facilities when required by law, but shall convey such Water Supply Facilities to Tampa Bay Water at the earliest practical date, upon payment by Tampa Bay Water of an amount equal to the Member Government's Actual Direct Cost, retaining ownership of any treatment and distribution facilities; (vii) nothing in the Interlocal Agreement shall be construed to prohibit the Member Governments from temporarily exchanging or purchasing Water, either among themselves or with other public or private utilities, for emergency and maintenance purposes in the ordinary course of business; and (viii) the Member Governments may continue to own and operate the wells listed in Appendix B to the Interlocal Agreement. See "Form of Interlocal Agreement" included as APPENDIX C hereto. Except as otherwise provided in the Interlocal Agreement, the Member Governments shall not withdraw Water from any wells not listed in such Appendix B to the Interlocal Agreement. Tampa Bay Water has the option to purchase (a) any Water Supply Facility owned by a Member Government as of May 1, 1998 that is not listed in such Appendix B, and (b) any Water Supply Facility listed in such Appendix B for which the permitted quantity specified in such Appendix B is increased by more than twenty percent. If Tampa Bay Water elects to exercise its option, the purchase price shall be equal to the Member Government's Actual Direct Cost to acquire and construct the Water Supply Facility. See "Form of Interlocal Agreement" included as APPENDIX C hereto.

Obligation To Meet Water Needs

Pursuant to the Interlocal Agreement, Tampa Bay Water has the absolute and unequivocal obligation to meet the Quality Water needs of the Member Governments. Quality Water needs of the Member Governments shall be satisfied before the Quality Water is delivered to any other customer of Tampa Bay Water. Accordingly, Tampa Bay Water must oppose any permit, order, rule or other regulatory effort to reduce or limit the permitted capacity of its Water Supply Facilities, unless (i) the reduction or limitation results from an agreement to which all Member Governments are parties, or (ii) the reduction or limitation will not become effective until adequate Replacement Capacity has been placed in service.

Production Failure

Upon the occurrence of a Production Failure, each affected Member Government shall have the following additional rights:

At its option, each Member Government may enter into standby agreements to purchase Water from suppliers other than Tampa Bay Water. Member Governments shall accept all Quality Water delivered by Tampa Bay Water and shall exercise their right to purchase Water from suppliers other than Tampa Bay Water only in the event of a Shortfall and to the extent of a Shortfall Amount.
(1) If less than all of the Member Governments experience a Shortfall and any purchase agreement entered into in good faith by a Member Government requires payment of a purchase price that exceeds the uniform rate established pursuant to the Interlocal Agreement, the Member Government shall invoice Tampa Bay Water for amounts actually paid in excess of the uniform rate and Tampa Bay Water shall reimburse the Member Government for such amounts within 30 days of its receipt of such invoice.

(2) Any Member Government experiencing a Shortfall may Wheel Quality Water acquired by the Member Governments from suppliers other than Tampa Bay Water to the Member Government's Point of Connection.

Each Member Government may elect, individually or in combination with other Member Governments, to acquire and construct Water Supply Facilities with a capacity necessary to protect itself against a Shortfall.

(1) Accordingly, if a Member Government acquires or constructs a Water Supply Facility pursuant to this section and a Shortfall occurs with respect to such Member Government, Tampa Bay Water shall purchase the Water Supply Facility upon demand of such Member Government. The purchase price shall be equal to the Member Government's Actual Direct Cost to acquire and construct such Water Supply Facility. Upon receipt of any such demand, Tampa Bay Water shall use all reasonable efforts to issue Obligations at the earliest practical date in an amount sufficient to fund the purchase price and shall purchase the Water Supply Facility immediately upon issuance of such Obligations.

(2) If a Member Government acquiring or constructing a Water Supply Facility pursuant to this section elects not to demand its purchase by Tampa Bay Water upon the occurrence of a Shortfall or if Tampa Bay Water is unable, after applying all reasonable efforts, to issue Obligations sufficient to purchase the Water Supply Facility, Tampa Bay Water shall purchase the Quality Water produced at the Water Supply Facility and enter into a water supply agreement.

Any Member Government experiencing a Shortfall may Wheel Quality Water produced by a Member Government's own Water Supply Facilities to the Member Government's Point of Connection.

Uniform Rate

Tampa Bay Water shall establish a single uniform rate for the sale of Quality Water to Member Governments with the exception of Tampa. Tampa Bay Water will charge Tampa a separate rate for Quality Water delivered from the Tampa Bypass Canal that is not attributable to Tampa Bay Water augmentation projects. See "WATER RATES AND CHARGES - Description of Uniform Rate." The rate for the sale of Quality Water to Member Governments shall be established for each Fiscal Year in Tampa Bay Water's annual budget.

Master Water Supply Contract

General

Tampa Bay Water and the Member Governments entered into the Master Water Supply Contract in order to establish the format for the supply of Water to all of the Member Governments by Tampa Bay Water and to develop a plan to share the costs of operating, acquiring, constructing, equipping and
expanding the System. Under the terms of the Master Water Supply Contract, Tampa Bay Water is required to provide sufficient Water to each Member Government to meet that Member Government's needs. The Member Governments agree in the Master Water Supply Contract to provide Water Service to the customers in their Water Service Areas (as defined in the Master Water Supply Contract) only from Water supplied from Tampa Bay Water. The Master Water Supply Contract supersedes other contracts previously entered into for the supply of Water between the Predecessor Authority and the Member Governments.

**Term**

The term of the Master Water Supply Contract commenced on the date on which all conditions precedent to the Master Water Supply Contract were satisfied on September 29, 1998 (the "Effective Date") and shall end on the date the Interlocal Agreement is terminated in accordance with its provisions or the date on which no Obligations shall remain outstanding precedent to the Financing Documents and the Bond Resolution. See "Form of Master Water Supply Contract" included as APPENDIX D hereto.

**Setting Annual Rate**

No later than April 15th of each year during the term of the Master Water Supply Contract, Tampa Bay Water shall submit to the Member Governments the Annual Estimate which shall set forth the anticipated cost to Tampa Bay Water of providing Water Service to the Member Governments for the forthcoming Fiscal Year. The Annual Estimate shall be based upon Tampa Bay Water's proposed budget for such Fiscal Year. The Annual Estimate shall describe the Fixed Costs and Variable Costs of Tampa Bay Water. The Annual Estimate may be revised from time to time to reflect changes to Tampa Bay Water's budget.

Prior to the adoption of any proposed new or adjusted rate, Tampa Bay Water shall provide to the Member Governments its proposed rate, with supporting data and calculations. Any disagreements in the proposed rate shall be submitted for determination in the manner and mode set forth in the Master Water Supply Contract. See APPENDIX D – "Form of Master Water Supply Contract – Arbitration." Notwithstanding any disagreement by any such Member Government of the proposed rate, Tampa Bay Water may, nonetheless, implement said proposed rate and the rate so determined to be proper shall become the adopted and approved adjusted rate. If the proposed rate is determined to have been in excess of the rate permitted under the Master Water Supply Contract, in whole or in part, then Tampa Bay Water shall, within thirty (30) days of said determination, refund to such Member Governments the difference between the proposed rate collected and the rate found to be proper.

The rate in effect for the Fiscal Year must be sufficient to pay the Annual Estimate. During the term of the Master Water Supply Contract the Member Governments irrevocably agree to pay to Tampa Bay Water, as compensation for the Water Service received by such Member Governments, a monthly charge for such Water Service based on the rate and total volume of Water delivered to such Member Government by Tampa Bay Water. The rate to be charged in a Fiscal Year to the Member Governments for Water Service may include Operation, Maintenance and Administrative Costs, Debt Service Costs, Renewal and Replacement Charges, Bond Coverage Costs, Capital Improvement Charges and Operating Reserve Funds, as such terms are defined in the Master Water Supply Contract. See APPENDIX D – "Form of Master Water Supply Contract – Definitions."

Between April 15 and August 1 of each Fiscal Year, Tampa Bay Water may, if appropriate, prepare and approve an adjustment to the Water Service rate then in effect based upon Tampa Bay Water's Annual Estimate of providing Water Service to the Member Governments during such period during which the adjustment will be in effect. Any rate adjustment put into effect as part of Tampa Bay
Water's budget process described in the preceding sentence shall become effective no earlier than the next succeeding October 1. Tampa Bay Water may also prepare and approve an adjustment to the rate at such other time or times as shall be required by the Financing Documents, including the Bond Resolution.

**Billing**

The Member Governments are billed on a monthly basis and such bills consist of two components. The first component is a charge for the Fixed Costs of Tampa Bay Water. Each Member Government shall pay monthly an amount equal to one-twelfth of the Fixed Costs provided in the Annual Estimate times A/B, whereby A equals the amount of Quality Water delivered to such Member Government during the previous Fiscal Year and B equals the total amount of Quality Water delivered to all of the Member Governments during such Fiscal Year. The second component of each monthly bill shall be the charge for the Variable Costs. Each Member Government shall pay an amount equal to the amount of Quality Water consumed by the Member Government during the prior month times the rate then in effect times C/D, whereby C equals the Variable Costs and D equals the Annual Estimate then in effect. See APPENDIX D – "Form of Master Water Supply Contract."

In the event that a Member Government fails to pay the full amount of a bill for monthly service or for any other amount coming due to Tampa Bay Water under the Master Water Supply Contract within thirty (30) days of receipt of said bill, then such Member Government shall pay interest on the unpaid balance from the original due date to the date of payment at the rate then prevailing for investments in the State of Florida's Local Government Surplus Funds Trust Fund.

**Annual True-Up**

Following the end of each Fiscal Year, an annual adjustment in the Fixed Costs component of bills paid during that Fiscal Year shall be computed on the basis of (i) the Fixed Costs which are provided in the Annual Estimate in effect during the Fiscal Year then ended and (ii) the actual amount of Quality Water delivered to each of the Member Governments during the Fiscal Year then ended. Tampa Bay Water shall determine the amount of Fixed Costs payable by each Member Government based upon actual delivery of Quality Water during the previous Fiscal Year. Such determination shall be made within forty-five (45) days of the end of the Fiscal Year. In the event the determination reflects that an underpayment has been made by a Member Government as a result of consumption of an increased amount of Water by such Member Government, then the full amount due and owing for said underpayment shall be paid by the Member Government to Tampa Bay Water within sixty (60) days of the Member Government's receipt of the determination. In the event the determination reflects that an overpayment has been made by a Member Government as a result of consumption of a lesser amount of Quality Water by such Member Government, then the amount of said overpayment shall be paid to the Member Government within sixty (60) days following distribution of the determination. Each such adjustment in payments shall be verified by Tampa Bay Water's annual audit. The annual audit shall be distributed to the Member Governments on or before March 1 of the year following the end of each Fiscal Year. Tampa Bay Water shall adjust any overpayments or underpayments to reflect the Quality Water consumption amounts provided in the annual audit.

**Member Governments’ Rate Covenant**

The Member Governments are required under the Master Water Supply Contract to fix, revise, maintain and collect such fees, rates, tariffs, rentals or other charges for the use of products, services, and facilities of their respective Member Governments' water utility systems to the extent necessary to fund the timely payment of their respective obligations and liabilities under the Master Water Supply Contract. The Member Governments are required to maintain their water utility system operation and maintenance
accounts throughout the term of the Master Water Supply Contract for the purpose of paying their obligations and liabilities thereunder. At all times during the term of the Master Water Supply Contract, the Member Governments’ obligations and liabilities thereunder are operating expenses of their respective water utility systems and shall be paid from their water utility systems operation and maintenance accounts; provided, however, that such obligations and liabilities of a Member Government shall not be considered an operating expense of its water utility system nor need it be paid from the operation and maintenance account to the extent the Member Government has budgeted and legally appropriated available moneys for such purpose and is current on all its obligations arising under the Master Water Supply Contract.

A Member Government shall not be liable under the Master Water Supply Contract for the obligations of any other Member Government. A Member Government shall be solely responsible and liable for performance of its obligations under the Master Water Supply Contract. The obligation of a Member Government to make payments under the Master Water Supply Contract is a severable obligation and not a joint obligation with the other Member Governments.

**Binding Arbitration**

Any disputes respecting monetary defaults committed by Tampa Bay Water or any of the Member Governments, any disputes regarding Water Quality and any disputes between Tampa Bay Water and any Member Government involving fiscal matters arising under the Master Water Supply Contract, which are not otherwise resolved after due diligent effort by the parties, shall be resolved through binding arbitration. See APPENDIX D – "Form of Master Water Supply Contract – Arbitration." Such binding arbitration shall be the sole and exclusive method of resolving the foregoing matters of possible dispute. **During any period of arbitration, the Member Governments shall continue to promptly make all payments due to Tampa Bay Water pursuant to the terms of the Master Water Supply Contract, and likewise Tampa Bay Water shall continue to provide Water Service to such Member Governments in accordance with the terms of such Contract.** Tampa Bay Water and the Member Governments have established binding arbitration, as described in the Master Water Supply Contract, as the sole and exclusive method of resolving the disputes arising thereunder which are subject to arbitration. No other disputes arising under the Master Water Supply Contract shall be subject to mandatory arbitration, other than disputes regarding monetary defaults, disputes regarding Water Quality and disputes regarding fiscal matters arising under the Master Water Supply Contract. However, the Member Governments and Tampa Bay Water may avail themselves of the mandatory arbitration procedures for other disputes on a voluntary basis.

**Pledge to Bonds**

Pursuant to the terms of the Master Water Supply Contract, Tampa Bay Water is authorized to pledge all payments due, owing or received by Member Governments pursuant to the terms thereof, any interest or other income derived from moneys received under such Contract and any other moneys of Tampa Bay Water for the purpose of securing the Bonds.

For more detailed information regarding the Master Water Supply Contract, the actual form of such Contract is included herein as APPENDIX D.

**Legislation**

In the 1998 legislative session, the Florida Legislature passed legislation (Chapter 98-402, Laws of Florida) in support of the terms and provisions of the Interlocal Agreement and the Master Water Supply Contract. Specifically, the legislation amended Section 120.52, Florida Statutes, providing that a
member government is not considered a party in administrative proceedings when that member government is represented by a regional water supply authority. The legislation also amended Section 373.1963, Florida Statutes, revising criteria for governance of an authority and its member governments under interlocal agreements, declaring legislative intent to supersede other laws; repealed Section 373.1963(5), Florida Statutes, dealing with consumptive use permit review; amended Section 682.02, Florida Statutes, providing for the arbitration of certain controversies concerning water use; and amended Section 768.28, Florida Statutes, allowing an authority to indemnify its member governments.

LITIGATION

In the opinion of the General Counsel to Tampa Bay Water, there is no litigation of any nature now pending or threatened seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2011 Bonds, or in any way contesting or affecting the validity of the 2011 Bonds or any proceedings taken with respect to the issuance or sale thereof.

Tampa Bay Water is, however, engaged in routine litigation common to the operation of water supply facilities. Where applicable, it is covered by liability insurance and, therefore, such matters are not material to Tampa Bay Water's financial position.

Tampa Bay Water has received notices of claims or otherwise become aware of a number of matters relating to the operations of its wellfields. In the opinion of Tampa Bay Water's General Counsel, there are ample and sufficient defenses to such allegations that will be presented at the appropriate time, if necessary. However, in the event that the notices of alleged damages result in actual litigation or the joinder of a number of such claims, due to the complex nature of such claims and the uncertainty as to how any of these claims will be resolved on the merits, it is not possible to determine Tampa Bay Water's potential liability, if any, at this time. Should any damages be assessed against Tampa Bay Water as a result of any litigation, Tampa Bay Water has the ability to raise its rates to pay the amounts thereof. See "SUMMARY OF PRINCIPAL AGREEMENTS - Master Water Supply Contract - Setting Annual Rate."

LEGAL MATTERS

Certain legal matters in connection with the issuance of the 2011 Bonds are subject to the approval of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel, whose approving opinion will be available at the time of delivery of the 2011 Bonds. The proposed form of Bond Counsel opinion is attached hereto as APPENDIX G and reference is made to such form of opinion for the complete text thereof. Certain legal matters will be passed upon for Tampa Bay Water by GrayRobinson, P.A., Tampa, Florida, Disclosure Counsel. Certain other legal matters will be passed upon for Tampa Bay Water by Richard A. Lotspeich, Esq., its General Counsel. The Underwriters are being represented by Broad and Cassel, Orlando, Florida.

Bond Counsel has not been engaged to, nor has it undertaken to, review (1) the accuracy, completeness or sufficiency of this Official Statement or any other offering material relating to the 2011 Bonds; provided, however, that Bond Counsel shall render an opinion to the Underwriters of the 2011 Bonds (upon which only the Underwriters may rely) relating to the fairness of the presentation of certain statements contained herein under the heading "TAX EXEMPTION" and certain statements which summarize provisions of the Bond Resolution, the 2011 Bonds, the Act, and the Constitution of the State of Florida and federal tax law, and (2) the compliance with any federal or state law with regard to the sale or distribution of the 2011 Bonds.
ENFORCEABILITY OF REMEDIES

The remedies available to the Holders of the 2011 Bonds upon an event of default under the Bond Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies specified by the Bond Resolution may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 2011 Bonds will be qualified, as to enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery.

TAX EXEMPTION

Opinion of Bond Counsel

In the opinion of Bond Counsel, the form of which is included as APPENDIX G hereto, the interest on the 2011 Bonds is excludable from gross income and is not a specific item of tax preference for federal income tax purposes under existing statutes, regulations, rulings and court decisions. However, interest on the 2011 Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Failure by Tampa Bay Water to comply subsequently to the issuance of the 2011 Bonds with certain requirements of the Code regarding the use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the Treasury of the United States, may cause interest on the 2011 Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issue. Tampa Bay Water has covenanted in the Bond Resolution to comply with all provisions of the Code necessary to, among other things, maintain the exclusion from gross income of interest on the 2011 Bonds for purposes of federal income taxation. In rendering this opinion, Bond Counsel has assumed continuing compliance with such covenants.

Internal Revenue Code of 1986

The Code contains a number of provisions that apply to the 2011 Bonds, including, among other things, restrictions relating to the use or investment of the proceeds of the 2011 Bonds and the payment of certain arbitrage earnings in excess of the "yield" on the 2011 Bonds to the Treasury of the United States. Noncompliance with such provisions may result in interest on the 2011 Bonds being included in gross income for federal income tax purposes retroactive to their date of issue.

Collateral Tax Consequences

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of, the 2011 Bonds. Prospective purchasers of the 2011 Bonds should be aware that the ownership of the 2011 Bonds may result in other collateral federal tax consequences. For example, ownership of the 2011 Bonds may result in collateral tax consequences to various types of corporations relating to (1) denial of interest deduction to purchase or carry such 2011 Bonds, (2) the branch profits tax, and (3) the inclusion of interest on the 2011 Bonds in passive income for certain Subchapter S corporations. In addition, the interest on the 2011 Bonds may be included in gross income by recipients of certain Social Security and Railroad Retirement benefits.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE 2011 BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL OR CORPORATE BONDHOLDERS,
INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Other Tax Matters

Interest on the 2011 Bonds may be subject to state or local income taxation under applicable state or local laws in other jurisdictions. Purchasers of the 2011 Bonds should consult their own tax advisors as to the income tax status of interest on the 2011 Bonds in their particular state or local jurisdictions.

During prior years legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the 2011 Bonds. In some cases these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the 2011 Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the 2011 Bonds and their market value. No assurance can be given that additional legislative proposals will not be introduced or enacted that would or might apply to, or have an adverse effect upon, the 2011 Bonds.

Bond Premium

The difference between the principal amount of all of the 2011 Bonds (collectively, the "Premium Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriter or wholesalers) at which price a substantial amount of the Premium Bonds of the same maturity were sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond or, in the case of a Premium Bond callable prior to maturity, the amortization period and yield must be determined on the basis of the earliest call date that results in the lowest yield on the Premium Bonds. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

DISCLOSURE PURSUANT TO SECTION 517.051, FLORIDA STATUTES

Section 517.051, Florida Statutes, and the regulations promulgated thereunder (the "Disclosure Act") require that Tampa Bay Water make a full and fair disclosure of any bonds or other debt obligations that it has issued or guaranteed and that are or have been in default as to principal or interest at any time after December 31, 1975 (including bonds or other debt obligations for which it has served only as a conduit issuer such as industrial development or private activity bonds issued on behalf of private businesses). Tampa Bay Water is not and since December 31, 1975 has not been, in default as to principal of and interest on any of its bonds or other debt obligations. Tampa Bay has never served as a conduit issuer of any industrial development or private activity bonds on behalf of any private businesses.
FINANCIAL STATEMENTS

The Financial Statements of Tampa Bay Water, as of September 30, 2009 and 2008, are included herein as APPENDIX E and are so included as publicly available documents for informational purposes only, and consent from the auditors has not been requested. Ernst & Young, LLP was not involved with this offering.

INVESTMENT POLICY

On October 21, 1996, the Predecessor Authority adopted its current Investment Policy (the "Investment Policy") to bring the Predecessor Authority into compliance with Florida law relating to investment activities of special districts and units of local government and guidelines for the investment of its surplus public funds.

VERIFICATION OF ARITHMETICAL COMPUTATIONS

The accuracy of the arithmetical computation of the adequacy of the amount of the proceeds for the 2011 Bonds to be held in the Escrow Fund to pay when due all principal of and interest on the Refunded Bonds to the call date will be verified for Tampa Bay Water by The Arbitrage Group, Inc., Independent Certified Public Accountants. Such verification will be based on certain information supplied to The Arbitrage Group, Inc. by the Underwriters.

RATINGS

S&P, Fitch and Moody's have assigned ratings of "AA+", "AA+", and "Aa2," respectively, to the 2011 Bonds. No assurance can be given that the foregoing ratings on the Delayed Delivery Closing Date will not be different than such ratings. A rating downgrade does not terminate the Forward Delivery Purchase Contract or release the Underwriters from their obligation to purchase the 2011 Bonds. Without regard to the level of such ratings, letters of confirmations of such ratings shall be made available at the Delayed Delivery Closing; provided, however, if one or more of such rating agencies are no longer in business and no longer provide any ratings as of the Delayed Delivery Closing Date, then the requirement to provide a rating by such rating agency shall be waived by the Underwriters at the Delayed Delivery Closing.

Such ratings reflect only the views of such organizations at the time such ratings were issued and an explanation of the significance of such rating may be obtained from the rating agencies. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, or any one of them, if in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating can be expected to have an adverse effect on the market price of the 2011 Bonds. The Underwriters have taken no obligation to oppose any proposed downward revision, or withdrawal, of such ratings or to notify any Bondholder or other persons of any such proposed downward revision or withdrawal.

CONTINUING DISCLOSURE

Tampa Bay Water has covenanted for the benefit of 2011 Bondholders to provide certain financial information and operating data relating to Tampa Bay Water and the 2011 Bonds in each year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated material events. Such covenant shall only apply so long as the 2011 Bonds remain outstanding under the Bond Resolution. The covenant shall also cease upon the termination of the continuing disclosure requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission pursuant to the Securities
Exchange Act of 1934, as amended (the "Rule"), by legislative, judicial or administrative action. The Annual Report will be filed by Tampa Bay Water with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System ("EMMA") as described in the Form of Continuing Disclosure Agreement attached hereto as APPENDIX F, as well as any state information depository that is subsequently established in the State of Florida (the "SID"). The notices of material events will be filed by Tampa Bay Water with EMMA, and with the SID, if any. The specific nature of the information to be contained in the Annual Report and the notices of material events are described in APPENDIX F – "Form of Continuing Disclosure Agreement," which shall be executed by Tampa Bay Water at the time of issuance of the 2011 Bonds. Failure of Tampa Bay Water to comply with the provisions of the Continuing Disclosure Agreement shall not constitute an event of default under the Bond Resolution. It is the position of Tampa Bay Water that the sole and exclusive remedy of any 2011 Bondholder for enforcement of the provisions of the Continuing Disclosure Agreement shall be an action of mandamus or specific performance to cause Tampa Bay Water to comply with its obligations thereunder. These covenants have been made in order to assist the Underwriters in complying with the Rule.

With respect to the 2011 Bonds, no party other than Tampa Bay Water is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the aforementioned Rule. To date, Tampa Bay Water has not failed to comply with any prior undertakings to provide continuing disclosure information pursuant to the Rule.

UNDERWRITING

The 2011 Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated, on behalf of itself, Citigroup Global Markets Inc. and Raymond James & Associates, Inc. (collectively, the "Underwriters"). The Underwriters have agreed to purchase the 2011 Bonds at an aggregate purchase price of $114,216,766.01 (which represents the principal amount of the 2011 Bonds, less Underwriters' discount of $574,172.29, plus original issue premium of $10,145,938.30). The Purchase Contract provides that the Underwriters will purchase all the 2011 Bonds if any are purchased, and that their obligation is subject to the delivery of certain documents at or prior to delivery of the 2011 Bonds. The initial public offering prices set forth on the cover page may be changed by the Underwriters.

Citigroup Inc., parent company of Citigroup Global Markets Inc., an underwriter of the 2011 Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2011 Bonds.

FINANCIAL ADVISOR

Public Financial Management, Inc., Orlando, Florida, is serving as Financial Advisor to Tampa Bay Water. The Financial Advisor assisted in matters relating to the planning, structuring, execution and delivery of the 2011 Bonds and provided other advice. Public Financial Management, Inc. did not engage in any underwriting activities with regard to the sale of the 2011 Bonds.
MISCELLANEOUS

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the 2011 Bonds, the security for the payment of the 2011 Bonds, and the rights and obligations of holders thereof.

The information contained in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of the 2011 Bonds.

CERTIFICATE CONCERNING OFFICIAL STATEMENT

We, the undersigned Chairman and Secretary of Tampa Bay Water, A Regional Water Supply Authority, do hereby certify that (i) we have reviewed this Official Statement with respect to the issuance of $104,645,000 in principal amount of Utility System Refunding Revenue Bonds, Series 2011, of Tampa Bay Water, a Regional Water Supply Authority (the "Official Statement"), and that to the best of the knowledge and belief of each of us the statements herein are true and correct; (ii) nothing has come to the attention of either of us that would lead either of us to believe that the Official Statement contains an untrue statement of a material fact or omits to state a material fact that should be included herein for the purpose for which the Official Statement is intended to be used, or that is necessary to make the statements contained herein, in light of the circumstances under which they were made, not misleading (except with respect to the information provided under the headings "THE 2011 BONDS - Book Entry Only System" and "TAX EXEMPTION" as to which no representation is made).

IN WITNESS WHEREOF, we have hereunto set our hands and the seal of Tampa Bay Water this 3rd day of November, 2010.

TAMPA BAY WATER,
A Regional Water Supply Authority

/s/ Mark Sharpe
Mark Sharpe
Chairman

/s/ Gerald J. Seeber
Gerald J. Seeber
General Manager and Secretary
Consulting System Engineer’s Report

Prepared For:
Tampa Bay Water

October 18, 2010

Black & Veatch Corporation
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Section 1 - General Information About Tampa Bay Water

Tampa Bay Water currently provides water to its six Member Governments: Hillsborough County, Pinellas County, Pasco County, the City of Tampa, the City of St. Petersburg, and the City of New Port Richey. These six Member Governments in turn serve approximately 2.4 million residents of the Tampa Bay region. Total Fiscal Year (FY) 2009 (October 1, 2008 - September 30, 2009) production from Tampa Bay Water facilities was approximately 62.5 billion gallons, an average of approximately 171 million gallons per day (mgd).

A. History of Tampa Bay Water

Tampa Bay Water’ predecessor agency, the West Coast Regional Water Supply Authority, (the “Predecessor Authority”), was established on October 25, 1974. As stated in Subsection 373.1962, Florida Statutes, the Predecessor Authority was created “for the purpose of developing, storing, and supplying water for county or municipal purposes in such a manner as will give priority to reducing adverse environmental effects of excessive or improper withdrawals of water from concentrated areas.”

In 1993, the Resource Development Plan (RDP) was initiated to provide a new approach to planning for new water supply in the tri-county area. The RDP involved a comprehensive analysis of the region’s historic and future water demands, and the existing supply sources and facility capacities. The RDP provided specific recommendations for developing new water supplies as an integrated water resource plan.

Development of the RDP relied heavily on input and advice from technical and public advisory groups (including a Resource Advisory Committee, a Technical Advisory Committee, and the Predecessor Authority’s Coordinating Council) to analyze and develop alternative water supply plans.

As a part of the RDP process, the Predecessor Authority’s Board of Directors (Board) conducted public workshops from which five objectives for the recommended plan were established:

- aggressive conservation and increased reserve/rotational capacity;
- diversified water supply sources;
- limited additional new groundwater beyond currently built and/or exchanged capacity;
- increased drought-proof and drought-resistant components; and
- least cost consistent with the previous objectives.
Based on these five objectives, the Board developed a plan in 1994 from which the Master Water Plan (MWP) was formulated. Approved in December 1995, the MWP included six water supply elements, three transmission main interconnects, and three developmental alternatives that include Brackish Water Desalination, Hillsborough River High Water, and Seawater Desalination. The MWP also included an aggressive Demand Management program to reduce per capita demand.

During its 1996 session, the Florida Legislature directed the Predecessor Authority and its Member Governments to evaluate the Predecessor Authority’s operations and make recommendations for improvements. An independent report to the Florida Legislature prepared by KPMG Peat Marwick LLP for the 1997 legislative session, the “Governance Study”, analyzed and confirmed the strength of a regional solution. The Governance Study submitted by the Predecessor Authority set forth specific recommendations that include the following: expanding the Board from five to nine voting members; specifying that Predecessor Authority should be the region’s exclusive provider of wholesale water; implementing the Predecessor Authority’s MWP for 20 years of future water supply; and utilizing millage from the Southwest Florida Water Management District (SWFWMD) for funding new water sources, if so directed by the Legislature.

The Governance Study and its recommendations were considered by the Board in January 1997 and were approved for submittal to the Florida Legislature. In order to begin the process of implementing the actions recommended in the Governance Study, an “Agreement in Principal” was approved by the Board in December 1996.

As a result of the Governance Study, the 1997 Florida Legislature passed Chapter 97-160, Section 30, Laws of Florida, which encouraged and facilitated the implementation of the Governance Study recommendations submitted to the Legislature. During 1997 and 1998, the Predecessor Authority, together with its Member Governments and their staffs, special counsel and consultants, worked cooperatively to carry out the mandate of the 1997 legislation.

Specifically, the Predecessor Authority and its Member Governments conducted multiple workshops, developed new governing documents for Tampa Bay Water including the Amended and Restated Interlocal Agreement and Master Water Supply Contract to supersede existing contracts, and conducted extensive studies related to water rates, water quality, legal issues, title to real property, and an overall water supply facility assessment. The conclusion of these efforts was the creation of Tampa Bay Water as the regional water supply authority for the Tampa Bay area which is responsible for supplying its Member Governments with water according to the terms of the Governance Agreements. Three key Governance agreements provide for regional
water solutions and a comprehensive answer to the water needs of the Tampa Bay area: the Amended and Restated Interlocal Agreement, the Master Water Supply Contract, and the Property Transfer Agreements.

Chapter 97-160, Laws of Florida, also requires that Tampa Bay Water and SWFWMD work cooperatively in water resource and water supply development. Tampa Bay Water, its Member Governments, and SWFWMD entered into the Northern Tampa Bay New Water Supply and Groundwater Withdrawal Reduction Agreement (the Partnership Agreement). The Partnership Agreement called for new water resource and supply development to be implemented in two phases that would provide a total of 85 million gallons of new water supply for the tri-county region by the year 2007. This amount of new capacity was required in order to support the water demand of the growing region and to reduce pumping of groundwater as required by the Partnership Agreement.

Since the establishment of the Partnership Agreement, Tampa Bay Water has developed and implemented a Master Water Plan to meet wellfield cutbacks by developing alternative water supply sources (non-groundwater sources). The System Configuration I Program of the Master Water Plan was implemented from 1998 to 2003, which primarily relied on the development of alternative supply sources to increase overall system supply capacity. The System Configuration I Program included a seawater desalination facility to provide up to 25 mgd of potable water supply, the Brandon Urban Dispersed (BUD) Wells, approximately 42 miles of large diameter finished water transmission pipelines, and the Enhanced Surface Water System (ESWS), which is a group of facilities that can provide up to 72 mgd of treated surface water supply to the system. The ESWS consists of surface water withdrawal facilities at the Alafia River and the Tampa Bypass Canal, a 15-billion gallon off-line raw water storage reservoir, a Regional Surface Water Treatment Plant (SWTP), and approximately 23 miles of large diameter raw water transmission pipelines. The projects that were implemented as part of System Configuration I are currently on-line and provide enough supply to meet the Region’s demand through year 2012. Additional details regarding these facilities are provided in Section 4, System Description.

In order to increase system supply to meet projected water demands after 2012, Tampa Bay Water approved the System Configuration II Program in October 2006. The System Configuration II Program includes ten projects. Six of these projects involve expanding the existing ESWS, and the other four projects involve increasing the hydraulic capacity of the transmission system to allow for a broader distribution of alternative supply sources throughout Tampa Bay Water’ Regional System. Implementation of the System Configuration II Program is currently underway, and will be completed by 2012. Completion of the System Configuration II Program will result in sufficient supply and transmission system capacity to meet the Region’s
demands through at least year 2025. Additional details regarding the ten System Configuration II Program projects can be found in Section 6, Current Capital Projects.

To continue meeting the water demands of the Region beyond year 2025, Tampa Bay Water prepares a Long Term Water Supply Plan as part of the Master Water Plan update every five years. The Long Term Water Supply Plan considers a 50-year horizon to outline the expected order of magnitude of water supply needs of the Region. As required by the Governance Documents, Tampa Bay Water completed an update of the Master Water Plan Long Term Water Supply Plan in 2008. A list of the projects that are currently being evaluated as part of the Long Term Water Supply Plan can be found in Section 8, Future Capital Improvements.

B. History of Tampa Bay Water Revenue Bonds

In September 1998, Tampa Bay Water issued $155,680,000 Utility System Revenue Bonds, Series 1998A, (the Series 1998A Bonds) to refinance the Predecessor Authority’s debt obligations and finance approximately $45 million of initial new MWP projects. These projects included the Cypress Creek Transmission Main Replacement, Keller Transmission Main Replacement, Cosme Transmission Main and the Tampa/Hillsborough Interconnect Booster Station. In addition, Tampa Bay Water issued $216,570,000 Utility System Revenue Bonds, Series 1998B, (the Series 1998B Bonds) to purchase the transferred assets previously owned by Member Governments, the former West Coast Regional Water Supply Authority System and the Cypress Creek Wellfield. Together, the Series 1998A Bonds and 1998B Bonds are referred to as the Series 1998 Bonds.

In September 1999, Tampa Bay Water issued $372,761,142.60 Utility System Revenue Bonds, Series 1999 (the Series 1999 Bonds) to finance Master Water Plan projects selected as part of the System Configuration I Program. These projects were required to meet the growing demands of the Member Governments and to reduce groundwater withdrawals from existing wellfields as required by the Consolidated Permit, as further described in Section 5.

In August 2001, Tampa Bay Water issued its $309,370,000 Utility System Refunding and Improvement Revenue Bonds Series 2001A (the Series 2001A Bonds) for the purpose of advance refunding a portion of the Series 1999 Bonds to generate approximately $8,262,494 in additional funding for the new water supply projects further described below. In October 2001, Tampa Bay Water issued its $238,230,000 Utility System Revenue Bonds, Series 2001B (the Series 2001B Bonds), which, together with $8,262,494 in proceeds of the Series 2001A Bonds (collectively, the Series 2001 Bonds) were used to fund a portion of the design, land acquisition, and construction of a number of new water supply projects necessary to
meet the requirements of the Interlocal Agreement, the Master Water Supply Contract, and the Partnership Agreement and to meet the growing water needs of the Tampa Bay region.

In 2002, Tampa Bay Water issued its $108,390,000 Utility System Variable Rate Revenue Bonds Series 2002 (the Series 2002 Bonds) to provide the funds for the Tampa Bay Seawater Desalination project.

From 2004 to 2008, Tampa Bay Water issued Series 2004, 2005, 2006 and 2008 Bonds described as follows:

Series 2004 Bonds - Utility System Revenue Bonds in the principal amount of $107,870,000. The 2004 Bonds were issued to provide, combined with other available funds of Tampa Bay Water, to (1) advance refund certain of Tampa Bay Water's outstanding Utility System Revenue Bonds, Series 1998A (the "1998A Bonds"), certain of Tampa Bay Water's outstanding Utility System Revenue Bonds, Series 1998B (the "1998B Bonds") and certain of Tampa Bay Water's outstanding Utility System Revenue Bonds, Series 2001B (the "2001B Bonds") and (2) pay certain costs of issuance of the 2004 Bonds, including the cost of the premium for a municipal bond insurance policy.


Series 2006 Bonds – Utility System Refunding and Improvement Revenue Bonds in the amount of $81,885,000. The 2006 Bonds were issued to (1) refinance $58,141,000 of debt borrowed by Tampa Bay Water under a loan agreement with the Florida Local Government Finance Commission under its Pooled Commercial Paper Loan Program and refinance $18,030,000 of Tampa Bay Water's currently outstanding $103,030,000 Utility System Variable Rate Revenue Bonds, Series 2002, (2) fund the 2006 Project and (3) pay certain costs of issuance of the 2006 Bonds, including the cost of the premium for a municipal bond insurance policy.

Series 2008 Bonds – Utility System Revenue Bonds in the amount of $101,375,000. The 2008 Bonds were issued to (1) pay or reimburse a portion of the costs of the 2008 Project, (2) fund a
deposit to the Reserve Account so that the total amount on deposit therein (taking into account any cash, investments and reserve Account Insurance Policy on deposit therein) equals the Reserve Account Requirement, (3) capitalize a portion of the interest on the 2008 Bonds, and (4) pay certain costs of issuance of the 2008 Bonds.

Tampa Bay Water intends to issue, and this report anticipates, additional bonds and other funding sources in the future to finance the completion of design and construction of future projects selected by the Board to meet the water supply needs of the region.
Section 2 - Description of Service Area

A. Service Area Characteristics

Currently, Tampa Bay Water and its Member Governments serve approximately 85 percent of persons residing in the tri-county area (Hillsborough, Pinellas, and Pasco Counties). Remaining residents are serviced by other municipal water supply systems (e.g., Clearwater, Dade City, Temple Terrace), private utilities, or by domestic self-supply wells. For planning purposes, Tampa Bay Water divides Pinellas, Hillsborough and Pasco Counties into eight Water Demand Planning Areas (WDPAs) as shown on Figure 2-1. The WDPAs do not cover the entire tri-county area, but generally correspond with Member Governments’ water service area boundaries.

In all cases, the water service areas of Member Governments include incorporated and unincorporated portions of the tri-county area and do not necessarily follow political boundaries. Furthermore, some portions of these WDPAs are served by other water supply providers or domestic self-supply wells.

B. Wholesale and Retail Customers

Member Governments distribute water purchased from Tampa Bay Water to individual households and other establishments through distribution systems they own and manage. Some of the Member Governments also supply bulk quantities of water on a wholesale basis to other municipal or private utilities. These other utilities then distribute water to retail customers through distribution systems that they own and operate. Table 2-1 includes a list of retail and wholesale areas served by each Member Government.
Figure 2-1 Water Demand Planning Areas
<table>
<thead>
<tr>
<th>Description</th>
<th>Customer Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hillsborough County</td>
<td>Direct Retail: Unincorporated Hillsborough</td>
</tr>
<tr>
<td>New Port Richey</td>
<td>Direct Retail: New Port Richey and unincorporated</td>
</tr>
<tr>
<td>Pasco County</td>
<td>Direct Retail: Unincorporated Pasco</td>
</tr>
<tr>
<td>Pinellas County</td>
<td>Direct Retail: Unincorporated Pinellas, and fifteen</td>
</tr>
<tr>
<td>St. Petersburg</td>
<td>Direct Retail: St. Petersburg, South Pasadena, and</td>
</tr>
<tr>
<td>Tampa</td>
<td>Direct Retail: Tampa and unincorporated Hillsborough</td>
</tr>
</tbody>
</table>
Section 3 - Demand Projections

To address future needs of its six Member Governments, Tampa Bay Water completed several studies and developed comprehensive planning documents that included water demand projections, demand management options, and an examination of existing water supply sources and facilities capacities. This section summarizes the results of Tampa Bay Water’s demand planning efforts.

A. Water Demand Projections

As per the requirements of the Master Water Supply Contract, the Member Governments are required to submit Annual Reports yearly which provide both short term and long term water demand forecasts. These reports are used as one of the factors in formulating Tampa Bay Water’s capital improvement program. Tampa Bay Water has also developed demand forecast models to estimate the region’s water demands. In 2008, Tampa Bay Water updated its demand forecast system (“DFS”) to forecast future water demands. The DFS quantifies how socioeconomic, meteorological, and policy decisions influence potable water demand in its service area. The DFS includes a regional demand model that calculates demand inclusive of the influence of meteorological, socioeconomic, and policy conditions. The results from the model are combined with projections of socioeconomic growth and meteorological conditions to generate forecasts of water demands for each water demand planning area served by Tampa Bay Water. The DFS also reflects uncertainties in long-term projection data such as seasonality, abnormal weather patterns, and population projections. The updated DFS allows Tampa Bay Water to better plan the capacity and construction sequencing of future water supply projects to maximize cost effectiveness.

A summary of the demand projections for Tampa Bay Water by Member Governments is presented in Table 3-1.
Table 3-1  Annual Average Demand Projections (mgd) by Water Year

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hillsborough County</td>
<td>51.8</td>
<td>48.0</td>
<td>49.3</td>
<td>50.2</td>
<td>51.1</td>
<td>52.5</td>
</tr>
<tr>
<td>New Port Richey</td>
<td>2.5</td>
<td>2.7</td>
<td>2.3</td>
<td>2.3</td>
<td>2.3</td>
<td>2.3</td>
</tr>
<tr>
<td>Pasco County</td>
<td>26.9</td>
<td>24.5</td>
<td>25.4</td>
<td>25.9</td>
<td>26.6</td>
<td>27.5</td>
</tr>
<tr>
<td>Pinellas County</td>
<td>60.7</td>
<td>57.9</td>
<td>58.7</td>
<td>58.7</td>
<td>59.1</td>
<td>59.7</td>
</tr>
<tr>
<td>St. Petersburg</td>
<td>28.7</td>
<td>27.3</td>
<td>27.6</td>
<td>27.8</td>
<td>27.9</td>
<td>28.2</td>
</tr>
<tr>
<td>Tampa(^2)</td>
<td>6.0</td>
<td>2.6</td>
<td>6.0</td>
<td>6.0</td>
<td>6.0</td>
<td>6.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>176.6</strong></td>
<td><strong>163.0</strong></td>
<td><strong>169.3</strong></td>
<td><strong>170.9</strong></td>
<td><strong>173.0</strong></td>
<td><strong>176.2</strong></td>
</tr>
</tbody>
</table>

\(^1\) Source: Tampa Bay Water.

\(^2\) Most of the City of Tampa’s water supply is derived from sources other than Tampa Bay Water.

It is important to note that these demand projections are based on average or normal weather conditions and the best available socioeconomic and population forecasts, which is appropriate for financial analyses. However, water supplies must be developed to ensure adequate supplies exist during years with lower than expected rainfall and/or above average temperatures when demands exceed the average condition.
Section 4 - System Description

This section provides a general description of Tampa Bay Water’s Regional supply and transmission system, and a brief overview of the condition of the Regional System facilities and components.

A. General Description of Tampa Bay Water’s System

The Regional System consists of a number of water supply sources, water treatment and storage facilities, pump stations, transmission pipelines, and metered interconnects at Member Government demand locations. The major components of the System are shown in Figure 4-1.

1. Water Supply Sources

a. Groundwater Supply

Groundwater to supply the Regional System is currently obtained from thirteen primary wellfields. Eleven of the wellfields are regulated under a single Consolidated Water Use Permit (WUP) and are referred to as "the regional wellfields". These eleven wellfields are listed below:

- Cosme-Odessa Wellfield
- Cross Bar Ranch Wellfield
- Cypress Bridge Wellfield
- Cypress Creek Wellfield
- Eldridge-Wilde Wellfield
- Morris Bridge Wellfield
- Northwest Hillsborough Wellfield
- North Pasco Wellfield
- Section 21 Wellfield
- South Pasco Wellfield
- Starkey Wellfield

Tampa Bay Water’s other two primary wellfields are regulated under individual WUPs. The names of these two wellfields are:

- South Central Hillsborough Regional Wellfield
- Brandon Wells
Figure 4-1 Existing Tampa Bay Water Regional System
Each of Tampa Bay Water’s wellfields include a number of water supply wells equipped with pumps, discharge piping and valves, instrumentation and controls, and collection pipelines. Several of the wellfields include disinfection facilities to treat the groundwater supply before it is delivered to Member Governments. Some wellfields also include auxiliary generators.

b. Surface Water Supply

Surface water supply has been used by Tampa Bay Water since 2002. Tampa Bay Water’s Enhanced Surface Water System (ESWS) is designed to harvest environmentally sustainable amounts of surface water from the Hillsborough River/Tampa Bypass Canal and the Alafia River for drinking water supply. The intake and pump station facilities at the Tampa Bypass Canal and Alafia River withdraw water from the rivers in accordance with existing WUPs. A discussion of the regulations governing withdrawals is presented in Section 5. The raw surface water supply can be delivered to the Regional Surface Water Treatment Plant (SWTP) for treatment and distribution into the Regional System. Withdrawals from the Tampa Bypass Canal and Alafia River can also be pumped to a 15 billion gallon offstream Regional Reservoir for seasonal storage. Additional details regarding the existing ESWS facilities are summarized below:

- **Tampa Bypass Canal Intake and Pump Station** - The Tampa Bypass Canal Intake and Pump Station (TBC PS) facility is located in the vicinity of Martin Luther King Boulevard and the Tampa Bypass Canal. The TBC PS can withdraw up to 138 mgd of raw surface water supply from the Tampa Bypass Canal and pump it to the Regional Facilities Site (RFS), which is a 181-acre site located in central Hillsborough County. At the RFS, up to 72 mgd of raw surface water supply is delivered to the Regional SWTP. Any excess supply from the TBC PS can be pumped to the Regional Reservoir via the Repump Station. The Tampa Bypass Canal Intake and Pump Station is currently being expanded as described in Section 6 of this report.

- **Repump Station** – The Repump Station is located at the RFS and can deliver up to 130 mgd of excess TBC PS supply to the Regional Reservoir for seasonal storage. The Repump Station is currently being expanded as described in Section 6 of this report.

- **Alafia River Pump Station** - The Alafia River Pump Station (ARPS) is located near the Bell Shoals Road Bridge on the Alafia River. The ARPS can withdraw up to approximately 52 mgd from the Alafia River and pump it to the Regional SWTP and/or the Regional Reservoir.

- **C.W. Bill Yong Regional Reservoir** - The 15-billion gallon Regional Reservoir was placed into service in 2005. The Reservoir’s footprint occupies approximately 1,200
acres of a 5,200 acre site located in southeastern Hillsborough County. The Reservoir stores surface water supply that is harvested from the Tampa Bypass Canal and Alafia River during wet periods. Water in the Reservoir is used to supply the Regional SWTP when supply from the Tampa Bypass Canal and Alafia River is limited.

c. Seawater Supply

Seawater from Tampa Bay is an alternative water supply source that was added to Tampa Bay Water’s system as part of the System Configuration I Program. Tampa Bay Water’s existing desalination plant can treat seawater from Tampa Bay and deliver up to 25 mgd of potable water supply into the Regional System. Additional details regarding the Tampa Bay Seawater Desalination Plant are provided in the Treatment Facilities section below.

2. Treatment Facilities

Tampa Bay Water’s water treatment facilities include the Regional SWTP, the Tampa Bay Seawater Desalination Plant and a number of groundwater disinfection/chloramination facilities throughout the Tampa Bay Water System.

- Regional SWTP - The Tampa Bay Water Regional SWTP is located on the RFS in central Hillsborough County. The plant currently can treat up to 72-mgd of surface water from the Tampa Bypass Canal and Alafia River. Treatment at the Regional SWTP includes: pH adjustment, Coagulation, flocculation and sedimentation, ozonation, biologically active filtration, chloramination and Alkalinity adjustment. The SWTP also includes residuals and liquid waste handling facilities. The Regional SWTP facility is currently being expanded as described in Section 6 of this report.

- Tampa Bay Seawater Desalination Plant – The Tampa Bay Seawater Desalination Plant is located next to Tampa Electric Company’s Big Bend power plant in southern Hillsborough County. The desalination plant treats seawater supply from the bay and provides a drought proof supply of up to 25 mgd for Tampa Bay Water’s Regional System (The daily maximum permitted quantity for the facility is 28.75 mgd). The desalination plant includes intake/discharge facilities, pretreatment facilities, reverse osmosis facilities, post treatment facilities, storage, and a finished water transfer pump station and transmission pipeline to the RFS.

- Groundwater Treatment/Disinfection Facilities – Tampa Bay Water owns and operates a number of groundwater treatment/disinfection facilities throughout its system. These
facilities treat and chloraminate groundwater supply before sending it into the Regional System. Groundwater treatment/disinfection is provided at the following facilities:

- Cypress Creek Pump Station
- Morris Bridge Booster Station
- Cypress Bridge Wellfield / Lake Bridge Water Treatment Plant (WTP)
- South Pasco Wellfield
- Brandon Wells (BUD-5 and BUD-7)
- Keller WTP

3. Transmission Pipelines

Tampa Bay Water delivers water from its supply facilities to the Member Governments through the Regional Transmission System. Tampa Bay Water's major transmission system pipelines are shown in Figure 4-1. Details regarding these pipelines are provided in Table 4-1.

<table>
<thead>
<tr>
<th>Pipeline</th>
<th>Diameter (inches)</th>
<th>Material</th>
<th>Length (miles)</th>
<th>Location/Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Central Hillsborough Intertie (NCHI)</td>
<td>84</td>
<td>Steel</td>
<td>13.6</td>
<td>Regional WTP to Morris Bridge WTP</td>
</tr>
<tr>
<td>Brandon TM</td>
<td>30 and 36 [1]</td>
<td>Ductile Iron</td>
<td>16.8</td>
<td>Brandon to Regional WTP</td>
</tr>
<tr>
<td>Brandon/South Central Connection (BSCC)</td>
<td>30</td>
<td>Ductile Iron</td>
<td>6.3</td>
<td>Brandon Wells to Lithia WTP</td>
</tr>
<tr>
<td>Morris Bridge TM</td>
<td>64</td>
<td>Ductile Iron</td>
<td>3.9</td>
<td>Morris Bridge WTP to Lake Bridge WTP</td>
</tr>
<tr>
<td>Cypress Bridge TM Phase A Phase B</td>
<td>66 64</td>
<td>Steel Ductile Iron</td>
<td>5.7 4.4</td>
<td>Lake Bridge WTP to Cypress Creek Pump Station</td>
</tr>
<tr>
<td>Cross Bar Ranch TM</td>
<td>60</td>
<td>Concrete</td>
<td>9.5</td>
<td>Cross Bar Ranch Wellfield to Cypress Creek Pump Station</td>
</tr>
<tr>
<td>Cypress Creek TM</td>
<td>84 and 64 [2]</td>
<td>PCCP/Steel</td>
<td>17.6</td>
<td>Cypress Creek Pump Station to Keller Connector</td>
</tr>
<tr>
<td>Keller Connector TM</td>
<td>66</td>
<td>Steel</td>
<td>1.5</td>
<td>Cypress Creek TM to Keller WTP</td>
</tr>
<tr>
<td>South Pasco TM</td>
<td>42</td>
<td>PCCP/RCCP</td>
<td>13.9</td>
<td>Cypress Creek TM to Lake Park WTP and Cosme WTP</td>
</tr>
<tr>
<td>West Pasco TM</td>
<td>36 and 42 [3]</td>
<td>Ductile Iron/Steel</td>
<td>7.8</td>
<td>Cypress Creek TM to Maytum/Little Road WTP</td>
</tr>
<tr>
<td>Cosme TM</td>
<td>64 and 48 [4]</td>
<td>Steel</td>
<td>8.4</td>
<td>Cypress Creek TM to Cosme WTP</td>
</tr>
<tr>
<td>Sheldon Road TM</td>
<td>30</td>
<td>Ductile Iron</td>
<td>2.8</td>
<td>Northwest Hillsborough Regional Wellfield to</td>
</tr>
</tbody>
</table>
In addition to the transmission pipelines shown above, there is also collection piping within each wellfield to collect water from the individual wells and convey the water to one of the major transmission pipelines or to a Tampa Bay Water or Member Government treatment facility.

4. Pumping Stations

Tampa Bay Water owns and operates several high service and booster pumping stations throughout its system. Information regarding these pumping facilities is provided below:

- **Regional High Service Pump Station** – The Regional High Service Pump Station (HSPS) is located at the RFS in central Hillsborough County. This facility pumps treated surface water and desalinated water supplies into the Regional Transmission System. The Regional HSPS can pump up to approximately 125 mgd into the system. The Regional HSPS is currently being expanded as described in Section 6 of this report.

- **Cypress Creek Pump Station** – The Cypress Creek Pump Station (CCPS) is located in central Pasco County. Groundwater supply originating from the Cypress Creek and
Cross Bar Ranch wellfields is sent to the CCPS for treatment and high service pumping into the Regional System. Peak pumping capacity for the CCPS is permitted by the Florida Department of Environmental Protection (FDEP) at 110 mgd. The CCPS facility also serves as Tampa Bay Water’s operation center, which remotely monitors and controls several Regional System facilities. The CCPS is currently being expanded as described in Section 6 of this report.

- **Lake Bridge WTP Pump Station** – The Lake Bridge WTP Pump Station is located in northern Hillsborough County. The facility draws water from the Cypress Bridge TM and the Cypress Bridge Wellfield and pumps it into Pasco County’s water distribution system. Peak pumping capacity for the Lake Bridge WTP is currently permitted by FDEP at 25.5 mgd.

- **U.S. 41 Booster Pump Station** - The US-41 Booster Pump Station is located in central Pasco County. The facility draws water from the Cypress Creek TM and pumps it into Pasco County’s distribution system. Peak pumping capacity for the US-41 Booster Pump Station is currently permitted by FDEP at 25.5 mgd.

- **Odessa WTP Booster Pump Station** - The Odessa WTP Booster Pump Station is located in central Pasco County. The facility draws water from the Cypress Creek TM and pumps it into Pasco County’s distribution system. Peak pumping capacity for the Odessa WTP Booster Pump Station is currently permitted by FDEP at 26 mgd.

- **Morris Bridge Booster Station** - The Morris Bridge Booster Station (MBBS) is located in northern Hillsborough County. The facility pumps water withdrawn from the Morris Bridge Wellfield into the Morris Bridge TM. Peak pumping capacity for the MBBS is permitted by FDEP at 30 MGD.

- **Tampa/Hillsborough Interconnect Booster Pump Station** - The Tampa/Hillsborough Interconnect Booster Pump Station boosts the pressure of water discharged into Hillsborough County's system at the point where Tampa Bay Water can receive water from the City of Tampa. The maximum flow that can be delivered through the interconnect booster pump station is approximately 15 mgd.

**B. Overall Condition of System**

A summary of the condition of Tampa Bay Water’s infrastructure and facilities is provided below. Significant infrastructure or facilities that are anticipated to reach the end of their useful service lives within the next 30 years are noted.
• Wellfields – Tampa Bay Water’s thirteen wellfields significantly range in age from new to 70 years, with an average age of approximately 35 years. These wellfields have been maintained and rehabilitated as necessary to sustain production throughout their service lives. Tampa Bay Water has an ongoing maintenance and rehabilitation program for the wellfields. Under the maintenance and rehabilitation program, individual well pumps and disinfection equipment are replaced when they reach the end of their useful service lives. The collection pipelines for the Cosme-Odessa Wellfield and the Eldridge Wilde Wellfield are anticipated to reach the end of their useful service lives within the next 30 years.

• Enhanced Surface Water System - Tampa Bay Water’s ESWS was added as part of the System Configuration I Program. The infrastructure and facilities that make up the ESWS have expected remaining service lives of well over 30 years. On-going maintenance of the ESWS infrastructure and facilities will occur throughout the service lives to maintain efficient operation.

• Tampa Bay Desalination Plant – Tampa Bay Water’s desalination plant was added as part of the System Configuration I Program. The desalination plant has an expected remaining service life of over 30 years. Scheduled maintenance activities at the desalination plant will occur throughout its service life to keep the facility operating properly.

• Transmission Mains – Tampa Bay Water’s transmission pipelines significantly range in age. The majority of Tampa Bay Water’s primary transmission pipelines are relatively new and have expected remaining service lives of well over 30 years. An exception to this is the South Pasco TM. This pipeline is expected to reach the end of its useful service life within the next 30 years.

• Pumping Stations – Tampa Bay Water’s high service and booster pumping stations significantly range in age. The majority of the pump stations were constructed or retrofitted within the past eight years. Tampa Bay Water has an ongoing maintenance and rehabilitation program for its pump stations. Under the maintenance and rehabilitation program, individual pumps and associated electrical equipment are replaced when they reach the end of their useful service lives. Some of the existing pumps at the Cypress Creek Pump Station and Morris Bridge Booster Station are anticipated to reach the end of their useful service lives within the next 30 years.
Section 5 - Water Supply Sources

This section describes the Water Use Permits (WUPs) governing the use of Tampa Bay Water's water supply sources and describes the quality of water provided by these sources.

A. Water Use Permits

Water is currently supplied to Tampa Bay Water's System from thirteen primary wellfields and two smaller wellfields which pump groundwater from the Floridan Aquifer. Tampa Bay Water operates under a Consolidated Permit with SWFWMD for eleven of the primary wellfields. The Consolidated Permit is an Exhibit to the Partnership Agreement executed by Tampa Bay Water and SWFWMD. The remaining two primary wellfields (the South Central Hillsborough Regional Wellfield and the Brandon Wells) are regulated under separate WUPs. The two smaller wellfields (Eagles Wells and Carrollwood Wells) are also regulated under separate WUPs. Tampa Bay Water also has permits for withdrawals of surface water from the Tampa Bypass Canal, Hillsborough River, and Alafia River.

1. Consolidated Water Use Permit for Eleven Regional Wellfields

The Consolidated WUP limits the total withdrawals from eleven of Tampa Bay Water’s wellfields to a 12-month running average of 90 MGD. These wellfields are Cross Bar Ranch, Cypress Creek, Cypress Bridge, Morris Bridge, Starkey, North Pasco, South Pasco, Eldridge-Wilde, Cosme/Odessa, Section 21 and Northwest Hillsborough. These wellfields are permitted as a single system and there is no annual withdrawal quantity assigned to any individual wellfield. The wellfields are operated in compliance with the Optimized Regional Operations Plan (OROP). The purpose of the OROP is to determine the weekly production schedule for the wellfields and wells operated under the Consolidated WUP. The weekly production schedules determined by OROP help to maximize groundwater levels while meeting demands and staying within infrastructure constraints.

2. South Central Hillsborough Regional Wellfield Water Use Permit

Withdrawals from the South Central Hillsborough Regional Wellfield are limited to 24.1 mgd on an annual average basis. Peak month and annual average withdrawal limits have also been established for the individual wells.
3. **Brandon Urban Dispersed Wellfield Water Use Permit**

Withdrawals from the Brandon Urban Dispersed Wellfield are limited to 6 mgd on an annual average basis. Peak month and annual average withdrawal limits have also been established for the individual wells.

4. **Eagles Wells and Carrollwood Wells Water Use Permits**

Withdrawals from the Eagles Wells are limited to 0.18 mgd on an annual average basis. Withdrawals from the Carrollwood Wells are limited to 0.82 mgd on an annual average basis.

5. **Tampa Bypass Canal / Hillsborough River**

A modification to the original Tampa Bay Water WUP for the Tampa Bypass Canal was issued by SWFWMD in August 2007. The withdrawal limitations of the modified WUP involve maintaining a minimum water level in the Tampa Bypass Canal lower pool. The lower pool is Tampa Bay Water’s primary withdrawal location for the Tampa Bypass Canal; however, Tampa Bay Water is also authorized to withdraw water from the middle pool under certain conditions. The total maximum allowable withdrawal from the Tampa Bypass Canal (lower and middle pool combined) is 258 mgd. Tables 5-1 and 5-2 present the withdrawal schedules for the lower pool and middle pool, respectively.

<table>
<thead>
<tr>
<th>Table 5-1 Withdrawal Schedule for Tampa Bypass Canal Lower Pool</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lower Pool Stage</strong></td>
</tr>
<tr>
<td>&lt; 9 feet</td>
</tr>
<tr>
<td>&gt; 9 feet</td>
</tr>
<tr>
<td><strong>Structure 162 Constraint</strong></td>
</tr>
<tr>
<td>Middle Pool and Lower Pool Stage difference across Structure 162 &gt; 6.5 feet</td>
</tr>
</tbody>
</table>
The WUP also allows withdrawals from the Tampa Bypass Canal middle pool based on flows diverted from the Hillsborough River through flow control structure s-161. Environmentally safe diversion and withdrawal limits based on the actual flows in the Hillsborough River have been developed. Table 5-1 presents the limitations on diversions from the Hillsborough River to the Tampa Bypass Canal.

6. Alafia River

A WUP has been issued by SWFWMD to Tampa Bay Water to utilize water from the Alafia River on a flow based schedule. Environmentally safe withdrawal limits based on the actual flows in the river have been developed. Water obtained from this permit is pumped to the Regional Surface Water Treatment Plant or the Regional Reservoir. Table 5-2 presents the withdrawal schedule for the Alafia River.
### Table 5-4  Withdrawal Schedule for Alafia River

<table>
<thead>
<tr>
<th>River Flows at Withdrawal Location</th>
<th>Maximum Withdrawal Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 80 mgd</td>
<td>0 mgd (no withdrawal)</td>
</tr>
<tr>
<td>80 to 517 mgd</td>
<td>10% of total flow</td>
</tr>
<tr>
<td>Above 517 mgd</td>
<td>51.7 mgd</td>
</tr>
</tbody>
</table>

### B. Source Water Quality

#### 1. Wellfields

Untreated water pumped directly from the wellfields meets most state and federal primary and secondary drinking water standards. Generally, the water requires only disinfection and stabilization (to control corrosivity) prior to distribution to customers. In some cases this treatment is currently provided by Tampa Bay Water and in other cases provided by the Member Governments. Some Member Governments are currently providing treatment of the water received from Tampa Bay Water's System to reduce dissolved sulfide concentrations. The agreements between Tampa Bay Water and Member Governments provide for annual water cost reduction to any Member Government which must further treat water because of elevated sulfide concentrations through an annual billing credit mechanism.

Some of the Member Governments provide no further treatment of the water received from the regional system while others provide additional treatment. The additional treatment provided ranges from disinfection and stabilization to complete lime softening.

#### 2. Tampa Bypass Canal, Hillsborough River, Alafia River

Water pumped from the Tampa Bypass Canal, Hillsborough River, and Alafia River requires treatment prior to delivery to retail customers. The Regional SWTP provides water treatment (coagulation, sedimentation, filtration, ozonation, biologically active filtration and disinfection) prior to delivery into Regional water distribution system.

#### 3. Tampa/Hillsborough Interconnect and US 301 Interconnect

Tampa Bay Water obtains water from the City of Tampa through interconnects with the City of Tampa’s water distribution system. Tampa Bay Water owns and operates a booster pumping station at the Tampa/Hillsborough Interconnect, which can deliver the water from the City of Tampa’s system to Hillsborough County’s water distribution system. The US 301 Interconnect
allows Tampa Bay Water to obtain potable water supply from the City of Tampa’s distribution system at the Regional Facilities Site. The water obtained through these interconnects is identical in quality to the potable water supply that is delivered to City of Tampa water customers.

4. Tampa Bay

Seawater from Tampa Bay is sent to the Desalination Plant for treatment before being delivered to the Regional Facilities Site for blending and distribution pumping into the Regional System. The seawater supply from Tampa Bay has a high Total Dissolved Solid (TDS) concentration, with an average of approximately 26,000 mg/L. The product water; however, after two stages of reverse osmosis treatment, meets state and federal drinking water standards and the water quality standard of the Tampa Bay Water Amended Exhibit D to the Master Water Plan Contract.
Section 6 - Current Capital Projects

A. Current Projects

In October 2006, Tampa Bay Water's Board of Directors approved the System Configuration II Program, which includes ten projects that will increase the water supply capacity to meet the regions needs through at least 2025. Six of these projects involve expanding the existing Enhanced Surface Water System (ESWS). The other four projects are known as the System Interconnects projects, and involve increasing the hydraulic capacity of the transmission system to allow for a broader distribution of alternative supply sources throughout Tampa Bay Water’s Regional System. Implementation of the System Configuration II Program is currently underway, and is scheduled to be completed by 2012.

The six projects included in the System Configuration II Program that involve expanding the existing ESWS are described below:

- **Expansion of the Surface Water Treatment Plant** - This project will increase the rated treatment capacity of the SWTP from 72 mgd to 120 mgd. Following the expansion, the SWTP will be able to treat up to a 99 mgd average daily flow during years when surface water sources are available at this rate. Increasing the treatment capacity of the facility will be accomplished through the expansion of necessary treatment plant components, which include coagulation, sedimentation, and primary disinfection by ozone, filtration, solids handling, chemical application, storage, piping, pumping, alkalinity adjustment and auxiliary power supply.

- **Expansion of the Tampa Bypass Canal Pump Station** - The Tampa Bypass Canal Pump Station pumps raw water from the Tampa Bypass Canal Lower and Middle Pool to the SWTP or the Repump Station. The Tampa Bypass Canal Pump Station Expansion project will increase the withdrawal and pumping capacity of the facility from 138 mgd to approximately 258 mgd. Increasing the capacity of this facility will be accomplished by modifying the four existing pumps; adding four additional pumps; modifying the suction header configuration; and adding auxiliary power supply.

- **Expansion of the Tampa Bay Water Regional High Service Pump Station** - The function of the Regional High Service Pump Station is to pump treated water from the Regional SWTP and Tampa Bay Desalination Plant into the Regional Transmission System. The Regional High Service Pump Station Expansion project will increase the pumping capacity of the facility from 120 mgd to 135 mgd by adding one new pump and two new variable frequency drives. Auxiliary power, free-chlorine mixing infrastructure and ammonia chemical feed expansion are also included in the project.
• Expansion of the Repump Station - The Repump Station pumps raw water from the Regional Facilities site to the Reservoir for seasonal storage. The Repump Station Expansion project will increase the pumping capacity of the facility from 130 mgd to at least 180 mgd. This will be accomplished by adding two variable frequency drive pumps and associated electrical equipment and yard piping improvements.

• New South-Central Hillsborough Intertie (SCHI) Booster Pumping Station - The SCHI Booster Pumping Station will increase the maximum flowrate capacity for supply that is delivered to and from the Regional Reservoir for seasonal storage and use. The SCHI Booster Pumping Station will include a new pump building, an electrical building, yard piping improvements, a surge tank, two large booster pumps, and associated motors and drives. This new facility will be located in South-Central Hillsborough County near Tampa Bay Water’s existing Alafia River Pump Station facility.

• New Offstream Reservoir Pump Station - The Offstream Reservoir Pump Station will pump raw water from the Regional Reservoir to the Tampa Bay Water SWTP. The Offstream Reservoir Pump Station will increase the capacity of raw water supply that Tampa Bay Water can send from the Regional Reservoir to the SWTP from approximately 60 mgd (via the current gravity flow system) to at least 120 mgd (via a new system that can pump the flow). The Offstream Reservoir Pump Station will include an electrical building, yard piping improvements, a large valve and meter vault, four pumps, and associated motors and drives. This new facility will be located in South-Central Hillsborough County near Tampa Bay Water’s existing Regional Reservoir.

The four System Interconnects projects included in the System Configuration II Program are described below:

• SCHIP Phase Ib and II Project - This project was recently completed. The project involved installation of chloramination facilities for the Brandon Wells to enable delivery of chloraminated supply from these wells through the Brandon Transmission Main and BSCC Pipeline to the Lithia WTP. Approximately 4.5 miles of transmission main with diameters from 12 to 24 inches were installed to convey raw water to a common treatment location, and convey treated water to the Brandon Transmission Main.

• Northwest Hillsborough Pipeline Project - This project will allow Tampa Bay Water to supply water from the Regional System to the Northwest Hillsborough Potable Water Treatment Facility, which is currently isolated from the Regional System. The project will allow up to approximately 20 mgd of supply from the Regional System to be delivered to the Northwest Hillsborough WTP Point of Connection (POC). The Northwest Hillsborough
Pipeline project involves the construction of a 10,500 ft long 36-inch diameter pipeline in Northwest Hillsborough County.

- Morris Bridge Booster Station Expansion Project - This project will allow Tampa Bay Water to maintain the existing 30 mgd pumping and treatment capacity of the Morris Bridge Booster Station facility while accommodating higher regional system pressures that will result from the expansion of the ESWS. The project includes a new electrical building, analyzer building, yard piping improvements, chemical feed system improvements, and pump improvements.

- Cypress Creek Pump Station Expansion Project - This project will increase the capacity of the existing Cypress Creek Pump Station facility by at least 15 mgd to accommodate the higher regional system pressure and delivery needs that will result from the expansion of the ESWS and increased water demands. The project includes a new storage tank, yard piping improvements, and pump improvements.

Program implementation and management support is also part of the System Configuration II Program. Program implementation and management includes administrative services, technical evaluations, systems engineering/planning, technical review of project designs, and project and construction management services.

Tampa Bay Water entered into a Cooperative Funding Agreement for the System Configuration II Program with SWFWMD to assist with the cost of this capital program. This agreement anticipates grant funds totaling over $126,000,000, that includes both SWFWMD funds and State Trust funds. The Cooperative Funding Agreement will use State Trust funding of $15,506,854 to fund eligible construction costs at up to 20% (SWFWMD funds 40% of the corresponding costs and Tampa Bay Water funds 40% of the corresponding costs). State Community Budget Issue Request funding of $6,250,000 has also been approved for the project. The funding for remaining eligible costs is split between SWFWMD and Tampa Bay Water 50%-50%. The funding agreement was approved by Tampa Bay Water's Board of Directors at its December 2006 meeting. The agreement was approved by the District's Governing Board May 1, 2007. The amount of grant funding reimbursements that Tampa Bay Water has received to date (through September 10, 2010) for the System Configuration II Program is over $96,000,000.

Other Board Approved Projects which are to be funded by the bonding proceeds are as follows:

- BUD-5R Collection Main Project - Brandon Well No. 5 was previously modified to address water quality issues; however, all attempts to rehabilitate this well have been unsuccessful and the well was plugged and abandoned. The permitted average annual withdrawal quantity
from this well is 1.25 million gallons per day, and this quantity is being relocated to continue to meet the water demand in the South-Central Hillsborough service area. This project involves hydrogeologic investigations, test production and monitoring wells, pumping equipment, and a pipeline to connect the relocated well to the Regional System.

- SCHIP Phase III Project (Hydrogen Sulfide Removal at Lithia) - This project will replace existing treatment facilities at the Lithia Water Treatment Plant with new hydrogen sulfide treatment facilities (ozone treatment process) for long term compliance with Exhibit D requirements and elimination of hydrogen sulfide treatment credits.

- C.W. Bill Young Regional Reservoir Renovation: This project involves renovating the existing facility to bring it into conformance with the drawdown rates contemplated in the original design. The project will address excess pore pressure that builds up in the soil wedge that lies between the impermeable geo-membrane and the interior soil cement flat plate.

- Master Water Plan Projects: This involves planning, feasibility studies, scientific evaluations and engineering on potential future water supply projects that were selected for further evaluation. The Master Water Plan projects include: Thonotosassa Wells; Surface & Recharge Water Projects; Small Footprint Reverse Osmosis-Pinellas County; Additional Potable Groundwater from Existing Northern Tampa Bay Wellfields; Gulf Coast Seawater Desalination; and Tampa Bay Desalination Expansion. Further evaluation of these Master Water Plan projects and programs was approved by the Board in December 2008.
Table 6-1 summarizes the cost estimate for Tampa Bay Water’s current capital projects that are to be funded by the bonding proceeds. The capital cost estimates shown in this table represent the total capital costs for the projects. A substantial portion of the total capital costs for these projects is being funded by grants, as described earlier in this section.

<table>
<thead>
<tr>
<th>Project</th>
<th>Capital Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surface Water Treatment Plant Expansion</td>
<td>$127,715,286</td>
</tr>
<tr>
<td>Tampa Bypass Canal Pump Station Expansion</td>
<td>$24,136,674</td>
</tr>
<tr>
<td>High Service Pump Station Expansion</td>
<td>$13,347,657</td>
</tr>
<tr>
<td>Repump Station Expansion</td>
<td>$10,137,675</td>
</tr>
<tr>
<td>South-Central Hillsborough Booster Station</td>
<td>$17,327,223</td>
</tr>
<tr>
<td>Offstream Reservoir Pump Station</td>
<td>$14,611,044</td>
</tr>
<tr>
<td>SCHIP, Phase IB &amp; II</td>
<td>$12,591,123</td>
</tr>
<tr>
<td>Northwest Hillsborough Pipeline</td>
<td>$9,971,136</td>
</tr>
<tr>
<td>Morris Bridge Booster Station Expansion</td>
<td>$4,039,607</td>
</tr>
<tr>
<td>Cypress Creek Pump Station Expansion</td>
<td>$13,816,914</td>
</tr>
<tr>
<td>System Configuration II Program Support</td>
<td>$6,929,029</td>
</tr>
<tr>
<td>Other System Projects</td>
<td>$175,312,069</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$429,935,437</strong></td>
</tr>
</tbody>
</table>

Notes:

1. Source: Tampa Bay Water.
Section 7 - Financial Operations

A. Introduction

The projected financial operations of Tampa Bay Water for a six-year forecast period are presented in this section. These projections are based on the provisions of the Governance restructuring documents.

Key provisions of the Governance documents which relate to the financial operations of Tampa Bay Water and charges to Member Governments for water supply service consist of:

- Tampa Bay Water’s obligation to meet the wholesale water needs of Member Governments,
- Tampa Bay Water’s acquisition, at an agreed value, of all regionally significant water supply facilities and related assets previously owned by Member Governments, and
- The use of a uniform dollar per 1,000 gallon wholesale rate ("Uniform Rate") for the supply of water to Member Governments.

Tampa Bay Water uses a fiscal year (FY) ending September 30, and references in this report to fiscal years relate to the 12-month period ending September 30, of the year shown.

1. Uniform Rate

The "Uniform Rate" is the uniform dollars per 1,000 gallons – wholesale rate charged by Tampa Bay Water to the Member Governments for the supply of water to such Member Governments. Tampa Bay Water develops the Uniform Rate based on the Annual Estimate and the projected quantity of water expected to be delivered to customers. For a description of the Annual Estimate see "SUMMARY OF PRINCIPAL AGREEMENTS - Master Water Supply Contract - Annual Estimate".

The Uniform Rate consists of two elements: A Variable Cost element and a Fixed Cost element. The Variable Cost rate is designed to recover Tampa Bay Water’s expenses which are related to the quantity of water delivered. Such expenses consist of chemicals, electric power and water purchases from the Cities of Tampa and New Port Richey. The Variable Cost rate is applied to the quantity of water delivered to Member Governments each month. The Fixed Cost rate element is the remaining annual cost of providing water service to Member Governments including debt service. The Fixed Costs are assessed to Member Governments monthly based on one-twelfth of the total annual Fixed Costs applied to the ratio of each Member’s annual water usage during the previous fiscal year divided by such usage of all Member Governments during
such year. The intent and purpose of the rate structure is to provide an equitable means of matching monthly billings to Tampa Bay Water’s monthly cash flow needs. Based on analyses and forecasts, Fixed Costs are estimated to constitute approximately 64% of the Annual Estimate each year.

The Master Water Supply Contract contains an annual true-up provision by which each member’s share of fixed costs is re-determined at year-end based on their actual percentage of total water usage for that year. Any underpayment is payable by the Member Governments within sixty days after the determination thereof. Any overpayment shall be paid to a Member Government within sixty days of its determination. There is no net change in the amount of fixed costs collected by Tampa Bay Water. Consequently, as a practical matter, the Uniform Rate, which combines Variable Costs and Fixed Costs, can and has been used in this analysis to forecast the annual amounts to be charged to and received from Member Governments.

The only exception to the Uniform Rate for water supply is the rate charged to Tampa for water supplied to Tampa from the Tampa Bypass Canal (Harney Facility). The Interlocal Agreement provides for an average of 20 mgd to be supplied to Tampa from this resource with a rate based on actual costs incurred and Allocated Overhead (as defined in the Master Water Supply Contract).

The rate section of the Water Supply Contract also provides for an annual credit to Member Governments who did not elect or were precluded from taking cash, in whole or in part, for the sale of their Transferred Assets to Tampa Bay Water as provided in the Interlocal Agreement.

2. Annual Credits

The Interlocal Agreement provides for two credits to be applied against charges to Member Governments for Water Service provided by Tampa Bay Water. The annual credit for the amortization of Tampa Bay Water's purchase of water supply facilities is the most significant credit, and this amortization credit is a fixed annual amount. Such credit is applied to Member Governments who did not elect to take cash, in whole or in part, for the sale of their Transferred Assets to Tampa Bay Water. An additional credit consists of an annual credit for the actual direct cost of water treatment in the event water delivered to Member Governments does not meet specifications for Quality Water. This consists of hydrogen sulfide removal associated with the old ground water supplies.

The annual credit for the purchase of the Member’s water supply facilities is being amortized at level amounts over 29 years at a 4.95% interest rate and will be fully amortized by FY 2027.
This amortization credit is treated as a reduction in revenues for purposes of computing bond coverage. The annual Amortization Credits are shown in Table 7-1.

<table>
<thead>
<tr>
<th>Member Government</th>
<th>Amortization Credits&lt;sup&gt;(1)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hillsborough County</td>
<td>$1,238,468</td>
</tr>
<tr>
<td>New Port Richey</td>
<td>$847,579</td>
</tr>
<tr>
<td>Pasco County</td>
<td>$1,873,513</td>
</tr>
<tr>
<td>Pinellas County</td>
<td>$4,378,395</td>
</tr>
<tr>
<td>St. Petersburg</td>
<td>$1,673,774</td>
</tr>
<tr>
<td>Tampa</td>
<td>$219,828</td>
</tr>
<tr>
<td><strong>Total Amortization Credits</strong></td>
<td><strong>$10,231,557</strong></td>
</tr>
</tbody>
</table>

<sup>(1)</sup> Source: Tampa Bay Water

Tampa Bay Water also provides water quality credits to several agencies to offset some additional local costs related to water treatment. The annual credit for water treatment is derived by applying the unit treatment rates specified in the Master Water Supply Contract to the quantity of water expected to be delivered to the Member Governments. The resulting annual credits to the Member Governments for such water treatment totaled $292,000 for the 2008-2009 Fiscal Year.

3. **Projected Financial Operations**

The projected financial operations of Tampa Bay Water for the six-year period FY 2010 through FY 2015 are presented herein.

The primary source of revenue to Tampa Bay Water is the sale of Quality Water, as defined in the Master Water Supply Contract, to Member Governments. A projection of the annual average water demand by the Member Governments is provided for the forecast period of FY 2010 through FY 2015 in Table 3-1. Based on these projections, total water sales are forecast to be 176.6 mgd in FY 2010 and 176.2 mgd in FY 2015.

The primary element of Gross Revenue is projected revenue from the Uniform Rate which has been developed by Tampa Bay Water on a forecast basis in the manner consistent with the Master Water Supply Contract. The forecast credits for amortization of the purchase price are
shown in Table 7-1 of this report. The projected Uniform Rate includes recovery of the amortization credits. Additional revenue is forecast from the sale of surface water to the Cities of Tampa and New Port Richey.

The sale of surface water to the City of Tampa reflects the sale of 20 mgd from the Tampa Bypass Canal (Harney Facility) under the Interlocal Agreement. The Uniform Rate charged to all Member Governments in effect for FY 2010 is $2.3980 per 1,000 gallons and the rate budgeted for FY 2011 is $2.5295 per 1,000 gallons. The rate is projected to increase over the forecast period as the result of:

1. Increases in expenses for existing facilities;
2. Operating expenses of new facilities;
3. Debt service on the existing bonds and additional bonds; and

The Uniform Rate is projected to increase from $2.3980 per 1,000 gallons in FY 2010 to $2.7172 per 1,000 gallons in FY 2015.

The projected revenue requirements of Tampa Bay Water have been estimated on a cash needs basis. The revenue requirements consist of operation and maintenance expenses, desalination plant operating expenses, debt service payments, renewal and replacement expenditures, deposits to the Renewal & Replacement Fund and Operating Reserve Account, and other financial needs.

a. Operation and Maintenance Expenses
The projection of operation and maintenance expenses takes into consideration inflation in costs, increased water demands, and new facilities brought on-line. A summary of projected operation and maintenance expenses is presented in Table 7-2.
The projected operations and maintenance expenses are grouped by variable costs and fixed costs. Total operation and maintenance expenses are forecasted to be approximately $89.2 million in FY 2010 and $89.4 million in FY 2015.

b. Projected Financial Operations and Debt Service Coverage

A summary of projected financial operations and debt service coverage of Tampa Bay Water is presented in Table 7-3 on the following page. Revenue from water sales, other income, and credits are shown at the top half of Table 7-3. The forecast operation & maintenance expenses as previously shown in Table 7-2 are shown along with debt service payments and transfers to other funds at the bottom half of Table 7-3. The annual net revenue available for coverage is calculated as Gross Revenue less Operation and Maintenance Expense. Net revenues are projected to be approximately $76.3 million in FY 2010 and $77.3 million in FY 2015.
<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Water Demand (mgd)</td>
<td>176.60</td>
<td>163.00</td>
<td>169.30</td>
<td>170.90</td>
<td>173.00</td>
<td>176.20</td>
</tr>
<tr>
<td>Projected Uniform Rate ($/1,000 gal)</td>
<td>2.3980</td>
<td>2.5295</td>
<td>2.5841</td>
<td>2.6171</td>
<td>2.7166</td>
<td>2.7172</td>
</tr>
<tr>
<td>Revenue From Sales</td>
<td>155,157,155</td>
<td>151,073,658</td>
<td>160,266,213</td>
<td>163,834,198</td>
<td>172,120,467</td>
<td>175,331,532</td>
</tr>
<tr>
<td>Transfer From (to) Rate Stabilization Account</td>
<td>8,280,893</td>
<td>3,997,683</td>
<td>1,504,924</td>
<td>1,596,850</td>
<td>1,632,529</td>
<td>(1,784,608)</td>
</tr>
<tr>
<td>Interest Income (1)</td>
<td>2,298,626</td>
<td>2,943,433</td>
<td>2,904,002</td>
<td>2,443,384</td>
<td>3,301,841</td>
<td>3,426,628</td>
</tr>
<tr>
<td>SWFWMD Grant-Trust Fund Interest (Rate Stabilization Fund) (2) (3)</td>
<td>10,000,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenue</td>
<td>175,736,674</td>
<td>158,014,774</td>
<td>164,675,139</td>
<td>167,874,432</td>
<td>177,054,837</td>
<td>176,973,552</td>
</tr>
<tr>
<td>Purchase Price Amortization Credit</td>
<td>(10,231,557)</td>
<td>(10,231,557)</td>
<td>(10,231,557)</td>
<td>(10,231,557)</td>
<td>(10,231,557)</td>
<td>(10,231,557)</td>
</tr>
<tr>
<td>Gross Revenue</td>
<td>165,505,117</td>
<td>147,783,217</td>
<td>154,443,582</td>
<td>157,642,875</td>
<td>166,823,280</td>
<td>166,741,995</td>
</tr>
<tr>
<td>Operations and Maintenance Expenditures (4)</td>
<td>(89,190,706)</td>
<td>(75,452,162)</td>
<td>(80,259,420)</td>
<td>(83,039,457)</td>
<td>(86,412,981)</td>
<td>(89,407,264)</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>76,314,411</td>
<td>72,331,055</td>
<td>74,184,162</td>
<td>74,603,418</td>
<td>80,410,299</td>
<td>77,334,731</td>
</tr>
<tr>
<td>Annual Debt Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 1998A Bonds (5)</td>
<td>1,299,600</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Series 1998B Bonds (5)</td>
<td>1,821,150</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Series 1999 Bonds</td>
<td>7,960,250</td>
<td>7,964,250</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Series 2001A Bonds (6)</td>
<td>16,554,113</td>
<td>13,764,263</td>
<td>9,927,500</td>
<td>9,927,500</td>
<td>9,927,500</td>
<td>9,927,500</td>
</tr>
<tr>
<td>Series 2001B Bonds (5)</td>
<td>11,380,770</td>
<td>11,040,140</td>
<td>7,382,250</td>
<td>7,382,250</td>
<td>7,382,250</td>
<td>7,382,250</td>
</tr>
<tr>
<td>Series 2002 Bonds (7)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Series 2004 Refunding Bonds</td>
<td>11,073,388</td>
<td>11,073,538</td>
<td>14,249,788</td>
<td>14,251,788</td>
<td>14,254,538</td>
<td>14,246,788</td>
</tr>
<tr>
<td>Series 2005 Bonds</td>
<td>12,887,350</td>
<td>12,881,000</td>
<td>13,370,175</td>
<td>13,374,425</td>
<td>13,365,825</td>
<td>13,379,888</td>
</tr>
<tr>
<td>Series 2006 Bonds</td>
<td>6,205,254</td>
<td>6,208,654</td>
<td>6,202,454</td>
<td>6,211,854</td>
<td>4,846,054</td>
<td>3,204,854</td>
</tr>
<tr>
<td>Series 2008 Bonds</td>
<td>5,068,750</td>
<td>5,068,750</td>
<td>5,068,750</td>
<td>5,068,750</td>
<td>5,068,750</td>
<td>5,068,750</td>
</tr>
<tr>
<td>Series 2010 Bonds (5)</td>
<td>-</td>
<td>2,954,315</td>
<td>3,313,250</td>
<td>3,313,250</td>
<td>3,313,250</td>
<td>3,313,250</td>
</tr>
<tr>
<td>Series 2011 Bonds (6)</td>
<td>-</td>
<td>1,176,743</td>
<td>13,380,900</td>
<td>13,377,700</td>
<td>13,375,500</td>
<td>13,375,500</td>
</tr>
<tr>
<td>Estimated 2013 Bond Issue ($96m)</td>
<td>6,010,085</td>
<td>6,010,085</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Debt Service</td>
<td>74,250,625</td>
<td>72,131,653</td>
<td>72,895,067</td>
<td>72,907,517</td>
<td>77,544,352</td>
<td>75,908,865</td>
</tr>
<tr>
<td>Required Deposit to Renewal &amp; Replacement Fund</td>
<td>150,000</td>
<td>-</td>
<td>1,083,241</td>
<td>1,543,223</td>
<td>2,731,646</td>
<td>1,309,434</td>
</tr>
<tr>
<td>Required Deposit to Capital Improvement Fund</td>
<td>199,402</td>
<td>205,854</td>
<td>152,678</td>
<td>134,301</td>
<td>116,432</td>
<td></td>
</tr>
<tr>
<td>Net to Utility Reserve /Operating Reserve (8)</td>
<td>1,913,786</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Debt Service and Reserve Coverage (100%) (9)</td>
<td>102.57%</td>
<td>100.28%</td>
<td>100.28%</td>
<td>100.21%</td>
<td>100.17%</td>
<td>100.15%</td>
</tr>
<tr>
<td>Fund Balance - Utility Reserve Fund</td>
<td>24,130,780</td>
<td>24,130,780</td>
<td>24,130,780</td>
<td>24,130,780</td>
<td>24,130,780</td>
<td>24,130,780</td>
</tr>
<tr>
<td>Debt Service Coverage (125%) (10)</td>
<td>135.28%</td>
<td>133.73%</td>
<td>134.87%</td>
<td>135.42%</td>
<td>134.81%</td>
<td>133.67%</td>
</tr>
</tbody>
</table>

Source: Tampa Bay Water
Notes for Table 7-3:

1. Interest income is estimated pursuant to the Resolution based on projected fund and account balances available for investment and, accordingly, excludes earnings on construction and rebate funds.

2. The Agency received the interest earnings of $10,342,814 on the $85 million SWFWMD grant trust fund in 2010. The interest received was applied to pay current debt service.

3. Pursuant to the Resolution, monies transferred from the Rate Stabilization Fund are considered to be Gross Revenues. Transfers to/from Rate Stabilization Account are budgeted to provide more level rates from year to year.

4. Pursuant to the Resolution, Operations and Maintenance Expenditures do not include depreciation and amortization and do include minor capital equipment costs of the system.

5. Being refunded with proceeds from the 2010 Bonds. Debt service has been reduced in 2011 through 2015 to reflect such refunding.

6. Tampa Bay Water is anticipating issuing its 2011 Bonds for delivery on July 7, 2011 to refund certain of its 2001A Bonds to be called for redemption on October 1, 2011. Debt service has been reduced in 2012 through 2015 to reflect such refunding.

7. Proceeds from the $85 million SWFWMD grant were received by the Agency and were applied to pay off the 2002 bonds with the final pay-off made on April 30, 2010.

8. In accordance with the Master Water Supply Contract, the Agency budgets funds for deposit to the Utility Reserve Fund for subsequent transfer to the Operating Reserve Fund which is maintained at two months of annual budgeted variable costs.

9. Net Revenues must equal at least 100% of annual debt service plus required deposits to Renewal and Replacement Fund.

10. Net Revenues plus Fund Balance (Utility Reserve Fund) are required to equal at least 125% of debt service coming due during the year.

On November 15, 2004, the Tampa Bay Water Board of Directors approved a 20-year Operation, Maintenance and Management Services Agreement for operation of the Facility with American Water-Pridesa, LLC. Under this Agreement, American Water-Pridesa, LLC will operate and maintain the Facility and Tampa Bay Water will pay a service fee consisting of a Base OM&M Charge, certain pass-through charges maintenance reserve fund charges and various fee adjustments. The base OM&M charge shall be adjusted at the beginning of each contract year based on certain labor and plant cost indexes. The contract can be terminated for convenience with 90 days notice and payment for all services performed, reimbursable expenses due, a termination fee of $1 million gradually declining to zero after 15 years and a demobilization fee of $50,000.

Tampa Bay Water had a funding agreement with SWFWMD whereby Tampa Bay Water received reimbursement for eligible Desalination Plant project costs of $85,000,000 upon completion and final acceptance of the Desalination Plant. In addition, Tampa Bay Water received interest earned after January 24, 2006 on the $85 million trust fund of $10,342,814.
Proceeds from the reimbursement agreement of $85,000,000 were applied to pay off the 2002 bonds with final pay-off made on April 30, 2010. The $10,342,814 interest received was applied to pay current debt service.

c. Projected Fund and Account Balances

Projected Fund and Account Balances are illustrated in Table 7-4. Beginning balances for FY 2010 for each of the four funds and accounts (Utility Reserve, Renewal and Replacement, Operating Reserve and Rate Stabilization) are provided by Tampa Bay Water.

Tampa Bay Water has set specific objectives for deposits and transfers for two of the funds and accounts. The Renewal and Replacement Fund balance has an objective of 5 percent of the proceeding year’s gross revenues. The Operating Reserve Account has an objective of 2 months of variable expenses to be maintained annually in the account. Annual deposits into these funds and accounts come from the Revenue Fund as shown in Table 7-3.

**Table 7-4 Projected Fund and Account Balances**

<table>
<thead>
<tr>
<th>Description</th>
<th>2010 ($000)</th>
<th>2011 ($000)</th>
<th>2012 ($000)</th>
<th>2013 ($000)</th>
<th>2014 ($000)</th>
<th>2015 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Utility Reserve Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning Balance</td>
<td>23,892</td>
<td>24,131</td>
<td>24,131</td>
<td>24,131</td>
<td>24,131</td>
<td>24,131</td>
</tr>
<tr>
<td>Inflow from Revenue Fund</td>
<td>239</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ending Balance</td>
<td>24,131</td>
<td>24,131</td>
<td>24,131</td>
<td>24,131</td>
<td>24,131</td>
<td>24,131</td>
</tr>
<tr>
<td><strong>Renewal &amp; Replacement Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning Balance</td>
<td>10,183</td>
<td>10,333</td>
<td>10,333</td>
<td>10,183</td>
<td>9,304</td>
<td>11,037</td>
</tr>
<tr>
<td>Inflow from Revenue Fund</td>
<td>150</td>
<td>-</td>
<td>1,083</td>
<td>1,543</td>
<td>2,732</td>
<td>1,309</td>
</tr>
<tr>
<td>Outflow for Project Costs</td>
<td>-</td>
<td>-</td>
<td>(1,233)</td>
<td>(2,422)</td>
<td>(999)</td>
<td>(999)</td>
</tr>
<tr>
<td>Ending Balance</td>
<td>10,333</td>
<td>10,333</td>
<td>10,183</td>
<td>9,304</td>
<td>11,037</td>
<td>11,347</td>
</tr>
<tr>
<td><strong>Operating Reserve Account</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning Balance</td>
<td>4,979</td>
<td>6,654</td>
<td>6,654</td>
<td>6,654</td>
<td>6,654</td>
<td>6,654</td>
</tr>
<tr>
<td>Inflow from Utility Reserve Fund</td>
<td>1,675</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ending Balance</td>
<td>6,654</td>
<td>6,654</td>
<td>6,654</td>
<td>6,654</td>
<td>6,654</td>
<td>6,654</td>
</tr>
<tr>
<td><strong>Rate Stabilization Account</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning Balance</td>
<td>20,438</td>
<td>14,476</td>
<td>11,983</td>
<td>12,075</td>
<td>12,111</td>
<td>12,193</td>
</tr>
<tr>
<td>Inflow from Revenue Fund</td>
<td>2,319</td>
<td>3,626</td>
<td>1,597</td>
<td>1,633</td>
<td>1,715</td>
<td>5,247</td>
</tr>
<tr>
<td>Outflow to Revenue Fund</td>
<td>(8,281)</td>
<td>(6,119)</td>
<td>(1,505)</td>
<td>(1,597)</td>
<td>(1,633)</td>
<td>(1,715)</td>
</tr>
<tr>
<td>Ending Balance</td>
<td>14,476</td>
<td>11,983</td>
<td>12,075</td>
<td>12,111</td>
<td>12,193</td>
<td>15,725</td>
</tr>
</tbody>
</table>

Notes;
(1) Amounts provided by Tampa Bay Water
By definition, Gross Revenues include transfers from the Rate Stabilization Account into the Revenue Fund. The Gross Revenue of Tampa Bay Water is projected to be approximately $165.5 million in FY 2010 and $166.7 million in FY 2015. These amounts includes transfers annually from the Rate Stabilization Account for FY 2010 – 2015, as shown in Tables 7-3 and 7-4 deemed appropriate to moderate the expected increases in the Uniform Rate. Transfers to the Rate Stabilization Account are projected for FY 2010 through 2015 to replenish the account. Balances in the Utility Reserve Fund are required to maintain debt service coverage above 125 percent. No analysis has been conducted to evaluate the appropriate level of funds required in the Utility Reserve Fund to maintain the required 125 percent debt service coverage recognizing debt service on existing bonds, debt service on proposed bonds, and debt service on the potential sale of additional bonds beyond the study period.

d. Projected Annual Charges for Each Member

A forecast of the projected annual payments for each Member under the projected Uniform Rate along with consideration of annual credits has been made for the period FY 2010 to FY 2015. A summary of this analysis is shown in Table 7-5.

Table 7-5  Projected Net Annual Charges to Members for Water Supply Service

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ending September 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010 ($000)</td>
</tr>
<tr>
<td><strong>Projected Uniform Rate ($ per 1,000 gal)</strong></td>
<td>2.3980</td>
</tr>
<tr>
<td><strong>Hillsborough County</strong></td>
<td></td>
</tr>
<tr>
<td>Projected Demand (mgd)</td>
<td>51.80</td>
</tr>
<tr>
<td>Amount Charged from Uniform Rate</td>
<td>$45,339</td>
</tr>
<tr>
<td>Water Quality Credit</td>
<td>($183)</td>
</tr>
<tr>
<td>Amortization Credit</td>
<td>($1,238)</td>
</tr>
<tr>
<td>Net Annual Charge for Water Service</td>
<td>$43,918</td>
</tr>
<tr>
<td>Effective Unit Cost ($/1,000 gal)</td>
<td>$2.3228</td>
</tr>
<tr>
<td><strong>New Port Richey</strong></td>
<td></td>
</tr>
<tr>
<td>Projected Demand (mgd)</td>
<td>2.50</td>
</tr>
<tr>
<td>Amount Charged from Uniform Rate</td>
<td>$2,188</td>
</tr>
<tr>
<td>Water Quality Credit</td>
<td>($12)</td>
</tr>
<tr>
<td>Amortization Credit</td>
<td>($848)</td>
</tr>
<tr>
<td>Net Annual Charge for Water Service</td>
<td>$1,328</td>
</tr>
<tr>
<td>Effective Unit Cost ($/1,000 gal)</td>
<td>$1.4558</td>
</tr>
</tbody>
</table>
Table 7-5 (Continued)

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ending September 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>Pasco County</td>
<td></td>
</tr>
<tr>
<td>Projected Demand (mgd)</td>
<td>26.90</td>
</tr>
<tr>
<td>Amount Charged from Uniform Rate</td>
<td>$23,545</td>
</tr>
<tr>
<td>Water Quality Credit</td>
<td>$0</td>
</tr>
<tr>
<td>Amortization Credit</td>
<td>($1,874)</td>
</tr>
<tr>
<td>Projected Demand</td>
<td></td>
</tr>
<tr>
<td>Net Annual Charge for Water Service</td>
<td>$21,671</td>
</tr>
<tr>
<td>Effective Unit Cost ($/1,000 gal)</td>
<td>$2.2072</td>
</tr>
<tr>
<td>Pinellas County</td>
<td></td>
</tr>
<tr>
<td>Projected Demand (mgd)</td>
<td>60.70</td>
</tr>
<tr>
<td>Amount Charged from Uniform Rate</td>
<td>$53,129</td>
</tr>
<tr>
<td>Water Quality Credit</td>
<td>$0</td>
</tr>
<tr>
<td>Projected Demand</td>
<td></td>
</tr>
<tr>
<td>Net Annual Charge for Water Service</td>
<td>$48,751</td>
</tr>
<tr>
<td>Effective Unit Cost ($/1,000 gal)</td>
<td>$2.2004</td>
</tr>
<tr>
<td>St. Petersburg</td>
<td></td>
</tr>
<tr>
<td>Projected Demand (mgd)</td>
<td>28.70</td>
</tr>
<tr>
<td>Amount Charged from Uniform Rate</td>
<td>$25,120</td>
</tr>
<tr>
<td>Water Quality Credit</td>
<td>($97)</td>
</tr>
<tr>
<td>Amortization Credit</td>
<td>($1,674)</td>
</tr>
<tr>
<td>Projected Demand</td>
<td></td>
</tr>
<tr>
<td>Net Annual Charge for Water Service</td>
<td>$23,349</td>
</tr>
<tr>
<td>Effective Unit Cost ($/1,000 gal)</td>
<td>$2.2289</td>
</tr>
<tr>
<td>Tampa</td>
<td></td>
</tr>
<tr>
<td>Projected Demand from System (mgd)</td>
<td>6.00</td>
</tr>
<tr>
<td>Amount Charged from Uniform Rate</td>
<td>$5,252</td>
</tr>
<tr>
<td>Tampa Bypass Canal Surcharge</td>
<td>$581</td>
</tr>
<tr>
<td>Water Quality Credit</td>
<td>$0</td>
</tr>
<tr>
<td>Amortization Credit</td>
<td>($220)</td>
</tr>
<tr>
<td>Projected Demand</td>
<td></td>
</tr>
<tr>
<td>Net Annual Cost for Water Service</td>
<td>$5,613</td>
</tr>
<tr>
<td>Effective Unit Cost ($/1,000 gal)</td>
<td>$2.5631</td>
</tr>
</tbody>
</table>

Source: Tampa Bay Water.
Section 8 - Future Capital Improvements

To continue meeting the water demands of the Region beyond year 2025, Tampa Bay Water prepares a Long Term Water Supply Plan as part of the Master Water Plan update every five years. The Long Term Water Supply Plan considers a 50-year horizon to outline the expected order of magnitude water supply needs of the Region. As required by the Governance Documents, Tampa Bay Water completed an update of the Master Water Plan Long Term Water Supply Plan in December 2008. In addition to implementing new water supply projects in the future, Tampa Bay Water will also need to make future transmission system improvements to handle increasing flowrates throughout the system. This section describes projects to be funded from future grants, bond issues or other available funding sources.

A. Water Supply

In December 2007, the Board approved a short list of numerous potential Long Term Water Supply project concepts. These potential projects were grouped into six categories of water supply projects: Brackish Groundwater, Seawater Desalination, Fresh Groundwater, Reclaimed Water, Surface Water, and Inter-Regional Coordination. Table 8-1 summarizes these short-listed Long Term Water Supply projects.

Table 8-1 Short List of Potential Long Term Water Supply Projects

<table>
<thead>
<tr>
<th>Source Type</th>
<th>PROJECT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brackish Groundwater</td>
<td>Small Footprint Reverse Osmosis (5 mgd+) – Pasco County</td>
</tr>
<tr>
<td></td>
<td>Mid-Pinellas Brackish Groundwater Desalination Project</td>
</tr>
<tr>
<td></td>
<td>Small Footprint Reverse Osmosis (5 mgd+) – Pinellas County</td>
</tr>
<tr>
<td>Seawater Desalination</td>
<td>Big Bend Desalination Expansion</td>
</tr>
<tr>
<td></td>
<td>Ancloite Power Plant</td>
</tr>
<tr>
<td>Fresh Groundwater</td>
<td>Additional Potable Groundwater from Existing Wellfields</td>
</tr>
<tr>
<td></td>
<td>East Pasco Regional Wellfield</td>
</tr>
<tr>
<td></td>
<td>Northeast Hillsborough Regional Wellfield</td>
</tr>
<tr>
<td></td>
<td>Cone Ranch and Dispersed Wells</td>
</tr>
<tr>
<td></td>
<td>Central Pasco Regional Wellfield</td>
</tr>
<tr>
<td></td>
<td>Cypress Bridge II</td>
</tr>
<tr>
<td></td>
<td>Thonotosassa Wells</td>
</tr>
<tr>
<td></td>
<td>Brandon Wellfield Enhancement</td>
</tr>
<tr>
<td>Reclaimed Water</td>
<td>Downstream Augmentation of the Alafia River (includes potential Regional Reservoir II and Regional Surface Water Treatment Plant II)</td>
</tr>
<tr>
<td></td>
<td>Downstream Augmentation of the Hillsborough River (includes potential Regional Reservoir II and Regional Surface Water Treatment Plant II)</td>
</tr>
<tr>
<td>Surface Water</td>
<td>Alafia Expansion (includes potential Regional Reservoir II and Regional Surface Water Treatment Plant)</td>
</tr>
</tbody>
</table>
As described in Section 6, Tampa Bay Water’s Board approved further evaluation of a number of these short-listed projects (Master Water Plan Projects) in December 2008. The results of the Master Water Plan Projects evaluations will be used to define future capital improvements required for Tampa Bay Water to continue meeting the water supply needs of its Member Governments.

### B. Transmission System

The need for future improvements to Tampa Bay Water’s Transmission System is anticipated; however, defining specific future transmission system improvements at this time is difficult. The requirements for future transmission system improvements (such as pipeline and pump station improvements) will be highly dependant on the locations of new water supply sources that are implemented in the future. The need for transmission system improvements will be evaluated as part of the selection process for future new water supply projects.
Section 9 - Regulatory Framework and Compliance

The key regulations affecting the operations of Tampa Bay Water are state regulations applicable to Tampa Bay Water’s withdrawals of water from its water supply sources, and state and federal regulations applicable to operation of Tampa Bay Water’s treatment and distribution systems. Withdrawals of water are regulated under WUPs issued by the SWFWMD. Tampa Bay Water’s existing WUPs were discussed in Section 5. The water treatment facilities, desalination facility, and distribution system are regulated through permits issued by the Florida Department of Environmental Protection (FDEP). FDEP permit limitations for several of Tampa Bay Water’s treatment and distribution system facilities were discussed in Section 4.

This section provides an overview of Tampa Bay Water’s contractual obligations relative to compliance with state and federal public water system regulations.

A. State and Federal Public Water System Regulations

The federal government regulates public water systems under the Safe Drinking Water Act (SDWA). The SDWA includes maximum contaminant level (MCL) standards for numerous water quality parameters, treatment standards, and monitoring requirements. The federal regulations are applicable to all public water systems.

The federal regulations assign primary responsibility for regulating compliance with the federal drinking water system standards to the states. The State of Florida regulates public drinking water systems under Chapters 62-550 and 62-555 of the Florida Administrative Code (FAC). The state’s regulations include primary and secondary MCLs and treatment standards that meet or exceed the federal standards.

The federal government continues to periodically amend the SDWA to include new MCLs and to adopt new treatment standards. The amendments typically include a schedule for compliance with any new standards.

B. Contractual Requirements

The Interlocal Agreement and the Master Water Supply Contract require Tampa Bay Water to provide water which meets all state and federal drinking water standards as defined by Chapter 62-550 FAC with the exception of regulations pertaining to disinfection and corrosivity. In addition, the agreements require that the water provided by Tampa Bay Water must not cause a particular Member Government to adopt new treatment techniques beyond modified chemical dosages and/or optimization of existing unit processes to meet a moderately altered source of
water. The agreements also establish a supplementary list of water quality standards that must be met by Tampa Bay Water at the point of connection.

The agreements include provisions that allow Member Governments to accept water that does not meet the minimum standards defined in the agreements. In such cases, the Member Government is entitled to a credit against the uniform rate.
Section 10 - Assumptions & Opinions

A. Principal Assumptions

1. All agreements and contracts of Tampa Bay Water which have been relied upon in preparing this report are assumed to be fully enforceable in accordance with the terms and conditions of such agreements and contracts.

2. In preparing this report, Black & Veatch Corporation has relied on certain historical and projected financial and statistical data supplied by Tampa Bay Water. While such data is considered reliable, Black & Veatch Corporation has not independently verified the detailed accuracy of such data.

3. There will be no material changes in federal and state laws and applicable regulations that would adversely impact Tampa Bay Water’s ability to secure tax-exempt financing or otherwise adversely impact financial operations of Tampa Bay Water.

4. The projected financial operations presented herein are based, in part, on the forecast of water demands prepared by Tampa Bay Water using the DFS and information provided in the Member Governments’ Annual Reports. While Black & Veatch has no reason to believe such projections are not reasonable and appropriate, the firm has not undertaken an independent review of such projections.

B. Opinions

1. The forecast of revenue and other income and credits minus the projected operation and maintenance expenses and debt service payments over the period FY 2010 through FY 2015 reasonably reflect the expected Net Revenue of Tampa Bay Water.

2. The projected net revenues of Tampa Bay Water will be in compliance with the covenants contained in the Bond Resolution authorizing the issuance of the 2010 Bonds and the 2011 Bonds. The projected yearly revenues from the Uniform Water Rates along with the revenue adjustments, transfers and other income are sufficient to meet the debt service requirements of the Resolution. For the 2010 Bond and 2011 Bond issues, all debt service requirements will be met.

3. Black & Veatch Corporation has not made a detailed determination of an appropriate level for the annual deposit to the Renewal and Replacement Fund, Operating Reserve and Rate Stabilization Account. However, the forecast level of Renewal and Replacement Fund,
Operating Reserve and Rate Stabilization Account transfers shown herein is considered appropriate for purposes of this report.

4. The cost estimates for all major facilities of the capital improvement program of Tampa Bay Water are reasonable. The capital improvement program is technically sound, and is in accordance with generally accepted engineering practice.

5. Development of new water sources identified in Tampa Bay Water's Supply Development Program is necessary to fulfill future Member Government water demands and comply with the contractual and regulatory requirements to which Tampa Bay Water has committed.

6. Based on the assumptions presented in the accompanying schedules, the aggregate 2010 debt service requirement of $74,250,625 and the anticipated aggregated 2011 debt service of $72,131,653 appear to be within Tampa Bay Water's overall financial capacity. The 2010 and 2011 Bond issues are considered to be well conceived and necessary for Tampa Bay Water to continue to serve its customers and the region with a reliable supply of potable water.

This report is provided for the purpose of the Official Statement for the Series 2010 and Series 2011 Bonds. Black & Veatch Corporation has reviewed the Official Statement, and information contained therein, which is ascribed to this report, is considered accurately represented.

Respectfully,

Helen O. Bennett, P.E.
BLACK & VEATCH CORPORATION
APPENDIX B

COMPOSITE BOND RESOLUTION
TAMPA BAY WATER,
A Regional Water Supply Authority

COMPOSITE
UTILITY SYSTEM REVENUE BOND RESOLUTION

ADOPTED AUGUST 31, 1998,
as amended thru February 2005
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RESOLUTION NO. 98-07TBW

A RESOLUTION OF THE BOARD OF DIRECTORS OF TAMPA BAY WATER, A REGIONAL WATER SUPPLY AUTHORITY, AUTHORIZING THE ISSUANCE BY TAMPA BAY WATER, A REGIONAL WATER SUPPLY AUTHORITY, OF NOT EXCEEDING $170,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF UTILITY SYSTEM REVENUE BONDS, SERIES 1998A AND NOT EXCEEDING $240,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF UTILITY SYSTEM REVENUE BONDS, SERIES 1998B TO RESTRUCTURE CERTAIN OUTSTANDING INDEBTEDNESS AND TO FINANCE THE COST OF ACQUIRING CERTAIN UTILITY FACILITIES AND MAKING IMPROVEMENTS TO THE UTILITY SYSTEM; PLEDGING THE NET REVENUES DERIVED FROM OR RESULTING FROM THE OPERATION OF SUCH UTILITY SYSTEM TO SECURE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SAID BONDS; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SAID BONDS; AND PROVIDING FOR AN EFFECTIVE DATE FOR THIS RESOLUTION.

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF TAMPA BAY WATER, A Regional Water Supply Authority:

ARTICLE I
GENERAL

SECTION 1.01. DEFINITIONS. When used in this Resolution, the following terms shall have the following meanings, unless the context clearly otherwise requires:

"Accreted Value" shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (the principal amount at its initial offering) plus the interest accrued on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Interest Date next preceding the date of computation or the date of computation if an Interest Date, such interest to accrue at a rate not exceeding the legal rate, compounded semiannually, plus, with respect to matters related to the payment of
the Capital Appreciation Bonds prior to maturity thereof, if such date of computation shall not be an Interest Date, a portion of the difference between the Accreted Value as of the immediately preceding Interest Date and the Accreted Value as of the immediately succeeding Interest Date, calculated based on the assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a 360-day year.

"Act" shall mean Sections 373.1962, 373.1963 and 163.01, Florida Statutes, and other applicable provisions of law.

"Additional Bonds" shall mean the obligations issued at any time under the provisions of Section 6.02 hereof on a parity with the Series 1998 Bonds.

"Additional Project" shall mean any structure, property or facility which the Issuer from time to time may determine to construct or acquire as part of the System, together with all equipment, structures, facilities and other property necessary or appropriate in connection therewith which are financed in whole or in part with the indebtedness secured by this Resolution. This term is to be broadly construed as including any lawful undertaking which will accrue to the benefit of the System, including, without limitation, joint ventures and acquisition of partial interests or contractual rights, and including modification, disposal, replacement or cancellation of a Project previously authorized, should such modification, disposal, replacement or cancellation be permitted under this Resolution. Additional Project may also include working capital, including payment of costs and judgments associated with litigation, to the extent permitted by the provisions of the Master Water Supply Contract.

"Annual Audit" shall mean the annual audit prepared pursuant to the requirements of Section 5.06 hereof.

"Annual Budget" shall mean the annual budget prepared pursuant to the requirements of Section 5.03 hereof.

"Annual Debt Service" shall mean the aggregate amount of Debt Service on the Bonds for each applicable Fiscal Year.

"Authorized Investments" shall mean any of the following, if and to the extent that the same are at the time legal for investment of funds of the Issuer:

(1) Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided, that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee ("Direct Obligations").
(2) Direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; senior debt obligations of the Federal Home Loan Banks; debentures of the Federal Housing Administration; guaranteed mortgage-backed bonds and guaranteed pass-through obligations of the Government National Mortgage Association; guaranteed Title XI financing of the U.S. Maritime Administration; mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; and obligations of the Resolution Funding Corporation (collectively, "Agency Obligations").

(3) Commercial paper rated "Prime-1" by Moody's and "A-1" or better by Standard & Poor's.

(4) Obligations, including state and local government obligations, rated "A3" or better by Moody's and "A-" or better by Standard & Poor's.

(5) Deposits, Federal funds or bankers acceptances of any domestic bank, including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that fully and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which:

A. has an unsecured, uninsured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's and "A-1" or "A-" or better by Standard & Poor's, or

B. is the lead bank of a parent holding company with an uninsured, unsecured and unguaranteed obligation meeting the rating requirements in A. above.

(6) Deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than $3 million, provided such deposits are fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund administered by the Federal Deposit Insurance Corporation.

(7) Investments in a money-market fund rated "Am" or Am-G" or better by Standard & Poor's.

(8) Repurchase agreements with a term of one year or less with any institution with debt rated "AA" or commercial paper rated "A-1" (in each case by Standard & Poor's).
(9) Repurchase agreements collateralized by Direct Obligations or Agency Obligations with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's, and "A-1" or "A-" or better by Standard & Poor's, provided:

A. a master repurchase agreement or specific written, repurchase agreement governs the transaction; and

B. the securities are held free and clear of any lien by the Issuer or an independent third party acting solely as agent for the Issuer, and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million, or (iii) a bank approved in writing for such purpose by the Insurer, and the Issuer shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Issuer; and

C. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Issuer; and

D. the repurchase agreement has a term of thirty days or less, or the Issuer will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and

E. the repurchase agreement matures at least ten days (or other appropriate liquidation period) prior to a debt service payment date; and

F. the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 100%.

(10) Investment agreements with a bank or insurance company which has an unsecured, uninsured and unguaranteed obligation (or claims-paying ability) rated "A3" or better by Moody's and "A-" or better by Standard & Poor's, or is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting such rating requirements, provided:
A. interest is paid at least semi-annually at a fixed rate during the entire term of the agreement, consistent with bond payment dates, and

B. moneys invested thereunder may be withdrawn without any penalty, premium or charge upon not more than one day's notice (provided such notice may be amended or cancelled at any time prior to the withdrawal date), and

C. the agreement is not subordinated to any other obligations of such insurance company or bank, and

D. the same guaranteed interest rate will be paid on any future deposits made to restore the reserve to its required amount, and

E. the Issuer receives an opinion of counsel that such agreement is an enforceable obligation of such insurance company or bank.

(11) Units of participation in the Local Government Surplus Funds Trust Fund established pursuant to Part IV, Chapter 218, Florida Statutes, or any similar common trust fund which is established pursuant to State law as a legal depository of public moneys.

(12) Any investment allowable under applicable law that is approved by the Governing Body of the Issuer.

"Authorized Issuer Officer" shall mean the General Manager, and when used in reference to any act or document, also means any other person authorized by resolution of the Issuer to perform such act or sign such document.

"Bond Counsel" shall mean Nabors, Giblin & Nickerson, P.A., or any other attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

"Bondholder" or "Holder" or "holder" or any similar term, when used with reference to a Bond or Bonds, shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds as provided in the registration books of the Issuer.

"Bond Insurance Policy" shall mean the municipal bond new issue insurance policy or policies issued by an Insurer guaranteeing the payment of the principal of and interest on any portion of the Bonds. With respect to the Series 1998 Bonds, "Bond
"Insurance Policy" shall mean the municipal bond new issue insurance policy issued by Financial Guaranty Insurance Company.

"Bonds" shall mean the Series 1998 Bonds, together with any Additional Bonds issued pursuant to this Resolution and any Subordinated Indebtedness which accedes to the status of Bonds pursuant to Section 6.04 hereof.

"Capital Appreciation Bonds" shall mean those Bonds which may be either Serial Bonds or Term Bonds and which shall bear interest payable only at maturity or redemption. In the case of Bonds that convert to or from Capital Appreciation Bonds with interest payable prior to maturity or mandatory redemption of such Bonds, such Bonds shall be considered Capital Appreciation Bonds only during the period of time interest accrues and is not payable to the Holder thereof.

"Capital Improvement Charges" shall mean the costs identified by the Issuer for planning, designing, acquiring and constructing capital improvements to the System pursuant to the Master Water Supply Contract; provided such costs are not payable from proceeds of the Bonds or other debt of the Issuer (other than costs which are to be reimbursed from such proceeds) or from moneys received in relation to the Renewal and Replacement Charges.

"Capital Improvement Fund" shall mean the fund established pursuant to Section 4.04(E) hereof.

"Chairman" shall mean the Chairman of the Governing Body, or, in his or her absence or unavailability, the Vice-Chairman of the Governing Body of the Issuer.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations and rules thereunder in effect or proposed.

"Construction Fund" shall mean the fund established pursuant to Section 4.03 hereof.

"Consulting Engineers" shall mean an engineering firm or firms of reputation for skill and experience with respect to the construction and operation of facilities similar to the System, which is duly licensed under the laws of the State and designated by the Issuer to perform the duties of the Consulting Engineers under the provisions hereof.

"Cost," when used in connection with a Project, shall mean all expenses associated with the acquisition, construction, installation, reconstruction, renewal or replacement thereof, including without limitation: (1) land and interests therein, property rights, and easements of any nature whatsoever; (2) physical construction, reconstruction, renewal, replacement or completion; (3) acquisition and installation of machinery,
equipment and other tangible personal property; (4) planning, architectural, engineering, surveying, legal, environmental and other consultant services; (5) fees and expenses associated with the issuance of Bonds and other Issuer debt, including but not limited to bond counsel, disclosure counsel, financial advisor, underwriters' discount, rating agencies, bond insurance, credit or liquidity facilities, and printing the Bonds and other Issuer debt and supporting documentation; (6) interest accruing on the Bonds and other Issuer debt for such period of time as the Issuer deems appropriate; (7) deposits to the Reserve Account; and (8) all other expenses that are properly attributable thereto under generally accepted accounting principles, including reimbursement to the Issuer for any moneys advanced for such purpose and interest on any interfund loan for such purposes.

"Counterparty" shall mean the entity entering into a Hedge Agreement with the Issuer. Counterparty would also include any guarantor of such entity's obligations under such Hedge Agreement.

"Credit Bank" shall mean as to any particular Series of Bonds, the Person (other than an Insurer) providing a letter of credit, a line of credit or other credit or liquidity facility, as designated in the Supplemental Resolution providing for the issuance of such Bonds.

"Credit Facility" shall mean as to any particular Series of Bonds, an irrevocable letter of credit, a line of credit or other credit or legal liquidity facility (other than an insurance policy issued by an Insurer), as approved in the Supplemental Resolution providing for the issuance of such Bonds.

"Debt Service" shall mean, at any time, the aggregate amount in the then applicable period of time of (1) interest required to be paid on the Outstanding Bonds during such period of time, except to the extent that such interest is to be paid from deposits in the Interest Account made from Bond proceeds, (2) principal of Outstanding Serial Bonds maturing in such period of time, and (3) the Sinking Fund Installments herein designated with respect to such period of time. For purposes of this definition, (A) all amounts payable on a Capital Appreciation Bond shall be considered a principal payment in the year it becomes due, (B) subject to the provisions of Section 5.16 hereof, with respect to debt service on any Bonds which are subject to a Qualified Hedge Agreement, interest on such Bonds during the term of such Qualified Hedge Agreement shall be deemed to be the Hedge Payments coming due during such period of time, (C) if any Series of Bonds has 25% or more of the aggregate principal amount of such Series coming due in any one year, Debt Service shall be determined on such Series during such period of time as if the principal of and interest on such Series were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of 25 years from the date of calculation, and (D) the amount on deposit in the Reserve Account (or any subaccount thereof) on any date of calculation of Debt Service shall be deducted.
from the amount of principal due at the final maturity of the Bonds which are secured by such Reserve Account (or subaccount thereof) and in each preceding year until such amount is exhausted. For purposes of Section 5.04 hereof, clause (C) above shall be applicable only in a Fiscal Year in which principal on a Series of Bonds described in such clause (C) comes due.

"Environmental Permits" shall have the meaning provided for such term in the Master Water Supply Contract.

"Escrow Deposit Agreements" shall mean the Escrow Deposit Agreements between the Issuer and an escrow agent selected by the Issuer pursuant to Supplemental Resolution relating to the payment of certain of the Restructured Debt.

"Federal Securities" shall mean obligations described in paragraphs (1) and (2) of the definition of "Authorized Investments." Notwithstanding anything herein to the contrary, "Federal Securities" shall additionally include securities fully and unconditionally guaranteed as to the payment of principal and interest by the United States of America and approved by all Insurers and Credit Banks, to which guarantee the full faith and credit of the United States of America has been pledged, where such securities shall be scheduled to mature at times sufficient to ensure that moneys paid by the United States of America to honor such guarantee obligation are available to pay when due the principal of and premium, if any, and interest due and to become due on Bonds deemed paid within the meaning of Section 9.01 of this Resolution on or prior to the redemption date or maturity date thereof, as the case may be.

"Fiscal Year" shall mean the period commencing on October 1 of each year and continuing through the next succeeding September 30, or such other period as may be prescribed by law.

"Fitch" shall mean Fitch IBCA, Inc. (formerly known as Fitch Investors Service, L.P.) and any assigns and successors thereto.

"Fund Balance" shall mean an amount of money equal to the unencumbered moneys on deposit in the Utility Reserve Fund as of September 30 of the immediately preceding Fiscal Year. Moneys shall be considered unencumbered to the extent such moneys may be used for purposes relating to the System. The Fund Balance for the Fiscal Year ending September 30, 1998 shall be $5,500,000, plus any moneys on deposit in the General Fund of the Issuer as of the date of issuance of the Series 1998 Bonds (which amounts shall be transferred to the Utility Reserve Fund no later than October 1, 1998).

"General Manager" shall mean the General Manager of the Issuer or his or her designee.
"Governing Body" shall mean the Board of Directors of the Issuer or its successor in function.

"Government Grant," when used with respect to the System, shall mean any sum of money heretofore or hereafter received by the Issuer from the United States of America or any agency thereof or from the State of Florida or any agency or political subdivision thereof as or on account of a grant or contribution, not repayable by the Issuer, for or with respect to the construction, acquisition or other development of an addition, extension or improvement to any part of the System or any costs of any such construction, acquisition or development. Government Grant shall not include any grants or contributions received by the Issuer for purposes of (1) funding Operating Expenses or (2) paying debt service on obligations of the Issuer that are payable in whole or in part from moneys received by the Issuer from the Southwest Florida Water Management District pursuant to the Northern Tampa Bay New Water Supply and Ground Water Withdrawal Reduction Agreement or any funding agreements related thereto. Any grants or contributions described in the preceding sentence shall be considered "Gross Revenues."

"Gross Revenues" shall mean all income and moneys received by the Issuer from the rates, fees, rentals, charges and other income to be made and collected by the Issuer for the use of the products, services and facilities to be provided by the System, or otherwise received by the Issuer or accruing to the Issuer in the management and operation of the System, calculated in accordance with generally accepted accounting principles applicable to public utility systems similar to the System, including, without limiting the generality of the foregoing, (1) moneys deposited from the Rate Stabilization Account into the Revenue Account in accordance with the terms hereof, provided any moneys transferred from the Rate Stabilization Account into the Revenue Account within 90 days following the end of a Fiscal Year may be designated by the Issuer as Gross Revenues of such prior Fiscal Year, (2) proceeds from use and occupancy insurance on the System, and (3) Investment Earnings. "Gross Revenues" shall include all moneys received by the Issuer pursuant to the terms of the Master Water Supply Contract. "Gross Revenues" shall not include (A) Government Grants, to the extent prohibited or restricted as to its use by the terms of the Government Grant, (B) proceeds of Bonds or other Issuer debt, (C) moneys deposited to the Rate Stabilization Account from the Utility Reserve Fund, including any moneys transferred from the Utility Reserve Fund to the Rate Stabilization Account within 90 days following the end of a Fiscal Year which the Issuer determines not to be Gross Revenues of such prior Fiscal Year, and (D) any moneys received by the Issuer as part of a True-Up. Gross Revenues may include other revenues related to the System which are not enumerated in the definition of "Gross Revenues" if and to the extent the same shall be approved for inclusion by the Insurers of the Bonds (provided all Bonds are insured as to payment of principal and interest at the time of such inclusion). An amount of moneys not to exceed $5,000,000 which represents Gross
Revenues of the Issuer on hand as of September 30, 1998 shall be considered Gross Revenues received during the Fiscal Year commencing October 1, 1998 and shall be deposited into the Revenue Account as of October 1, 1998.

"Hedge Agreement" shall mean an agreement in writing between the Issuer and the Counterparty pursuant to which (A) the Issuer agrees to pay to the Counterparty an amount, either at one time or periodically, which may, but is not required to, be determined by reference to the amount of interest (which may be at a fixed or variable rate) payable on the debt of the Counterparty specified in such agreement in the period specified in such agreement and (B) the Counterparty agrees to pay to the Issuer an amount, either at one time or periodically, which may, but is not required to, be determined by reference to the amount of interest (which may be at a fixed or variable rate) payable on all or a portion of a Series of Bonds specified in such agreement during the period specified in such agreement. Hedge Agreement shall include any financial product or agreement which is used by the Issuer as a hedging device with respect to its obligation to pay interest on the Bonds, or any portion thereof, which is designated by the Issuer as a "Hedge Agreement."

"Hedge Payments" shall mean any amounts payable by the Issuer as interest on the related notional amount under a Qualified Hedge Agreement; excluding, however, any payments due as a penalty or a fee or by virtue of termination of a Qualified Hedge Agreement or any obligation of the Issuer to provide collateral.

"Hedge Receipts" shall mean any amounts receivable by the Issuer on the related notional amount under a Qualified Hedge Agreement.

"Initial Rating Requirement" shall mean, with regard to a Qualified Hedge Agreement, a Counterparty which at the time it enters into such Qualified Hedge Agreement is rated "A-" or better by Standard & Poor's and "A3" or better by Moody's.

"Initial Project" shall mean the design, engineering, acquisition and construction of improvements described in Exhibit A attached hereto, including, without limitation, all property rights, easements, appurtenances, rights-of-way, franchises and equipment relating thereto and deemed necessary or convenient for the acquisition, construction, renovation, reconstruction or operation thereof, with such changes, deletions, additions or modifications to the enumerated improvements, equipment and facilities, or such other improvements, equipment or facilities as may hereafter be approved by the Governing Body in accordance with the Act pursuant to resolution.

"Insurer" shall mean such Person as shall be in the business of insuring or guaranteeing the payment of principal of and interest on municipal securities and whose credit is such that, at the time of any action or consent required or permitted by the
Insurer pursuant to the terms of this Resolution, all municipal securities insured or
guaranteed by it are then rated, because of such insurance or guarantee, in one of the two
most secure grades by one of the Rating Agencies. "Insurer" with respect to the Series
1998 Bonds shall mean Financial Guaranty Insurance Company, a New York stock
insurance company, or any successor thereto.

"Interest Account" shall mean the separate account in the Sinking Fund
established pursuant to Section 4.04(C) hereof.

"Interest Date" or "interest payment date" shall be such date or dates as shall
be provided by Supplemental Resolution of the Issuer.

"Interlocal Agreement" shall mean the Amended and Restated Interlocal
Agreement, dated as of May 1, 1998, among the Member Governments relating to the
governance and operation of the Issuer, as amended and supplemented, and any successor
instrument thereto.

"Investment Earnings" shall mean all income and earnings derived from the
investment of moneys in the funds and accounts established hereunder, other than the
Construction Fund and the Rebate Fund.

"Issuer" shall mean Tampa Bay Water, A Regional Water Supply Authority, and
also includes any authority or other governmental entity to which may hereafter be
transferred some or all of the powers and responsibilities of the Issuer with respect to the
ownership, financing, operation, enlargement, improvement and maintenance of the
System, to the extent permitted by the Interlocal Agreement.

"Master Water Supply Contract" shall mean the Master Water Supply
Contract, dated as of May 1, 1998, among the Issuer and the Member Governments, as
amended and supplemented, and any successor instrument thereto.

"Maximum Annual Debt Service" shall mean the largest aggregate amount of
the Annual Debt Service becoming due in any Fiscal Year in which Bonds are
Outstanding.

"Maximum Interest Rate" shall mean, with respect to any particular Variable
Rate Bonds, a numerical rate of interest, which shall be set forth in the Supplemental
Resolution of the Issuer delineating the details of such Bonds, that shall be the maximum
rate of interest such Bonds may at any particular time bear.

"Member Governments" shall mean Hillsborough County, Florida; the City of
New Port Richey, Florida; Pasco County, Florida; Pinellas County, Florida; the City of
St. Petersburg, Florida; the City of Tampa, Florida, and any other local government
which shall become a party to the Interlocal Agreement in accordance with the terms of
the Interlocal Agreement.

"Moody's" shall mean Moody's Investors Service, and any assigns and successors
thereto.

"Net Revenues" shall mean Gross Revenues less Operating Expenses.

"Operation, Maintenance and Administration Fund" shall mean the fund
created pursuant to Section 4.04(B) hereof.

"Operating Expenses" shall mean any and all costs incurred by the Issuer in
operating, maintaining and administering the System, including, but not limited to, the
general administrative and legal costs of the Issuer related to operation, maintenance,
management, security and development of the System; costs associated with tools,
equipment, vehicles, supplies, materials, services and support for the operation,
maintenance, management, security and development of the System; any costs of
litigation or a legal judgment against the Issuer; costs relating to water conservation and
public education activities; costs of purchasing any water; development expenses relating
to expansion of the System; all costs incurred in planning or applying for, obtaining,
maintaining and defending Environmental Permits which shall not be paid from the
Capital Improvement Charges; accounting, legal and engineering expenses; ordinary and
current rentals of equipment or other property; refunds of moneys lawfully due to others;
pension, retirement, health and hospitalization funds; payments in lieu of taxes and
facility impact fees; and fees for management of the System or any portion thereof; but
does not include any costs or expenses in respect of original construction or improvement
other than expenditures necessary to prevent an interruption or continuance of an
interruption of service or of Gross Revenues or minor capital expenditures necessary for
the proper and economical operation or maintenance of the System, or any provision for
interest, depreciation, amortization or similar charges.

Outstanding," when used with reference to Bonds and as of any particular date,
shall describe all Bonds theretofore and thereupon being authenticated and delivered
except, (1) any Bond in lieu of which other Bond or Bonds have been issued under
agreement to replace lost, mutilated or destroyed Bonds, (2) any Bond surrendered by the
Holder thereof in exchange for other Bond or Bonds under Sections 2.06 and 2.08 hereof,
(3) Bonds deemed to have been paid pursuant to Section 9.01 hereof and (4) Bonds
canceled after purchase in the open market or because of payment at or redemption prior
to maturity.
"Paying Agent" shall mean any paying agent for Bonds appointed by or pursuant to Supplemental Resolution and its successor or assigns, and any other Person which may at any time be substituted in its place pursuant to Supplemental Resolution.

"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization, governmental entity or other legal entity.

"Pledged Funds" shall mean, (1) the Net Revenues and (2) until applied in accordance with the provisions of this Resolution, all moneys, including investments thereof, in the funds and accounts established hereunder, except (A) as for the Rebate Fund, (B) moneys in any fund or account to the extent such moneys shall be required to pay the Operating Expenses of the System in accordance with the terms hereof, and (C) moneys on deposit in a subaccount of the Reserve Account to the extent moneys on deposit therein shall be pledged solely for the payment of the Series of Bonds for which it was established in accordance with the provisions hereof.

"Prerefunded Obligations" shall mean any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (1) which are (A) not callable prior to maturity or (B) as to which irrevocable instructions have been given to the fiduciary for such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (2) which are fully secured as to principal, redemption premium, if any, and interest by a fund held by a fiduciary consisting only of cash or Federal Securities, secured in the manner set forth in Section 9.01 hereof, which fund may be applied only to the payment of such principal of, redemption premium, if any, and interest on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as the case may be, (3) as to which the principal of and interest on the Federal Securities, which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of, redemption premium, if any, and interest on the bonds or other obligations on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (1) above and are not available to satisfy any other claims, including those against the fiduciary holding the same, and (4) which are rated in the highest rating category (without regard to gradations, such as "plus" or "minus" of such categories) of two of the Rating Agencies.

"Principal Account" shall mean the separate account in the Sinking Fund established pursuant to Section 4.04(C) hereof.

"Projects" shall mean the Initial Project and any Additional Project.
"Pro Rata Share" shall mean as it relates to the use of proceeds of the Series 1998A Bonds, the percentage resulting from the aggregate principal amount of the Series 1998A Bonds being divided by the aggregate principal amount of the Series 1998 Bonds. "Pro Rata Share" shall mean, as it relates to the Series 1998B Bonds, the percentage resulting from the aggregate principal amount of the Series 1998B Bonds being divided by the aggregate principal amount of the Series 1998 Bonds. For purposes of this definition, the aggregate principal amount of the Series 1998A Bonds, the Series 1998B Bonds and the Series 1998 Bonds shall be less any original issue discount attributable thereto and plus any premium received by the Issuer from the sale thereof.

"Qualified Hedge Agreement" shall mean a Hedge Agreement with a Counterparty which meets the Initial Rating Requirement.

"Rate Consultant" shall mean any accountant, engineer or consultant or firm of accountants, engineers or consultants chosen by the Issuer from time to time with reputation for skill and experience in reviewing and recommending rates for utility systems similar to the System.

"Rate Stabilization Account" shall mean the separate account established in the Revenue Fund established pursuant to Section 4.04(A) hereof.

"Rating Agencies" means Fitch, Moody's and Standard & Poor's.

"Rebate Fund" shall mean the Rebate Fund established pursuant to Section 4.04(G) hereof.

"Redemption Price" shall mean, with respect to any Bond or portion thereof, the principal amount or portion thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or this Resolution.

"Refunding Securities" shall mean Federal Securities and Prerefunded Obligations.

"Registrar" shall mean any registrar for the Bonds appointed by or pursuant to Supplemental Resolution and its successors and assigns, and any other Person which may at any time be substituted in its place pursuant to Supplemental Resolution.

"Renewal and Replacement Charges" shall mean those certain charges collected by the Issuer pursuant to the Master Water Supply Contract to be deposited to the Renewal and Replacement Fund.

"Renewal and Replacement Fund" shall mean the fund created pursuant to Section 4.04(D) hereof.
"Renewal and Replacement Fund Requirement" shall mean, on the date of calculation, an amount of money equal to (1) five percent of the Gross Revenues for the preceding Fiscal Year or (2) such greater or lesser amount as may be certified to the Issuer by the Consulting Engineers as an amount appropriate for the purposes of this Resolution.

"Reserve Account" shall mean the separate account in the Sinking Fund established pursuant to Section 4.04(C) hereof.

"Reserve Account Insurance Policy" shall mean the insurance policy deposited in the Reserve Account in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.05(B)(4) hereof.

"Reserve Account Letter of Credit" shall mean a letter of credit or line of credit or other credit facility (other than a Reserve Account Insurance Policy) deposited in the Reserve Account in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.05(B)(4) hereof.

"Reserve Account Requirement" shall mean, as of any date of calculation for the Reserve Account, an amount equal to the lesser of (1) Maximum Annual Debt Service for all Outstanding Bonds, (2) 125% of the average Annual Debt Service for all Outstanding Bonds, or (3) the maximum amount allowed to be funded from proceeds of tax-exempt obligations and invested at an unrestricted yield pursuant to the Code; provided, however, the Issuer may establish by Supplemental Resolution a different Reserve Account Requirement for a subaccount of the Reserve Account which secures a Series of Bonds pursuant to Section 4.05(B)(4) hereof. In computing the Reserve Account Requirement in respect of a Series of Bonds that constitutes Variable Rate Bonds, the interest rate on such Bonds shall be assumed to be (A) if such Variable Rate Bonds have been Outstanding for at least 24 months prior to the date of calculation, the highest average interest rate borne by such Variable Rate Bonds for any 30-day period, and (B) if such Variable Rate Bonds have not been Outstanding for at least 24 months prior to the date of calculation, the Bond Buyer Revenue Bond Index most recently published prior to the time of calculation. The time of calculation for Variable Rate Bonds shall be each March 1.

"Resolution" shall mean this Resolution, as the same may from time to time be amended, modified or supplemented by Supplemental Resolution.

"Restructured Debt" shall mean the Issuer's Capital Improvement Revenue Bonds, Series 1979; Refunding Revenue Bonds, Series 1985; Refunding Revenue Bonds, Series 1989A; Capital Improvement Revenue Bonds, Series 1989B; Refunding Revenue
Bonds, Series 1992; Refunding Revenue Bonds, Series 1995; Revenue Note, Series 1997; and Cypress Creek Capital Lease Obligation.

"Revenue Account" shall mean the separate account in the Revenue Fund established pursuant to Section 4.04(A) hereof.

"Revenue Fund" shall mean the fund created pursuant to Section 4.04(A) hereof.

"Secretary" shall mean the Secretary of the Governing Body of the Issuer or his or her designee.

"Serial Bonds" shall mean all of the Bonds other than the Term Bonds.

"Series" shall mean all the Bonds delivered on original issuance in a simultaneous transaction and identified pursuant to Sections 2.01 and 2.02 hereof or a Supplemental Resolution authorizing the issuance by the Issuer of such Bonds as a separate Series, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.


"Sinking Fund" shall mean the fund established pursuant to Section 4.04(C) hereof.

"Sinking Fund Installment" shall mean an amount designated as such by Supplemental Resolution of the Issuer and established with respect to the Term Bonds.

"Standard & Poor's" shall mean Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., and any assigns and successors thereto.

"State" shall mean the State of Florida.

"Subordinated Indebtedness" shall mean that indebtedness of the Issuer, subordinate and junior to the Bonds, issued in accordance with the provisions of Section 6.01 hereof.
"Supplemental Resolution" shall mean any resolution of the Issuer amending or supplementing this Resolution adopted and becoming effective in accordance with the terms of Sections 8.01, 8.02 and 8.03 hereof.

"System" shall mean the Issuer's water production, transmission and treatment facilities, as they currently exist and as they may be modified or expanded in the future from time to time, which are owned, leased, licensed, operated and/or used by the Issuer to provide water.

"Taxable Bonds" means those Bonds which state, in the body thereof, that the interest income thereon is includable in the gross income of the Holder thereof for federal income taxation purposes or that such interest is subject to federal income taxation.

"Term Bonds" shall mean those Bonds which shall be designated as Term Bonds hereby or by Supplemental Resolution of the Issuer.

"Term Bonds Redemption Account" shall mean the separate account in the Sinking Fund established pursuant to Section 4.04(C) hereof.

"Transferred Assets" shall have the meaning provided for such term in the Interlocal Agreement.

"TrueUp" shall mean the annual reconciliation of moneys paid by Member Governments as provided in Section 13(F) of the Master Water Supply Contract. True-Up shall also include any reconciliation of moneys paid by other Persons which purchase water from the Issuer pursuant to a water supply contract.

"Utility Reserve Fund" shall mean the fund created pursuant to Section 4.04(F) hereof.

"Variable Costs" shall have the meaning provided for such term in the Master Water Supply Contract.

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

The terms "herein," "hereunder," "hereby," "hereto," "hereof," and any similar terms, shall refer to this Resolution; the term "heretofore" shall mean before the date of adoption of this Resolution; and the term "hereafter" shall mean after the date of adoption of this Resolution.
Words importing the masculine gender include the feminine gender, and vice versa.

Words importing the singular number include the plural number, and vice versa.

SECTION 1.02. AUTHORITY FOR RESOLUTION. This Resolution is adopted pursuant to the provisions of the Act. The Issuer has ascertained and hereby determined that adoption of this Resolution is necessary to carry out the powers, purposes and duties expressly provided in the Act, that each and every matter and thing as to which provision is made herein is necessary in order to carry out and effectuate the purposes of the Issuer in accordance with the Act and to carry out and effectuate the plan and purpose of the Act, and that the powers of the Issuer herein exercised are in each case exercised in accordance with the provisions of the Act and in furtherance of the purposes of the Issuer.

SECTION 1.03. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the purchase and acceptance of any or all of the Bonds by those who shall hold the same from time to time, the provisions of this Resolution shall be a part of the contract of the Issuer with the Holders of the Bonds, and shall be deemed to be and shall constitute a contract between the Issuer, the Holders from time to time of the Bonds and any Insurer or Credit Bank. The pledge made in this Resolution and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of said Bonds and any Insurer or Credit Bank, but only in accordance with the terms hereof. All of the Bonds, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or pursuant to this Resolution.

SECTION 1.04. FINDINGS. It is hereby ascertained, determined and declared:

(A) That the Issuer is currently established for the purpose of developing, recovering, storing and supplying water for county and municipal purposes in such manner as will give priority to reducing the adverse environmental effects of excessive or improper withdrawals from concentrated areas.

(B) That as of May 1, 1998, the Member Governments reorganized the Issuer pursuant to the Interlocal Agreement in order to establish the Issuer as a water utility.

(C) That the Issuer and the Member Governments currently own or lease, control and manage various water production, treatment and transmission facilities for the supply of water to customers of the Member Governments.
(D) That the Member Governments have heretofore determined that the Issuer shall own, license or lease and operate various water production, treatment and transmission facilities, including certain facilities currently owned, licensed or leased by Member Governments, for the common use and benefit of the Member Governments, in the manner specified in the Interlocal Agreement.

(E) That the Member Governments desire the Issuer to expand the System to meet the common needs of all of the Member Governments, in the manner specified in the Interlocal Agreement.

(F) That the Member Governments desire to share the costs of operating, developing, acquiring, constructing, equipping and expanding the Issuer's System in the manner specified in the Master Water Supply Contract and in the Interlocal Agreement.

(G) That the Member Governments desire to purchase and the Issuer desires to sell water produced by the Issuer from the System as specified in the Master Water Supply Contract.

(H) That the Series 1998 Bonds shall be secured in the manner provided herein and pursuant to the Master Water Supply Contract.

(I) That the proceeds of the Series 1998A Bonds shall be used principally (1) to restructure the Issuer's outstanding debt so that the terms hereof and of the Master Water Supply Contract shall pertain to all water supplied by the Authority to the Member Governments, and (2) to fund certain capital improvements to the System in the form of the Initial Project. The proceeds of the Series 1998B Bonds shall be used principally to acquire the Transferred Assets from Member Governments.

(J) That pursuant to the provisions of the Act, the Issuer is authorized to undertake the Initial Project, to acquire the Transferred Assets and to finance the Restructured Debt through the issuance of the Series 1998 Bonds.

(K) That the Pledged Funds are not pledged or encumbered in any manner, except to the extent they are pledged and encumbered for the Restructured Debt.

(L) That the estimated Gross Revenues to be derived in each year hereafter from the operation of the System will be sufficient to pay all the Operating Expenses, the principal of and interest on the Bonds to be issued pursuant to this Resolution, as the same become due, and all other payments provided for in this Resolution.

(M) That the principal of and interest on the Bonds to be issued pursuant to this Resolution, and all other payments provided for in this Resolution will be paid solely from the Pledged Funds in accordance with the terms hereof; and the ad valorem taxing
power of the Issuer will never be necessary or authorized to pay the principal of and interest on the Bonds to be issued pursuant to this Resolution, or to make any other payments provided for in this Resolution, and the Bonds shall not constitute a lien upon the System or upon any other property whatsoever of or in the Issuer, other than the Pledged Funds.

SECTION 1.05. AUTHORIZATION OF FINANCING OF THE RESTRUCTURED DEBT. The Issuer hereby authorizes the financing of the Restructured Debt.

SECTION 1.06. AUTHORIZATION OF ACQUISITION OF TRANSFERRED ASSETS. The Issuer hereby authorizes the acquisition of the Transferred Assets in accordance with the terms of the Interlocal Agreement.

SECTION 1.07. AUTHORIZATION OF INITIAL PROJECT. The Issuer hereby authorizes the Initial Project.
ARTICLE II
AUTHORIZATION, TERMS, EXECUTION AND REGISTRATION OF BONDS

SECTION 2.01. AUTHORIZATION OF BONDS. This Resolution creates an issue of Bonds of the Issuer to be designated as "Tampa Bay Water, A Regional Water Supply Authority, Utility System Revenue Bonds" which may be issued in one or more Series as hereinafter provided. The aggregate principal amount of the Bonds which may be executed and delivered under this Resolution is not limited except as is or may hereafter be provided in this Resolution or as limited by the Act.

The Bonds may, if and when authorized by the Issuer pursuant to this Resolution, be issued in one or more Series, with such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series as the Issuer may determine and as may be necessary to distinguish such Bonds from the Bonds of any other Series. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

The Bonds shall be issued for such purpose or purposes; shall bear interest at such rate or rates not exceeding the maximum rate permitted by law; and shall be payable in lawful money of the United States of America on such dates; all as determined by Supplemental Resolution of the Issuer.

The Bonds shall be issued in such denominations and such form, whether coupon or registered; shall be dated such date; shall bear such numbers; shall be payable at such place or places; shall contain such redemption provisions; shall have such Paying Agents and Registrars; shall mature in such years and amounts; and the proceeds shall be used in such manner; all as determined by Supplemental Resolution of the Issuer. The Issuer may issue Bonds which may be secured by a Credit Facility or by a Bond Insurance Policy of an Insurer all as shall be determined by Supplemental Resolution of the Issuer. The Governing Body may delegate approval of the terms, details and sale of a Series of Bonds to an Authorized Issuer Officer pursuant to Supplemental Resolution.

SECTION 2.02. AUTHORIZATION AND DESCRIPTION OF SERIES 1998 BONDS. A Series of Bonds entitled to the benefit, protection and security of this Resolution is authorized in the aggregate principal amount of not exceeding $170,000,000 for the principal purposes of financing the Restructured Debt, financing the Costs of the Initial Project, funding the Reserve Account and paying certain costs of issuance incurred with respect to the Series 1998A Bonds. Such Series of Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "Tampa Bay Water, A Regional Water Supply Authority, Utility System Revenue Bonds, Series 1998A."
A Series of Bonds entitled to the benefit, protection and security of this Resolution is authorized in the aggregate principal amount of not exceeding $240,000,000 for the principal purposes of acquiring the Transferred Assets, funding the Reserve Account and paying certain costs of issuance incurred with respect to the Series 1998B Bonds. Such Series of Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "Tampa Bay Water, A Regional Water Supply Authority, Utility System Revenue Bonds, Series 1998B."

The Series 1998 Bonds shall be dated as of the first day of the month in which occurs the delivery of the Series 1998 Bonds to the purchaser or purchasers thereof or such other date as may be set forth by Supplemental Resolution of the Issuer; shall be issued as fully registered Bonds; shall be numbered consecutively from one upward in order of maturity preceded by the letter "R"; shall be in such denominations and shall bear interest at a rate or rates not exceeding the maximum rate permitted by law, payable in such manner and on such dates; shall consist of such amounts of Serial Bonds, Term Bonds, Variable Rate Bonds, current interest paying Bonds and Capital Appreciation Bonds maturing in such years and amounts not exceeding such period as may be permitted by the Act at the time of issuance; shall be payable in such place or places; shall have such Paying Agents and Registrars; and shall contain such redemption and other provisions; all as the Issuer shall provide hereafter by Supplemental Resolution.

The principal of or Redemption Price, if applicable, on the Series 1998 Bonds are payable upon presentation and surrender of the Series 1998 Bonds at the designated office of the Paying Agent. Interest payable on any Series 1998 Bond on any Interest Date will be paid by check or draft of the Paying Agent to the Holder in whose name such Bond shall be registered at the close of business on the date which shall be the fifteenth day (whether or not a business day) of the calendar month next preceding such Interest Date, or, at the request and expense of such Holder, by bank wire transfer for the account of such Holder. All payments of principal of or Redemption Price, if applicable, and interest on the Series 1998 Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

SECTION 2.03. APPLICATION OF SERIES 1998 BOND PROCEEDS.
The proceeds derived from the sale of the Series 1998 Bonds, including accrued interest and premium, if any, shall, simultaneously with the delivery of the Series 1998 Bonds to the purchaser or purchasers thereof, be applied at the direction of the Issuer as follows:

(A) Accrued interest on the Series 1998 Bonds shall be deposited in the Interest Account and shall be used only for the purpose of paying the interest which shall thereafter become due on the Series 1998 Bonds.
(B) A sufficient amount of Series 1998A Bond proceeds, together with other legally available moneys, shall be deposited irrevocably in trust in the escrow deposit trust funds under the terms and provisions of the Escrow Deposit Agreements and shall be invested in United States Treasury obligations in the manner set forth in such Escrow Deposit Agreements, which investments shall mature at such times and in such amounts as shall be sufficient to pay the principal of, redemption premium, if any, and interest on the Restructured Debt (other than the Revenue Note, Series 1997 and the Cypress Creek Capital Lease Obligation) as the same matures and becomes due and payable or is redeemed prior to maturity.

(C) A sufficient amount of the Series 1998A Bond proceeds shall be utilized to repay the principal of and interest on the Issuer's Revenue Note, Series 1997 and the Cypress Creek Capital Lease Obligation.

(D) A sufficient amount of Series 1998A Bond proceeds shall be deposited in the Reserve Account which, together with any Reserve Account Insurance Policy and/or Reserve Account Letter of Credit obtained in accordance with Section 4.05(B)(4) hereof, shall equal the Pro Rata Share of the Reserve Account Requirement for the Series 1998 Bonds.

(E) A sufficient amount of the Series 1998A Bond proceeds shall be applied or set aside to the payment of the Pro Rata Share of the premiums of any Bond Insurance Policy and/or Reserve Account Insurance Policy applicable to the Series 1998 Bonds or reserves established therefor and of costs and expenses relating to the issuance of the Series 1998 Bonds.

(F) The balance of the Series 1998A Bond proceeds shall be deposited in the Construction Fund to pay the Cost of the Initial Project.

(G) A sufficient amount of the Series 1998B Bond proceeds shall be utilized by the Issuer to acquire from each Member Government its Transferred Assets, if any, for which such Member Government has elected to receive cash as provided in the Interlocal Agreement.

(H) A sufficient amount of the Series 1998B Bond proceeds shall be deposited in the Reserve Account which, together with any Reserve Account Insurance Policy and/or Reserve Account Letter of Credit obtained in accordance with Section 4.05(B)(4) hereof, shall equal the Pro Rata Share of the Reserve Account Requirement of the Series 1998 Bonds.

(I) A sufficient amount of the Series 1998B Bonds shall be applied or set aside to the payment of the Pro Rata Share of the premiums of any Bond Insurance Policy and/or Reserve Account Insurance Policy applicable to the Series 1998 Bonds or reserve
established therefor and of costs and expenses relating to the issuance of the Series 1998 Bonds.

(J) The balance of the Series 1998B Bond proceeds, if any, shall be deposited to the Interest Account.

SECTION 2.04. EXECUTION OF BONDS. The Bonds shall be executed in the name of the Issuer with the manual or facsimile signature of the Chairman and the official seal of the Issuer shall be imprinted thereon, attested and countersigned with the manual or facsimile signature of the Secretary. In case any one or more of the officers who shall have signed or sealed any of the Bonds or whose facsimile signature shall appear thereon shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Issuer by such person who at the actual time of the execution of such Bond shall hold the proper office of the Issuer, although at the date of such Bond such person may not have held such office or may not have been so authorized. The Issuer may adopt and use for such purposes the facsimile signatures of any such persons who shall have held such offices at any time after the date of the adoption of this Resolution, notwithstanding that either or both shall have ceased to hold such office at the time the Bonds shall be actually sold and delivered.

SECTION 2.05. AUTHENTICATION. No Bond of any Series shall be secured hereunder or entitled to the benefit hereof or shall be valid or obligatory for any purpose unless there shall be manually endorsed on such Bond a certificate of authentication by the Registrar or such other entity as may be approved by the Issuer for such purpose. Such certificate on any Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Resolution. The form of such certificate shall be substantially in the form provided in Section 2.09 hereof.

SECTION 2.06. TEMPORARY BONDS. Until the definitive Bonds of any Series are prepared, the Issuer may execute, in the same manner as is provided in Section 2.04, and deliver, upon authentication by the Registrar pursuant to Section 2.05 hereof, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in denominations authorized by the Issuer by subsequent resolution and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The Issuer, at his own expense, shall prepare and execute definitive Bonds, which shall be authenticated by the Registrar. Upon the surrender of such temporary Bonds for exchange, the Registrar, without charge to the Holder thereof, shall
deliver in exchange therefor definitive Bonds, of the same aggregate principal amount and Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Resolution. All temporary Bonds surrendered in exchange for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith canceled by the Registrar.

SECTION 2.07. BONDS MUTILATED, DESTROYED, STOLEN OR LOST. In case any Bond shall become mutilated, or be destroyed, stolen or lost, the Issuer may, in its discretion, issue and deliver, and the Registrar shall authenticate, a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder furnishing the Issuer and the Registrar proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer and the Registrar may incur. All Bonds so surrendered shall be canceled by the Registrar. If any of the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same or cause the Bond to be paid, upon being indemnified as aforesaid, and if such Bonds be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this Section 2.07 shall constitute original contractual obligations on the part of the Issuer whether or not the lost, stolen or destroyed Bond be at any time found by anyone, and such duplicate Bond shall be entitled to equal and proportionate benefits and rights as to lien on the Pledged Funds to the same extent as all other Bonds issued hereunder.

SECTION 2.08. INTERCHANGEABILITY, NEGOTIABILITY AND TRANSFER. Bonds, upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of registered Bonds of the same Series and maturity of any other authorized denominations.

The Bonds issued under this Resolution shall be and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of Florida, subject to the provisions for registration and transfer contained in this Resolution and in the Bonds. So long as any of the Bonds shall remain Outstanding, the Issuer shall maintain and keep, at the office of the Registrar, books for the registration and transfer of the Bonds.
Each Bond shall be transferable only upon the books of the Issuer, at the office of the Registrar, under such reasonable regulations as the Issuer may prescribe, by the Holder thereof in person or by his attorney duly authorized in writing upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed and guaranteed by the Holder or his duly authorized attorney. Upon the transfer of any such Bond, the Issuer shall issue, and cause to be authenticated, in the name of the transferee a new Bond or Bonds of the same aggregate principal amount and Series and maturity as the surrendered Bond. The Issuer, the Registrar and any Paying Agent or fiduciary of the Issuer may deem and treat the Person in whose name any Outstanding Bond shall be registered upon the books of the Issuer as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if applicable, and interest on such Bond and for all other purposes, and all such payments so made to any such Holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid and neither the Issuer nor the Registrar nor any Paying Agent or other fiduciary of the Issuer shall be affected by any notice to the contrary.

The Registrar, in any case where it is not also the Paying Agent in respect to any Series of Bonds, forthwith (A) following the fifteenth day prior to an Interest Date for such Series; (B) following the fifteenth day next preceding the date of first mailing of notice of redemption of any Bonds of such Series; and (C) at any other time as reasonably requested by the Paying Agent of such Series, shall certify and furnish to such Paying Agent the names, addresses and holdings of Bondholders and any other relevant information reflected in the registration books. Any Paying Agent of any fully registered Bond shall effect payment of interest on such Bonds by mailing a check to the Holder entitled thereto or may, in lieu thereof, upon the request and at the expense of such Holder, transmit such payment by bank wire transfer for the account of such Holder.

In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the Issuer shall execute and deliver Bonds and the Registrar shall authenticate such Bonds in accordance with the provisions of this Resolution. Execution of Bonds by the Chairman and Secretary for purposes of exchanging, replacing or transferring Bonds may occur at the time of the original delivery of the Series of which such Bonds are a part. All Bonds surrendered in any such exchanges or transfers shall be held by the Registrar in safekeeping until directed by the Issuer to be canceled by the Registrar. For every such exchange or transfer of Bonds, the Issuer or the Registrar may make a charge sufficient to reimburse it for any tax, fee, expense or other governmental charge required to be paid with respect to such exchange or transfer. The Issuer and the Registrar shall not be obligated to make any such exchange or transfer of Bonds of any Series during the 15 days next preceding an Interest Date on the Bonds of such Series (other than Capital Appreciation Bonds and Variable Rate Bonds), or, in the case of any proposed
redemption of Bonds of such Series, then, for the Bonds subject to redemption, during the 15 days next preceding the date of the first mailing of notice of such redemption and continuing until such redemption date.

The Issuer may elect to issue any Bonds as uncertificated registered public obligations (not represented by instruments), commonly known as book-entry obligations, provided it shall establish a system of registration therefor by Supplemental Resolution.

SECTION 2.09. FORM OF BONDS. The text of the Bonds, except for Capital Appreciation Bonds and Variable Rate Bonds, the form of which shall be provided by Supplemental Resolution of the Issuer, shall be in substantially the following form with such omissions, insertions and variations as may be necessary and/or desirable and approved by the Chairman or the Secretary prior to the issuance thereof (which necessity and/or desirability and approval shall be presumed by such officer's execution of the Bonds and the Issuer's delivery of the Bonds to the purchaser or purchasers thereof):
UNITED STATES OF AMERICA
STATE OF FLORIDA
TAMPA BAY WATER,
A REGIONAL WATER SUPPLY AUTHORITY,
UTILITY SYSTEM REVENUE BOND,
SERIES

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>Maturity Date</th>
<th>Date of Original Issue</th>
<th>CUSIP</th>
</tr>
</thead>
</table>

Registered Holder:

Principal Amount:

TAMPA BAY WATER, A REGIONAL WATER SUPPLY AUTHORITY, established pursuant to the laws of the State of Florida (the "Issuer"), for value received, hereby promises to pay, solely from the Pledged Funds hereinafter described, to the Registered Holder identified above, or registered assigns as hereinafter provided, on the Maturity Date identified above, the Principal Amount identified above and to pay interest on such Principal Amount from the Date of Original Issue identified above or from the most recent interest payment date to which interest has been paid at the Interest Rate per annum identified above on ___________ and ___________ of each year commencing ______________ until such Principal Amount shall have been paid, except as the provisions hereinafter set forth with respect to redemption prior to maturity may be or become applicable hereto.

Such Principal Amount and interest and the premium, if any, on this Bond are payable in any coin or currency of the United States of America which, on the respective dates of payment thereof, shall be legal tender for the payment of public and private debts. Such Principal Amount and the premium, if any, on this Bond, are payable at the designated corporate trust office of ___________, ___________, ____________, as Paying Agent. Payment of each installment of interest shall be made to the person in whose name this Bond shall be registered on the registration books of the Issuer.
maintained by ___________________, ____________, ________________, as Registrar, at the close of business on the date which shall be the fifteenth day (whether or not a business day) of the calendar month next preceding each interest payment date and shall be paid by a check of such Paying Agent mailed to such Registered Holder at the address appearing on such registration books or, at the request and expense of such Registered Holder, by bank wire transfer for the account of such Holder.

This Bond is one of an authorized issue of Bonds in the aggregate principal amount of $_____________ (the "Bonds") of like date, tenor and effect, except as to maturity date, interest rate, registered holder, denomination and number, issued to finance ________________, in and for the Issuer, under the authority of and in full compliance with the Constitution and laws of the State of Florida, particularly Sections 373.1962, 373.1963 and 163.01, Florida Statutes, and other applicable provisions of law (collectively, the "Act"), and a resolution of the Issuer duly adopted by the Board of Directors of the Issuer on _______________, as amended and supplemented (the "Resolution"), and is subject to all the terms and conditions of the Resolution.

This Bond and the interest hereon are payable solely from and secured by a lien upon and a pledge of (1) the Net Revenues (as defined in the Resolution) to be derived from the operation of the Issuer's water utility system (the "System") and (2) until applied in accordance with the provisions of the Resolution, all moneys, including investments thereof, in the funds and accounts established by the Resolution, except (A) as for the Rebate Fund, (B) moneys in any fund or account to the extent such moneys shall be required to pay the Operating Expenses (as defined in the Resolution) in accordance with the terms of the Resolution, and (C) moneys on deposit in a subaccount of the Reserve Account established by the Resolution to the extent such moneys shall be pledged solely for the payment of the Series of Bonds for which it was established in accordance with the provisions of the Resolution (collectively, the "Pledged Funds"), subject in each case to the application thereof for the purposes and on the conditions permitted by the Resolution. It is expressly agreed by the Registered Holder of this Bond that the full faith and credit of the Issuer are not pledged to the payment of the principal of, premium, if any, and interest on this Bond and that such Holder shall never have the right to require or compel the exercise of any taxing power of the Issuer to the payment of such principal, premium, if any, and interest. This Bond and the obligation evidenced hereby shall not constitute a lien upon the System or any other property of the Issuer, but shall constitute a lien only on, and shall be payable solely from, the Pledged Funds in accordance with the terms of the Resolution.

Neither the members of the Board of Directors of the Issuer nor any person executing this Bond shall be liable personally hereon or be subject to any personal liability or accountability by reason of the issuance hereof.
REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE SIDE HEREOF AND SUCH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH ON THE FRONT SIDE HEREOF.

This Bond shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Registrar.

IN WITNESS WHEREOF, Tampa Bay Water, A Regional Water Supply Authority, has issued this Bond and has caused the same to be executed by the manual or facsimile signature of the Chairman of its Board of Directors, and by the manual or facsimile signature of the Secretary of its Board of Directors, and its seal or a facsimile thereof to be affixed or reproduced hereon, all as of the Date of Original Issue.

TAMPA BAY WATER, A Regional Water Supply Authority

(SEAL)

__________________________
Chairman

__________________________
Secretary
This Bond is transferable in accordance with the terms of the Resolution only upon the books of the Issuer kept for that purpose at the designated corporate trust office of the Registrar by the Registered Holder hereof in person or by his attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Holder or his attorney duly authorized in writing, and thereupon a new Bond or Bonds in the same aggregate principal amount shall be issued to the transferee in exchange therefor, and upon the payment of the charges, if any, therein prescribed. The Bonds are issuable in the form of fully registered Bonds in the denomination of $5,000 and any integral multiple thereof, not exceeding the aggregate principal amount of the Bonds. The Issuer, the Registrar and any Paying Agent may treat the Registered Holder of this Bond as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and shall not be affected by any notice to the contrary. The Issuer shall not be obligated to make any exchange or transfer of the Bonds during the 15 days next preceding an interest payment date or, in the case of any proposed redemption of the Bonds, then, for the Bonds subject to such redemption, during the 15 days next preceding the date of the first mailing of notice of such redemption and continuing to the redemption date.

Redemption of this Bond under the preceding paragraphs shall be made as provided in the Resolution upon notice given by first class mail sent at least 30 days prior to the redemption date to the Registered Holder hereof at the address shown on the registration books maintained by the Registrar; provided, however, that failure to mail notice to the Registered Holder hereof, or any defect therein, shall not affect the validity of the proceedings for redemption of other Bonds as to which no such failure or defect has occurred. In the event that less than the full principal amount hereof shall have been called for redemption, the Registered Holder hereof shall surrender this Bond in exchange for one or more Bonds in an aggregate principal amount equal to the unredeemed portion of principal, as provided in the Resolution.

Reference to the Resolution and any and all resolutions supplemental thereto and modifications and amendments thereof and to the Act is made for a description of the pledge and covenants securing this Bond, the nature, manner and extent of enforcement of such pledge and covenants, and the rights, duties, immunities and obligations of the Issuer.
It is hereby certified and recited that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond, exist, have happened and have been performed, in regular and due form and time as required by the laws and Constitution of the State of Florida applicable thereto, and that the issuance of the Bonds does not violate any constitutional or statutory limitations or provisions.
ASSIGNMENT

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

Insert Social Security or Other Identifying Number of Assignee

(Name and Address of Assignee)

the within Bond and does hereby irrevocably constitute and appoint ________________,
as attorneys to register the transfer of the said Bond on the books kept for registration
thereof with full power of substitution in the premises.

Dated: _______________________

Signature guaranteed:

NOTICE: Signature must be
guaranteed by an institution which is a
participant in the Securities Transfer
Agent Medallion Program (STAMP) or
similar program.

NOTICE: The signature to this
assignment must correspond with the
name of the Registered Holder as it
appears upon the face of the within Bond
in every particular, without alteration or
enlargement or any change whatever and
the Social Security or other identifying
number of such assignee must be supplied.
The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM --as tenants in common

TEN ENT -- as tenants by the entireties

JT TEN -- as joint tenants with right of survivorship and not as tenants in common

UNIF TRANS MIN ACT --

(Cust.)

Custodian for

under Uniform Transfers to Minors Act of

(State)

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

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the issue described in the within-mentioned Resolution.

DATE OF AUTHENTICATION:

__________________________

____________________________________
Registrar

By: ___________________________________
Authorized Officer
ARTICLE III
REDEMPTION OF BONDS

SECTION 3.01. PRIVILEGE OF REDEMPTION. The terms of this Article III shall apply to redemption of Bonds other than Capital Appreciation Bonds or Variable Rate Bonds. The terms and provisions relating to redemption of Capital Appreciation Bonds and Variable Rate Bonds shall be provided by Supplemental Resolution.

SECTION 3.02. SELECTION OF BONDS TO BE REDEEMED. The Bonds shall be redeemed only in the principal amount of $5,000 each and integral multiples thereof. The Issuer shall, at least 45 days prior to the redemption date (unless a shorter time period shall be satisfactory to the Registrar) notify the Registrar of such redemption date and of the principal amount of Bonds to be redeemed. For purposes of any redemption of less than all of the Outstanding Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected by the Registrar from the Outstanding Bonds of the maturity or maturities designated by the Issuer by such method as the Registrar shall deem fair and appropriate and which may provide for the selection for redemption of Bonds or portions of Bonds in principal amounts of $5,000 and integral multiples thereof.

If less than all of the Outstanding Bonds of a single maturity are to be redeemed, the Registrar shall promptly notify the Issuer and Paying Agent (if the Registrar is not the Paying Agent for such Bonds) in writing of the Bonds or portions of Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

SECTION 3.03. NOTICE OF REDEMPTION. Notice of such redemption shall specify the Bond or Bonds (or portions thereof) to be redeemed and the date and place for redemption, shall be given by the Registrar on behalf of the Issuer, and (A) shall be filed with the Paying Agents of such Bonds, (B) shall be mailed first class, postage prepaid, at least 30 days prior to the redemption date to all Holders of Bonds to be redeemed at their addresses as they appear on the registration books kept by the Registrar as of the date of mailing of such notice, and (C) shall be mailed, certified mail, postage prepaid, at least 35 days prior to the redemption date to the registered securities depositories and two or more nationally recognized municipal bond information services. Failure to mail such notice to such depositories or services or the Holders of the Bonds to be redeemed, or any defect therein, shall not affect the proceedings for redemption of Bonds as to which no such failure or defect has occurred.
Each notice of redemption shall state: (1) the CUSIP numbers of all Bonds being redeemed, (2) the original issue date of such Bonds, (3) the maturity date and rate of interest borne by each Bond being redeemed, (4) the redemption date, (5) the Redemption Price, (6) the date on which such notice is mailed, (7) if less than all Outstanding Bonds are to be redeemed, the certificate number (and, in the case of a partial redemption of any Bond, the principal amount) of each Bond to be redeemed, (8) that on such redemption date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable, (9) that the Bonds to be redeemed, whether as a whole or in part, are to be surrendered for payment of the Redemption Price at the principal office of the Registrar at an address specified, and (10) the name and telephone number of a person designated by the Registrar to be responsible for such redemption.

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

(A) Each further notice of redemption shall be sent by certified mail or overnight delivery service or telecopy to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds (such depositories now being The Depository Trust Company, New York, New York, Midwest Securities Trust Company, Chicago, Illinois and Philadelphia Depository Trust Company, Philadelphia, Pennsylvania) and to two or more national information services which disseminate notices of prepayment or redemption of obligations such as the Bonds (such information services now being called Financial Information, Inc.'s "Daily Called Bond Service," Jersey City, New Jersey, Kenny Information Service's "Called Bond Service," New York, New York, Moody's "Municipal and Government," New York, New York and Standard & Poor's "Called Bond Record," New York, New York).

(B) Each further notice of redemption shall be sent to such other Person, if any, as shall be required by applicable law or regulation.

The notice of redemption described in this paragraph need not be given as described above if the Bonds called for redemption are registered pursuant to a book-entry-only system.

**SECTION 3.04. REDEMPTION OF PORTIONS OF BONDS.** Any Bond which is to be redeemed only in part shall be surrendered at any place of payment
specified in the notice of redemption (with due endorsement by, or written instrument of transfer in form satisfactory to the Registrar duly executed by, the Holder thereof or his attorney duly authorized in writing) and the Issuer shall execute and the Registrar shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds, of any authorized denomination, as requested by such Holder in an aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bonds so surrendered.

**SECTION 3.05. PAYMENT OF REDEEMED BONDS.** Notice of redemption having been given substantially as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar and/or Paying Agent at the appropriate Redemption Price, plus accrued interest. All Bonds which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued.
ARTICLE IV
SECURITY, SPECIAL FUNDS AND APPLICATION THEREOF

SECTION 4.01.  BONDS NOT TO BE INDEBTEDNESS OF ISSUER. The Bonds shall not be or constitute general obligations or indebtedness of the Issuer as "bonds" within the meaning of any constitutional or statutory provision, but shall be special obligations of the Issuer, payable solely from and secured by a lien upon and pledge of the Pledged Funds, in the manner and to the extent provided in this Resolution. No Holder of any Bond shall ever have the right to compel the exercise of any ad valorem taxing power to pay such Bond, or be entitled to payment of such Bond from any moneys of the Issuer except from the Pledged Funds in the manner and to the extent provided herein.

SECTION 4.02.  SECURITY FOR BONDS. The payment of the principal of or Redemption Price, if applicable, and interest on the Bonds shall be secured forthwith equally and ratably by a pledge of and lien upon the Pledged Funds; provided, however, a Series of Bonds may be further secured by a Credit Facility or Bond Insurance Policy in addition to the security provided herein; and provided further that a Series of Bonds may be secured independently of any other Series of Bonds by the establishment of a separate subaccount in the Reserve Account for such Series of Bonds. The Issuer does hereby irrevocably pledge the Pledged Funds to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds in accordance with the provisions hereof. Except as otherwise provided by Supplemental Resolution, the obligation of the Issuer to make Hedge Payments to a Counterparty pursuant to a Qualified Hedge Agreement shall be on parity with the Bonds as to lien on and pledge of the Pledged Funds in accordance with the terms hereof (any other payments related to a Qualified Hedge Agreement, including fees, penalties and termination payments and the obligation of the Issuer to collateralize, shall be Subordinated Indebtedness of the Issuer).

The Pledged Funds shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer.

SECTION 4.03.  CONSTRUCTION FUND. The Issuer covenants and agrees to establish, a special fund in a bank, trust company or such other entity in the State, which is eligible under the laws of the State to be a depository for municipal funds, to be known as the "Tampa Bay Water Utility System Construction Fund," which shall be used only for payment of the Cost of a Project. Moneys in the Construction Fund, until applied in payment of any item of the Cost of a Project in the manner hereinafter
provided, shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders.

There shall be paid into the Construction Fund the amounts required to be so paid by the provisions of this Resolution, and there may be paid into the Construction Fund, at the option of the Issuer, any moneys received for or in connection with a Project by the Issuer from any other source.

The Issuer shall establish within the Construction Fund a separate account for each Project, the Cost of which is to be paid in whole or in part out of the Construction Fund. The Issuer shall establish a separate account within the Construction Fund for the Initial Project. Moneys in such account shall be used to pay the Costs of the Initial Project.

The proceeds of insurance maintained pursuant to this Resolution against physical loss of or damage to a Project, or of contractors' performance bonds with respect thereto pertaining to the period of construction thereof, shall be deposited into the appropriate account of the Construction Fund.

Any moneys received by the Issuer from the State or from the United States of America or any agencies thereof for the purpose of financing part of the Cost of a Project shall be deposited into the appropriate account of the Construction Fund and used in the same manner as other Bond proceeds are used therein; provided that separate accounts or subaccounts may be established in the Construction Fund for moneys received pursuant to the provisions of this paragraph whenever required by federal or State law.

The Issuer covenants that the acquisition, construction and installation of each Project will be completed without delay and in accordance with sound engineering practices. The Issuer shall make disbursements or payments from the Construction Fund to pay the Cost of a Project upon the filing with the Secretary of certificates and/or documents signed by an Authorized Issuer Officer, stating with respect to each disbursement or payment to be made: (A) the item number of the payment, (B) the name and address of the Person to whom payment is due, (C) the amount to be paid, (D) the account of the Construction Fund from which payment is to be made, (E) the purpose, by general classification, for which payment is to be made, and (F) that (i) each obligation, item of cost or expense mentioned therein has been properly incurred, is in payment of a part of the Cost of a Project and is a proper charge against the account of the Construction Fund from which payment is to be made, or (ii) each obligation, item of cost or expense mentioned therein has been paid by the Issuer, is a reimbursement of a part of the Cost of a Project, is a proper charge against the account of the Construction Fund from which payment is to be made, has not been theretofore reimbursed to the Issuer or otherwise been the basis of any previous disbursement or payment and the Issuer is entitled to
reimbursement thereof. The Secretary shall retain all such certificates and/or documents of the Authorized Issuer Officers for such other period of time as required by applicable law. The Secretary shall make available the certificates and/or documents at all reasonable times for inspection by any Holder of any of the Bonds or the agent or representative of any Holder of any of the Bonds.

Notwithstanding any of the other provisions of this Section 4.03, to the extent that other moneys are not available therefor, amounts in the Construction Fund may be applied to the payment of principal of and interest on Bonds when due.

The date of completion of the acquisition and construction of a Project shall be determined by an Authorized Issuer Officer which shall certify such fact in writing to the Governing Body. An Authorized Issuer Officer may perform such tests relating to a Project as he deems necessary in order to make such certification. Promptly after the date of the completion of a Project, and after paying or making provision for the payment of all unpaid items of the Cost of such Project, the Issuer shall transfer the balance of any money in the Construction Fund which shall deposit such moneys in the following order of priority in (A) another account of the Construction Fund for which an Authorized Issuer Officer has stated that there are insufficient moneys present to pay the Cost of the related Project, (B) the Reserve Account, to the extent of a deficiency therein, and (C) such other fund or account established hereunder as shall be determined by the Governing Body, provided the Issuer has received an opinion of Bond Counsel to the effect that such transfer shall not adversely affect the exclusion, if any, of interest on the Bonds from gross income for purposes of federal income taxation.

SECTION 4.04. CREATION OF FUNDS AND ACCOUNTS. The Issuer covenants and agrees to establish with a bank, trust company or such other entity in the State, which is eligible under the laws of the State to be a depository for its funds the following funds and accounts:

(A) The "Tampa Bay Water Utility System Revenue Fund." The Issuer shall maintain two separate accounts in the Revenue Fund: the "Revenue Account" and the "Rate Stabilization Account."

(B) The "Tampa Bay Water Utility System Operation, Maintenance and Administration Fund."

(C) The "Tampa Bay Water Utility System Sinking Fund." The Issuer shall maintain four separate accounts in the Sinking Fund: the "Interest Account," the "Principal Account," the "Term Bonds Redemption Account" and the "Reserve Account."

(D) The "Tampa Bay Water Utility System Renewal and Replacement Fund."
(E) The "Tampa Bay Water Utility System Capital Improvement Fund."

(F) The "Tampa Bay Water Utility System Utility Reserve Fund."

(G) The "Tampa Bay Water Utility System Rebate Fund."

Moneys in the aforementioned funds and accounts (except for moneys in the Rebate Fund), until applied in accordance with the provisions hereof, shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders in accordance with the terms hereof.

The Issuer may at any time and from time to time appoint one or more depositaries to hold, for the benefit of the Bondholders, any one or more of the funds and accounts established hereby. Such depositary or depositaries shall perform at the direction of the Issuer the duties of the Issuer in depositing, transferring and disbursing moneys to and from each of such funds or accounts as herein set forth, and all records of such depositary in performing such duties shall be open at all reasonable times to inspection by the Issuer and its agents and employees. Any such depositary shall be a bank or trust company duly authorized to exercise corporate trust powers and subject to examination by federal or state authority, of good standing, and be qualified under applicable State law.

SECTION 4.05. DISPOSITION OF GROSS REVENUES.

(A) (1) Into the Revenue Account, the Issuer shall deposit promptly, as received, all Gross Revenues (other than the Capital Improvement Charges and Renewal and Replacement Charges).

(2) Into the Renewal and Replacement Fund, the Issuer shall deposit promptly, as received, all Renewal and Replacement Charges. Into the Capital Improvement Fund, the Issuer shall deposit promptly, as received, all Capital Improvement Charges. Into the Utility Reserve Fund, the Issuer shall deposit promptly all moneys received by the Issuer as a result of a True-Up. All Government Grants shall be utilized in accordance with the terms of such Government Grant and applicable law.

(3) Operation, Maintenance and Administration Fund. Moneys in the Revenue Account shall first be used each month to deposit in the Operation, Maintenance and Administration Fund such sums as are necessary to pay Operating Expenses for the ensuing month; provided the Issuer may transfer moneys from the Revenue Account to the Operation, Maintenance and Administration Fund at any time to pay Operating Expenses to the extent there is a deficiency in the Operation, Maintenance and Administration Fund for such
purpose. Amounts in the Operation, Maintenance and Administration Fund shall be paid out from time to time by the Issuer for Operating Expenses. The Issuer shall establish and fund an operating reserve within the Operation, Maintenance and Administration Fund in an amount which shall be equal to two times the monthly average Variable Costs as provided in the Issuer's preliminary budget. Moneys in the operating reserve shall be used to pay Operating Expenses to the extent other moneys in the Operation, Maintenance and Administration Fund are not available for such purpose.

(B) Commencing on October 1, 1998, all moneys at any time on deposit in the Revenue Account after the aforementioned transferrals to the Operation, Maintenance and Administration Fund shall be disposed of by the Issuer on or before the 25th day of each month, commencing in the month immediately following the delivery of any of the Series 1998 Bonds to the purchasers thereof, or such later date as hereinafter provided, in the following manner and in the following order of priority:

1. Interest Account. The Issuer shall deposit or credit to the Interest Account the sum which, together with the balance in said Account, shall equal the interest on all Bonds Outstanding (except as to Capital Appreciation Bonds) accrued and unpaid and to accrue to the end of the then current calendar month. All Hedge Receipts shall be deposited directly to the Interest Account upon receipt. With respect to interest on Bonds which are subject to a Qualified Hedge Agreement, interest on such Bonds during the term of the Qualified Hedge Agreement shall be deemed to include the corresponding Hedge Payments. Moneys in the Interest Account shall be applied by the Issuer (a) for deposit with the Paying Agents to pay the interest on the Bonds on or prior to the date the same shall become due and (b) for Hedge Payments. The Issuer shall adjust the amount of the deposit to the Interest Account not later than a month immediately preceding any Interest Date so as to provide sufficient moneys in the Interest Account to pay the interest on the Bonds coming due on such Interest Date. No further deposit need be made to the Interest Account when the moneys therein are equal to the interest coming due on the Outstanding Bonds on the next succeeding Interest Date. With respect to debt service on any Bonds which are subject to a Qualified Hedge Agreement, any Hedge Payments due to the Qualified Hedge Agreement Counterparty relating to such Bonds shall be paid to the Qualified Hedge Agreement Counterparty on a parity basis with the aforesaid required payments into the Sinking Fund. In computing the interest on Variable Rate Bonds which shall accrue during a calendar month, the interest rate on such Variable Rate Bonds shall be assumed to be (A) if such Variable Rate Bonds have been Outstanding for at least 24 months prior to the commencement of such calendar month, the highest average interest rate borne by such Variable Rate Bonds for any 30-day period, and (B) if such Variable Rate Bonds have not been
Outstanding for at least 24 months prior to the date of calculation, the Bond Buyer Revenue Bond Index most recently published prior to the commencement of such calendar month.

(2) Principal Account. Commencing no later than the month which is one year prior to the first principal due date, the Issuer shall next deposit into the Principal Account the sum which, together with the balance in said Account, shall equal the principal amounts on all Bonds Outstanding due and unpaid and that portion of the principal next due which would have accrued on such Bonds during the then current calendar month if such principal amounts were deemed to accrue monthly (assuming that a year consists of 12 equivalent calendar months having 30 days each) in equal amounts from the next preceding principal payment due date, or, if there be no such preceding payment due date from a date one year preceding the due date of such principal amount. Moneys in the Principal Account shall be applied by the Issuer for deposit with the Paying Agents to pay the principal of the Bonds on or prior to the date the same shall mature, and for no other purpose. Serial Capital Appreciation Bonds shall be payable from the Principal Account in the years in which such Bonds mature and monthly payments into the Principal Account on account of such Bonds shall commence in the month of the respective Bond Years in which such Bonds mature. The Issuer shall adjust the amount of the deposit to the Principal Account not later than the month immediately preceding any principal payment date so as to provide sufficient moneys in the Principal Account to pay the principal on Bonds becoming due on such principal payment date. No further deposit need be made to the Principal Account when the moneys therein are equal to the principal coming due on the Outstanding Bonds on the next succeeding principal payment date.

(3) Term Bonds Redemption Account. Commencing in the month which is one year prior to the first Sinking Fund Installment due date, there shall be deposited to the Term Bonds Redemption Account the sum which, together with the balance in such Account, shall equal the Sinking Fund Installments on all Bonds Outstanding due and unpaid and that portion of the Sinking Fund Installments of all Bonds Outstanding next due which would have accrued on such Bonds during the then current calendar month if such Sinking Fund Installments were deemed to accrue monthly (assuming that a year consists of 12 equivalent calendar months having 30 days each) in equal amounts from the next preceding Sinking Fund Installment due date, or, if there is no such preceding Sinking Fund Installment due date, from a date one year preceding the due date of such Sinking Fund Installment. Moneys in the Term Bonds Redemption Account shall be used to purchase or redeem Term Bonds in the manner herein provided, and for no other purpose. The Issuer shall adjust the amount of the deposit to the Term Bonds Redemption Account on the month immediately preceding any Sinking
Fund Installment Date so as to provide sufficient moneys in the Term Bonds Redemption Account to pay the Sinking Fund Installments becoming due on such date. Payments to the Term Bonds Redemption Account shall be on parity with payments to the Principal Account.

Amounts accumulated in the Term Bonds Redemption Account with respect to any Sinking Fund Installment (together with amounts accumulated in the Interest Account with respect to interest, if any, on the Term Bonds for which such Sinking Fund Installment was established) may be applied by the Issuer, on or prior to the 60th day preceding the due date of such Sinking Fund Installment, (a) to the purchase of Term Bonds of the Series and maturity for which such Sinking Fund Installment was established, or (b) to the redemption at the applicable Redemption Prices of such Term Bonds, if then redeemable by their terms. Amounts in the Term Bonds Redemption Account which are used to redeem Term Bonds shall be credited against the next succeeding Amortization Installment which shall become due on such Term Bonds. The applicable Redemption Price (or principal amount of maturing Term Bonds) of any Term Bonds so purchased or redeemed shall be deemed to constitute part of the Term Bonds Redemption Account until such Sinking Fund Installment date, for the purposes of calculating the amount of such Account. As soon as practicable after the 60th day preceding the due date of any such Sinking Fund Installment, the Issuer shall proceed to call for redemption on such due date, by causing notice to be given as provided in Section 3.03 hereof, Term Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Term Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. The Issuer shall pay out of the Term Bonds Redemption Account and the Interest Account to the appropriate Paying Agents, on or before the day preceding such redemption date (or maturity date), the amount required for the redemption (or for the payment of such Term Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Term Bonds shall be paid by the Issuer from the Operation, Maintenance and Administration Fund.

(4) Reserve Account. There shall be deposited to the Reserve Account an amount which would enable the Issuer to restore the funds on deposit in the Reserve Account to an amount equal to the Reserve Account Requirement applicable thereto. All deficiencies in the Reserve Account must be made up no later than 12 months from the date such deficiency first occurred, whether such shortfall was caused by decreased market value or withdrawal (whether from cash or a Reserve Account Insurance Policy or Reserve Account Letter of Credit). On
or prior to each principal payment date and Interest Date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Reserve Account shall be applied by the Issuer to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds to the extent moneys in the Interest Account, the Principal Account and the Term Bonds Redemption Account shall be insufficient for such purpose, but only to the extent the moneys transferred from the Utility Reserve Fund for such purposes pursuant to Section 4.05(B)(7) hereof shall be inadequate to fully provide for such insufficiency. Whenever there shall be surplus moneys in the Reserve Account by reason of a decrease in the Reserve Account Requirement or as a result of a deposit in the Reserve Account Letter of Credit or a Reserve Account Insurance Policy, such surplus moneys, to the extent practicable, shall be deposited by the Issuer into the Utility Reserve Fund. The Issuer shall promptly inform each Insurer of any draw upon the Reserve Account for purposes of paying the principal of and interest on the Bonds.

Upon the issuance of any Series of Bonds under the terms, limitations and conditions as herein provided, the Issuer shall fund the Reserve Account in an amount at least equal to the Reserve Account Requirement. Such required amount, if any, shall be paid in full or in part from the proceeds of such Series of Bonds or may be accumulated in equal monthly payments to the Reserve Account over a period of months from the date of issuance of such Series of Bonds, which shall not exceed 36 months. In the event moneys in the Reserve Account are accumulated as provided above, (a) the amount in said Reserve Account on the date of delivery of the Additional Bonds shall not be less than the Reserve Account Requirement on all Bonds Outstanding (excluding the Additional Bonds) on such date, and (b) the incremental difference between the Reserve Account Requirement on all Bonds Outstanding (excluding the Additional Bonds) on the date of delivery of the Additional Bonds and the Reserve Account Requirement on all such Bonds and the Additional Bonds shall be 50% funded upon delivery of the Additional Bonds.

Notwithstanding the foregoing provisions, in lieu of or in substitution of the required deposits into the Reserve Account, the Issuer may cause to be deposited into the Reserve Account a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit for the benefit of the Bondholders in an amount equal to the difference between the Reserve Account Requirement applicable thereto and the sums then on deposit in the Reserve Account, if any. The Issuer may also substitute a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit for cash on deposit in the Reserve Account upon compliance with the terms of this Section 4.05(B)(4). Such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall be payable to the Paying Agent (upon the
giving of notice as required thereunder) on any Interest Date or redemption date on which a deficiency exists which cannot be cured by moneys in any other fund or account held pursuant to this Resolution and available for such purpose. The Issuer providing such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall be either (a) an insurer whose municipal bond insurance policies insuring the payment, when due, or the principal of and interest on municipal bond issues results in such issues being rated in one of the two highest rating categories (without regard to gradations, such as "plus" or "minus" of such categories) by two of the Rating Agencies, or (b) a commercial bank, insurance company or other financial institution which has been assigned a rating by two of the Rating Agencies in one of the two highest rating categories (without regard to gradations, such as "plus" or "minus" of such categories). Any Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall equally secure all Bonds except to the extent a Series of Bonds is secured by a subaccount in the Reserve Account which is pledged solely for the payment of such Series of Bonds as provided in the last paragraph of this Section 4.05(B)(4).

If two days prior to an interest or principal payment date, or such other period of time as shall be required by the terms of the Reserve Account Insurance Policy or Reserve Account Letter of Credit, the Issuer shall determine that a deficiency exists in the amount of moneys available to pay in accordance with the terms hereof interest and/or principal due on the Bonds on such date, the Issuer shall immediately notify (a) the issuer of the applicable Reserve Account Insurance Policy and/or the issuer of the Reserve Account Letter of Credit and submit a demand for payment pursuant to the provisions of such Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit, (b) the Paying Agent, and (c) the Insurer, if any, of the amount of such deficiency and the date on which such payment is due.

In the event the Reserve Account contains both a Reserve Account Insurance Policy or Reserve Account Letter of Credit and cash and separate subaccounts have not been established in the Reserve Account, the cash shall be drawn down completely prior to any draw on the Reserve Account Insurance Policy or Reserve Account Letter of Credit. In the event more than one Reserve Account Insurance Policy or Reserve Account Letter of Credit is on deposit in the Reserve Account, amounts required to be drawn thereon shall be done on a pro-rata basis. The Issuer agrees to pay all amounts owing in regard to any Reserve Account Insurance Policy or Reserve Account Letter of Credit from the Pledged Funds. Pledged Funds shall be applied in accordance with this Section 4.05(B)(4), first, to reimburse the issuer of the Reserve Account Insurance Policy or Reserve Account Letter of Credit for amounts advanced under such instruments, second, replenish any cash deficiencies in the Reserve Account, and, third, to pay the
issuer of the Reserve Account Insurance Policy or Reserve Account Letter of Credit interest on amounts advanced under such instruments. This Resolution shall not be discharged or defeased while any obligations are owing in regard to a Reserve Account Insurance Policy or Reserve Account Letter of Credit on deposit in the Reserve Account. The Issuer agrees not to optionally redeem Bonds unless all amounts owing in regard to a Reserve Account Insurance Policy or Reserve Account Letter of Credit on deposit in the Reserve Account have been paid in full.

The Issuer may evidence its obligation to reimburse the issuer of any Reserve Account Letter of Credit or Reserve Account Insurance Policy by executing and delivering to such issuer a promissory note therefor; provided, however, any such note (a) shall not be a general obligation of the Issuer the payment of which is secured by the full faith and credit or taxing power of the Issuer, and (b) shall be payable solely from the Pledged Funds in the manner provided herein.

Any consent or approval of any Insurer described in this Section 4.05(B)(4) shall be required only so long as there are Outstanding Bonds secured by a Bond Insurance Policy issued by such Insurer which is in full force and effect and the commitments of which have been honored by such Insurer. The term "Paying Agent" as used in this Section 4.05(B)(4) may include one or more Paying Agents for the Outstanding Bonds.

Whenever the amount of cash in the Reserve Account, together with the other amounts in the Debt Service Fund, are sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal or applicable Redemption Price and interest thereon), the funds on deposit in the Reserve Account may be transferred to the other Accounts of the Sinking Fund for the payment of the Bonds.

The Issuer may also establish a separate subaccount in the Reserve Account for any Series of Bonds and provide a pledge of such subaccount to the payment of such Series of Bonds apart from the pledge provided herein. To the extent a Series of Bonds is secured separately by a subaccount of the Reserve Account, the Holders of such Bonds shall not be secured by any other moneys in the Reserve Account. Moneys in a separate subaccount of the Reserve Account shall be maintained at the Reserve Account Requirement applicable to such Series of Bonds secured by the subaccount; provided the Supplemental Resolution authorizing such Series of Bonds may establish the Reserve Account Requirement relating to such separate subaccount of the Reserve Account at such level as the Issuer deems appropriate. Moneys shall be deposited in the separate subaccounts in the Reserve Account on a pro-rata basis. In the event the Issuer shall maintain a
Reserve Account Insurance Policy or Reserve Account Letter of Credit and moneys in such subaccount, the moneys shall be used prior to making any disbursements under such Reserve Account Insurance Policy or Reserve Account Letter of Credit.

(5) **Renewal and Replacement Fund.** There shall be deposited to the Renewal and Replacement Fund such sums as shall be sufficient to pay 1/12 of an amount equal to the Renewal and Replacement Fund Requirement until the amount accumulated in such Fund is equal to such Renewal and Replacement Fund Requirement; provided, however, that (a) such Renewal and Replacement Fund Requirement may be increased or decreased as the Consulting Engineers shall certify to the Issuer is necessary for the purposes of the Renewal and Replacement Fund, and (b) in the event that the Consulting Engineers shall certify that the Renewal and Replacement Fund Requirement is excessive for the purposes of the Renewal and Replacement Fund such excess amount as may be on deposit therein may be transferred by the Issuer from the Renewal and Replacement Fund for deposit into the Utility Reserve Fund. Deposits to the Renewal and Replacement Fund described above shall first come from the Renewal and Replacement Charges, and thereafter from moneys in the Revenue Account. The moneys in the Renewal and Replacement Fund shall be applied by the Issuer for the purpose of paying the cost of extensions, improvements or additions to, or the replacement or renewal of capital assets of, the System, or extraordinary repairs of the System; provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Renewal and Replacement Fund shall be applied for the payment into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund for such purpose pursuant to Section 4.05(B)(7) hereof, together with moneys available in the Reserve Account for such purpose pursuant to Section 4.05(B)(4) hereof, shall be inadequate to fully provide for such insufficiency. Moneys in the Renewal and Replacement Fund may also be transferred to the Operation, Maintenance and Administration Fund to fund Operating Expenses to the extent other moneys available therefor shall be insufficient for such purpose.

(6) **Subordinated Indebtedness.** Gross Revenues shall next be applied by the Issuer for the payment of any debt service and other required deposits on Subordinated Indebtedness incurred by the Issuer in connection with the System and in accordance with the proceedings authorizing such Subordinated Indebtedness.
(7) **Utility Reserve Fund.** The balance of any Gross Revenues remaining in said Revenue Account shall be deposited in the Utility Reserve Fund and applied to the payment, on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein shall be insufficient to pay the principal of and interest on the Bonds coming due. Moneys not required to meet such a deficiency shall be deposited, first, to the Capital Improvement Fund to make up any withdrawal from such Fund pursuant to Section 4.06(A) hereof, second, to the Reserve Account to make up any deficiency therein, and, third, to the Rebate Fund to the extent moneys are required to be on deposit therein. Thereafter, moneys in the Utility Reserve Fund may be applied for any lawful purpose relating to the System, including, but not limited to, purchase or redemption of Bonds, payment of Subordinated Indebtedness, deposit to the Rate Stabilization Account and improvements, renewals and replacements to the System; provided, however, that none of such moneys shall ever be used for the purposes provided in this Section 4.05(B)(7) unless all payments required in Sections 4.05(B)(1) through 4.05(B)(6) hereof, including any deficiencies for prior payments, have been made in full to the date of such use. All moneys required to be paid by the Issuer to a Member Government as part of a True-Up shall be paid from the Utility Reserve Fund. Any moneys received by or paid by the Issuer in regard to a True-Up shall not be considered either a Gross Revenue or Operating Expense hereunder.

(C) Whenever moneys on deposit in the Sinking Fund are sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal or applicable Redemption Price and interest thereon), no further deposits to the Sinking Fund need be made. If on any payment date the Gross Revenues are insufficient to deposit the required amount in any of the funds or accounts or for any of the purposes provided above, the deficiency shall be made up on the subsequent payment dates.

The Issuer, in its discretion, may use moneys in the Principal Account and the Interest Account to purchase or redeem Bonds coming due on the next principal payment date, provided such purchase or redemption does not adversely affect the Issuer's ability to pay the principal or interest coming due on such principal payment date on the Bonds not so purchased or redeemed.

(D) In the event the Issuer shall issue a Series of Bonds secured by a Credit Facility, the Issuer may establish separate subaccounts in the Interest Account, the Principal Account and the Term Bonds Redemption Account to provide for payment of the principal of and interest on such Series; provided payment from the Pledged Funds of one Series of Bonds shall not have preference over payment of any other Series of Bonds.
The Issuer may also deposit moneys in such subaccounts at such other times and in such other amounts from those provided in Section 4.05(B) as shall be necessary to pay the principal of and interest on such Bonds as the same shall become due, all as provided by the Supplemental Resolution authorizing such Bonds.

In the case of Bonds secured by a Credit Facility, amounts on deposit in the Sinking Fund may be applied as provided in the applicable Supplemental Resolution to reimburse the Credit Bank for amounts drawn under such Credit Facility to pay the principal of, premium, if any, and interest on such Bonds or to pay the purchase price of any such Bonds which are tendered by the holders thereof for payment; provided such Credit Facility shall have no priority over Bondholders or an Insurer to amounts on deposit in the Sinking Fund. Other payments due to a Credit Bank in relation to obligations arising under its Credit Facility may be on parity with the Bonds as to source of and security for payment to the extent provided in the Supplemental Resolution relating thereto.

SECTION 4.06. CAPITAL IMPROVEMENT FUND. The Issuer shall deposit into the Capital Improvement Fund all Capital Improvement Charges as received and such Capital Improvement Charges shall be accumulated in the Capital Improvement Fund and applied by the Issuer in the following manner and order of priority:

(A) For the payments on or prior to each principal and interest payment date (in no event earlier than the 25th day of the month next preceding such payment date) into the Interest Account, the Principal Account and the Term Bonds Redemption Account, when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund, the Reserve Account, the Renewal and Replacement Fund and the Rate Stabilization Account for such purpose pursuant to Sections 4.05(B)(7), 4.05(B)(4), 4.05(B)(5) and 4.08, respectively, hereof shall be inadequate to fully provide for such insufficiency. Any moneys transferred to the aforementioned Accounts described above shall be repaid from Gross Revenues as described in Section 4.05(B)(7) hereof on or prior to the date such amounts are needed for the purposes described in Sections 4.06(B) hereof.

(B) To pay or reimburse the capital cost of acquiring and/or constructing such improvements or additions to the System for which the Capital Improvement Charges were imposed in accordance with requisitions for disbursement of moneys provided by the Issuer.

SECTION 4.07 REBATE FUND. Amounts on deposit in the Rebate Fund shall be held in trust by the Issuer and used solely to make required rebates to the United States (except to the extent the same may be transferred to the Revenue Account) and the Bondholders shall have no right to have the same applied for debt service on the Bonds.
For any Series of Bonds for which the rebate requirements of Section 148(f) of the Code are applicable, the Issuer agrees to undertake all actions required of it in its arbitrage certificate relating to such Series of Bonds, including, but not limited to:

(A) making a determination in accordance with the Code of the amount required to be deposited in the Rebate Fund;

(B) depositing the amount determined in clause (A) above into the Rebate Fund;

(C) paying on the dates and in the manner required by the Code to the United States Treasury from the Rebate Fund and any other legally available moneys of the Issuer such amounts as shall be required by the Code to be rebated to the United States Treasury; and

(D) keeping such records of the determinations made pursuant to this Section 4.07 as shall be required by the Code, as well as evidence of the fair market value of any investments purchased with proceeds of the Bonds.

The provisions of the above-described arbitrage certificates may be amended without the consent of any Holder, Credit Bank or Insurer from time to time as shall be necessary, in the opinion of Bond Counsel, to comply with the provisions of the Code.

SECTION 4.08 RATE STABILIZATION ACCOUNT. The Issuer may transfer into the Rate Stabilization Account such moneys which are on deposit in the Utility Reserve Fund as it deems appropriate. The Issuer may transfer such amounts of moneys from the Rate Stabilization Account to the Revenue Account as it deems appropriate; provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Rate Stabilization Account shall be applied for the payment into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund, the Reserve Account and the Renewal and Replacement Fund for such purposes pursuant to Sections 4.05(B)(7), 4.05(B)(4) and 4.05(B)(5) hereof shall be inadequate to fully provide for such insufficiency.

SECTION 4.09 INVESTMENTS. Moneys on deposit in the Construction Fund, the Sinking Fund, the Capital Improvement Fund, the Operation, Maintenance and Administration Fund, the Utility Reserve Fund, the Revenue Fund and the Renewal and Replacement Fund shall be continuously secured in the manner by which the deposit of public funds are authorized to be secured by the laws of the State. Moneys on deposit in the Construction Fund, the Revenue Fund, Operation, Maintenance and Administration
Fund, the Principal Account, the Interest Account, the Term Bonds Redemption Account, the Renewal and Replacement Fund, the Capital Improvements Fund and the Utility Reserve Fund shall be invested and reinvested by the Issuer in Authorized Investments, maturing not later than the dates on which such moneys will be needed for the purposes of such fund or account. Moneys on deposit in the Reserve Account may be invested or reinvested by the Issuer in Authorized Investments which shall have an average aggregate weighted term to maturity not greater than ten years. Notwithstanding any other provision hereof, all amounts on deposit in the Construction Fund or Interest Account representing accrued interest and capitalized interest shall be held by the Issuer, shall be pledged solely to the payment of interest on the corresponding Series of Bonds and, unless otherwise provided by Supplemental Resolution, shall be invested only in Federal Securities maturing in such times and in such amounts as are necessary to pay the interest to which they are pledged; provided, however, amounts on deposit in the Interest Account representing accrued and capitalized interest shall be invested only in cash or direct obligations of the United States of America or any combination thereof and shall be used only for the purpose of paying interest on the Bonds which funded such accrued and capitalized interest. All investments shall be valued at amortized cost; provided, however, investments in the Reserve Account shall be valued at the market value thereof, exclusive of accrued interest. Investments in the Reserve Account shall be valued by the Issuer on an annual basis on March 1 of each year.

Any and all income received from the investment of moneys in each separate account of the Construction Fund, the Interest Account, the Principal Account, the Term Bonds Redemption Account, the Utility Reserve Fund, the Renewal and Replacement Fund (to the extent such income and the other amounts in such Fund do not exceed the Renewal and Replacement Fund Requirement), the Capital Improvement Fund, the Rate Stabilization Account, the Revenue Account and the Reserve Account (to the extent such income and the other amounts in the Reserve Account do not exceed the Reserve Account Requirement), shall be retained in such respective Fund or Account.

Any and all income received from the investment of moneys in the Renewal and Replacement Fund (only to the extent such income and the other amounts in such Fund exceed the Renewal and Replacement Fund Requirement) and the Reserve Account (only to the extent such income and the other amounts in the Reserve Account exceeds the Reserve Account Requirement), shall be deposited upon receipt thereof in the Revenue Account.

Nothing in this Resolution shall prevent any Authorized Investments acquired as investments of or security for funds held under this Resolution from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.
Notwithstanding any provision of this Section 4.09 if at any time after investments have been made in the funds and accounts hereunder an investment ceases to be an Authorized Investment and such investment, aggregated with other non-conforming investments, exceeds 10% of invested funds hereunder, such investment shall be sold or liquidated unless otherwise approved by the Insurer.

SECTION 4.10 SEPARATE ACCOUNTS. The moneys required to be accounted for in each of the foregoing funds, accounts and subaccounts established herein may be deposited in a single bank account, and funds allocated to the various funds, accounts and subaccounts established herein may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the moneys on deposit therein and such investments for the various purposes of such funds, accounts and subaccounts as herein provided.

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

SECTION 5.01. GENERAL. The Issuer hereby makes the covenants provided in this Article V, in addition to all other covenants in this Resolution, with each and every successive Holder of any of the Bonds so long as any of said Bonds remain Outstanding.

SECTION 5.02. OPERATION AND MAINTENANCE. The Issuer will maintain or cause to be maintained the System and all portions thereof in good condition and will operate or cause to be operated the same in an efficient and economical manner, making or causing to be made such expenditures for equipment and for renewals, repairs and replacements as may be proper for the economical operation and maintenance thereof. The Issuer may contract with a responsible Person which has experience in the operation of utility systems similar to the System for the operation and maintenance of the System.

SECTION 5.03. ANNUAL BUDGET. The Issuer shall prepare and adopt, prior to the beginning of each Fiscal Year, an Annual Budget in accordance with applicable law. No expenditure for Operating Expenses of the System shall be made in any Fiscal Year in excess of the aggregate amount provided for Operating Expenses in the Annual Budget, (A) without a written finding and recommendation by an Authorized Issuer Officer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures, and (B) until the Governing Body shall have approved such finding and recommendation by resolution.

If for any reason the Issuer shall not have adopted the Annual Budget before the first day of any Fiscal Year, other than the first Fiscal Year, the preliminary budget for such year, if it be approved by the Consulting Engineers, or otherwise the Annual Budget for the preceding Fiscal Year, shall be deemed to be in effect for such Fiscal Year until the Annual Budget for such Fiscal Year is adopted.

The Issuer shall mail copies of such Annual Budgets and amended Annual Budgets and all resolutions authorizing increased expenditures for operation and maintenance to any Member Government requesting the same and to any Credit Bank or Insurer of Bonds who shall file his address with the Secretary and request in writing that copies of all such Annual Budgets and resolutions be furnished to him and shall make available all such Annual Budgets and resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder or Holders of Bonds or to anyone acting for and on behalf of such Holder or Holders.
SECTION 5.04. RATES. For the Fiscal Year commencing October 1, 1998 and for each Fiscal Year thereafter, the Issuer shall fix, establish, maintain and collect such rates, fees and charges for the product, services and facilities of its System, and revise the same from time to time, whenever necessary, so as always to provide in each Fiscal Year:

(A) Net Revenues, together with the Fund Balance, equal to at least 125% of the Annual Debt Service becoming due in such Fiscal Year; provided

(B) such Net Revenues shall be adequate at all times to pay in each Fiscal Year at least 100% of (1) the Annual Debt Service becoming due in such Fiscal Year, (2) any amounts required by the terms hereof to be deposited in the Reserve Account or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year, (3) any amounts required by the terms hereof to be deposited in the Renewal and Replacement Fund in such Fiscal Year, and (4) any amounts required by the terms of Section 4.06(A) hereof to be repaid to the Capital Improvement Fund in such Fiscal Year.

Such rates, fees or other charges shall not be so reduced so as to be insufficient to provide adequate Net Revenues for the purposes provided therefor by this Resolution.

If, in any Fiscal Year, the Issuer shall fail to comply with the requirements contained in this Section 5.04, it shall cause the Rate Consultant to review its rates, fees, charges, income, Gross Revenues, Operating Expenses and methods of operation and to make written recommendations as to the methods by which the Issuer may promptly seek to comply with the requirements set forth in this Section 5.04. The Issuer shall forthwith commence to implement such recommendations to the extent required so as to cause it to thereafter comply with said requirements.

SECTION 5.05. BOOKS AND RECORDS. The Issuer shall keep books, records and accounts of the Gross Revenues and operations of the System and the Member Governments and the Holders of any Bonds Outstanding or the duly authorized representatives thereof shall have the right at all reasonable times to inspect all books, records and accounts of the Issuer relating thereto.

SECTION 5.06. ANNUAL AUDIT. The Issuer shall, after the close of each Fiscal Year, cause the books, records and accounts relating to the System to be properly audited by a recognized independent firm of certified public accountants, and shall require such accountants to complete their report of such Annual Audit in accordance with applicable law. Such Annual Audits shall contain, but not be limited to, a balance sheet, an income statement, a statement of changes in financial position, statement of changes in retained earnings and any other statements as required by law or accounting convention. Each Annual Audit shall be in conformity with generally accepted
accounting principles. A copy of each Annual Audit shall regularly be furnished to any Member Government requesting the same and to any Credit Bank or Insurer who shall have furnished his address to the Secretary and requested in writing that the same be furnished to him.

**SECTION 5.07. NO MORTGAGE OR SALE OF THE SYSTEM.** The Issuer irrevocably covenants, binds and obligates itself not to sell, lease, encumber or in any manner dispose of the System as a whole or any substantial part thereof (except as provided below) until all of the Bonds and all interest thereon shall have been paid in full or provision for payment has been made in accordance with Section 9.01 hereof.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System in the following manner, if any one of the following conditions exist: (A) such property is not necessary for the operation of the System, (B) such property is not useful in the operation of the System, (C) such property is not profitable in the operation of the System, (D) in the case of a lease of such property, will be advantageous to the System and will not materially adversely affect the security for the Bondholders, or (E) such property is required by the terms of the Interlocal Agreement to be sold, leased or disposed by the Issuer.

Prior to any such sale, lease or other disposition of said property: (1) if the amount to be received therefor is not in excess of five percent of the book value of the gross plant of the System at original cost, an Authorized Issuer Officer shall make a finding in writing determining that one or more of the conditions for sale, lease or disposition of property provided for in the second paragraph of this Section 5.07 have been met; or (2) if the amount to be received from such sale, lease or other disposition of said property shall be in excess of five percent of the book value of the gross plant of the System at original cost, (a) an Authorized Issuer Officer and the Consulting Engineers shall each first make a finding in writing determining that one or more of the conditions for sale, lease or other disposition of property provided for in the second paragraph of this Section 5.07 have been met, (b) the Governing Body shall, by resolution, duly adopt, approve and concur in the finding of the Authorized Issuer Officer and the Consulting Engineers, and (c) the Issuer shall obtain an opinion of Bond Counsel to the effect that such sale, lease or other disposition is not in violation of the Act and will not adversely affect the federal tax exempt status of interest on the Bonds (other than Taxable Bonds). The sale, lease or disposition by the Issuer of any property required by the terms of the Interlocal Agreement shall be exempt from the provisions of this paragraph.

The proceeds from any such sale or other disposition shall be deposited, first, into the Renewal and Replacement Fund to the extent necessary to make the amount therein equal to the Renewal and Replacement Fund Requirement, and, second, into the Utility
Reserve Fund. Proceeds from any such lease shall constitute Gross Revenues and shall be deposited in the Revenue Account.

The transfer of the System as a whole from the control of the Governing Body to some other board or authority which may hereafter be created for such purpose, to the extent permitted by the Interlocal Agreement, and which constitutes a governmental entity, interest on obligations issued by which are excluded from gross income for purposes of federal income taxation, shall not be deemed prohibited by this Section 5.07 and such successor board or authority shall fall within the definition of "Issuer" in Section 1.01 hereof.

Notwithstanding the foregoing provisions of this Section 5.07, the Issuer shall have the authority to sell for fair and reasonable consideration any land comprising a part of the System which is no longer necessary or useful in the operation of the System and the proceeds derived from the sale of such land shall be disposed of in accordance with the provisions of the fourth paragraph of this Section 5.07.

Notwithstanding the foregoing provisions of this Section 5.07, the Issuer may make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the System if such contract, license, easement or right does not, in the opinion of the Consulting Engineers, as evidenced by a certificate to that effect filed with the Issuer, impede or restrict the operation by the Issuer of the System, but any payments to the Issuer under or in connection with any such contract, license, easement or right in respect of the System or any part thereof shall constitute Gross Revenues and shall be deposited in the Revenue Account.

Any sale, transfer or other disposition of the System, or any portion thereof, shall be done in compliance with the terms of the Interlocal Agreement and Master Water Supply Contract.

SECTION 5.08. INSURANCE. The Issuer will carry such insurance as is ordinarily carried by public entities owning and operating utilities similar to the System with a reputable insurance carrier or carriers, in such amounts as the Issuer shall determine to be sufficient and such other insurance against loss or damage by fire, explosion, hurricane, tornado or other hazards and risks, and said property loss or damage insurance shall at all times be in an amount or amounts equal to the fair appraisal value of the buildings, properties, furniture, fixtures and equipment of the System, or such other amount or amounts as a reputable insurance consultant or the Consulting Engineers shall approve as sufficient.

The Issuer may establish minimum levels of insurance for which the Issuer may self-insure. Such minimum levels of insurance shall be in amounts as recommended in
writing by an insurance consultant who has a favorable reputation and experience and is qualified to survey risks and to recommend insurance coverage for Persons engaged in operations similar to the System.

The proceeds from property loss and casualty insurance shall be deposited in the Renewal and Replacement Fund and, together with other available funds of the Issuer, shall be used to repair or replace the damaged portion of the System; provided, however, if the Issuer makes a determination in accordance with Section 5.07 hereof that such portion of the System is no longer necessary or useful in the operation of the System, such proceeds shall (1) if such proceeds equal or exceed $100,000, (a) be applied to the redemption or purchase of Bonds or (b) be deposited in irrevocable trust for the payment of Bonds in the manner set forth in Section 9.01, provided the Issuer has received an opinion of Bond Counsel to the effect that such deposit shall not adversely affect the exclusion, if any, from gross income of interest on the Bonds for purposes of federal income taxation, or (2) if such proceeds are less than $100,000, be deposited in the Revenue Account.

SECTION 5.09. NO FREE SERVICE. The Issuer will not render, or cause to be rendered, any free services of any nature by its System or any part thereof.

SECTION 5.10. NO IMPAIRMENT OF RIGHTS. The Issuer will not enter into any contract or contracts, nor take any action, the results of which might impair the rights of the Holders of the Bonds. The Issuer shall perform all of its obligations under the Master Water Supply Contract and the Interlocal Agreement and shall vigorously enforce all of its rights under the Master Water Supply Contract and the Interlocal Agreement, including, without limitation, its rights under the Interlocal Agreement to be the exclusive provider of water to the Member Governments.

SECTION 5.11. ENFORCEMENT OF CHARGES. The Issuer shall promptly bill the Member Governments for water consumed by such Member Governments in accordance with the terms of the Master Water Supply Contract. The Issuer shall compel the prompt payment of rates, fees and charges imposed in connection with the System, and to that end will vigorously enforce all of the provisions of the Master Water Supply Contract and any other agreement it may enter into for the supply of water.

SECTION 5.12. AMENDMENTS TO INTERLOCAL AGREEMENT AND MASTER WATER SUPPLY CONTRACT. The Issuer agrees that it will not make any amendment or modification to the Master Water Supply Agreement which, in its judgment, will materially adversely affect the rights or security of the Holders of the Bonds. The Issuer acknowledges that the Member Governments agreed in the Master Water Supply Contract not to make any amendment to the Interlocal Agreement which
would materially adversely affect the rights or security of the Holders of the Bonds. The Issuer agrees to enforce the aforementioned provisions in order to protect the rights and security of the Bondholders.

SECTION 5.13. COVENANTS WITH CREDIT BANKS AND INSURERS. The Issuer may make such covenants as it may in its sole discretion determine to be appropriate with any Insurer, Credit Bank or other financial institution that shall agree to insure or to provide for Bonds of any one or more Series credit or liquidity support that shall enhance the security or the value of such Bonds. Such covenants may be set forth in the applicable Supplemental Resolution and shall be binding on the Issuer, the Registrar, the Paying Agent and all the Holders of Bonds the same as if such covenants were set forth in full in this Resolution and may not diminish the security of any of the Bonds Outstanding.

SECTION 5.14. CONSULTING ENGINEERS. The Issuer shall at all times employ Consulting Engineers, whose duties shall be to make any certificates and perform any other acts required or permitted of the Consulting Engineers under this Resolution, and also to review the construction and operation of the System, to make an inspection of the System at least once every three years, and to submit to the Issuer a report with respect to each such inspection with recommendations as to the proper maintenance, repair and operation of the System during the ensuing Fiscal Year(s), including recommendations for expansion and additions to the System to meet anticipated service demands and an estimate of the amount of money necessary for such purposes. The Consulting Engineers shall annually recommend the amount of the Renewal and Replacement Fund Requirement. Copies of such reports, recommendations and estimates made as hereinabove provided shall be filed with the Issuer for inspection by Bondholders, if such inspection is requested, and shall be mailed to any Member Government requesting the same.

SECTION 5.15. FEDERAL INCOME TAXATION COVENANTS; TAXABLE BONDS. The Issuer covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that it shall not use the proceeds of such Series of Bonds in any manner which would cause the interest on such Series of Bonds to be or become included in gross income for purposes of federal income taxation.

The Issuer covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that neither the Issuer nor any Person under its control or direction will make any use of the proceeds of such Series of Bonds (or amounts deemed to be proceeds under the Code) in any manner which would cause such Series of Bonds to be "arbitrage bonds" within the meaning of the Code and neither the Issuer nor any other Person under its control shall do any act or fail to do any act which would cause the interest on such Series
of Bonds to become subject to inclusion within gross income for purposes of federal income taxation.

The Issuer hereby covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that it will comply with all provisions of the Code necessary to maintain the exclusion from gross income of interest on the Bonds for purposes of federal income taxation, including, in particular, the payment of any amount required to be rebated to the U.S. Treasury pursuant to the Code.

The Issuer may, if it so elects, issue one or more Series of Taxable Bonds the interest on which is (or may be) includable in the gross income of the Holder thereof for federal income taxation purposes, so long as each Bond of such Series states in the body thereof that interest payable thereon is (or may be) subject to federal income taxation and provided that the issuance thereof will not cause interest on any other Bonds theretofore issued hereunder to be or become subject to federal income taxation. The covenants set forth in this Section 5.15 shall not apply to any Taxable Bonds.

SECTION 5.16. HEDGE AGREEMENTS. Each Counterparty to a Qualified Hedge Agreement shall meet the Initial Rating Requirement. For the period the Counterparty does not fall below "Baa2" by Moody's or "BBB" by Standard & Poor's (the "Minimum Rating Requirement"), interest on Bonds subject to a Qualified Hedge Agreement with such Counterparty shall be deemed to be the Hedge Payments for purposes of the definition of "Debt Service." For any period the Counterparty does not satisfy the Minimum Rating Requirement and is not replaced by a Counterparty that meets the Initial Rating Requirement, interest on Bonds subject to a Qualified Hedge Agreement with such Counterparty shall be the actual interest on such Bonds (not taking into account the Hedge Payments) for purposes of the definition of "Debt Service." The above-described requirements for a Counterparty to a Qualified Hedge Agreement and the inclusion or exclusion of Hedge Payments for purposes of the definition of "Debt Service" may be waived in writing by Financial Guaranty Insurance Company.
ARTICLE VI
SUBORDINATED INDEBTEDNESS AND ADDITIONAL BONDS

SECTION 6.01. SUBORDINATED INDEBTEDNESS. The Issuer will not issue any other obligations, except under the conditions and in the manner provided herein, payable from the Pledged Funds or the Gross Revenues or voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien thereon in favor of the Bonds and the interest thereon. The Issuer may at any time or from time to time issue evidences of indebtedness payable in whole or in part out of Pledged Funds and which may be secured by a pledge of Pledged Funds; provided, however, that such pledge shall be, and shall be expressed to be, subordinated in all respects to the pledge of the Pledged Funds created by this Resolution and provided further that the issuance of such Subordinated Indebtedness shall be subject to any provisions contained in financing documents securing Outstanding Subordinated Indebtedness to the extent such provisions impact on the ability of the Issuer to issue Subordinated Indebtedness. No Subordinated Indebtedness shall be subject to acceleration. The Issuer shall have the right to covenant with the holders from time to time of any Subordinated Indebtedness to add to the conditions, limitations and restrictions under which any Additional Bonds may be issued under the provisions of Section 6.02 hereof. The Issuer agrees to pay promptly any Subordinated Indebtedness as the same shall become due.

SECTION 6.02. ISSUANCE OF ADDITIONAL BONDS. No Additional Bonds, payable on a parity with the Bonds then Outstanding pursuant to this Resolution, shall be issued except upon the conditions and in the manner herein provided. The Issuer may issue one or more Series of Additional Bonds for any one or more of the following purposes: (i) financing the Cost of a Project, or the completion thereof, or (ii) refunding any or all Outstanding Bonds or of any Subordinated Indebtedness of the Issuer.

No such Additional Bonds shall be issued unless the following conditions are complied with:

(A) Except in the case of Additional Bonds issued for the purpose of refunding Outstanding Bonds, the Issuer shall certify that it is current in all deposits into the various funds, accounts and subaccounts established hereby and all payments theretofore required to have been deposited or made by it under the provisions of this Resolution have been deposited or made and it has complied with the covenants and agreements of this Resolution.

(B) The General Manager shall certify on behalf of the Issuer to the effect that (1) the Net Revenues for any 12 consecutive months selected by the Issuer of the 24
months immediately preceding the issuance of said Additional Bonds, together with the Fund Balance on the last day of such 12-month period, were equal to (a) at least 125% of the Debt Service on the Outstanding Bonds during such 12-month period; and (2) the Net Revenues for such 12-month period were equal to at least 100% of (a) the Debt Service on the Outstanding Bonds for such 12-month period, (b) any amounts required by the terms hereof to be deposited in the Renewal and Replacement Fund during such 12-month period, (c) any amounts required by the terms hereof to be deposited to the Reserve Account or with any issuer of a Reserve Account Insurance Policy or Reserve Account Letter of Credit during such 12-month period, and (d) any amounts required by the terms of Section 4.06(A) hereof to be repaid to the Capital Improvement Fund during such 12-month period.

(C) The General Manager shall certify on behalf of the Issuer to the effect that (1) the Net Revenues for any 12 consecutive months selected by the Issuer of the 24 months immediately preceding the issuance of said Additional Bonds, together with Fund Balance on the last day of such 12-month period, were equal to (a) at least 125% of the Debt Service on the Outstanding Bonds during such 12-month period and Debt Service for such 12-month period on any Additional Bonds issued subsequent to the commencement of such 12-month period (assuming such Additional Bonds had been issued at the beginning of such 12-month period), and (2) the amount of Net Revenues for such 12-month period were equal to at least 100% of (a) the Debt Service on the Outstanding Bonds during such 12-month period and Debt Service for such 12-month period on any Additional Bonds issued subsequent to the commencement of such 12-month period (assuming such Additional Bonds had been issued at the beginning of such 12-month period), (b) any amounts required by the terms hereof to be deposited in the Renewal and Replacement Fund during such 12-month period, (c) any amounts required by the terms hereof to be deposited to the Reserve Account or with any issuer of a Reserve Account Insurance Policy or Reserve Account Letter of Credit during such 12-month period, and (d) any amounts required by the terms of Section 4.06(A) hereof to be repaid to the Capital Improvement Fund during such 12-month period. For purposes of this Section 6.02(C), Net Revenues may be adjusted to take into account any additional sales of water and any increases or decreases in the rates, fees or other charges for the product, services or facilities of the System which occurred subsequent to the commencement of the 12-month period and which went into effect prior to the date of issuance of the Additional Bonds in question, all as set forth in a certificate of the General Manager. Such certificate shall assume such increase or decrease was in effect during the entire 12-month period.

(D) The Rate Consultant shall provide the Issuer a report or, at the option of the Issuer, the General Manager shall certify on behalf of the Issuer to the effect that the Issuer shall be in compliance with the rate covenant provided in Section 5.04 hereof for the Fiscal Year in which such Additional Bonds are issued and each of the next
succeeding four Fiscal Years. The Rate Consultant or the General Manager, as the case may be, may make an allowance for estimated Net Revenues and Fund Balance for each of the aforementioned Fiscal Years arising from any increase or decrease in the rates, fees or other charges for the product, services or facilities of the System estimated to be fixed, prescribed and received and which, in the opinion of the General Manager, are economically feasible and reasonably considered necessary based upon projected operations for such period. The Rate Consultant or the General Manager, as the case may be, may also take into account any increases in income reasonably expected to be received during the aforementioned Fiscal Years and the issuance of any Additional Bonds during such time period.

(E) For purposes of Sections 6.02(B) and 6.02(C), the term "12-month period" shall mean any 12 consecutive months selected by the Issuer of the 24 months immediately preceding the issuance of the Additional Bonds.

(F) For the purpose of determining the Debt Service under this Section 6.02, the interest rate on additional parity Variable Rate Bonds then proposed to be issued shall be deemed to be the Bond Buyer Revenue Bond Index most recently published prior to the sale of such Additional Bonds.

(G) For the purpose of determining the Debt Service under this Section 6.02, the interest rate on Outstanding Variable Rate Bonds shall be deemed to be (1) if such Variable Rate Bonds have been Outstanding for at least 24 months prior to the date of sale of such Additional Bonds, the highest average interest rate borne by such Variable Rate Bonds for any 30-day period, or (2) if such Variable Rate Bonds have not been Outstanding for at least 24 months prior to the date of sale of such Additional Bonds, the Bond Buyer Revenue Bond Index most recently published prior to the sale of such Additional Bonds.

(H) Additional Bonds shall be deemed to have been issued pursuant to this Resolution the same as the Outstanding Bonds, and all of the other covenants and other provisions of this Resolution (except as to details of such Additional Bonds inconsistent therewith) shall be for the equal benefit, protection and security of the Holders of all Bonds issued pursuant to this Resolution. Except as provided in Sections 4.02 and 4.05 hereof, all Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Pledged Funds and their sources and security for payment therefrom without preference of any Bonds over any other.

(I) In the event any Additional Bonds are issued for the purpose of refunding any Bonds then Outstanding, the conditions of Sections 6.02(B), (C) and (D) hereof shall not apply, provided that the issuance of such Additional Bonds shall not result in an increase in Maximum Annual Debt Service. The conditions of Section 6.02(B), (C) and
(D) hereof shall apply to Additional Bonds issued to refund Subordinated Indebtedness and to Additional Bonds issued for refunding purposes which cannot meet the conditions of this paragraph.

SECTION 6.03. BOND ANTICIPATION NOTES. The Issuer may issue notes in anticipation of the issuance of Bonds which shall have such terms and details and be secured in such manner, not inconsistent with this Resolution, as shall be provided by Supplemental Resolution of the Issuer. Such notes shall be Subordinated Indebtedness, unless the Issuer satisfies the conditions of Section 6.02 hereof relating to Additional Bonds.
ARTICLE VII
DEFAULTS AND REMEDIES

SECTION 7.01. EVENTS OF DEFAULT. The following events shall each constitute an "Event of Default":

(A) Default shall be made in the payment of the principal of, Sinking Fund Installment, redemption premium or interest on any Bond when due. In determining whether a payment default has occurred, no effect shall be given to payment made under a Bond Insurance Policy.

(B) There shall occur the dissolution or liquidation of the Issuer, or the filing by the Issuer of a voluntary petition in bankruptcy, or the commission by the Issuer of any act of bankruptcy, or adjudication of the Issuer as a bankrupt, or assignment by the Issuer for the benefit of its creditors, or appointment of a receiver for the Issuer, or the entry by the Issuer into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Issuer in any proceeding for its reorganization instituted under the provisions of the Federal Bankruptcy Act, as amended, or under any similar act in any jurisdiction which may now be in effect or hereafter adopted.

(C) The Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in this Resolution on the part of the Issuer to be performed, and such default shall continue for a period of 90 days after written notice of such default shall have been received from an Insurer or the Holders of not less than 25% of the aggregate principal amount of Bonds Outstanding. Notwithstanding the foregoing, the Issuer shall not be deemed to be in default hereunder if such default can be cured within a reasonable period of time and if the Issuer in good faith institutes appropriate curative action and diligently pursues such action until default has been corrected; provided, however, no such curative action shall exceed 90 days without the prior written consent of the Insurer.

The Issuer shall provide immediate notice of any Event of Default described in Section 7.01(A) to all affected Bondholders, to each Member Government and to each Insurer. The Issuer shall provide notice of any other Event of Default to all affected Bondholders, to each Member Government and to each Insurer within 30 days of the Issuer's knowledge thereof.

SECTION 7.02. REMEDIES. Any Holder of Bonds issued under the provisions of this Resolution or any trustee or receiver acting for such Bondholders may either at law or in equity, by suit, action, mandamus or other proceedings in any court of
competent jurisdiction, protect and enforce any and all rights under the Laws of the State of Florida, or granted and contained in this Resolution, and may enforce and compel the performance of all duties required by this Resolution or by any applicable statutes to be performed by the Issuer or by any officer thereof; provided, however, that no Holder, trustee or receiver shall have the right to declare the Bonds immediately due and payable.

The Holder or Holders of Bonds in an aggregate principal amount of not less than 25% of the Bonds then Outstanding may by a duly executed certificate in writing appoint a trustee for Holders of Bonds issued pursuant to this Resolution with authority to represent such Bondholders in any legal proceedings for the enforcement and protection of the rights of such Bondholders and such certificate shall be executed by such Bondholders or their duly authorized attorneys or representatives, and shall be filed in the office of the Secretary. Notice of such appointment, together with evidence of the requisite signatures of the Holders of not less than 25% in aggregate principal amount of Bonds Outstanding and the trust instrument under which the trustee shall have agreed to serve shall be filed with the Issuer, the Member Governments and the trustee and notice of such appointment shall be given to all Holders of Bonds in the same manner as notices of redemption are given hereunder. After the appointment of the first trustee hereunder, no further trustees may be appointed; however, the Holders of a majority in aggregate principal amount of all the Bonds then Outstanding may remove the trustee initially appointed and appoint a successor and subsequent successors at any time.

SECTION 7.03. DIRECTIONS TO TRUSTEE AS TO REMEDIAL PROCEEDINGS. The Holders of a majority in principal amount of the Bonds then Outstanding (or any Insurer insuring any then Outstanding Bonds) have the right, by an instrument or concurrent instruments in writing executed and delivered to the trustee, to direct the method and place of conducting all remedial proceedings to be taken by the trustee hereunder with respect to the Series of Bonds owned by such Holders or insured by such Insurer, provided that such direction shall not be otherwise than in accordance with law or the provisions hereof, and that the trustee shall have the right to decline to follow any direction of the Holders which in the opinion of the trustee would be unjustly prejudicial to Holders of Bonds not parties to such direction.

SECTION 7.04. REMEDIES CUMULATIVE. No remedy herein conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

SECTION 7.05. WAIVER OF DEFAULT. No delay or omission of any Bondholder to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an
acquiescence therein; and every power and remedy given by Section 7.02 to the Bondholders may be exercised from time to time, and as often as may be deemed expedient.

SECTION 7.06. APPLICATION OF MONEYS AFTER DEFAULT. If an Event of Default shall happen and shall not have been remedied, the Issuer or a trustee or receiver appointed for the purpose shall apply all Pledged Funds (except as for amounts in the subaccounts of the Reserve Account which shall be applied to the payment of the Series of Bonds for which they were established) as follows and in the following order:

A. To the payment of the reasonable and proper charges, expenses and liabilities of the trustee or receiver and Registrar hereunder;

B. To the payment of the amounts required for reasonable and necessary Operating Expenses, and for the reasonable renewals, repairs and replacements of the System necessary to prevent loss of Net Revenues, as certified by the Consulting Engineer;

C. To the payment of the interest and principal or Redemption Price, if applicable, then due on the Bonds, as follows:

(1) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied:

FIRST: to the payment to the Persons entitled thereto of all installments of interest then due, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference;

SECOND: to the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due at maturity or upon mandatory redemption prior to maturity (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of Section 9.01 of this Resolution), in the order of their due dates, with interest upon such Bonds from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the Persons entitled thereto without any discrimination or preference; and
THIRD: to the payment of the Redemption Price of any Bonds called for optional redemption pursuant to the provisions of this Resolution.

(2) If the principal of all the Bonds shall have become due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, with interest thereon as aforesaid, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

D. To the payment of all amounts owed to the Insurer not covered by A, B or C above.

SECTION 7.07. CONTROL BY INSURER. To the extent an Insurer makes any payment of principal of or interest on Bonds in accordance with its Bond Insurance Policy, such Insurer shall become subrogated to the rights of the recipients of such payments in accordance with the terms of its Bond Insurance Policy. Upon the occurrence and continuance of an Event of Default, an Insurer of a Series of Bonds, if such Insurer shall not be in payment default under its Bond Insurance Policy, shall be deemed to be the sole owner of such Bonds for purposes of (a) directing and controlling the enforcement of all rights and remedies with respect to such Series of Bonds, including any waiver of an Event of Default and removal of any trustee, and (b) exercising any voting right or privilege or giving any consent or direction or taking any other action that the Holders of such Bonds are entitled to take pursuant to this Article VII hereof. No provision expressly recognizing or granting rights in or to an Insurer shall be modified without the consent of such Insurer. An Insurer's rights under this Section 7.07 shall be suspended during any period in which such Insurer is in default in its payment obligations under its Bond Insurance Policy (except to the extent of amounts previously paid by such Insurer and due and owing to such Insurer) and shall be of no force or effect if its Bond Insurance Policy is no longer in effect or if the Insurer asserts that its Bond Insurance Policy is not in effect or if the Insurer waives such rights in writing. The rights granted to an Insurer under this Section 7.07 are granted in consideration of such Insurer issuing its Bond Insurance Policy. The Issuer shall provide each Insurer immediate notice of any Event of Default described in Section 7.01(A) hereof and notice of any other Event of Default occurring hereunder within five days of the occurrence thereof. Each Insurer of any Bonds hereunder shall be considered a third-party beneficiary to the Resolution with respect to such Bonds.
ARTICLE VIII
SUPPLEMENTAL RESOLUTIONS

SECTION 8.01. SUPPLEMENTAL RESOLUTION WITHOUT BONDHOLDERS’ CONSENT. The Issuer, from time to time and at any time, may adopt such Supplemental Resolutions without the consent of the Bondholders (which Supplemental Resolution shall thereafter form a part hereof) for any of the following purposes:

(A) To cure any ambiguity or formal defect or omission or to correct any inconsistent provisions in this Resolution or to clarify any matters or questions arising hereunder.

(B) To grant to or confer upon the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders.

(C) To add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of this Resolution other conditions, limitations and restrictions thereafter to be observed.

(D) To add to the covenants and agreements of the Issuer in this Resolution other covenants and agreements thereafter to be observed by the Issuer or to surrender any right or power herein reserved to or conferred upon the Issuer.

(E) To specify and determine the matters and things referred to in Sections 2.01, 2.02 or 2.09 hereof, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with this Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first delivery of such Bonds.

(F) To authorize Additional Projects or to change or modify the description of any Project.

(G) To specify and determine matters necessary or desirable for the issuance of Variable Rate Bonds or Capital Appreciation Bonds.

(H) To provide for the establishment of a separate subaccount or subaccounts in the Reserve Account which shall independently secure one or more Series of Bonds.

(I) To revise the procedures provided in Section 4.05(B)(4) hereof pursuant to which moneys are drawn on a Reserve Account Insurance Policy or Reserve Account
Letter of Credit and moneys are reimbursed to the provider of such Policy or Letter of Credit.

(J) To make provision hereunder for the use of a Qualified Hedge Agreement.

(K) To make any other change that, in the opinion of the Issuer, would not materially adversely affect the security for the Bonds. In making such determination, the Issuer shall not take into consideration any Bond Insurance Policy.

Prior to adoption of any Supplemental Resolution which amends or modifies provisions of this Resolution, the Issuer shall obtain an opinion of Bond Counsel to the effect that the amendments or modifications to this Resolution shall not adversely affect the exclusion, if any, from gross income of interest on the Bonds for purposes of federal income taxation.

SECTION 8.02. SUPPLEMENTAL RESOLUTION WITH BONDHOLDERS' AND INSURER'S CONSENT. Subject to the terms and provisions contained in this Section 8.02 and Section 8.01 and 8.03 hereof, the Holder or Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in this Resolution to the contrary notwithstanding, to consent to and approve the adoption of such Supplemental Resolutions hereto as shall be deemed necessary or desirable by the Issuer for the purpose of supplementing, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Resolution; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series or maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section 8.02. Any Supplemental Resolution which is adopted in accordance with the provisions of this Section 8.02 shall also require the written consent of the Insurer of any Bonds which are Outstanding at the time such Supplemental Resolution shall take effect. No Supplemental Resolution may be approved or adopted which shall permit or require (A) an extension of the maturity of the principal of or the payment of the interest on any Bond issued hereunder, (B) reduction in the principal amount of any Bond or the Redemption Price or the rate of interest thereon, (C) the creation of a lien upon or a pledge of the Pledged Funds other than the lien and pledge created by this Resolution or except as otherwise permitted or provided hereby which materially adversely affects any Bondholders, (D) a preference or priority of any Bond or Bonds over any other Bond or Bonds (except as to the establishment of separate subaccounts in the Reserve Account provided in Section 4.05(B)(4) hereof), or (E) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Resolution. Nothing herein contained, however, shall be construed as making necessary the approval by
Bondholders or the Insurer of the adoption of any Supplemental Resolution as authorized in Section 8.01 hereof.

If at any time the Issuer shall determine that it is necessary or desirable to adopt any Supplemental Resolution pursuant to this Section 8.02, the Secretary shall cause the Registrar to give notice of the proposed adoption of such Supplemental Resolution and the form of consent to such adoption to be mailed, postage prepaid, to all Bondholders at their addresses as they appear on the registration books. Such notice shall briefly set forth the nature of the proposed Supplemental Resolution and shall state that copies thereof are on file at the offices of the Secretary and the Registrar for inspection by all Bondholders. The Issuer shall not, however, be subject to any liability to any Bondholder by reason of its failure to cause the notice required by this Section 8.02 to be mailed and any such failure shall not affect the validity of such Supplemental Resolution when consented to and approved as provided in this Section 8.02.

Whenever the Issuer shall deliver to the Secretary an instrument or instruments in writing purporting to be executed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Resolution described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Issuer may adopt such Supplemental Resolution in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

If the Holders of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the adoption of such Supplemental Resolution shall have consented to and approved the adoption thereof as herein provided, no Holder of any Bond shall have any right to object to the adoption of such Supplemental Resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Issuer from adopting the same or from taking any action pursuant to the provisions thereof.

Upon the adoption of any Supplemental Resolution pursuant to the provisions of this Section 8.02, this Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Resolution of the Issuer and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced in all respects under the provisions of this Resolution as so modified and amended.
SECTION 8.03. AMENDMENT WITH CONSENT OF INSURER ONLY.

For purposes of amending this Resolution pursuant to Section 8.02 hereof, an Insurer of Bonds shall be considered the Holder of such Bonds which it has insured, provided such Bonds, at the time of the adoption of the amendment, shall be rated by the Rating Agencies which shall have rated such Bonds at the time such Bonds were insured no lower than the ratings assigned thereto by such Rating Agencies on such date of being insured. The consent of the Holders of such Bonds shall not be required if the Insurer of such Bonds shall consent to the amendment as provided by this section 8.03. The foregoing right of amendment, however, does not apply to any amendment to Section 5.15 hereof with respect to the exclusion, if applicable, of interest on said Bonds from gross income for purposes of federal income taxation. At least 15 days prior to adoption of any amendment made pursuant to this Section 8.03, notice of such amendment shall be delivered to the Rating Agencies rating the Bonds. Upon filing with the Secretary of evidence of such consent the Insurer or Insurers as aforesaid, the Issuer may adopt such Supplemental Resolution. After the adoption by the Issuer of such Supplemental Resolution, notice thereof shall be mailed in the same manner as notices of an amendment under Section 8.02 hereof.
ARTICLE IX  
MISCELLANEOUS  

SECTION 9.01.  DEFEASANCE.  If the Issuer shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution and if the Issuer shall pay all amounts owing to any provider of a Reserve Account Letter of Credit or Reserve Account Insurance Policy and all amounts owing to the Insurer, if any, then the pledge of the Pledged Funds, and all covenants, agreements and other obligations of the Issuer to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Paying Agents shall pay over or deliver to the Issuer all money or securities held by them pursuant to the Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Any Bonds or interest installments appertaining thereto, whether at or prior to the maturity or redemption date of such Bonds, shall be deemed to have been paid within the meaning of this Section 9.01 if (A) in case any such Bonds are to be redeemed prior to the maturity thereof, there shall have been taken all action necessary to call such Bonds for redemption and notice of such redemption shall have been duly given or provision shall have been made for the giving of such notice, and (B) there shall have been deposited in irrevocable trust with a banking institution or trust company by or on behalf of the Issuer either moneys in an amount which shall be sufficient, or Refunding Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with such bank or trust company at the same time shall be sufficient (as verified by an independent certified public accountant), to pay the principal of or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be. Except as hereafter provided, neither the Refunding Securities nor any moneys so deposited with such bank or trust company nor any moneys received by such bank or trust company on account of principal of or Redemption Price, if applicable, or interest on said Refunding Securities shall be withdrawn or used for any purpose other than, and all such moneys shall be held in trust for and be applied to, the payment, when due, of the principal of or Redemption Price, if applicable, of the Bonds for the payment or redemption of which they were deposited and the interest accruing thereon to the date of maturity or redemption; provided, however, the Issuer may substitute new Refunding Securities and moneys for the deposited Refunding Securities and moneys if the new Refunding Securities and moneys are sufficient to pay the principal of or Redemption Price, if applicable, and interest on the refunded Bonds.
For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or the redemption date thereof, as the case may be, by the deposit of moneys, or specified Refunding Securities and moneys, if any, in accordance with this Section 9.01, the interest to come due on such Variable Rate Bonds on or prior to the maturity or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than the Maximum Interest Rate for any period, the total amount of moneys and specified Refunding Securities on deposit for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited on such date in respect of such Variable Rate Bonds is in order to satisfy this Section 9.01, such excess shall be paid to the Issuer free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under this Resolution.

In the event the Bonds for which moneys are to be deposited for the payment thereof in accordance with this Section 9.01 are not by their terms subject to redemption within the next succeeding 60 days, the Issuer shall cause the Registrar to mail a notice to the Holders of such Bonds that the deposit required by this Section 9.01 of moneys or Refunding Securities has been made and said Bonds are deemed to be paid in accordance with the provisions of this Section 9.01 and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of or Redemption Price, if applicable, and interest on said Bonds.

Nothing herein shall be deemed to require the Issuer to call any of the Outstanding Bonds for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the Issuer in determining whether to exercise any such option for early redemption.

In the event that the principal of or Redemption Price, if applicable, and interest due on the Bonds shall be paid by an Insurer or Insurers, such Bonds shall remain Outstanding, shall not be defeased and shall not be considered paid by the Issuer, and the pledge of the Pledged Funds and all covenants, agreements and other obligations of the Issuer to the Bondholders shall continue to exist and such Insurer or Insurers shall be subrogated to the rights of such Bondholders.

SECTION 9.02. CAPITAL APPRECIATION BONDS. For the purposes of (A) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, or (B) receiving payment of a Capital Appreciation Bond if the principal of all Bonds becomes due and payable under the provisions of this Resolution, or (C) computing the amount of Bonds held by the Holder of a Capital Appreciation Bond in giving to the Issuer or any trustee or receiver appointed to represent the Bondholders any notice, consent, request or demand pursuant to this Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.
SECTION 9.03. SALE OF BONDS. The Bonds shall be issued and sold at public or private sale at one time or in installments from time to time and at such price or prices as shall be consistent with the provisions of the Act, the requirements of this Resolution and other applicable provisions of law.

SECTION 9.04. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions of this Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this Resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Bonds issued hereunder.

SECTION 9.05. VALIDATION AUTHORIZED. To the extent deemed necessary by Bond Counsel or desirable by Counsel for the Issuer, the Bond Counsel is authorized to institute appropriate proceedings for validation of a Series of the Bonds herein authorized pursuant to Chapter 75, Florida Statutes.

SECTION 9.06. REPEAL OF INCONSISTENT RESOLUTIONS. All resolutions, resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

SECTION 9.07. EFFECTIVE DATE. This Resolution shall take effect immediately upon its final adoption in accordance with applicable law.

ATTEST: TAMPA BAY WATER, A Regional Water Supply Authority

/s/ Jerry L. Maxwell, Secretary /s/ Ed Turanchik, Chairman

APPROVED AS TO FORM: Date: August 31, 1998

/s/ Donald D. Conn, General Counsel

(SEAL)
APPENDIX C

FORM OF INTERLOCAL AGREEMENT
AMENDED AND RESTATED INTERLOCAL AGREEMENT

THIS AMENDED AND RESTATED INTERLOCAL AGREEMENT is made and entered into as of May 1, 1998, by and among Hillsborough County, a political subdivision of the State of Florida; Pasco County, a political subdivision of the State of Florida; Pinellas County, a political subdivision of the State of Florida; the City of St. Petersburg, a municipal corporation of the State of Florida; the City of Tampa, a municipal corporation of the State of Florida; and the City of New Port Richey, a municipal corporation of the State of Florida.

WITNESSETH:

WHEREAS, the West Coast Regional Water Supply Authority (the "Authority") was created pursuant to an Interlocal Agreement among Hillsborough County, Pasco County, Pinellas County, the City of St. Petersburg, and the City of Tampa dated October 24, 1974, for the purpose of developing, recovering, storing and supplying water for county and municipal purposes in such a manner as will give priority to reducing adverse environmental effects of excessive or improper withdrawals of water from concentrated areas; and

WHEREAS, the Authority is presently operating under an "entitlement" or "subscription" approach to funding its operations, producing water from existing water supply facilities and developing new water supply facilities, resulting in rate differentials, varying entitlements and other divergent interests among the parties; and

WHEREAS, pursuant to the provisions of Sections 373.1962 and 163.01, Florida Statutes, the parties desire to establish the terms under which the Authority will be reorganized to eliminate rate differentials, varying entitlements and other divergent interests, thus more effectively enabling the Authority to accomplish its goals and purposes, as set forth in Sections 373.1962 and 163.01, Florida Statutes; and

WHEREAS, the Authority will be reorganized pursuant to this Amended and Restated Interlocal Agreement, which will become effective upon satisfaction of certain specific conditions set forth herein;

NOW THEREFORE, in consideration of the premises set forth above and the covenants, obligations, duties and benefits herein set forth, and other valuable consideration, the receipt and sufficiency of which are hereby conclusively acknowledged, the parties hereto agree as follows:

ARTICLE I - INTRODUCTION

SECTION 1.01. DEFINITIONS. When used in this Agreement, the following terms shall have the following meanings, unless the context clearly requires otherwise:

(A) "Aquifer Storage and Recovery" means the process of injecting, storing and recovering Water from aquifer systems.

(B) "Actual Direct Cost" means (1) with respect to the acquisition of Water Supply Facilities, the total capital cost of acquiring and constructing such Water Supply Facilities, excluding any indirect cost; and (2) with respect to Water treatment, the total capital and operating cost of providing such treatment, excluding any indirect cost.
"Agreement" means this Amended and Restated Interlocal Agreement, including any amendments or supplements hereto executed and delivered in accordance with the terms hereof.

"Allocated Overhead" means, as to any Water Supply Facility, that portion of the Overhead that is allocated to the Water Supply Facility by (1) dividing (a) the estimated quantity of Quality Water to be pumped or produced during the Fiscal Year at the Water Supply Facility by (b) the total estimated quantity of Quality Water to be pumped or produced during the Fiscal Year at all Water Supply Facilities owned or operated by the Authority, and (2) multiplying the result by the Overhead.

"Authority" means the West Coast Regional Water Supply Authority, an interlocal governmental agency created and existing pursuant to Sections 373.1962 and 163.01, Florida Statutes, and an Interlocal Agreement among Hillsborough, Pasco, Pinellas, St. Petersburg and Tampa dated October 25, 1974, as amended, supplemented and restated pursuant to this Agreement.

"Authority/Hillsborough Transfer Agreement" means the agreement attached hereto as Appendix I, pursuant to which the Authority will convey treatment and transmission facilities to Hillsborough.

"Authority/Pasco Transfer Agreement" means the agreement attached hereto as Appendix J, pursuant to which the Authority will convey transmission facilities to Pasco.

"Authority/Tampa Transfer Agreement" means the agreement attached hereto as Appendix K, pursuant to which the Authority will convey transmission facilities to Tampa.

"Board" means the Authority’s Board of Directors, appointed pursuant to Section 2.03 hereof.

"Consolidated Permit" means a single Primary Environmental Permit that includes multiple Water Supply Facilities that are located within the jurisdiction of different Member Governments.

"Contributing Area" means the area surrounding a ground Water withdrawal facility from which Water is contributed to that facility under typical operation by means of infiltration from the land surface to the ground Water system from which such withdrawal is made.

"Desalination Facilities" means facilities designed to treat Water with total dissolved solids exceeding 10,000 milligrams per liter.

"Director" means an individual appointed to the Board by a Member Government pursuant to Section 2.03 hereof.

"Disinfection Credit" means the stipulated treatment credit amount payable to each Member Government conveying Transferred Assets to the Authority pursuant to Sections 5.01, 5.02, 5.03, 5.04, 5.05 and 5.06 hereof.

"Economic Impact Facilities" means Water Supply Facilities owned by the Authority and not subject to ad valorem taxation that have an adverse economic impact on the Member Government in whose jurisdiction they are located by (A) removing property suitable for industrial use from the ad
valoremtaxrollor(B)requiringsignificantannualexpendituresofpublicfundsbymembergovernment.
The term "Economic Impact Facilities" includes Desalination Facilities, but excludes wellfields, reservoirs,
Water treatment facilities comparable to those heretofore operated by the Authority or the Member
Governments, and Water transmission facilities.

(P) "Environmental Permit" means all permits, licenses, or other third-party approvals
necessary for the acquisition, construction or operation of an Authority Water Supply Facility, including but
not limited to Primary Environmental Permits.

(Q) "EPC" means the Hillsborough County Environmental Protection Commission, a
governmental agency created by special act of the Florida Legislature.

(R) "EPC Agreement" means the agreement attached hereto as Appendix L.

(S) "Existing Authority System" means the Water Supply Facilities owned by the Authority
on the date hereof.

(T) "Financing Documents" means any resolution or resolutions of the Authority, as well
as any indenture of trust, trust agreement or similar document relating to the issuance or security of the
Obligations.

(U) "Fiscal Year" means the period commencing on October 1 of each year and continuing
through the next succeeding September 30, or such other period as may be prescribed by law as the fiscal
year for the Authority.

(V) "Full Implementation Date" means (1) October 1, 1998; provided however, that if the
Department of Environmental Protection has entered a final order approving this Agreement and
administrative hearings or appellate proceedings therefrom have been commenced, the "Full Implementation
Date" shall be deferred to the date ninety days following the conclusion of all such administrative hearings
or appellate proceedings; or (2) such later date as the Board may approve by unanimous vote pursuant to
Section 6.03(E) hereof.

(W) "General Counsel" means the chief legal officer of the Authority.

(X) "General Manager" means the chief executive staff officer of the Authority.

(Y) "Governmental Obligations" means (1) direct and general obligations of the United
States of America, or those which are unconditionally guaranteed as to principal and interest by the United
States of America (the "Defeasance Obligations"), and (2) pre-refunded municipal obligations (obligations
of any state of the United States of America or of any agency, instrumentality, political subdivision or local
government unit of such state) meeting the following criteria:

(a) the municipal obligations must be rated "AAA" by Standard and Poor's Corporation
and "Aaa" by Moody's Investors Service, Inc. and may not be callable prior to maturity or,
alternatively, the trustee or escrow agent for such obligations has received irrevocable instructions
concerning their calling and redemption;
(b) the municipal obligations are secured by cash and/or Defeasance Obligations which may be applied only to principal, interest and premium payments of such municipal obligations;

(c) the principal and interest of the Defeasance Obligations (plus any cash in the fund) has been verified by a nationally recognized firm of independent certified public accountants as sufficient to pay the principal, interest and premium, if any, of the municipal obligations;

(d) the Defeasance Obligations serving as security for the municipal obligations must be held by an escrow agent or a trustee; and

(e) the Defeasance Obligations are not available to satisfy any other claims, including those of the trustee or escrow agent.

(Z) "High Flow Periods" means those periods during which the flow in the Hillsborough River, as measured at the Hillsborough River Reservoir dam, exceeds the flow required by environmental regulations.

(AA) "Hillsborough" means Hillsborough County, a political subdivision of the State.

(BB) "Hillsborough Bay Resource Exchange Project" means the TWRRP and the Authority’s proposed withdrawal facilities on the Tampa Bypass Canal and the surface water treatment plant required to treat the purified water and deliver it to the Member Governments.

(CC) "Hillsborough River Reservoir" means the run of the Hillsborough River between Fletcher Avenue and the Hillsborough River Reservoir dam.

(DD) "Hillsborough Transfer Agreement" means the agreement attached hereto as Appendix G, pursuant to which Hillsborough will convey Transferred Assets to the Authority.

(EE) "Host Member Government" means any Member Government in whose jurisdiction the Authority seeks issuance, modification or renewal of a Primary Environmental Permit; provided however, that the term "Host Member Government" also includes Tampa (1) with respect to Primary Environmental Permits for Cone Ranch and Dispersed Wells, Cypress Bridge Wellfield, Hillsborough River High Water and the Tampa Bypass Canal, and (2) under the circumstances described in Section 3.08 hereof. If SWFWMD issues a Consolidated Permit, any Member Government shall qualify as a "Host Member Government" for the limited purpose of raising environmental issues affecting property located within its own jurisdiction.

(FF) "Master Water Plan" means the Authority’s plan for expansion, conservation, diversification and preservation of Water supply for the Water Service Areas (as defined in the Master Water Supply Contract), as the same may be amended or superseded from time to time.

(GG) "Master Water Supply Contract" means the agreement attached hereto as Appendix B between the Authority and each Member Government, pursuant to which the Member Government purchases Quality Water from the Authority.

(HH) "Member Governments" means Hillsborough, Pasco, Pinellas, New Port Richey, St. Petersburg and Tampa.
(II) "New Port Richey" means the City of New Port Richey, a municipal corporation of the State.

(II) "New Port Richey Transfer Agreement" means the agreement attached hereto as Appendix H, pursuant to which New Port Richey will convey Transferred Assets to the Authority.

(KK) "Net Utility Revenue" means the net revenue of each Member Government’s water system or, if a Member Government’s water and wastewater systems have been combined for financing purposes, the net revenue of the combined water and wastewater system remaining after payment of operating expenses and debt service due on obligations secured by such revenue.

(LL) "Obligations" means a series of bonds or other evidence of indebtedness including but not limited to, notes, commercial paper, capital leases or any other obligations of the Authority heretofore or hereafter issued or incurred.

(MM) "Overhead" means the administrative and general expenses of the Authority that are not directly attributable to ownership and operation of any specific Water Supply Facility, as established in the approved annual budget.

(NN) "Partnership Plan Wellfields" means Cross Bar Ranch Wellfield, Cypress Creek Wellfield, Starkey Wellfield, North Pasco Wellfield, South Pasco Wellfield, Eldridge-Wilde Wellfield, Cypress Bridge Wellfield, Cosme-Odessa Wellfield, Section 21 Wellfield, Northwest Hillsborough Regional Wellfield, and Morris Bridge Wellfield.

(OO) "Pasco" means Pasco County, a political subdivision of the State.

(PP) "Pasco Transfer Agreement" means the agreement attached hereto as Appendix F, pursuant to which Pasco will convey Transferred Assets to the Authority.

(QQ) "Pinellas" means Pinellas County, a political subdivision of the State.

(RR) "Pinellas Transfer Agreements" means the agreements attached hereto as Appendices D-1 and D-2, pursuant to which Pinellas will convey Transferred Assets to the Authority.

(SS) "Pledged Funds" means (1) the revenues, fees, charges and other moneys received by the Authority relating to the ownership or operation of its Water Supply Facilities, and (2) until applied in accordance with the terms of the Financing Documents, all moneys in the funds and accounts established thereby, including investments therein; in each case to the extent provided by the Board pursuant to the Financing Documents.

(TT) "Points of Connection" means the points identified pursuant to the Master Water Supply Contract, as revised by the Authority and the Member Governments from time to time, at which the Member Governments’ water utility systems connect to the Authority’s system.

(UU) "Primary Environmental Permit" means the issuance, modification or renewal of a consumptive use permit, an environmental resource permit, a permit from the Department of the Army under Section 404 of the Federal Clean Water Act, or a national pollutant discharge elimination system permit for
a waste stream discharge from a water treatment plant to surface waters (or the successor in function to any of such permits), for which the Authority applies as sole permittee or as co-permittee. The term "Primary Environmental Permit" also includes application for SWFWMD approval of any Wellfield Operations Plan, other water production optimization plan, or environmental management plan (or their successor in function) required by SWFWMD. With respect to any Wellfield Operations Plan or other water production optimization plan, the term "Primary Environmental Permit" includes only those modifications to the Wellfield Operations Plan or other water production optimization plan that affect the methods, variables or parameters of the Wellfield Operations Plan and materially change the quantity of Replacement Capacity and Rotational Capacity applied to reduce the withdrawal of Water from various Authority wellfields.

(VV) "Production Failure" means (1) the occurrence of a Shortfall, provided however, that a Shortfall that results from a mechanical, equipment or other facility failure shall not constitute a "Production Failure," or (2) following December 31, 2002, the actual delivery by the Authority to the Member Governments during any twelve-month period of a quantity of Quality Water that exceeds 94 percent of the aggregate permitted capacity of the Authority's production facilities on an average annual basis, provided however, that if the Authority has received a Primary Environmental Permit for additional production facilities and the Authority has entered into a contract for final design and has bid construction of the facilities, the additional production quantity specified in the Primary Environmental Permit shall be added to the actual production capacity for purposes of determining if a "Production Failure" has occurred.

(WW) "Project Cost" means all expenses associated with the acquisition, construction, installation, reconstruction, renewal or replacement of Water Supply Facilities, including without limitation: (1) land and interests therein, property rights, and easements of any nature whatsoever; (2) physical construction, reconstruction, renewal, replacement or completion; (3) acquisition and installation of machinery, equipment and other tangible personal property; (4) planning, architectural, engineering, surveying, legal, environmental and other consultant services; (5) fees and expenses associated with the issuance of Obligations, including but not limited to bond counsel, disclosure counsel, financial advisor, underwriters' discount, rating agencies, bond insurance, credit or liquidity facilities, and printing the Obligations and supporting documentation; (6) interest accruing on the Obligations for such period of time as the Authority deems appropriate; (7) the debt service reserve fund or account, if any, established for the Obligations; and (8) all other expenses that are properly attributable thereto under generally accepted accounting principles, including reimbursement to the Authority for any moneys advanced for such purposes and interest on any interfund loan for such purposes.

(XX) "Quality Water" means Water which meets the definition of "Quality Water" set forth in Section 3(JJ) of the Master Water Supply Contract. For purposes other than entitlement to the rate reductions set forth in Section 3.04(A)(1) hereof, the term "Quality Water" also includes Water delivered to the Points of Connection identified in Section 3.03(D) hereof or to Points of Connection at which a Member Government agrees, at its sole option, to accept Water not meeting the standards for Quality Water pursuant to Section 3.03(E) hereof.

(YY) "Reclaimed Water" means, except as specifically provided in applicable State statutes or rules, Water that has received at least secondary treatment and basic disinfection and is reused after discharge from a domestic wastewater treatment facility.

(ZZ) "Reclaimed Water Resource Project" means (1) the direct use of Reclaimed Water in the Authority's Water supply, or (2) the indirect use of Reclaimed Water in the Authority's Water supply
through (a) surface Water augmentation or (2) ground Water recharge within the Contributing Area of any Authority wellfield.

(***AA*) **"Recovery Plan"** means the proposed phased recovery strategy to achieve the minimum flows and levels, to be adopted by SWFWMD for the Northern Tampa Bay Area under Section 373.042, Florida Statutes, pursuant to which (1) by December 31, 2002, the Authority will reduce the combined permitted withdrawal quantity from the Partnership Plan Wellfields to 121 mgd, on an average annual basis (to be measured from December 31, 2002 to December 31, 2003), and maintain production thereafter at or below 121 mgd, on an average annual basis; and (2) by December 31, 2007, the Authority will reduce the combined permitted withdrawal quantity from the Partnership Plan Wellfields to 90 mgd, on an average annual basis (to be measured from December 31, 2007 to December 31, 2008), and maintain production thereafter at or below 90 mgd, on an average annual basis.

(BBB) **"Replacement Capacity"** means production capacity from Water Supply Facilities other than the Partnership Plan Wellfields that is (1) not available on the date hereof, and (2) will be used to reduce the permanent combined production from the Partnership Plan Wellfields.

(CCC) **"Rotational Capacity"** means the production rate of Quality Water available at any time to the Authority that (1) exceeds Member Government needs, and (2) subject to the physical limitations of the Authority’s Water delivery system, can be used to periodically reduce the withdrawal of Water from Authority wellfields located in environmentally stressed areas. **"Rotational Capacity"** does not include Replacement Capacity.

(DDD) **"Shortfall"** means a situation in which the Authority fails to deliver the quantity of Quality Water required by a Member Government.

(EEE) **"Shortfall Amount"** means, in the event of a Shortfall, the amount computed by deducting the quantity of Quality Water actually delivered by the Authority to a Member Government from the total quantity of Quality Water required by a Member Government.

(FFF) **"St. Petersburg"** means the City of St. Petersburg, a municipal corporation of the State.

(GGG) **"St. Petersburg Transfer Agreement"** means the agreement attached hereto as Appendix C, pursuant to which St. Petersburg will convey Transferred Assets to the Authority.

(HHH) **"State"** means the State of Florida.

(III) **"SWFWMD"** means the Southwest Florida Water Management District, or any successor agency.

(JJJ) **"Tampa"** means the City of Tampa, a municipal corporation of the State.

(KKK) **"Tampa Transfer Agreement"** means the agreement attached hereto as Appendix E, pursuant to which Tampa will convey Transferred Assets to the Authority.

(LLL) **"Termination Funding Share"** means, for each Member Government, the percentage computed by dividing (1) the quantity of Quality Water purchased from the Authority during the last five
Fiscal Years by such Member Government, excluding Quality Water purchased by Tampa from the Tampa Bypass Canal, by (2) the total quantity of Quality Water purchased from the Authority during the last five Fiscal Years by all Member Governments, excluding Quality Water purchased by Tampa from the Tampa Bypass Canal that is not attributable to Authority augmentation projects such as the Hillsborough Bay Resource Exchange Project.

(MMM) "Termination Option Share" means, for each Member Government, the percentage computed by dividing (1) the quantity of Quality Water purchased from the Authority during the last five Fiscal Years by such Member Government, excluding Quality Water purchased by Tampa from the Tampa Bypass Canal, by (2) the total quantity of Quality Water purchased from the Authority during the last five Fiscal Years by all Member Governments electing to exercise an option to purchase a Water Supply Facility or other asset of the Authority pursuant to Section 6.04 hereof, excluding Quality Water purchased by Tampa from the Tampa Bypass Canal that is not attributable to Authority augmentation projects such as the Hillsborough Bay Resource Exchange Project.

(NNN) "Transferred Assets" means the Water Supply Facilities (including real property, tangible personal property and intangible personal property) conveyed to the Authority pursuant to Sections 5.01, 5.02, 5.03, 5.04, 5.05 and 5.06 hereof; provided however, that any equity interest of the Member Governments in the Existing Authority System that is relinquished pursuant to Sections 5.01, 5.02, 5.03, 5.04, 5.05 and 5.06 hereof shall not constitute a "Transferred Asset."

(OOO) "TWRRP" means the Tampa Water Resource Recovery Project, which includes the proposed supplemental treatment plant to be sited on Hookers Point at Tampa's Howard F. Curren Advanced Wastewater Treatment Plant, and the pipeline that delivers the purified water to the Tampa Bypass Canal.

(PPP) "Water" means Quality Water and any other water to be used by a Member Government in its public water supply system.

(QQQ) "Water Supply Facilities" means Water production, treatment and/or transmission facilities and related real property. The term "Water Supply Facilities" does not include facilities for local distribution.

(RRR) "Wellfield Operations Plan" means a plan for operating the Partnership Plan Wellfields, which may include other Water Supply Facilities of the Authority, that is based upon a scientific methodology to (1) evaluate the relative level of environmental stress in the area of each of its wellfields, (2) apply its Replacement Capacity and Rotational Capacity to reduce the quantity of Water withdrawn from wellfields located in areas with the highest levels of environmental stress, and (3) bring all of its wellfields into compliance with the Recovery Plan.

(SSS) "Wheel" or "Wheeling" means the process of utilizing any unused transmission capacity in the Authority's Water delivery system to transport Quality Water (1) purchased from a supplier other than the Authority pursuant to Section 3.19(A) hereof, or (2) produced from a Member Government's Water Supply Facility acquired or constructed pursuant to Section 3.19(B) hereof, to a Member Government's Point of Connection during a Shortfall.

SECTION 1.02. INTERPRETATION. Unless the context indicates otherwise, words importing the singular number include the plural number and vice versa; the terms "hereof," "hereby," "herein," "hereto," "hereunder" and similar terms refer to this Agreement; and the term "hereafter" means
after, and the term "heretofore" means before, the effective date of this Agreement. Words of any gender include the correlative words of the other gender, unless the sense indicates otherwise.

SECTION 1.03. FINDINGS. It is hereby ascertained, determined and declared by the Member Governments that:

(A) The Water needs and environmental concerns of their citizens can best be balanced by vesting Water supply functions in a reorganized West Coast Regional Water Supply Authority for the purpose of developing, recovering, storing and supplying Water for county and municipal purposes in such a manner as will give priority to reducing adverse environmental effects of excessive or improper withdrawals of Water from concentrated areas.

(B) The Member Governments desire that the Authority design, acquire, construct, operate and maintain Water Supply Facilities in the locations and at the times necessary to insure that an adequate supply of Quality Water will be available for all customers served by the Member Governments.

(C) The cost of the Quality Water and all services to be provided by the Authority shall be paid for by the Member Governments, based on a uniform rate for the sale of Quality Water (other than Water delivered to Tampa from the Tampa Bypass Canal that is not attributable to Authority augmentation projects such as the Hillsborough Bay Resource Exchange Project, which has been excluded from the uniform rate provision), adjusted for special treatment requirements in the manner set forth herein.

(D) The Member Governments shall be responsible for any additional treatment they may individually elect, and for distribution to the Member Governments’ retail and wholesale customers.

(E) The execution and delivery of this Agreement serves the individual and collective best interest of the Member Governments and serves a valid public purpose by (1) preserving a means by which the Host Member Governments can represent the interests of their constituents regarding environmental impacts of Water withdrawals from Water Supply Facilities located within their political jurisdictions; (2) enabling the Member Governments to reduce future costs for litigation concerning Water supply issues; and (3) enhancing the Authority’s ability to implement its Master Water Plan by developing the Water Supply Facilities necessary to serve the Member Governments.

SECTION 1.04. REPRESENTATIONS OF THE MEMBER GOVERNMENTS. Upon satisfaction of the conditions set forth in Sections 6.03(A) and (D) hereof and in reliance upon the legislation attached hereto as Appendix M, the Member Governments each make the following representations as it relates to itself (no representation is made by a Member Government for any other Member Government):

(A) The Member Governments are each duly organized, validly existing and in good standing under the laws of the State and are each duly qualified and authorized to satisfy their responsibilities pursuant to this Agreement.

(B) The Member Governments each have the power, authority and legal right to enter into and perform the obligations set forth in this Agreement, and the execution, delivery and performance hereof by the Member Governments: (1) has been duly authorized by the Board of County Commissioners in the case of Hillsborough, Pasco and Pinellas, the Mayor and City Council in the case of New Port Richey and Tampa, and the City Council in the case of St. Petersburg; (2) does not require any consent or referendum of the electors; and (3) does not constitute a default under, or result in the creation of any lien, charge, encumbrance
or security interest upon, the assets of the Member Governments under any agreement or instrument to which any of the Member Governments is a party or by which any of the Member Governments and their assets may be bound or affected, except as otherwise provided herein.

(C) This Agreement has been duly entered into and delivered by the Board of County Commissioners in the case of Pasco, Hillsborough and Pinellas, by the City Council and Mayor in the case of New Port Richey, St. Petersburg and Tampa and, upon satisfaction of the conditions set forth in Sections 6.03(A) and (D) hereof, constitutes a legal, valid and binding obligation of the Member Governments, fully enforceable in accordance with its terms, except to the extent that the enforceability of this Agreement may be limited by any applicable bankruptcy, moratorium, reorganization or other similar laws affecting creditor's rights generally, or by the exercise of judicial discretion in accordance with general principles of equity.

(D) There is no action, suit or proceeding, at law or in equity, before or by any court or governmental authority, pending against any of the Member Governments, wherein any unfavorable decision, ruling or finding would materially and adversely affect the performance by any of the Member Governments of their obligations hereunder or the other transactions contemplated hereby, or which, in any way, would adversely affect the validity or enforceability of this Agreement, the Master Water Supply Contract, the St. Petersburg Transfer Agreement, the Pinellas Transfer Agreements, the Tampa Transfer Agreement, the Pasco Transfer Agreement, the Hillsborough Transfer Agreement, the New Port Richey Transfer Agreement, the Authority/Hillsborough Transfer Agreement, the Authority/Pasco Transfer Agreement, the Authority/Tampa Transfer Agreement, the EPC Agreement, or any other agreement or instrument entered into by the Authority in connection with the transactions contemplated hereby.

ARTICLE II - CREATION AND GOVERNANCE

SECTION 2.01. WATERSUPPLY AUTHORITY. (A) The Member Governments hereby reorganize the West Coast Water Supply Authority heretofore created pursuant to Sections 373.1962 and 163.01, Florida Statutes, and other applicable law, for the purpose of developing, recovering, storing and supplying Quality Water for county and municipal purposes in such a manner as will give priority to reducing adverse environmental effects of excessive or improper withdrawals of Water from concentrated areas. The geographic territory of the Authority consists of Hillsborough County, Pasco County and Pinellas County.

(B) The creation and reorganization of the Authority and the fulfillment of its purposes are in all respects for the benefit of the people of this State and the people of Hillsborough County, Pasco County and Pinellas County. The Authority is performing an essential governmental function. All property of the Authority is and shall in all respects be considered to be public property, and the title to such property shall be held by the Authority for the benefit of the public. The use of such property shall be considered a public purpose, until disposed of upon such terms as the Authority may deem appropriate. All Obligations and interest or income thereon and all the property, facilities, services and activities of the Authority are declared to be nontaxable for any and all purposes by the State or federal government or any unit of the State or federal government to the same extent as if owned or issued by on behalf of the Member Governments.

(C) It is the intent of the Member Governments that the creation and reorganization of the Authority meets any applicable requirements for independent special districts provided for in Chapter 189, Florida Statutes.
(D) All claims, causes of action, defenses, lawful debts, Obligations, contracts, franchises, promissory notes, audits, actions, minutes, resolutions, and other undertakings of the Authority in existence on the date of this Agreement and upon satisfaction of the conditions described in Sections 6.03(A) and (D) hereof are hereby validated and shall continue to be valid and binding on the Authority in accordance with their respective terms, conditions and covenants, unless expressly terminated, superseded or modified as specified in this Agreement and the Master Water Supply Contract. Any proceedings heretofore begun by the Authority for the receipt of Environmental Permits, construction of any improvements, works or facilities; for the assessment of benefits and damages or for the borrowing of money shall not be impaired or voided by the reorganization of the Authority and may be continued and completed in the name of the Authority.

SECTION 2.02. POWERS AND DUTIES OF THE AUTHORITY. (A) The Authority shall have the following powers in addition to and supplementing any other privileges, benefits and powers granted by Sections 373.1962 and 163.01, Florida Statutes:

(1) To acquire Water and Water rights; develop, store, and transport Water; and sell Water in the manner provided herein.

(2) To sue and be sued in its own name.

(3) To acquire, by purchase, gift, devise or otherwise, and to dispose of, real or personal property, or any estate therein.

(4) To lease, as lessor or lessee, to or from any person, firm, corporation, association or body, public or private, facilities or property of any nature for the use of the Authority to carry out any of the purposes authorized by this Agreement.

(5) To make and execute contracts or other instruments necessary or convenient to the exercise of its powers.

(6) To contract with one or more other public corporations for the purpose of carrying out any of its powers and for that purpose to contract with such other public corporation or corporations for the purpose of financing such acquisitions, construction, and operations. Such contracts may provide for contributions to be made by each party thereto, for the division and apportionment of the expenses of such acquisitions and operations, and for the division and apportionment of the benefits, services, and products therefrom. Such contracts may contain such other and further covenants and agreements as may be necessary and convenient to accomplish the purposes hereof.

(7) To contract for the service of engineers, accountants, attorneys, rate consultants and other experts or consultants, and such other agents and employees as the Board may require or deem appropriate.

(8) To contract with private or public entities or persons to develop, purchase or sell Water, subject to the preferential right of each Member Government to purchase Quality Water from the Authority for use by such Member Government; provided however, that the Authority shall not sell Water to any customer of a Member Government.
(9) To contract with a Member Government or any private or public entity or person for the operation or management of Water Supply Facilities.

(10) To accomplish construction directly or by advertising for construction bids and letting contracts for all or any part of the construction of improvements to the Water Supply Facilities to the lowest responsible and responsive bidder or rejecting any and all bids at its discretion; provided however, that the competitive bid requirement may be waived if (a) the Board determines that emergency circumstances are present or (b) after consideration of all available alternative materials and systems, the Board determines that the specification of a sole material or system is justifiable based upon its design, cost, interchangeability or any other relevant factor.

(11) To exercise the power of eminent domain in the manner provided by law for the condemnation of private property for public use, to acquire title to such interest in real property as is necessary to the exercise of the powers herein granted, except Water and Water rights already devoted to reasonable and beneficial use or any water production or transmission facilities owned by any county or municipality.

(12) To issue Obligations in the manner provided in (a) Article IV hereof, (b) the Revenue Bond Act of 1953, as amended, part I, chapter 159, Florida Statutes, or (c) Part II, Chapter 159, Florida Statutes, and Section 4.09 hereof; provided however, that such Obligations shall not constitute a debt or obligation of the Member Governments except to the extent that Member Governments are required to comply with the terms hereof and of the Master Water Supply Contract.

(13) To assume ownership (in fee, easement, license or other legal interest), operation and/or control of any Water Supply Facility owned by a municipality, county, district or authority, including the assumption of the financial liabilities associated with such Water Supply Facilities.

(14) Subject to such provisions and restrictions as may be set forth herein and in any instrument authorizing the issuance of Obligations, to sell or otherwise dispose of its Water Supply Facilities, or any portion thereof, upon such terms as the Board deems appropriate; provided however, that the Authority shall not dispose of its Water Supply Facilities, or any portion thereof, if the disposition would cause a Production Failure.

(15) To apply for and accept grants, loans, and subsidies from any governmental entity for the construction, operation and maintenance of its Water Supply Facilities, and to comply with all requirements and conditions imposed in connection therewith.

(16) To the extent allowed by law and to the extent required to effectuate the purposes hereof, to exercise all privileges, immunities and exemptions accorded municipalities and counties of the State under the provisions of the constitution and laws of the State.

(17) To appoint advisory, administrative or operation boards or committees to assist the Authority in the exercise and performance of the powers and duties provided for under this Agreement.

(18) To apply for, obtain and comply with Environmental Permits.
(19) To do all acts and things necessary or convenient for the conduct of its business in order to carry out the powers and duties provided in this Agreement.

(B) Notwithstanding the geographic territory established in Section 2.01(A) hereof, the Authority may exercise any of its rights, powers, privileges and authorities granted herein in any and all portions of any county, municipality, special district or other political subdivision of the State, heretofore or hereafter created or organized.

(C) Notwithstanding the provisions of Section 373.1962(2)(a), Florida Statutes, the Authority shall not impose ad valorem taxes.

(D) The Authority shall not engage in local distribution.

(E) Section 163.01(7)(g), Florida Statutes, shall not apply to the Authority.

SECTION 2.03. BOARD OF DIRECTORS. (A) All powers, privileges and duties vested in or imposed upon the Authority shall be exercised and performed by and through a Board of Directors; provided however, that the exercise of any and all executive, administrative and ministerial powers may be delegated by the Board of Directors to the General Manager or the General Counsel.

(B) The Board shall be comprised of nine Directors, all of whom shall be elected officials, with each Director being entitled to one vote. The Directors shall be appointed by the Member Governments as follows:

1. two Directors appointed by the Hillsborough Board of County Commissioners;
2. two Directors appointed by the Pasco Board of County Commissioners;
3. two Directors appointed by the Pinellas Board of County Commissioners;
4. one Director appointed by the New Port Richey City Council;
5. one Director appointed by the St. Petersburg City Council; and
6. one Director appointed by the Mayor of Tampa (who may be the Mayor).

(C) Not later than ten days following the date on which the conditions described in Section 6.03(A) have been satisfied, each Member Government shall appoint its Director or Directors to serve in such capacity for a period deemed appropriate by the Member Government. Reappointments shall be made when necessary to ensure continuous representation of the Member Governments.

SECTION 2.04. BOARD MEETINGS. The Board shall meet on a regular basis at such times and at such places as determined by the Board; provided however, that special meetings may be called by the chairman and in his or her absence by the vice-chairman. Special meetings shall be called upon receipt by the General Manager of written requests from a majority of the Directors. To the extent permitted by Section 286.011, Florida Statutes, telephonic regular or special meetings by conference call or other method of electronic voice transmission which permits each participant to hear every other participant and join in the discussion are specifically authorized.

SECTION 2.05. QUORUM AND VOTING. (A) A quorum for the transaction of business at any regular or special meeting of the Board shall consist of a majority of the Directors. Notwithstanding the foregoing, a majority of the Directors present at any meeting may act to continue the meeting to any time and date specified in such action.
(B) Each Director shall be entitled to one vote. No vote by proxy shall be permitted. Except as otherwise provided in Section 2.05(C) hereof, Board action shall require an affirmative vote of not less than five Directors.

(C) The following Board actions shall require an affirmative vote of not less than six Directors:

(1) contracts with private or public entities to purchase or sell Water;

(2) contracts with a Member Government or any private or public entity or person for the operation or management of the Transferred Assets and the Water Supply Facilities owned or operated by the Authority on the date hereof;

(3) assumption of ownership, operation and/or control of any Water Supply Facilities owned by a municipality, county, district or authority, if such acquisition is projected to have a material adverse rate impact on the Member Governments; and

(4) sale or other disposition of its Water Supply Facilities, or any portion thereof.

(D) Prior to December 31, 2008, any action to acquire or construct Water Supply Facilities for the purpose of reducing the combined permitted withdrawal quantity from the Partnership Plan Wellfields, on an average annual basis, to a quantity less than 90 mgd shall require an affirmative vote of all nine Directors.

SECTION 2.06. OFFICERS OF THE BOARD. (A) The Board shall elect a chairman from their number, who shall serve for a period of one year, or until a successor shall have been duly elected and qualified, whichever is later. No Director shall serve as chairman for more than two consecutive full terms. The chairman shall preside at all meetings of the Board.

(B) The Board shall elect a vice-chairman from their number, who shall serve for a period of one year, or until a successor shall have been duly elected and qualified, whichever is later. No Director shall serve as vice-chairman for more than two consecutive full terms. In case of the absence or disability of the chairman, the chairman's duties shall be performed by the vice-chairman. The vice-chairman shall perform such additional duties as are authorized by the Board.

(C) If a vacancy occurs in the office of chairman or vice-chairman, the Board shall elect a replacement to serve the balance of the unexpired term.

(D) If neither the chairman nor vice-chairman attends a meeting at which a quorum is present, the Directors present may elect one of their number to serve as chairman pro-tem for that meeting.

SECTION 2.07. POWERS AND DUTIES OF THE BOARD. The Board shall act as the governing body of the Authority and shall have the following powers and duties:

(A) To fix the time and place or places at which its regular meeting shall be held, and to call and hold special meetings.

(B) To make and pass rules, regulations, resolutions and orders not inconsistent with the Constitution of the United States or of the State, or to the provisions of Sections 373.1962 and 163.01,
Florida Statutes, or this Agreement, necessary for the governance and management of the affairs of the Authority, for the execution of the powers vested in the Authority, and for carrying into effect the provisions of this Agreement.

(C) To fix the location of the principal place of business of the Authority and the location of all offices and departments maintained thereunder.

(D) To prescribe a system of business administration and to create any and all necessary offices in addition to chairman and vice chairman, which may include the offices of secretary and treasurer; to establish the powers, duties and compensation of all employees; and to require and fix the amount of all official bonds necessary for the protection of the funds and property of the Authority.

(E) To appoint a General Manager, who shall administer the affairs and manage the staff of the Authority with Board approval, and perform other administrative duties as directed by the Board.

(F) To appoint a General Counsel to act as the chief legal officer of the Authority, manage the Authority's legal representation and employ necessary legal staff with Board approval, provide legal advice and support to the Board, General Manager and Authority staff, and perform such other duties as directed by the Board.

(G) To change the Authority's name, if permitted by law.

SECTION 2.08. ANNUAL BUDGET. (A) Prior to July 1 of each year, the General Manager shall prepare and deliver to the Board a balanced tentative budget for the Authority covering its proposed operating and other financial requirements for the ensuing Fiscal Year. The tentative budget shall identify (1) the rate at which Quality Water will be sold to Member Governments during such Fiscal Year, and (2) the rate to be charged to Tampa for Water provided through the Tampa Bypass Canal pumping facility during such Fiscal Year.

(B) The Board shall publish a notice of its intention to adopt the budget and shall provide copies of the notice and tentative budget to each Member Government on or before the first publication date. The notice shall include a summary of the tentative budget, specify the rates at which Quality Water will be sold to the Member Governments and identify the time, date and place at which the public may appear before the Board and state their objections to or support of the budget and rates. The notice shall be published once a week for two consecutive weeks within thirty days of the public hearing. in any newspaper qualified to accept legal advertisements in each county in the jurisdiction of the Authority, the last insertion of which shall appear not less than one week prior to the date set by the Board for the hearing on the proposed budget and rates.

(C) At the time, date and place specified in the notice, the Board shall conduct a public hearing and thereafter may consider adoption of the budget and rates with any amendments it deems advisable. Unless otherwise authorized by the Board, the final budget and rates shall be adopted by August 1.

(D) The adopted budget shall be the operating and fiscal guide for the Authority for the ensuing Fiscal Year. The Board may from time to time amend the budget at any regular or special meeting; provided however, that prior to approving any budget amendment that increases the total budget for any Fiscal Year (other than a budget amendment appropriating grant funds or the proceeds of Obligations), the Board shall provide notice and conduct an additional public hearing in the manner described in this Section 2.08.
SECTION 2.09. MASTER WATER PLAN. (A) The Master Water Plan approved by the Authority on December 18, 1995, as updated on February 16, 1998, is hereby ratified and confirmed as a planning document. The Authority shall periodically review and update the Master Water Plan and pursue implementation of identified projects in a timely manner to meet its obligation to deliver Quality Water to the Member Governments.

(B) Within five years following the date on which the conditions described in Sections 6.03(A) and (D) have been satisfied, and not more than every five years thereafter, the Board shall revise the Master Water Plan. To the extent deemed necessary or advisable by the Board, the revised Master Water Plan shall identify current customers, projects, and future customers; review and generally inventory all existing Authority Water Supply Facilities; identify a capital improvement program for the Authority; review all current Authority Environmental Permits, existing regulations and projected regulations; identify all proposed new Water Supply Facilities; evaluate Authority staffing; provide for hydraulic analysis of the Authority's Water Supply Facilities, both existing and proposed; evaluate present and future sources of Water and treatment requirements for those sources in terms of capacity, reliability and economy; and, update the list of proposed Water Supply Facilities required to meet the anticipated Quality Water needs of the Member Governments for the next twenty years.

SECTION 2.10. PERFORMANCE AUDIT AND MANAGEMENT STUDY. The Authority shall conduct a performance audit and management study immediately following the end of the first full Fiscal Year after satisfaction of the conditions described in Sections 6.03(A) and (D) hereof, and at five-year intervals thereafter, to review program results and make recommendations regarding its governance structure and the proper, efficient, and economical operation and maintenance of the Authority's Water Supply Facilities. The Authority shall retain a nationally recognized accounting firm or management consulting firm to conduct the performance audit and management study.

ARTICLE III - WATER SUPPLY PROVISIONS

SECTION 3.01. REGIONAL COOPERATION. The Member Governments agree that cooperative efforts are necessary in order to meet their respective needs for Quality Water in a manner which will provide adequate and dependable supplies in such a manner as will give priority to reducing adverse environmental effects of excessive or improper withdrawals of water from concentrated areas. The Member Governments shall continue their cooperative efforts to develop and implement effective conservation programs in order to reduce per capita demand for Water.

SECTION 3.02. EXCLUSIVITY. Except as provided in Section 3.02(1) hereof, it is expressly understood and agreed that the Authority shall be the sole and exclusive supplier of Water to the Member Governments and that the Member Governments shall not own or operate Water Supply Facilities.

(A) If any Member Government acquires a private utility company, the Authority shall be entitled to acquire any Water Supply Facilities owned by the private utility. If the Authority elects to exercise its option, the Water Supply Facilities shall be appraised by two independent appraisers acceptable to the Authority and the Member Government in their reasonable judgment. The Authority will purchase the Water Supply Facilities upon payment of an amount equal to the average of the two appraised values and, if applicable, any debt, fines, or other obligations assumed by the Member Government and any cost expended by the Member Government to bring the Water Supply Facilities into regulatory compliance.
(B) The Member Governments shall neither create nor, to the extent permitted by law, allow creation of any special district or other governmental authority located wholly or partially within the geographic territory of the Authority pursuant to Chapter 189, Florida Statutes, Section 163.01, Florida Statutes, Section 373.1962, Florida Statutes, or any other provision of general or special law or by ordinance or contract, if the special district or other governmental authority is authorized to produce Water for use within the geographic territory of the Authority. This Section 3.02(B) shall not apply to the creation of any special district or other governmental authority that is required to use the Authority (through a Member Government) as its exclusive supplier of Water to be delivered to customers located within the geographic territory of the Authority to the same extent as required by the Member Governments (other than Tampa) hereunder.

(C) The Member Governments shall not privatize all or any portion of their Water utility systems without including in the contract with the private entity a provision which obligates the private entity to use the Authority as its exclusive supplier of Water to be delivered to customers located within the geographic territory of the Authority to the same extent as required by the Member Governments (other than Tampa) hereunder.

(D) The Member Governments shall not sell, lease or otherwise dispose of all or any portion of their Water utility systems' distribution facilities without requiring the purchaser or lessee to use the Authority (through a Member Government) as its exclusive supplier of Water to be delivered to customers located within the geographic territory of the Authority to the same extent as required by the Member Governments (other than Tampa) hereunder. To the extent permitted by law, the obligation to use the Authority (through a Member Government) as the exclusive supplier of Water to be delivered to customers located within the geographic territory of the Authority shall be imposed as a restrictive covenant against any real property conveyed in connection with the disposition of such distribution facilities.

(E) To the extent permitted by law, the Member Governments shall not franchise new or expanded private water utilities following the date hereof unless the franchisee agrees to use the Authority (through the Member Government) as its exclusive supplier of Water to be delivered to customers located within the new or expanded franchise area and the geographic territory of the Authority to the same extent as required by the Member Governments (other than Tampa) hereunder.

(1) Notwithstanding the foregoing, Member Governments may franchise new or expanded private water utilities without the requirement to use the Authority (through the Member Government) as its exclusive supplier of Water to be delivered to customers located within the geographic territory of the Authority if (a) the Member Government has provided a copy of the franchise application to the Authority, and (b) within forty-five days of its receipt of such notice, the Authority does not notify the Member Government that it intends to supply Quality Water to the franchise area to serve customers located within the geographic territory of the Authority.

(2) If the Authority elects to supply Quality Water to the new or expanded franchise area, the franchisee will be responsible for constructing the Water Supply Facilities required to produce Quality Water to serve customers located within the new or expanded franchise area and the geographic territory of the Authority and will be required to dedicate such Water Supply Facilities to the Authority without cost to the Authority. Following dedication, the Authority will be responsible for operating and maintaining the Water Supply Facilities at its own expense. Quality Water shall be provided to the franchise area only through the Member Government. Nothing in this
Section 3.02(E) shall be construed to require either Hillsborough or the Authority to extend any transmission facilities to serve the proposed franchise area.

(F) The Member Governments shall not assist or encourage the creation or expansion of a private utility by the Florida Public Service Commission unless the private utility agrees to use the Authority (through a Member Government) as its exclusive supplier of Water to be delivered to customers located within the geographic territory of the Authority to the same extent as required by the Member Governments (other than Tampa) hereunder.

(G) The Member Governments shall not merge or consolidate their water utility systems with water utility systems owned and/or operated by other Member Governments, other local governments, units of federal or State government, special districts, governmental authorities, persons, corporations or other entities without requiring all other parties to use the Authority (through a Member Government) as their exclusive supplier of Water to be delivered to customers located within the geographic territory of the Authority to the same extent as required by the Member Governments (other than Tampa) hereunder.

(H) The Member Governments shall not work in concert with any person, corporation, local government, unit of federal or State government, special district, governmental authority or other entity for the purpose of avoiding or evading the exclusivity requirements of this Section 3.02.

(I) The exclusivity requirements set forth in this Section 3.02 are subject only to the following exceptions.

(1) The Member Governments shall have the right to construct, operate and maintain the specific Water Supply Facilities authorized by Sections 3.06 through 3.10, inclusive.

(2) The Member Governments shall have the right to acquire Water, construct Water Supply Facilities and Wheel Quality Water upon the occurrence of a Production Failure, as set forth in Section 3.19 hereof.

(3) Hillsborough may continue its practice of purchasing Water from Plant City at the current quantity of approximately 0.2 mgd, plus any increases necessary to adequately supply the Oaks Utility service area.

(4) Pasco may continue its practice of purchasing Water from Dade City at the current quantity of approximately 0.009 mgd, plus any increases necessary to adequately supply the Eldred Subdivision.

(5) Pasco may continue its practice of purchasing Water from Zephyrhills at the current quantity of approximately 0.020 mgd, plus any increases necessary to adequately supply the Florida Trailer Estates.

(6) Member Governments may acquire Water Supply Facilities when required by law, but shall convey such Water Supply Facilities to the Authority at the earliest practical date, upon payment by the Authority of an amount equal to the Member Government’s Actual Direct Cost, retaining ownership of any treatment and distribution facilities.
(7) Nothing in this Agreement shall be construed to prohibit the Member Governments
from temporarily exchanging or purchasing Water, either among themselves or with other public or
private utilities, for emergency and maintenance purposes in the ordinary course of business.

(8) The Member Governments may continue to own and operate the wells listed in
Appendix A. Except as otherwise provided herein, the Member Governments shall not withdraw
Water from any wells not listed in Appendix A. The Authority is hereby granted an option to
purchase (a) any Water Supply Facility owned by a Member Government on the date of this
Agreement that is not listed in Appendix A, and (b) any Water Supply Facility listed in Appendix
A for which the permitted quantity specified in Appendix A is increased by more than twenty
percent. If the Authority elects to exercise its option, the purchase price shall be equal to the
Member Government’s Actual Direct Cost to acquire and construct the Water Supply Facility.

SECTION 3.03. OBLIGATION TO MEET WATER NEEDS. (A) Except as otherwise
expressly provided herein or in the Master Water Supply Contract, the Authority shall have the absolute and
unequivocal obligation to meet the Quality Water needs of the Member Governments. Quality Water needs
of the Member Governments shall be satisfied before Quality Water is delivered to any other customer of
the Authority.

(B) The Authority shall oppose any permit, order, rule or other regulatory effort to reduce or
limit the permitted capacity of its Water Supply Facilities, unless (1) the reduction or limitation results from
an agreement to which all Member Governments are parties, or (2) the reduction or limitation will not
become effective until adequate Replacement Capacity has been placed in service.

(C) The General Manager shall actively monitor the relationship between the quantity of Quality
Water actually delivered by the Authority to the Member Governments and the aggregate permitted capacity
of the Authority’s production facilities.

(1) If the actual delivery of Quality Water by the Authority to the Member Governments
during any twelve-month period exceeds 75 percent of the aggregate permitted capacity of the
Authority’s production facilities, the General Manager shall report to the Board and recommend that
the Authority initiate preparation of Primary Environmental Permit applications necessary to ensure
an adequate supply. The Authority shall initiate any such applications expeditiously.

(2) If the actual delivery of Quality Water by the Authority to the Member Governments
during any twelve-month period exceeds 85 percent of the aggregate permitted capacity of the
Authority’s production facilities, the General Manager shall report to the Board and recommend that
the Authority file Primary Environmental Permit applications to ensure an adequate supply. The
Authority shall file any such applications expeditiously.

(D) It is acknowledged and agreed that the Water delivered by the Authority (1) from the South
Central Hillsborough Wellfield to the Lithia Water Treatment Plant, (2) from the Starkey and North Pasco
Wellfields to the Maytum Water Treatment Plant, (3) from the Starkey and North Pasco Wellfields to the
Little Road Water Treatment Plant, (4) from the Eldridge-Wilde Wellfield to the Keller Water Treatment
Plant, (5) from the Cosme-Odessa Wellfield to the Cosme Water Treatment Plant, (6) from the Morris Bridge
Wellfield to the Morris Bridge Water Treatment Plant, and (7) from the Tampa Bypass Canal to the
Hillsborough River Reservoir, will not meet the standards for Quality Water at the Point of Connection due
to excessive concentrations of hydrogen sulfide currently being removed by Member Governments at their
own treatment facilities. In order to continue meeting Quality Water standards and maintain price equity upon implementation of the uniform rate pursuant to Section 3.04 hereof, the Member Governments receiving such Water (other than Water delivered to Tampa from the Tampa Bypass Canal that is not attributable to Authority augmentation projects such as the Hillsborough Bay Resource Exchange Project, which has been excluded from Section 3.04 pursuant to Section 3.08(D) hereof) will be entitled to a credit against the uniform rate, as set forth in Section 3.04(A)(1) hereof.

(E) Member Governments may agree, at their sole option, to accept Water not meeting the standards for Quality Water at any other Point of Connection. In such event, the Member Government shall also be entitled to a credit against the uniform rate, as set forth in Section 3.04(A)(1) hereof.

SECTION 3.04. UNIFORM RATE. (A) The Authority shall establish a single uniform rate for the sale of Quality Water to Member Governments, subject only to the adjustments set forth in this Section 3.04(A); provided however, that this Section 3.04 shall not apply to Quality Water delivered to Tampa from the Tampa Bypass Canal that is not attributable to Authority augmentation projects such as the Hillsborough Bay Resource Exchange Project, for which the rate is established in Section 3.08(D) hereof.

(1) If the Authority delivers Water that does not meet the standards for Quality Water either (a) to the Points of Connection at the facilities described in Section 3.03(D) hereof, or (b) at other Points of Connection with the express acknowledgment and consent of the receiving Member Government, the rate charged for such Water shall be reduced to reflect the Member Government's Actual Direct Cost to perform the additional treatment required to meet the standards for Quality Water. Any facilities and processes required to perform the additional treatment shall be consistent with generally accepted engineering guidelines.

(2) If a Member Government requests the Authority to provide any other treatment beyond that necessary to meet Quality Water standards and the Authority agrees to provide such additional treatment, in its sole discretion, the rate charged to such Member Government shall be increased to reflect the Authority's Actual Direct Cost to provide such additional treatment.

(3) Credits received by a Member Government in consideration of its conveyance of Transferred Assets will be applied to reduce the cost of purchasing Quality Water in equal monthly installments over a thirty-year period, assuming that such credits bear interest, compounded semiannually, at the rate borne by any Obligations issued by the Authority to finance a cash acquisition of Transferred Assets. If no Obligations are issued to finance a cash acquisition of Transferred Assets, credits shall accrue interest, compounded semiannually, at the rate borne by Obligations issued by the Authority to refinance its outstanding Capital Improvement Revenue Bonds, Series 1979, Refunding Revenue Bonds Series 1985, Refunding Revenue Bonds, Series 1989A, Capital Improvement Revenue Bonds, Series 1989B, Refunding Revenue Bonds, Series 1992, Refunding Revenue Bonds, Series 1995, Revenue Note, Series 1997, Cypress Creek Capital Lease Obligation, Starkey Wellfield Capital Lease Obligation, and Series 1991 Revenue Notes.

(B) The rate for the sale of Quality Water to Member Governments shall be established for each Fiscal Year in the Authority's annual budget. Except as provided in Section 3.04(C) hereof, the rate shall not be increased during the Fiscal Year.

(C) If the Authority is required to increase the rate by the terms of the Financing Documents, notice shall be provided by registered mail to each Member Government. The notice shall include the
proposed new rate and identify the time, date and place at which the Board intends to approve the increase. Any increase to the rate shall take effect on the date specified by the Board, which shall not be earlier than the sixtieth day following its adoption.

SECTION 3.05. MASTER WATER SUPPLY CONTRACT. Simultaneously with the execution of this Agreement, the Authority and each Member Government shall enter into the Master Water Supply Contract, in the form attached hereto as Appendix B.

SECTION 3.06. ISOLATED WATER SUPPLY FACILITIES. (A) If a new development within the jurisdiction of a Member Government cannot be served on an economically feasible basis with Quality Water supplied by the Authority because of the distance between the development and the Member Government’s closest transmission facility, the Member Government may acquire or construct a Water Supply Facility consisting of one or more withdrawal points with a total capacity sufficient to serve the development, but in no event more than 1 mgd (on an annual average basis) for such purpose, upon compliance with the requirements set forth in this Section 3.06.

(1) The Member Government shall provide information demonstrating that the area in question cannot be served with Quality Water supplied by the Authority on an economically feasible basis. Within sixty days of its receipt of the information, the Authority may elect to acquire or construct Water Supply Facilities in a location that will provide service on an economically feasible basis.

(2) If no election is made within the sixty day period, the Member Government may proceed with acquisition or construction and shall own and operate the Water Supply Facility, subject to the Authority’s option at any time to acquire such Water Supply Facility from the Member Government. If the Authority elects to exercise its option, the purchase price shall be equal to the Member Government’s Actual Direct Cost to acquire and construct the Water Supply Facility.

(B) The parties acknowledge that Pasco applied to SWFWMD in April 1996 for a Primary Environmental Permit (applications 20025.06 and 2011480, as modified) to withdraw Water at an average annual rate of one mgd from a new Water Supply Facility consisting of 4 new wells and specified existing wells located near the Cypress Creek and Cypress Bridge Wellfields. Within thirty days of the date on which the conditions described in Sections 6.03(A) and (D) hereof have been satisfied, Pasco may modify its permit application to eliminate the new Water Supply Facility. If the permit application is not modified, as described above, within the thirty-day period, the Authority shall have a sixty-day period to either determine that the proposed Water Supply Facilities are not required to meet the Member Governments' needs, or elect to assume responsibility for construction, ownership and operation of the Water Supply Facility. If no determination or election is made within the sixty-day period, Pasco may proceed with construction and shall own and operate the Water Supply Facility, subject to the Authority’s purchase option described in Section 3.06(B)(3) hereof.

(1) If the Authority determines that the proposed Water Supply Facilities are not required to meet the Member Governments' needs, Pasco agrees to withdraw its Primary Environmental Permit application or modify its Primary Environmental Permit, if issued, to eliminate the four new wells.
(2) If the Authority elects to construct, own and operate the Water Supply Facility, any plans, permits and specifications for construction, and the land upon which the Water Supply Facility is to be located, will be transferred to the Authority as follows:

(a) Pasco will transfer its rights to any plans and specifications to the Authority upon reimbursement by the Authority of Pasco’s Actual Direct Cost therefor. From time to time and upon receipt of a written request from the Authority, Pasco shall assign in writing to the Authority all rights which Pasco may then possess against (A) any parties who prepared the plans and specifications for the Water Supply Facility and (B) all contractors, subcontractors and material suppliers for the Water Supply Facility, reserving to Pasco the right to subsequently prosecute any claims against said parties that may arise as a result of any claims, action, loss or damage sustained by Pasco arising out of any of the plans and specifications for the Water Supply Facility or construction of the Water Supply Facility.

(b) Pasco and the Authority will make joint application for transfer of any Environmental Permits.

(c) The land upon which the Water Supply Facility is to be located shall be appraised by two independent appraisers acceptable to the Authority and Pasco in their reasonable judgment, and the Authority will purchase the property upon payment of an amount equal to the average of the two appraised values.

(3) If the Authority fails to determine that the proposed Water Supply Facilities are not required to meet the Member Governments’ needs and does not elect to construct, own and operate the Water Supply Facility, the Authority shall have the option at any time to acquire such Water Supply Facility from Pasco. If the Authority elects to exercise its option, the purchase price shall be equal to Pasco’s Actual Direct Cost to acquire and construct such Water Supply Facility.

SECTION 3.07. WALSINGHAM FACILITY. The Member Governments acknowledge and agree that Pinellas shall be permitted to contract with Permasep, L.L.C. to acquire the Water produced at Permasep, L.L.C.’s proposed Walsingham reverse osmosis Water treatment plant, which will have a proposed average annual production capacity up to 10 mgd. It is understood and agreed that the location of the project may be subject to change; provided however, than any new location shall be wholly within the boundaries of Pinellas.

(A) Pinellas hereby grants an option to the Authority for purchase of all Water available to Pinellas from the Walsingham facility. Pinellas shall provide notice to the Authority not less than ninety days prior to the date on which the Walsingham facility will be placed in service. The notice will include (1) the date on which the Walsingham facility will begin to produce Water, (2) all available information regarding the quality of Water to be produced, and (3) the cost (or method of determining the cost) at which Pinellas has agreed to purchase the Water. On or prior to the initial production date specified in the notice, the Authority may exercise its option to purchase the Water. This option shall expire if not exercised by the Authority within sixty days of the notice.

(B) Upon timely exercise of the option, the Authority shall purchase Water produced at the Walsingham facility from Pinellas at the same price at which Pinellas purchases the Water from Permasep, L.L.C. If permitted under the terms of Pinellas’s agreement with Permasep, L.L.C. and upon agreement
among Pinellas, Permasep, L.L.C. and the Authority, the right to purchase Water directly from the Walsingham facility may be assigned by Pinellas to the Authority.

(C) It is understood and agreed that any Water purchased by the Authority from the Walsingham facility will be delivered directly to Pinellas under the Master Water Supply Contract and that the rate payable by Pinellas to the Authority pursuant to Section 3.04 hereof may be more or less than the rate at which the Authority purchases the Water from Pinellas or Permasep, L.L.C.

SECTION 3.08. SURFACE WATER SOURCES. (A) The parties acknowledge that Tampa's historical use of surface Water sources constitutes a special circumstance justifying an exception to the exclusivity requirements of Section 3.02 hereof. In recognition of this special circumstance, the parties agree to

(1) reserve Tampa's existing permitted capacity for withdrawals from the Hillsborough River (82 mgd average annual day, 92 mgd peak month and 104 mgd maximum day). Withdrawals from Sulphur Springs (5 mgd average annual day, 10 mgd peak month and 20 mgd maximum day) and the Tampa Bypass Canal (20 mgd average annual day and 40 mgd maximum day) have also been permitted as augmentation quantities for the Hillsborough River in order to facilitate Tampa's withdrawals from the Hillsborough River at the permitted 82 mgd average annual day, 92 mgd peak month and 104 mgd maximum day rates;

(2) protect Tampa's priority access to the Tampa Bypass Canal as described in Section 3.08(D) hereof; and

(3) permit the Authority, on behalf of the region, to access Hillsborough River and Tampa Bypass Canal surface Water sources during High Flow Periods, as described in Section 3.08(D) hereof; provided however, that

(4) after the Authority has satisfied its need for Water from the Hillsborough River during High Flow Periods, Tampa may increase its rates of withdrawal up to 142 mgd peak month and 142 mgd maximum day, pursuant to 3.08(C) hereof, when such quantities are available and permitted for Tampa's use.

It is understood and agreed that Tampa's exception to the exclusivity requirements of Section 3.02 hereof is limited to the quantities described in Sections 3.08(A)(1) and 3.08(A)(4) and the use of Reclaimed Water, as set forth in Section 3.09 hereof.

(B) Tampa shall continue meeting a portion of its Water needs from surface Water sources, in the manner provided herein. Notwithstanding any other provisions of this Agreement to the contrary, the Authority's obligation to meet Tampa's Water needs shall be reduced by the amount of Water that can be derived from Tampa's use of such surface Water sources. It is understood and agreed that the Authority's current Water Supply Facilities and Master Water Plan do not contemplate the need to permanently replace the quantity of Water that Tampa is currently permitted to withdraw from surface Water sources, as set forth in Section 3.08(A)(1) hereof. However, upon the occurrence of an environmental or physical catastrophe that impairs Tampa's use of the Hillsborough River Reservoir, the Tampa Bypass Canal or Sulphur Springs (it being understood that an environmental or physical catastrophe excludes regulatory actions unrelated to specific events), Tampa shall request and the Authority shall assist Tampa with its unanticipated need for additional Quality Water as follows:

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(1) the Authority agrees to seek an emergency increase in all interconnected regional system permits during such an emergency period;

(2) subject only to the physical limitations of the Authority’s conveyance system and Tampa’s receiving facilities, all Quality Water not required to meet the other Member Governments’ needs will be delivered to Tampa; and

(3) the Authority will use its best efforts to increase its supply of Quality Water to meet Tampa’s Quality Water needs.

It is understood and agreed that the foregoing measures may not compensate for the entire shortfall.

(C) Tampa will continue to hold its existing permit to withdraw Water from the Hillsborough River and Sulphur Springs at the quantities set forth in Section 3.08(A)(1) hereof. After the Authority has received a Primary Environmental Permit or Primary Environmental Permits to access Hillsborough River and Tampa Bypass Canal surface Water sources during High Flow Periods for regional purposes, Tampa may seek an increase in its rates of withdrawal up to 142 mgd peak month and 142 mgd maximum day; provided however, that the proposed increase by Tampa shall not reduce the quantities available to the Authority for the region under the aforementioned regional Primary Environmental Permit or Primary Environmental Permits. If for any reason the Authority is not granted the aforementioned permit or permits by December 31, 2010, Tampa may apply for an increase in its rates of withdrawal from the Hillsborough River Reservoir. Additionally, after the Authority’s permitted withdrawals for regional use have been met, Tampa may seek an increase in the annual average withdrawal from the Hillsborough River Reservoir to satisfy environmental regulatory needs. The Authority agrees to support renewal for at least a 20 year period, pursuant to existing statutory guidelines, of Tampa’s existing permit for the withdrawal of such quantities and the other Member Governments agree not to oppose the renewal of said permit. Tampa has the right to manage and use the Hillsborough River and the Tampa Bypass Canal as an integrated system as its primary sources of supply in preference to the Quality Water supplied by the Authority. Management of the Hillsborough River Reservoir and the Tampa Bypass Canal will be consistent with the current operations as identified in subsections (1), (2) and (3) of Section 3.08(D) hereof or as otherwise modified in the comprehensive management plans provided for in Section 3.08(G) hereof.

(D) The Authority will maintain ownership of the Tampa Bypass Canal pumping facility and will be sole permittee on Primary Environmental Permits for the Tampa Bypass Canal. Tampa agrees to support the Authority’s application to become sole permittee provided the City’s current operating procedures are not modified or restricted. Tampa is granted priority for delivery of Water from the Tampa Bypass Canal to augment the Hillsborough River Reservoir up to 20 mgd on an average annual basis and up to 40 mgd on a maximum daily basis, as set forth in subsections (1) and (2) of this Section 3.08(D). It is mutually understood that the Tampa Bypass Canal may be incapable of sustaining withdrawal rates up to 40 mgd under certain naturally occurring hydrologic conditions. As such the 40 mgd maximum day quantity represents a quantity that will be delivered for augmentation of the Hillsborough Reservoir only as available from the middle pool of the Tampa Bypass Canal. Notwithstanding the provisions of Section 3.04 hereof, the rate charged to Tampa for Water provided through the Tampa Bypass Canal pumping facility will be equal to the Authority’s direct cost and Allocated Overhead. In the event that Authority withdrawals have precluded Tampa from obtaining its needed share from the Tampa Bypass Canal, (up to 20 mgd annual average daily and 40 mgd maximum day) the Authority shall supply Water to Tampa to compensate for any shortfall at the same rate Tampa would have paid for Water delivered from the Tampa Bypass Canal to the Hillsborough River Reservoir.
(1) The Authority's Harney Pumping Station on the Tampa Bypass Canal shall augment the Hillsborough River Reservoir within the permitted quantity range specified in Section 3.08(C) hereof when the draft from Tampa's Hillsborough River Treatment Plant exceeds the flow in the Hillsborough River as measured at the Morris Bridge Hillsborough River Flow gauge and the Hillsborough River Reservoir stage is below 22.5 feet MSL as measured at the Hillsborough River Reservoir dam.

(2) The Authority may pump the lower pool of the Tampa Bypass Canal at any time. Authority withdrawals from the middle pool of the Tampa Bypass Canal for regional use shall not be made when augmentation of the Hillsborough Reservoir from the Tampa Bypass Canal is ongoing. In addition, Authority withdrawals from the middle pool for regional use shall be in conformance with the comprehensive management plan provided for in Section 3.08(G) hereof, which may include the Tampa Water Resource Recovery Project.

(3) The Authority may divert withdrawals from the Hillsborough River to either or both of the Tampa Bypass Canal or the Hillsborough River Water Treatment Facility for use by the region during High Flow Periods.

(E) The Authority shall not apply for Primary Environmental Permits to withdraw Water from the Hillsborough River that are in conflict with Tampa's use of the Hillsborough River as set forth in Section 3.08(A) hereof. Tampa may exercise Host Member Government rights pursuant to Section 3.13 hereof to contest any such Primary Environmental Permit application. The Authority may apply for either a modification of the existing Primary Environmental Permit or an additional Primary Environmental Permit to allow its withdrawal of Water from the Tampa Bypass Canal to serve all of the Member Governments; provided, however, that any such application shall not modify or restrict Tampa's priority for delivery of Water from the Tampa Bypass Canal, as described in Section 3.08(D) hereof. Tampa may exercise Host Member Government rights pursuant to Section 3.13 hereof to contest any such permit application.

(F) The Morris Bridge Wellfield will be conveyed to the Authority, as required by Section 5.03 hereof. Tampa agrees to support transfer of the existing Primary Environmental Permit to the Authority at the current permitted quantities of withdrawal (15.5 mgd average day, 27 mgd peak month and 30 mgd maximum day); provided however, that Tampa may exercise Host Member Government rights pursuant to Section 3.13 hereof to contest any subsequent application for a Primary Environmental Permit renewal or modification for the Morris Bridge Wellfield.

(G) The Authority and Tampa will work in cooperation with SWFWMD to develop a unanimously agreed upon comprehensive management plan for the Hillsborough River, the Tampa Bypass Canal, Sulphur Springs and the Morris Bridge Wellfield.

(H) Tampa shall have the right to continue its ongoing studies and implementation of Aquifer Storage and Recovery. It will remain Tampa's option as to whether or not to continue its Aquifer Storage and Recovery programs at such time as the Authority can provide additional surface water to the region and Tampa.

(I) Tampa and the Authority agree to amend the Agreement for New Water Source Funding between the West Coast Regional Water Supply Authority and the City of Tampa for the TWRP. The Authority shall pay Tampa's local share of the TWRP. Tampa will administer the federal funding for the TWRP as well as its design, construction and operations. If this project is selected by the Authority, the
Authority and Tampa shall enter into an operations agreement whereby Tampa is paid for operating the project. The Authority will administer SWFWMD funding for the Hillsborough Bay Resource Exchange Project. The SWFWMD funding will be apportioned between three main elements of the project proportionate to their design and construction costs. The Authority will administer the design, construction and operations of the surface water treatment plant.

SECTION 3.09. RECLAIMED WATER. Except as provided in Section 3.08(I), the Member Governments shall retain the exclusive right to develop, own, and/or operate all facilities for Reclaimed Water. However, in connection with the TWWRP, (A) all applicable permits required for the construction of the TWWRP must be issued to the Authority on or before December 31, 2008, and (B) the Authority must commence operation of the TWWRP on or before December 31, 2012. If the Authority fails to meet either one of the foregoing conditions, then all provisions of this Agreement pertaining to the TWWRP shall be deemed null and void and of no further force and effect. In such event, the Authority shall have no right, title or interest of any kind whatsoever in any of the tertiary treated wastewater produced by Tampa’s Howard C. Curren Wastewater Treatment Plant and Tampa will retain the rights to develop, own and/or operate facilities for Reclaimed Water.

SECTION 3.10. CLEARWATER FACILITIES. Pinellas may construct Water Supply Facilities using reverse osmosis or other technology to replace facilities currently operated by the City of Clearwater upon compliance with all of the following requirements:

(A) The plans, specifications and permits for construction of the Water Supply Facility and an estimated operating cost projection shall be provided to the Authority. Within ninety days of its receipt thereof, the Authority may elect to assume responsibility for construction, ownership and operation of the Water Supply Facility. If no election is made within the ninety day period, Pinellas may proceed with construction and shall own and operate the Water Supply Facility, subject to the Authority’s purchase option described in Section 3.10(C) hereof.

(B) If the Authority elects to construct, own and operate the Water Supply Facility, the plans, permits and specifications for construction, and the land upon which the Water Supply Facility is to be located, will be transferred to the Authority as follows:

1. Pinellas will transfer its rights to the plans and specifications to the Authority upon reimbursement by the Authority of Pinellas’ Actual Direct Cost therefor. From time to time and upon receipt of a written request from the Authority, Pinellas shall assign in writing to the Authority all rights which Pinellas may then possess against (A) any parties who prepared the plans and specifications for the Water Supply Facility and (B) all contractors, subcontractors and material suppliers for the Water Supply Facility, reserving to Pinellas the right to subsequently prosecute any claims against said parties that may arise as a result of any claims, action, loss or damage sustained by Pinellas arising out of any of the plans and specifications for the Water Supply Facility or construction of the Water Supply Facility.

2. The Authority and Pinellas will make joint application for transfer of the Environmental Permits.

3. The land upon which the Water Supply Facility is to be located shall be appraised by two independent appraisers acceptable to the Authority and Pinellas in their reasonable judgment,
and the Authority will purchase the property upon payment of an amount equal to the average of the two appraised values.

(C) If the Authority declines to construct, own and operate the Water Supply Facility, the Authority shall have the option at any time to acquire such Water Supply Facility from Pinellas. If the Authority elects to exercise its option, the purchase price shall be equal to Pinellas’ Actual Direct Cost to acquire and construct such Water Supply Facility.

SECTION 3.11. SERVICE DISRUPTIONS. The Authority shall provide notice to the Member Governments not less than five days prior to closing any Water Supply Facility for scheduled maintenance or repair. Furthermore, the Authority shall provide, as necessary, alternative means for providing Quality Water supply services. Upon the occurrence of any unforeseen mechanical, equipment or other failure of a Water Supply Facility, the Authority shall provide notice to the Member Governments that is reasonable under the circumstances. Any service disruption that results from mechanical equipment or other failure shall be remedied as quickly as technically feasible.

SECTION 3.12. PERMITS AND LICENSES. (A) The Authority shall make timely application for all Primary Environmental Permits required to meet the Quality Water needs of the Member Governments in such a manner as will give priority to reducing adverse environmental effects of excessive or improper withdrawals of water from concentrated areas. The Authority shall provide the Member Governments with three day’s notice of all preapplication meetings with the permitting agencies for Primary Environmental Permits and shall also provide the Member Governments, upon request, with copies of all applications, including modification or renewal applications, supplemental or clarifying information requested by the permitting agency, and the technical data and basis for such applications and filings. All applications and amendments to Primary Environmental Permit applications shall be approved by the Board before filing with the permitting agency and shall include proposed permit conditions.

(B) It is hereby stipulated and agreed that only a Host Member Government in its individual capacity, has a substantial interest in any application made by the Authority for a Primary Environmental Permit. All disputes between a Host Member Government and the Authority related to a Primary Environmental Permit shall be resolved pursuant to Sections 3.13 hereof. All other Member Governments hereby waive their individual right to participate directly in disputes related to any application made by the Authority for a Primary Environmental Permit, and agree to participate solely through actions taken by the Authority.

(C) The Authority shall operate its Water Supply Facilities in compliance with the terms and conditions of all Primary Environmental Permits. If a Member Government asserts that the Authority is not in compliance with the terms and conditions of a Primary Environmental Permit, the Member Government shall initiate the dispute resolution procedure set forth in Section 6.06 hereof. If the issue remains unresolved following completion of the dispute resolution procedure, the Member Government may initiate a circuit court action against regulatory agencies and/or the Authority pursuant to Section 403.412(2), Florida Statutes. Except as provided in this Section 3.12(C), all Member Governments, including Host Member Governments, hereby waive their individual right to participate directly in any enforcement action related to Primary Environmental Permits and agree to participate solely through actions taken by the Authority; provided however, that a Member Government shall have the right to defend itself in any enforcement action brought against the Member Government by a regulatory agency, the Authority, another Member Government or any other party.
(D) Notwithstanding this Section 3.12 or any other provision of this Agreement to the contrary, the Member Governments shall continue to have full standing with regard to Division of Administrative Hearings Case Nos. 95-1520 through 95-1528, including but not limited to the current permit renewal administrative proceedings and any subsequent appeal thereof, whether judicial, administrative or quasi-judicial in nature.

(E) The parties acknowledge that on the date the conditions described in Section 6.03(A) hereof are satisfied, one or more Member Governments may be contesting or opposing Primary Environmental Permits sought by the Authority. Except as provided in Section 3.12(D) hereof, the provisions of this Section 3.12(E) shall control the resolution of all issues related to such contests.

(1) Within thirty days of the date on which the Authority provides written notice to all Member Governments that the conditions set forth in Section 6.03(A) hereof have been satisfied, any Member Government qualifying as a Host Member Government in connection with a Primary Environmental Permit may initiate the dispute resolution procedure set forth in Section 3.13 hereof. Host Member Governments initiating the dispute resolution procedure may continue to contest the Primary Environmental Permit until the arbitrators’ decision has been issued. In addition, if the contested Primary Environmental Permit relates to a Transferred Asset, the Member Government required to convey the Transferred Asset may continue to contest the Primary Environmental Permit until (a) the arbitrators’ decision has been issued or (b) the conditions described in Section 6.03(D) hereof have been satisfied, whichever shall occur first. All other Member Governments shall dismiss or otherwise withdraw from such proceedings.

(2) Upon satisfaction of the conditions described in Section 6.03(D) hereof, the Authority shall be substituted in such proceedings for the Member Government that has conveyed the Transferred Asset; provided however, that to the extent, if any, that such substitution is not possible or does not provide the Authority with the same rights in such proceedings as the Member Government would otherwise have, then such substitution shall not occur.

(3) If the arbitrators’ decision is issued prior to the date on which the Primary Environmental Permit is issued, modified or renewed, the Authority shall amend or withdraw its Primary Environmental Permit application to conform with the arbitrators’ decision. In such event, the Host Member Government shall dismiss or otherwise withdraw from such proceedings.

(4) If the Primary Environmental Permit is issued, modified or renewed prior to the date on which the arbitrators’ decision is issued, the Authority shall file and diligently pursue an application with the permitting agency to modify the Primary Environmental Permit to conform with the arbitrators’ decision and shall, to the extent permitted by law, operate the Water Supply Facility in conformance with the arbitrators’ decision. In such event, there shall be no additional Host Member Government arbitration with respect to the application to modify the Primary Environmental Permit.

(F) It is expressly agreed that no Member Government shall fund the participation of any third-party in an administrative or judicial challenge to the matters described in this Section 3.12; provided however, that this Section 3.12(F) shall not apply to EPC.

(G) If SWFWMD issues a Consolidated Permit and a condition of the Consolidated Permit requires the Authority to file reports on conservation, per capita Water use, reuse or similar matters requiring
information from the Member Governments, the Member Governments agree to supply the Authority with data, reports and other information that will enable the Authority to comply with its reporting requirements on a timely basis.

SECTION 3.13. PRIMARY ENVIRONMENTAL PERMIT DISPUTES. (A) If any Host Member Government opposes an Authority application for a Primary Environmental Permit, such Host Member Government shall notify the Authority in writing within thirty days of the date on which the Board approves the application. If a Host Member Government opposes the quantity of withdrawal, the notice shall specify the quantity acceptable to the Host Member Government. If the Primary Environmental Permit is a Consolidated Permit, any Host Member Government may raise environmental issues affecting property located within its own jurisdiction. If more than one Host Member Government has raised environmental issues affecting property located within its own jurisdiction, a separate arbitration shall be held for each Host Member Government. The Authority will defer filing its application for a period of ninety days following approval by the Board; provided however, that if a notice of opposition is not filed within thirty days of the date on which the Board approves the application, the Authority may file its application at any time thereafter.

(B) Following the receipt of any such notice, a binding arbitration shall be conducted wherein the Authority shall have the burden of providing reasonable assurance that the Authority’s Primary Environmental Permit application meets all applicable agency rules, policy and statutes. The Authority and each Host Member Government shall pay the fees, charges and expenses of its own counsel and witnesses. In addition, the Authority and each Host Member Government shall pay or reimburse equal shares of the fees, charges and expenses of the arbitrators and any experts engaged by the arbitrators.

(C) Except as provided in this Section 3.13(C), the Authority will amend or withdraw its Primary Environmental Permit application (or if the Primary Environmental Permit has been issued, apply for modification of the Primary Environmental Permit) to conform with the arbitrators’ decision.

(1) If amendment or withdrawal of the Primary Environmental Permit modification or renewal application would result in a Production Failure, the Authority shall not be required to amend or withdraw the Primary Environmental Permit (or if the Primary Environmental Permit has been issued, apply for modification of the Primary Environmental Permit) until additional Water production facilities have been placed in service to supply a quantity of additional Quality Water that will permit compliance with the arbitrators’ decision without creating a Production Failure. The Authority shall immediately initiate or accelerate its preparation of permit applications, final design and construction of such additional Water production facilities. If the Primary Environmental Permit is a Consolidated Permit with two or more separate Host Member Government arbitrations, an additional consolidated arbitration shall be conducted for the purpose of determining the extent to which the production from individual Water Supply Facilities will be reduced, without resulting in a Production Failure, prior to the date on which the additional Water production facilities are placed in service. Notwithstanding the consolidated arbitration, the Authority shall immediately reduce the production of the individual Water Supply Facilities to a level which, in the Authority’s best judgment, constitutes the least amount of production possible without resulting in a Production Failure. The Authority and each Host Member Government shall each pay the fees, charges and expenses of its own counsel and witnesses for the consolidated arbitration. In addition, the Authority and each Host Member Government shall pay or reimburse equal shares of the fees, charges and expenses of the arbitrators and any experts engaged by the arbitrators for the consolidated arbitration.
(2) If the partnership agreement referenced in Section 3.21(D) hereof becomes effective and if amendment or withdrawal of the Primary Environmental Permit application would reduce the combined permitted withdrawal quantity of the Partnership Plan Wellfields, on an average annual basis, to a quantity less than 90 mgd prior to December 31, 2008, the Authority shall not be required to amend or withdraw the Primary Environmental Permit (or if the Primary Environmental Permit has been issued, apply for modification of the Primary Environmental Permit) unless the amendment or withdrawal is approved by all nine Directors. If the Primary Environmental Permit is a Consolidated Permit with two or more separate Host Member Government arbitrations, an additional consolidated arbitration shall be conducted for the purpose of determining the extent to which the production from individual Water Supply Facilities will be reduced, without reducing the combined permitted withdrawal quantity of the Partnership Plan Wellfields, on an average annual basis, to a quantity less than 90 mgd. The Authority and the Host Member Governments shall each pay the fees, charges and expenses of its own counsel and witnesses for the consolidated arbitration. The Authority shall pay the fees, charges and expenses of the arbitrators and any experts engaged by the arbitrators for the consolidated arbitration.

(D) The Member Governments have established binding arbitration, as described in this Section 3.13, as the sole and exclusive method of resolving all disputes between the Authority and a Host Member Government relating to Primary Environmental Permits.

SECTION 3.14. OTHER PERMIT DISPUTES. The Member Governments hereby retain their individual right to participate directly in disputes related to the issuance, modification, renewal or enforcement of any Environmental Permit that is not a Primary Environmental Permit. Notwithstanding the foregoing, all Member Governments shall be bound by the findings of fact and conclusions of law included in any arbitrators’ decision issued pursuant to Section 3.13 hereof and waive any issue that could have been resolved in an arbitration proceeding pursuant to Section 3.13 hereof. Upon request of the Authority or any Member Government, the Authority and all Member Governments agree to execute a written stipulation to any findings of fact and conclusions of law included in any arbitrators’ decision issued pursuant to Section 3.13 hereof, in a form sufficient for filing with the appropriate administrative or judicial officer in any subsequent dispute related to the issuance, modification, renewal or enforcement of any Environmental Permit.

SECTION 3.15. RESOLUTION OF RECLAIMED WATER USE ISSUES.

(A) If any Member Government determines that a proposed Authority Reclaimed Water Resource Project will have an adverse effect upon the public health and safety of its retail and wholesale customers, such Member Government shall notify the Authority in writing within thirty days of the date on which the Board approves the Reclaimed Water Resource Project; provided however, that any notice in connection with the TWRP shall be provided within thirty days of the date on which the Board accepts the ecosystem team permit or within thirty days of the date on which the conditions described in Sections 6.03(A) and (D) hereof have been satisfied, whichever occurs later. Following the receipt of any such notice, a binding arbitration shall be conducted in accordance with this Section 3.15. Any and all issues related to the Authority’s ownership and operation of the proposed Reclaimed Water Resource Project shall be raised and resolved in a single proceeding. If the Host Member Government has challenged any Authority Reclaimed Water Resource Project pursuant to Section 3.13 hereof, the arbitration authorized by this Section 3.15 shall be consolidated with the arbitration conducted pursuant to Section 3.13 hereof. The Authority will defer filing any Primary Environmental Permit application for a period of ninety days following approval by the Board; provided however, that if a notice of opposition is not filed within thirty days of the date on which the Board
approves the Reclaimed Water Resource Project, the Authority may file the Primary Environmental Permit applications at any time thereafter. The Authority will amend or withdraw all Primary Environmental Permit applications or Primary Environmental Permits to conform with the arbitrators' decision.

(B) The arbitrators shall proceed to determine if the proposed Reclaimed Water Resource Project threatens the public health and safety of the Member Governments’ retail and wholesale customers. The arbitrators may, at their discretion, and shall, upon written request of the Member Government or the Authority, engage experts to provide peer review of any scientific and technical studies introduced by the parties.

(C) The fees, charges and expenses of the arbitrators, any experts engaged by the arbitrators, the respective counsel engaged by the parties, and any witnesses called by the parties shall be paid as follows:

(1) If a single Member Government opposes the Reclaimed Water Resource Project and the arbitrators determine that Reclaimed Water Resource Project does not threaten the public health and safety of the Member Governments’ retail and wholesale customers, the Member Government shall pay or reimburse (a) the fees, charges and expenses of its own counsel and witnesses; (b) the fees, charges and expenses of the arbitrators and any experts engaged by the arbitrators; and (c) the fees, charges and expenses of the Authority’s counsel and any witnesses called by the Authority.

(2) If a single Member Government opposes the Reclaimed Water Resource Project and the arbitrators determine that Reclaimed Water Resource Project does threaten the public health and safety of the Member Governments’ retail and wholesale customers, the Authority shall pay or reimburse (a) the fees, charges and expenses of its own counsel and witnesses; (b) the fees, charges and expenses of the arbitrators and any experts engaged by the arbitrators; and (c) the fees, charges and expenses of the Member Government’s counsel and any witnesses called by the Member Government.

(3) If more than one Member Government opposes the Reclaimed Water Resource Project and the arbitrators determine that Reclaimed Water Resource Project does not threaten the public health and safety of the Member Governments’ retail and wholesale customers, each Member Government shall pay the fees, charges and expenses of its own counsel and witnesses. In addition, each Member Government shall pay or reimburse an equal share of (a) the fees, charges and expenses of the arbitrators and any experts engaged by the arbitrators; and (b) the fees, charges and expenses of the Authority’s counsel and any witnesses called by the Authority.

(4) If more than one Member Government opposes the Reclaimed Water Resource Project and the arbitrators determine that Reclaimed Water Resource Project does threaten the public health and safety of the Member Governments’ retail and wholesale customers, the Authority shall pay or reimburse (a) the fees, charges and expenses of its own counsel and witnesses; (b) the fees, charges and expenses of the arbitrators and any experts engaged by the arbitrators; and (c) the fees, charges and expenses of the Member Governments’ counsel and any witnesses called by the Member Governments.

(D) The Member Governments have established binding arbitration, as described in this Section 3.15, as the sole and exclusive method of resolving all disputes between the Authority and a Member Government relating to the quality of Water provided from a Reclaimed Water Resource Project.
SECTION 3.16. ARBITRATION PROCEDURE. All binding arbitrations to be conducted pursuant to Sections 3.13 and 3.15 hereof shall be conducted in accordance with the procedure set forth in this Section 3.16.

(A) Arbitrators shall be appointed as follows:

(1) If there is a single Member Government, the Authority and the Member Government each shall appoint a person as arbitrator within sixty days of the date on which the Board approves the application. Each appointment shall be signified in writing to the counter-party and the arbitrators so appointed, within ten days of their appointment, shall appoint a third arbitrator, who shall chair the panel. If the arbitrators appointed by the parties are unable to agree upon a third arbitrator, the same shall be appointed by the American Arbitration Association from its qualified panel of arbitrators. If the Authority or the Member Government fails to appoint an arbitrator within sixty days of the date on which the Board approves the application, then an arbitrator shall be appointed by the American Arbitration Association from its qualified panel of arbitrators and the two so appointed shall appoint a third arbitrator to chair the panel. None of the arbitrators shall have a business or other pecuniary relationship with either party, except for payment of the arbitrators’ fees and expenses.

(2) If there is more than one Member Government opposed to the application, the Authority, individually, and the Member Governments, collectively, shall each appoint a person as arbitrator within sixty days of the date on which the Board approves the application. Each appointment shall be signified in writing to the other parties and the arbitrators so appointed, within ten days of their appointment, shall appoint a third arbitrator, who shall chair the panel. If the arbitrators appointed by the parties are unable to agree upon a third arbitrator, the same shall be appointed by the American Arbitration Association from its qualified panel of arbitrators. If the Authority, individually, or the Member Governments, collectively, fail to appoint an arbitrator within sixty days of the date on which the Board approves the application, then an arbitrator shall be appointed by the American Arbitration Association from its qualified panel of arbitrators and the two so appointed shall appoint a third arbitrator to chair the panel. None of the arbitrators shall have a business or other pecuniary relationship with any party, except for payment of the arbitrators’ fees and expenses.

(B) The three arbitrators shall be sworn to perform their duties with impartiality and fidelity. The arbitrators may, at their discretion, and shall, upon written request of a participating Member Government or the Authority, engage experts to provide peer review of any scientific and technical studies introduced by the parties. The arbitration hearing shall convene not earlier than 90 days and not later than 120 days of the appointment of the chair by the two arbitrators chosen by the parties unless the Member Government and the Authority agree to an earlier date. The arbitrators shall render a decision within sixty days of the date on which the arbitration hearing convenes, and such decision shall be in writing and in duplicate, one counterpart thereof to be delivered simultaneously to each of the parties. The decision shall contain findings of fact and conclusions of law and shall be final and binding upon the Authority and all participating Member Governments.

(C) Except to the extent inconsistent with this Section 3.16, the American Arbitration Association standards shall apply to any arbitration proceedings conducted under the provisions of Sections 3.13 and 3.15 hereof. Discovery shall be conducted pursuant to the rules set forth in Appendix N hereto.
unless all parties to the proceeding agree to modify such rules. The venue for any such action shall be the county in which the Authority maintains its principal office.

SECTION 3.17. LOCAL LAND USE DECISIONS. In carrying out their statutorily conferred zoning, land use and comprehensive planning powers and responsibilities, the Member Governments shall not restrict or prohibit the use of land for Authority Water supply purposes, including ground Water supply and the facilities of third-parties supplying Water to the Authority.

SECTION 3.18. TAXES, FEES, AND SPECIAL ASSESSMENTS. The Member Governments shall not impose any taxes, fees, or special assessments on Quality Water produced by the Authority for delivery to the Member Governments. This Section 3.18 shall not be construed to prohibit any taxes, fees, or special assessments imposed by the Member Governments in connection with the sale of Quality Water to customers of the Member Governments.

SECTION 3.19. PRODUCTION FAILURE. Upon the occurrence of a Production Failure, each affected Member Government shall have the additional rights set forth in this Section 3.19.

(A) At its option, each Member Government may enter into standby agreements to purchase Water from suppliers other than the Authority. Member Governments shall accept all Quality Water delivered by the Authority and shall exercise their right to purchase Water from suppliers other than the Authority only in the event of a Shortfall and to the extent of a Shortfall Amount.

(1) If less than all of the Member Governments experience a Shortfall and any purchase agreement entered into in good faith by a Member Government requires payment of a purchase price that exceeds the uniform rate established pursuant to Section 3.04 hereof, the Member Government shall invoice the Authority for amounts actually paid in excess of the uniform rate and the Authority shall reimburse the Member Government for such amounts within 30 days of its receipt of such invoice.

(2) Any Member Government experiencing a Shortfall may Wheel Quality Water acquired by the Member Government from suppliers other than the Authority to the Member Government’s Point of Connection.

(B) Each Member Government may elect, individually or in combination with other Member Governments, to acquire and construct Water Supply Facilities with a capacity necessary to protect itself against a Shortfall.

(1) If a Member Government acquires or constructs a Water Supply Facility pursuant to this Section 3.19(B) and a Shortfall occurs with respect to such Member Government, the Authority shall purchase the Water Supply Facility upon demand of such Member Government. The purchase price shall be equal to the Member Government’s Actual Direct Cost to acquire and construct such Water Supply Facilities. Upon receipt of any such demand, the Authority shall use all reasonable efforts to issue Obligations at the earliest practicable date in an amount sufficient to fund the purchase price and shall purchase the Water Supply Facility immediately upon issuance of such Obligations.

(2) If a Member Government acquiring or constructing a Water Supply Facility pursuant to this Section 3.19(B) elects not to demand its purchase by the Authority upon the occurrence of
a Shortfall or if the Authority is unable, after applying all reasonable efforts, to issue Obligations sufficient to purchase the Water Supply Facility, the Authority shall purchase the Quality Water produced at the Water Supply Facility. The Authority and the Member Government shall enter into a water supply agreement including, among others, the following terms:

(a) The rate in effect for each Fiscal Year shall be sufficient to pay the Member Government’s estimate of its Actual Direct Cost for construction and treatment.

(b) All Quality Water produced at the Water Supply Facility shall be delivered to and purchased by the Authority; provided however, that if use of the Quality Water directly by the Member Government would avert a Shortfall in respect of such Member Government, the Member Government shall be entitled to use such Quality Water and Authority’s right of purchase shall be reduced by such amount.

(c) The Member Government shall maintain accounts and records of its Actual Direct Cost. On or before each March 31, the Member Government shall complete an audit of those accounts and provide a copy to the Authority for review and comment. At its sole expense, the Authority may perform its own audit of the appropriate accounts to support the Quality Water charge. The Authority will notify the Member Government if it chooses to pay for a separate audit.

(d) Following the end of each Fiscal Year, an annual adjustment in the rate in effect during that Fiscal Year shall be computed on the basis of the specific Actual Direct Cost incurred by the Member Government in connection with the Quality Water delivered to the Authority during the Fiscal Year then ended.

(e) If the audit determines that an overpayment has been made by the Authority, the full amount of the overpayment shall be paid by the Member Government to the Authority in three equal monthly installments, the first of which shall be paid within thirty days of the date on which the Member Government receives the audit. If the audit determines that an underpayment has been made by the Authority, the full amount of the underpayment shall be paid by the Authority to the Member Government in three equal monthly installments, the first of which shall be paid within thirty days of the date on which the Authority receives the audit.

(3) Any Member Government experiencing a Shortfall may Wheel Quality Water produced by a Member Government’s own Water Supply Facilities to the Member Government’s Point of Connection.

SECTION 3.20. REDUCTION OF ENVIRONMENTAL STRESS. (A) On December 15, 1997, the Authority approved an agreement with Tampa that will allow an increase in the quantity of Water that can be purchased by the Authority from Tampa. Upon completion of the Tampa/Hillsborough Interconnect Project, the Authority shall purchase the maximum quantity of Water available from Tampa. Due to Tampa’s reliance on surface Water sources, it is understood that Water will only be available from Tampa on a seasonal or otherwise interruptible basis. Subject to the limitations of the Authority’s Water delivery system, 65 percent of all Rotational Capacity created by the purchase of Water from Tampa shall be applied immediately, on an average annual basis, to reduce the quantity of Water withdrawn from the Cross Bar Ranch Wellfield and Cypress Creek Wellfield and 35 percent of all Rotational Capacity created.
by the purchase of Water from Tampa shall be applied immediately, on an average annual basis, to reduce the quantity of Water withdrawn from wellfields located in Hillsborough County. Pasco and Hillsborough acknowledge that this Section 3.20(A) creates an interim preferential reduction in the quantity of Water withdrawn from the Cross Bar Ranch Wellfield, the Cypress Creek Wellfield and wellfields located in Hillsborough County that will be superseded, on a gallon-for-gallon basis, to the extent the quantity of Water withdrawn is actually reduced by the Rotational Capacity and Replacement Capacity created by implementation of the Master Water Plan, as described in Section 3.20(E) hereof.

(B) The parties acknowledge that the Master Water Plan has multiple purposes, including: (1) development of a Quality Water supply that is sufficient to meet the current and future needs of the Member Governments, (2) development of Replacement Capacity to permanently reduce the permanent combined production from the Partnership Plan Wellfields, and (3) development of Rotational Capacity that can be used to periodically reduce the withdrawal of Water from Authority wellfields located in environmentally stressed areas. Recognizing the importance of developing Replacement Capacity and Rotational Capacity, the parties agree that the Authority shall make all reasonable efforts to implement a Master Water Plan prior to December 31, 2007, that produces 42.5 mgd of Replacement Capacity, on an average annual basis, and a total of at least 85 mgd of Quality Water, on an average annual basis, that is not available on the date hereof.

(C) If the Authority fails to develop 42.5 mgd of Replacement Capacity prior to December 31, 2007, any Member Government may acquire and construct Water Supply Facilities with a production capacity, on an average annual basis, less than or equal to the difference between 42.5 mgd and the Replacement Capacity therefore created by the Authority. The Water Supply Facilities acquired or constructed pursuant to this Section 3.20(C) shall be sold to and purchased by the Authority at a purchase price equal to the Member Government’s Actual Direct Cost to acquire and construct such Water Supply Facilities. Upon purchase, such Water Supply Facilities shall be used by the Authority, to the extent necessary, to meet its Replacement Capacity obligation.

(D) The Authority and the Member Governments are currently negotiating a partnership agreement with SWFWMD, pursuant to which SWFWMD is expected to provide up to $183,000,000 to be used by the Authority for the development of new alternative Water Supply Facilities and regionally significant transmission pipelines. If the partnership agreement becomes effective and the Authority receives the anticipated funding:

(1) by December 31, 2002, the Authority shall reduce the combined production and permitted quantity from the Partnership Plan Wellfields to 121 mgd, on an average annual basis (to be measured from December 31, 2002 to December 31, 2003), and maintain production thereafter at or below 121 mgd, on an average annual basis; and

(2) by December 31, 2007, the Authority shall reduce the combined production and permitted quantity from the Partnership Plan Wellfields to 90 mgd, on an average annual basis (to be measured from December 31, 2007 to December 31, 2008), and maintain production thereafter at or below 90 mgd, on an average annual basis.

If the partnership agreement with SWFWMD imposes the same production limitations and includes provisions for extending the time required to comply with such production limitations, the time for compliance with this Section 3.20(D) shall be subject to extension in the same manner as the production limitations imposed by the partnership agreement.
(E) Replacement Capacity and Rotational Capacity will be used to reduce the quantity of Water withdrawn from wellfields in areas of environmental stress, in accordance with the priorities established in this Section 3.20(E).

(1) The Authority shall develop a Wellfield Operations Plan, which shall comply with all applicable requirements of this Agreement. Subject to the provisions of Section 3.20(E)(2) hereof, all Replacement Capacity and Rotational Capacity shall be applied in accordance with the wellfield operations plan approved by the Authority.

(2) Notwithstanding the provisions of Section 3.20(E)(1) hereof, prior to the date on which the Authority reduces the combined production from the Partnership Plan Wellfields to 121 mgd, on an average annual basis: (a) not less than forty percent of the Replacement Capacity shall be applied, on an average annual basis, to reduce the quantity of Water withdrawn from wellfields located in Pasco County; (b) not less than twenty percent of the Replacement Capacity shall be applied, on an average annual basis, to reduce the quantity of Water withdrawn from wellfields located in Hillsborough County; and (c) not less than ten percent of the Replacement Capacity shall be applied, on an average annual basis, to reduce the quantity of Water withdrawn from wellfields located in Pinellas County. The remaining thirty percent of the Replacement Capacity shall be applied, on an average annual basis, in accordance with the Wellfield Operations Plan.

(F) It is expressly acknowledged and agreed by the parties that Rotational Capacity will not be available to reduce the quantity of Water withdrawn from existing wellfields unless the Quality Water needs of the Member Governments have been fully satisfied.

(G) The parties acknowledge that the Authority’s ability to implement the provisions of this Section 3.20 is subject in all respects to the regulatory power of SWFWMD and other State and federal agencies having jurisdiction over the Authority.

SECTION 3.21. IMPACT FEES FOR AUTHORITY FACILITIES. The parties acknowledge that Economic Impact Facilities will have a significant economic impact on the Member Government in which they are located and agree that the Authority should compensate such Member Governments for the financial loss in accordance with this Section 3.21. Prior to April 1 of each year, starting with April 1, 1999, the Authority shall make an economic impact payment for each Economic Impact Facility, which shall be computed by multiplying (1) the sum of (a) the actual initial construction cost of the Economic Impact Facility, and (b) the assessed value of the property on which the Economic Impact Facility is located for the last year in which such property was subject to ad valorem taxation, by (2) a factor of .0005; provided however, that the amount payable for any Economic Impact Facility shall not exceed $500,000. If the Economic Impact Facility is located in an unincorporated area or within the corporate limits of a municipality that is not a Member Government, the full payment shall be made to the Member Government county in which the Economic Impact Facility is located. If the Economic Impact Facility is located within the corporate limits of a Member Government municipality, the economic impact payment shall be divided equally between the Member Government county and the Member Government municipality in which the Economic Impact Facility is located.
ARTICLE IV - OBLIGATIONS

SECTION 4.01. GENERAL AUTHORITY. The Board shall have the power and is hereby authorized to provide, at one time or from time to time in series, for the issuance of Obligations of the Authority to fund the Project Costs of Water Supply Facilities. Other than Obligations described in Section 4.09 hereof, the principal of and interest on each series of Obligations shall be payable from Pledged Funds.

SECTION 4.02. TERMS OF THE OBLIGATIONS. The Obligations shall be dated, shall bear interest at such rate or rates, shall mature at such times as may be determined by the Board, and may be made redeemable before maturity, at the option of the Authority, at such price or prices and under such terms and conditions as may be fixed by the Board. Said Obligations shall mature not later than 30 years after their issuance and may, at the option of the Board, bear interest at a variable rate. The Board shall determine the form of the Obligations, the manner of executing such Obligations, and shall fix the denominations of such Obligations, the place or places of payment of the principal and interest, which may be at any bank or trust company within or outside of the State, and such other terms and provisions of the Obligations as it deems appropriate. The Obligations may be sold at public or private sale for such price or prices as the Board shall determine.

SECTION 4.03. TEMPORARY OBLIGATIONS. Prior to the preparation of definitive Obligations of any series, the Board may, under like restrictions, issue interim receipts, interim certificates, or temporary Obligations, exchangeable for definitive Obligations when such Obligations have been executed and are available for delivery. The Board may also provide for the replacement of any Obligations which shall become mutilated, destroyed or lost. Obligations may be issued without any other proceedings or the happening of any other conditions or things than those proceedings, conditions or things which are specifically required by this Agreement.

SECTION 4.04. ANTICIPATION NOTES. In anticipation of the sale of Obligations, the Board may issue notes and may renew the same from time to time. Such notes may be paid from the proceeds of the Obligations, the Pledged Funds, the proceeds of the notes and such other legally available moneys as the Board deems appropriate. Said notes shall mature within five years of their issuance and shall bear interest at a rate not exceeding the maximum rate provided by law. The Board may issue Obligations or renewal notes to repay the notes. The notes shall be issued in the same manner as the Obligations.

SECTION 4.05. TAXING POWER NOT PLEDGED. Obligations issued under the provisions of this Agreement shall not be deemed to constitute a pledge of the faith and credit of the Authority or any Member Government, but such Obligations shall be payable only from Pledged Funds in the manner provided herein and by the Financing Documents. The issuance of Obligations under the provisions of this Agreement shall not directly or indirectly obligate any Member Government to levy or to pledge any form of ad valorem taxation whatever therefor. No holder of any such Obligations shall ever have the right to compel any exercise of the ad valorem taxing power on the part of any Member Government to pay any such Obligations or the interest thereon or to enforce payment of such Obligations or the interest thereon against any property of the Authority, nor shall such Obligations constitute a charge, lien or encumbrance, legal or equitable, upon any property of the Authority, except the Pledged Funds.

SECTION 4.06. TRUST FUNDS. Upon issuance of any series of Obligations, the Pledged Funds shall be deemed to be trust funds, to be held and applied solely as provided in the Financing Documents. The Pledged Funds may be invested by the Authority, or its designee, in the manner provided by the Financing Documents. The Pledged Funds upon receipt thereof by the Authority shall be subject to
the lien and pledge of the holders of any Obligations or any entity other than the Authority providing credit enhancement on the Obligations.

SECTION 4.07. REMEDIES OF HOLDERS. Any holder of Obligations, except to the extent the rights herein given may be restricted by the Financing Documents, may, whether at law or in equity, by suit, action, mandamus or other proceedings, protect and enforce any and all rights under the laws of the State or granted hereunder or under the Financing Documents, and may enforce and compel the performance of all duties required hereunder or under the Financing Documents, to be performed by the Authority.

SECTION 4.08. REFUNDING OBLIGATIONS. The Authority may issue Obligations to refund any Obligations then outstanding and provide for the rights of the holders hereof. Such refunding Obligations may be issued in an amount sufficient to provide for the payment of the principal of, redemption premium, if any, and interest on the outstanding Obligations to be refunded.

SECTION 4.09. CONDUIT TRANSACTIONS. In addition to the powers granted to the Authority hereunder, including the power to issue Obligations pursuant to this Article IV for the purpose of funding Project Costs of Water Supply Facilities, the Authority may issue Obligations for the principal purpose of loaning the proceeds thereof to a public or private entity, which shall finance or refinance the acquisition and construction of water treatment, production or transmission facilities, including, but not limited to, a desalination facility. Water from such facilities shall be purchased in whole or in part by the Authority for purposes of supplying Quality Water to the Member Governments. Such Obligations shall be secured in such manner as determined by the Board. Such security may include moneys received pursuant to a loan agreement between the Authority and such public or private entity. Such Obligations shall have the terms provided in Section 4.02 hereof.

SECTION 4.10. MEMBER GOVERNMENT COOPERATION. Each Member Government shall cooperate with the Authority when the Authority issues Obligations. In such connection, each Member Government and the Authority shall comply with reasonable requests of each other and will, upon request of the Authority: (A) make available general and financial information about itself; (B) consent to publication and distribution of its financial information; (C) certify that its general and financial information is accurate, does not contain any untrue statements of a material fact and does not omit to state a material fact necessary to make the statements in the information, in light of circumstances under which they were made, not misleading; (D) make available certified copies of official proceedings; (E) provide reasonable certifications to be used in a transcript of closing documents; and (F) provide and pay for reasonably requested certificates and/or opinions of counsel as to the validity of its actions taken in respect to and the binding effect of this Agreement and the Master Water Supply Contract, title to its Water supply system, pending litigation which could materially affect its performance hereunder.

ARTICLE V - TRANSFER OF ASSETS

SECTION 5.01. TRANSFER OF ST. PETERSBURG FACILITIES. St. Petersburg agrees to convey its interest in the South Pasco Wellfield (including 16.90 mgd of production capacity and related wellhead sites), Section 21 Wellfield (including 12.00 mgd of production capacity and related wellhead sites), Cosme Odessa Wellfield (including 12.00 mgd of production capacity and related wellhead sites), and 42" Transmission Main at a purchase price of $119,518,814. Pursuant to the St. Petersburg Transfer Agreement and without additional consideration, St. Petersburg will (A) convey any necessary access easements, easements for transmission facilities, and easements for monitoring wells, and (B) impose
restrictive covenants on any remaining wellfield property. The total purchase price for these Transferred Assets also includes a $1,000,000 Disinfection Credit. The parties acknowledge and agree that the Disinfection Credit was negotiated as an integral part of the purchase price for the foregoing Transferred Assets. A specific description of the Transferred Assets to be conveyed and the terms and conditions of sale are set forth in the St. Petersburg Transfer Agreement attached as Appendix C. St. Petersburg and the Authority shall be bound by the terms and provisions of the St. Petersburg Transfer Agreement. It is understood and agreed that the purchase price set forth above includes consideration for any equity interest St. Petersburg may have in the Existing Authority System (other than any payments remaining under the agreements listed in Section 6.03(A)(7) hereof), which shall be relinquished without further action of St. Petersburg upon satisfaction of the conditions described in Section 6.03(D) hereof.

SECTION 5.02. TRANSFER OF PINELLAS FACILITIES. Pinellas agrees to convey its interest in the Eldridge-Wilde Wellfield (including 35.24 mgd of production capacity and related wellhead sites), and Cross Bar Ranch Wellfield (wellhead sites related to current production capacity) at a purchase price of $140,007,394. Pursuant to the Pinellas Transfer Agreements and without additional consideration, Pinellas will (A) convey any necessary access easements, easements for transmission facilities, and easements for monitoring wells, and (B) impose restrictive covenants on any remaining wellfield property. The total purchase price for these Transferred Assets also includes a $2,000,000 Disinfection Credit. The parties acknowledge and agree that the Disinfection Credit was negotiated as an integral part of the purchase price for the foregoing Transferred Assets. A specific description of the Transferred Assets to be conveyed and the terms and conditions of sale are set forth in the Pinellas Transfer Agreements attached as Appendices D-1 and D-2. Pinellas and the Authority shall be bound by the terms and provisions of the Pinellas Transfer Agreements. It is understood and agreed that the purchase price set forth above includes consideration for any equity interest Pinellas may have in the Existing Authority System (other than any payments remaining under the agreements listed in Section 6.03(A)(7) hereof), which shall be relinquished without further action of Pinellas upon satisfaction of the conditions described in Section 6.03(D) hereof.

SECTION 5.03. TRANSFER OF TAMPA FACILITY. Tampa agrees to convey its interest in the Morris Bridge Wellfield (including 15.50 mgd of production capacity) at a purchase price of $35,430,365. Pursuant to the Tampa Transfer Agreement and without additional consideration, Tampa will (A) convey any necessary access easements, easements for transmission facilities, and easements for monitoring wells, and (B) impose restrictive covenants on any remaining wellfield property. The total purchase price for these Transferred Assets also includes a $1,000,000 Disinfection Credit. The parties acknowledge and agree that the Disinfection Credit was negotiated as an integral part of the purchase price for the foregoing Transferred Assets. A specific description of the Transferred Asset to be conveyed and the terms and conditions of sale are set forth in the Tampa Transfer Agreement attached as Appendix E. Tampa and the Authority shall be bound by the terms and provisions of the Tampa Transfer Agreement. It is understood and agreed that the purchase price set forth above includes consideration for any equity interest Tampa may have in the Existing Authority System, which shall be relinquished without further action of Tampa upon satisfaction of the conditions described in Section 6.03(D) hereof.

SECTION 5.04. TRANSFER OF PASCO FACILITY. Pasco agrees to convey its interest in the North Pasco Wellfield (including 6.60 mgd of production capacity and related wellhead sites) at a purchase price of $32,235,683. Pursuant to the Pasco Transfer Agreement and without additional consideration, Pasco will (A) convey any necessary access easements, easements for transmission facilities, and easements for monitoring wells, and (B) impose restrictive covenants on any remaining wellfield property. The total purchase price for these Transferred Assets also includes a $3,000,000 Disinfection Credit. The parties acknowledge and agree that the Disinfection Credit was negotiated as an integral part
of the purchase price for the foregoing Transferred Assets. A specific description of the Transferred Assets to be conveyed and the terms and conditions of sale are set forth in the Pasco Transfer Agreement attached as Appendix F. Pasco and the Authority shall be bound by the terms and provisions of the Pasco Transfer Agreement. It is understood and agreed that the purchase price set forth above includes consideration for any equity interest Pasco may have in the Existing Authority System (other than any payments remaining under the agreements listed in Section 6.03(A)(7) hereof), which shall be relinquished without further action of Pasco upon satisfaction of the conditions described in Section 6.03(D) hereof.

SECTION 5.05. TRANSFER OF HILLSBOROUGH FACILITIES. Hillsborough agrees to convey its interest in the Crippenwood Well, Manors of Crystal Lake Well, Eagles Well, Truman Well, Bloomingdale Well and Highview Well (including 1.392 mgd of total production capacity and related wellhead sites) at a purchase price of $19,325,973. Pursuant to the Hillsborough Transfer Agreement and without additional consideration, Hillsborough will (A) convey any necessary access easements, easements for transmission facilities, and easements for monitoring wells, and (B) impose restrictive covenants on any remaining wellfield property. The total purchase price for these Transferred Assets also includes a $3,000,000 Disinfection Credit. A specific description of the Transferred Assets to be conveyed and the terms and conditions of sale are set forth in the Hillsborough Transfer Agreement attached as Appendix G. Hillsborough and the Authority shall be bound by the terms and provisions of the Hillsborough Transfer Agreement. It is understood and agreed that the purchase price set forth above includes consideration for any equity interest Hillsborough may have in the Existing Authority System, which shall be relinquished without further action of Hillsborough upon satisfaction of the conditions described in Section 6.03(D) hereof.

SECTION 5.06. TRANSFER OF NEW PORT RICHEY FACILITY. New Port Richey agrees to convey its interest in the North Pasco Wellfield (including 1.40 mgd of production capacity) at a purchase price of $13,226,250. Pursuant to the New Port Richey Transfer Agreement and without additional consideration, New Port Richey will (A) convey any necessary access easements, easements for transmission facilities, and easements for monitoring wells, and (B) impose restrictive covenants on any remaining wellfield property. The total purchase price for these Transferred Assets also includes a $500,000 Disinfection Credit. A specific description of the Transferred Assets to be conveyed and the terms and conditions of sale are set forth in the New Port Richey Transfer Agreement attached as Appendix H. New Port Richey and the Authority shall be bound by the terms and provisions of the New Port Richey Transfer Agreement. It is understood and agreed that the purchase price set forth above includes consideration for any equity interest New Port Richey may have in the Existing Authority System (other than any payments remaining under the agreements listed in Section 6.03(A)(7) hereof), which shall be relinquished without further action of New Port Richey upon satisfaction of the conditions described in Section 6.03(D) hereof.

SECTION 5.07. PERMITS FOR TRANSFERRED ASSETS. The Member Governments acknowledge that this Agreement will be terminated if the Transferred Assets are not conveyed to the Authority on or prior to the Full Implementation Date. In order to facilitate the completion of these conveyances, the Member Governments agree to support all Environmental Permits necessary to complete the conveyances.

SECTION 5.08. OPTION TO REPURCHASE TRANSFERRED ASSETS. The Authority shall not sell a Transferred Asset unless it is no longer used to supply Water. In such event, the Transferred Asset shall be appraised by two independent appraisers and, not less than ninety days prior to the date on which the Authority intends to offer the Transferred Asset for sale, the Authority shall provide notice (including copies of the appraisal reports) to the Member Government that conveyed the Transferred Asset.
to the Authority. The Member Government that conveyed the Transferred Asset to the Authority shall have an option to repurchase the Transferred Asset upon payment of an amount equal to the lower of (A) the average of the two appraised values, and (B) the price paid by the Authority, after deducting that portion of the purchase price attributable to (1) the Disinfection Credit, and (2) any equity interest the member government may have had in the Existing Authority System (other than any payments remaining under the agreements listed in Section 6.03(A)(7) hereof). On or prior to the date on which the Authority intends to offer the Transferred Asset for sale, as specified in the notice, the Member Government may exercise its repurchase option. This option shall expire if not exercised by the Member Government in a timely manner.

SECTION 5.09. TRANSFER OF AUTHORITY FACILITIES. (A) The Authority agrees to convey to Hillsborough its interest in the South Central Hillsborough Transmission Main, the South Central Hillsborough Pump Station, the Cargill Interconnect, and that portion of the Tampa/Hillsborough Interconnect lying on the Hillsborough side of the pump station. A specific description of the foregoing Water Supply Facilities and the terms and conditions of transfer not included in this Section 5.09(A) are set forth in the Authority/Hillsborough Transfer Agreement attached as Appendix I. The Authority and Hillsborough shall be bound by the terms and provisions of the Authority/Hillsborough Transfer Agreement.

(B) The Authority agrees to convey to Pasco, without consideration, its interest in the West Pasco Transmission Main. A specific description of the West Pasco Transmission Main and the terms and conditions of transfer are set forth in the Authority/Pasco Transfer Agreement attached as Appendix J. The Authority and Pasco shall be bound by the terms and provisions of the Authority/Pasco Transfer Agreement.

(C) The Authority agrees to convey to Tampa, without consideration, its interest in that portion of the Tampa/Hillsborough Interconnect lying on the Tampa side of the pump station. A specific description of that portion of the Tampa/Hillsborough Interconnect lying on the Tampa side of the pump station and the terms and conditions of transfer are set forth in the Authority/Tampa Transfer Agreement attached as Appendix K. The Authority and Tampa shall be bound by the terms and provisions of the Authority/Tampa Transfer Agreement.

SECTION 5.10. JOINT USE OF AUTHORITY EASEMENTS. The Authority shall not unreasonably withhold joint use of an easement requested by a Member Government if the joint use is not in conflict with the Authority's existing and anticipated future use.

SECTION 5.11. FORM OF PAYMENT FOR TRANSFERRED ASSETS. It is understood and agreed that unless a Member Government has notified the Authority prior to July 1, 1998 or seven days following date on which it approves execution of this Agreement, whichever is later, of its election to be compensated in cash for the conveyance of Transferred Assets to the Authority, payment shall be made in the form of credits applied to reduce the cost or purchasing Quality Water from the Authority, as set forth in Section 3.04(A)(3) hereof. Member Governments may elect to be paid in cash for any specific Transferred Asset or for that portion of the purchase price that represents such Member Government's Disinfection Credit. Notwithstanding the foregoing, no cash payment to a Member Government shall adversely affect the federal tax exemption of interest on the Obligations issued by the Authority to finance a cash acquisition of Transferred Assets; all proposed cash payments shall be subject to review by the Authority's bond counsel as to whether such cash payment will adversely affect its opinion as to the federal tax exemption of interest on such Obligations. If any Member Government conveying Transferred Assets to the Authority elects to be compensated in cash, the purchase price for such Transferred Assets shall be reduced by a prorata share of the actual cost incurred by the Authority in connection with the issuance of Obligations to finance a cash acquisition of Transferred Assets.
ARTICLE VI - GENERAL PROVISIONS

SECTION 6.01. FILING. A copy of this Agreement shall be filed for record with the Clerk of the Circuit Court in Hillsborough County, Pasco County and Pinellas County.

SECTION 6.02. TERM OF AGREEMENT. This Agreement shall become effective in the manner set forth in Sections 6.03(A) and (D) hereof and, unless terminated earlier pursuant to Section 6.03(E) or Section 6.04 hereof, expire upon the later of the following dates: (A) the fortieth anniversary of the commencement date hereof, or (B) the date on which no Obligations remain outstanding pursuant to the Financing Documents.

SECTION 6.03. TRANSITION PROVISIONS. (A) This Agreement shall become effective upon occurrence of the following events; provided however, that Sections 3.02 through 3.04 hereof shall not become effective until the events described in Section 6.03(D) have occurred:

1. a final order has been entered by the Department of Environmental Protection approving this Agreement and the applicable time periods to request administrative hearings or to initiate appellate proceedings therefrom have expired;

2. the specific legislation attached hereto as Appendix M, relating to enforceability of certain provisions hereof, has been enacted and become effective (other than the provisions relating the Authority’s use of Part II, Chapter 159, Florida Statutes, the enactment of which shall not be a condition precedent to the effectiveness of this Agreement) either as an independent legislative act or as part of a broader legislative act;

3. Pasco has repealed its desalination fee ordinance;

4. Pasco has modified its comprehensive plan to eliminate provisions that permit Pasco to restrict or prohibit the use of land for Water supply purposes, including ground Water supply;

5. the Authority and Member Governments have held public hearing, if required, pursuant to Sections 125.3401, 180.301 and 189.423, Florida Statutes prior to executing the Transfer Agreements;

6. the Authority, the Member Governments and EPC have executed and delivered the EPC Agreement;

7. either the following agreements between SWFWMD and the Authority and/or its Member Governments have been modified to the extent necessary to permit the transfer of the Member Governments’ wellfield interests to the Authority and to eliminate any special rights to the delivery of Water that would be inconsistent with terms of this Agreement, or the Member Governments, with consent from SWFWMD, have transferred or assigned to the Authority their rights in those agreements which are in conflict or inconsistent with this Agreement and the Master Water Supply Contract:

   a. Morris Bridge Wellfield Agreement among SWFWMD, the Hillsborough River Basin Board and Tampa, dated April 22, 1970;
(b) Easement Agreement (Morris Bridge Wellfield) between SWFWMD and Tampa, dated October 8, 1975;

(c) Agreement for Development and Operation of the Cypress Creek Wellfield among SWFWMD, SWFWMD (Regulatory), Pinellas, Pasco and St. Petersburg, dated November 14, 1973;

(d) Cypress Creek Wellfield Agreement between St. Petersburg and the Authority, dated November 22, 1976;

(e) Cypress Creek Wellfield Agreement between Pinellas and the Authority, dated November 22, 1976;

(f) Cypress Creek Wellfield Agreement between Pasco and the Authority, dated March 22, 1977;

(g) License Agreement for the Cypress Creek Wellfield among SWFWMD, the Hillsborough River Basin Board, the Pinellas-Anclote River Basin Board and the Authority, dated July 10, 1979;

(h) Cypress Creek Wellfield License Agreement between SWFWMD and the Authority, dated March 18, 1991; and First Amendment to Cypress Creek Wellfield License Agreement between SWFWMD and the Authority, dated March 1, 1993;

(i) Starkey Wellfield Agreement between SWFWMD and New Port Richey, dated August 16, 1972;

(j) Starkey Wellfield Agreement between SWFWMD and New Port Richey, dated March 26, 1974; Supplemental Starkey Wellfield Agreement between SWFWMD and New Port Richey, dated July 16, 1974; and Starkey Wellfield Addendum Agreement between SWFWMD and New Port Richey, dated March 2, 1977;

(k) Starkey Wellfield Agreement between Pasco and New Port Richey, dated August 31, 1978;

(l) Water Transfer and Management Agreement among SWFWMD, New Port Richey and the Authority, dated December 15, 1981;


(n) Starkey Wellfield License Agreement between SWFWMD and the Authority, dated May 17, 1993; and
(o) South Pasco Wellfield License Agreement between St. Petersburg and SWFWMD, dated October 9, 1989.

Upon satisfaction of the conditions set forth in this Section 6.03(A), the Authority shall provide written notice to the Member Governments.

(B) It is understood and agreed that the Member Governments will support (1) approval of this Agreement by the Department of Environmental Protection; (2) enactment of the legislation attached hereto as Appendix M hereof; and (3) amendment of the agreements specified in Section 6.03(A)(7) hereof. It is further understood and agreed that no Member Government shall fund the participation of any third-party in opposition to such matters.

(C) Between the date on which the conditions described in Sections 6.03(A) hereof have been satisfied and the Full Implementation Date, the Member Governments agree to waive all termination rights and other remedies that otherwise would result from the reorganization of the Authority to be implemented hereunder under the terms of any prior agreements by and among the Authority, SWFWMD and the Member Governments, individually or collectively, including but not limited to the agreements listed below; provided however, that all other rights and obligations of the Authority and the Member Governments shall remain in full force and effect:

(1) St. Petersburg Cypress Creek Agreement between the Authority and St. Petersburg, dated November 22, 1976;

(2) Pinellas Cypress Creek Agreement between the Authority and Pinellas County, dated November 22, 1976;

(3) Pasco Cypress Creek Agreement between the Authority and Pasco County, dated March 22, 1977;

(4) Pinellas County Agreement between the Authority and Pinellas County, dated November 8, 1977;

(5) Hillsborough County Agreement between the Authority and Hillsborough County, dated August 28, 1980;

(6) St. Petersburg Contract between the Authority and St. Petersburg, dated September 17, 1980;

(7) Water Supply Contract for Hillsborough County between the Authority and Hillsborough County, dated November 10, 1981, and the First through Eleventh Amendments thereto;

(8) Water Transfer and Management Agreement for Starkey Wellfield between the Authority, New Port Richey and the Southwest Florida Water Management District, dated December 18, 1981;

(9) St. Petersburg Water Exchange Contract between the Authority and St. Petersburg, dated December 4, 1981 and the First Amendment thereto, dated April 14, 1984;
(10) Water Supply Contract for Tampa By-Pass Canal between the Authority and Tampa, dated January 17, 1985;

(11) Operation and Management Agreement for Cosme-Odessa and Section 21 Wellfields between the Authority and St. Petersburg, dated March 16, 1987;

(12) Second Amendment to Water Supply Agreement for Starkey Wellfield between the Authority, Pasco County and New Port Richey, dated June 7, 1988;

(13) South Central Pasco Water Supply Contract between the Authority and Pasco County, dated June 7, 1988;

(14) Pasco County Excess Water Supply Contract between the Authority and Pasco County, dated November 1, 1988;

(15) North Pasco Regional Wellfield Water Supply Contract between the Authority, Pasco County and New Port Richey, dated January 23, 1990;

(16) Cross Bar Ranch Wellfield Water Supply Contract between Pinellas and the Authority, dated April 11, 1979, and the amendment thereto dated January 29, 1980; and


(D) As soon as practicable following the date on which the conditions described in Sections 6.03(A) hereof have been satisfied:

(1) the Authority shall issue tax-exempt Obligations (notwithstanding the prevailing rate of interest or other market factors) to refund its outstanding capital indebtedness, including but not limited to its Capital Improvement Revenue Bonds, Series 1979, Refunding Revenue Bonds Series 1985, Refunding Revenue Bonds, Series 1989A, Capital Improvement Revenue Bonds, Series 1989B, Refunding Revenue Bonds, Series 1992, Refunding Revenue Bonds, Series 1995, Revenue Note, Series 1997, Cypress Creek Capital Lease Obligation, Starkey Wellfield Capital Lease Obligation, and Series 1991 Revenue Notes; and

(2) subject to the post-closing rights and remedies provided therein, all conveyances required by the St. Petersburg Transfer Agreement, Pinellas Transfer Agreements, Tampa Transfer Agreement, Pasco Transfer Agreement, Hillsborough Transfer Agreement, New Port Richey Transfer Agreement, Authority/Hillsborough Transfer Agreement, Authority/Pasco Transfer Agreement and Authority/Hillsborough Transfer Agreement shall be closed simultaneously.

(E) If the conditions described in Sections 6.03(A) and (D) hereof are not satisfied on or prior to the Full Implementation Date, this Agreement shall be terminated. In such event, this Agreement and the Master Water Supply Contract shall be deemed void ab initio and all documents held in escrow pursuant to the St. Petersburg Transfer Agreement, Pinellas Transfer Agreements, Tampa Transfer Agreement, Pasco Transfer Agreement, Hillsborough Transfer Agreement, New Port Richey Transfer Agreement, Authority/Hillsborough Transfer Agreement, Authority/Pasco Transfer Agreement and Authority/Hillsborough Transfer Agreement shall be returned to the party providing such document. Unless modified by the Authority following the termination hereof, all actions taken by the Board between date on
which the conditions described in Sections 6.03(A) hereof have been satisfied and the Full Implementation Date shall remain in full force and effect. Notwithstanding any other provision of this Agreement to the contrary, the Board may extend the Full Implementation Date, from time to time, by unanimous vote.

(F) Unless otherwise approved by both Pasco and Pinellas, the Authority shall continue to provide chlorination and pH stabilization at the Cypress Creek Water Treatment Plant for a period of 30 months following satisfaction of the conditions described in Sections 6.03(A) and (D) hereof. During this period, the rate charged to Pasco and Pinellas for Quality Water delivered from the Cypress Creek Water Treatment Plant will be increased, as contemplated by Section 3.04(A)(2) hereof, to reflect the Authority’s Actual Direct Cost of providing this additional treatment. For purposes of this Section 6.03(F), the parties stipulate that the Authority’s Actual Direct Cost is $0.02 per thousand gallons.

(G) The Authority will deliver chlorinated and stabilized water to Pasco from the Lake Bridge Water Treatment Plant for a period of 15 years following satisfaction of the conditions described in Sections 6.03(A) and (D) hereof. Pasco will pay a surcharge for chlorination and stabilization pursuant to Section 3.04(A)(2) hereof for all Quality Water delivered to it from the Lake Bridge Water Treatment Plant.

SECTION 6.04. TERMINATION. This Agreement may be terminated by unanimous agreement of all Member Governments, or upon direction of any two Member Governments if any material provision of this Agreement (including but not limited to the governance structure, Member Governments’ voting rights, or any other material change in the relative rights and responsibilities of the Authority and the Member Governments) is substantively modified by the Florida Legislature (other than enactment of the legislation attached hereto as Appendix M) or any other person or entity that is not a party hereto. In either event, termination shall be effective only upon compliance with all of the following requirements:

(A) Upon receipt of (1) termination notices from all Member Governments if the Agreement is to be terminated by unanimous consent or (2) a termination notice from any two Member Governments if any material provision of this Agreement has been unilaterally and substantively modified by the Florida Legislature or any other person or entity that is not a party hereto, the General Manager shall provide a notice of pending termination to each Member Government.

(B) The Water Supply Facilities (including all appurtenant contracts, licenses and Environmental Permits) and other assets of the Authority shall be sold as follows:

(1) Each Member Government shall be entitled to purchase its respective Termination Option Share of each Water Supply Facility by notifying the Authority and the other Member Governments in writing within sixty days following the date on which the General Manager provides a notice of pending termination, as required by Section 6.04(A). If a Member Government elects to exercise its option, the Water Supply Facility shall be appraised by two independent appraisers selected by the Authority, and each Member Government shall have a period of sixty days following the receipt of such appraisals to purchase its respective Termination Option Share of such Water Supply Facilities upon payment of an amount equal to its Termination Option Share of the average of the two appraised values. The aggregate purchase price for Water Supply Facilities purchased by each Member Government shall be reduced by any portion of the purchase price for Transferred Assets that has not been paid or credited to the Member Government. Conveyance of the Water Supply Facilities shall be made in accordance with Section 6.04(B)(4).
(2) The remaining assets of the Authority and any Water Supply Facilities for which no option is exercised by a Member Government pursuant to Section 6.04(B)(1) shall be offered for sale by competitive bid or sold at auction, as directed by the Board. Conveyance of the Water Supply Facilities and other assets shall be made in accordance with Section 6.04(B)(4).

(3) Nothing herein shall be construed to prohibit any Member Government from assigning its right to the conveyance of Water Supply Facilities; provided however, that (a) any proposed assignment of conveyance rights to Water Supply Facilities to any entity other than a Member Government shall be subject to a right of first refusal in favor of the other Member Governments, and (b) if more than one Member Government exercises its right of first refusal, each Member Government shall be entitled to its Termination Option Share of the conveyance rights to the Water Supply Facility.

(4) Conveyance of the Water Supply Facilities and other assets of the Authority shall not occur prior to the date on which all Obligations of the Authority are defeased pursuant to Section 6.04(C).

(C) The Authority shall pay or cause to be paid to the owner of all outstanding Obligations the principal of and interest due and payable, and thereafter to become due and payable, upon such Obligations.

(1) Obligations shall be deemed to be paid when (a) payment of the principal of and premium, if any, on such Obligation, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided in the Financing Documents), either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing in trust and irrevocably setting aside exclusively for such payment (x) moneys sufficient to make such payment and/or (y) Governmental Obligations authorized for defeasance under the Financing Documents, maturing as to principal and interest in such amounts and at such time as will provide for the availability of sufficient moneys to make such payment, and (b) all other amounts payable in respect of such Obligations pursuant to the Financing Documents shall have been paid or the payment thereof provided for to the satisfaction of the Authority’s bond counsel.

(2) Net proceeds from sale of the Water Supply Facilities and other assets of the Authority shall be applied to the payment of Obligations, as set forth in Section 6.04(C)(1) hereof.

(a) If the net proceeds are not sufficient to meet the requirements of Section 6.04(C)(1), the General Manager shall notify each Member Government of its respective Termination Funding Share of the shortfall and the date on which the Authority intends to provide for payment of the Obligations, which shall not be earlier than sixty days from the date of such notice. Each Member Government shall tender its Termination Funding Share of the shortfall to the Authority, in immediately available funds, on or prior to the date specified in the notice; provided however, that such amounts will be payable only from Net Utility Revenue.

(b) If the net proceeds exceed the requirements of Section 6.04(C)(1), the Authority shall tender to each Member Government its respective Termination Funding Share of the excess on the date provision is made for payment of the Obligations.
SECTION 6.05. SCIENTIFIC PEER REVIEW. The parties recognize that a significant number of important Authority actions will be taken in reliance upon scientific or technical studies commissioned by the Board, and that there may be a divergence of opinion regarding the findings contained in any such scientific or technical study. Scientific or technical issues shall be resolved in the manner set forth in this Section 6.05.

(A) Upon the affirmative vote of not less than five Directors, the Authority shall engage additional experts to provide a peer review of any scientific or technical study.

(B) Upon receipt of a resolution approved by the governing board of one or more Member Governments, the Authority shall engage additional experts to provide a peer review of any scientific or technical study.

(1) If the Board determines that the peer review is in the best interest of the Authority, the cost of additional experts shall be paid by the Authority.

(2) If the Board determines that the peer review is unnecessary, the cost of additional experts shall be paid by the Member Government or Member Governments requesting the peer review.

(C) Any Board decision specifically predicated upon the disputed study shall be held in abeyance pending receipt of the peer review report, unless the Authority would be prejudiced by the delay. The Board shall establish procedures to facilitate any peer review requested pursuant to this Section 6.05.

SECTION 6.06. DISPUTE RESOLUTION. (A) Other than (1) disputes between the Authority and a Host Member Government relating to Primary Environmental Permits necessary or convenient to the acquisition, construction or operation of a Water Supply Facility, which shall be resolved in accordance with Sections 3.13 hereof, (2) public health and safety issues related to the use of Reclaimed Water by the Authority, which shall be resolved in accordance with Section 3.15 hereof, (3) issues related to scientific and technical studies, which have been resolved pursuant to Section 6.05 hereof, and (4) resolution of disputes as provided in the Master Water Supply Contract, the Authority and Member Governments agree to resolve any dispute related to the interpretation or performance of this Agreement in the manner described in this Section 6.06. Either party may initiate the dispute resolution process by providing written notice to the other party.

(B) After transmittal and receipt of a notice specifying the area or areas of disagreement, the parties agree to meet at reasonable times and places, as mutually agreed upon, to discuss the issues.

(C) If discussions between the parties fail to resolve the dispute within 30 days of the notice described in Section 6.06(A) hereof, the parties shall appoint a mutually acceptable neutral third-party to act as a mediator. The mediation contemplated by this Section 6.06(C) is intended to be an informal and non-adversarial process with the objective of helping the parties reach a mutually acceptable and voluntary agreement. The decision-making shall rest solely with the parties. The mediator shall assist the parties in identifying issues, fostering joint problem-solving, and exploring settlement alternatives.

(D) If the parties are unable to reach a mediated settlement within 60 days of the mediator’s appointment, either party may terminate the settlement discussions by written notice to the other party. In such event, either party may initiate litigation or, where applicable, a proceeding under Section 403.412(2).
Florida Statutes, within 30 days of the notice terminating the settlement discussions. The venue for any such action, other than proceedings under Section 403.412(2), Florida Statutes, shall be the county in which the Authority maintains its principal office. Failure by the party initiating the dispute resolution procedure to commence litigation or, where applicable, a proceeding under Section 403.412(2), Florida Statutes, within the 30 day period shall be deemed to constitute an acceptance of the interpretation or performance of the other party.

SECTION 6.07. WAIVER OF CLAIMS. The Member Governments hereby waive any and all claims against the Authority and the Authority hereby waives any and all claims against the Member Governments, arising under any statute, rule, ordinance, judicial decision, administrative order, the common law, contract or any other document or circumstance existing on the date of this Agreement, or for claims arising after the date of this Agreement that are not disclosed in writing to the Authority and all Member Governments prior to the satisfaction of the conditions described in Sections 6.03(A) and (D) hereof.

SECTION 6.08. ACKNOWLEDGMENT OF EPC AGREEMENT. The parties acknowledge that the Authority will be a party to the EPC Agreement and agree to the conditions under which EPC will participate in the alternative dispute resolution procedures set forth herein and therein.

SECTION 6.09. INDEMNIFICATION. (A) To the full extent permitted by law, the Authority shall indemnify each Director against and from any and all claims, costs, charges and expenses (including without limitation, fees and expenses of attorneys, expert witnesses and other consultants) which may be imposed in connection with his or her service as a Director, if such person acted in good faith and in a manner reasonably believed to be in, or not opposed to, the best interest of the Authority and, with respect to any criminal action or proceedings, had no reasonable cause to believe such conduct was unlawful. The termination of any proceedings by judgment, order, settlement, or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in, or not opposed to, the best interest of the Authority, or, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(B) The Authority agrees to save harmless and assume the defense of and indemnify the Member Governments and their officers, employees, contractors and consultants against and from any and all claims, costs, charges and expenses (including without limitation, fees and expenses of attorneys, expert witnesses and other consultants) which may be imposed against the Member Governments and their officers, employees, contractors and consultants by reason of any of the following occurring during the term of this Agreement:

(1) Any negligent or tortious act, error or omission of the Authority or any of its personnel, employees, contractors or consultants in the construction, expansion, replacement, operation, and/or maintenance of the Authority's Water Supply Facilities; and

(2) Any failure by the Authority or any of its personnel, employees, consultants or contractors, to perform its obligations under this Agreement or any negligent act or tortious act, error or omission of the Authority its personnel, employees, consultants or contractors.

(C) In case any claim shall be made or action brought against any person in or entity respect of which indemnity may be sought against the Authority, such indemnified person or entity shall promptly notify the Authority in writing setting forth the particulars of such claim or action. The indemnified person or entity shall be entitled to select and retain counsel of his or her choice. The Authority shall be responsible
for the payment or immediate reimbursement for all reasonable fees and expenses incurred in the defense of such claim or action.

SECTION 6.10. SOVEREIGN IMMUNITY. The Member Governments intend to avail themselves of the benefits of Sections 768.28 and 163.01(9)(c), Florida Statutes, and of other statutes and the common law governing sovereign immunity to the fullest extent possible. In accordance with Section 163.01(5)(o), Florida Statutes, therefore, the Member Governments are not jointly liable for the torts of the officers or employees of the Authority, or any other tort attributable to the Authority, and that only the Authority shall be liable for torts attributable to it or for torts of its officers or employees, and then only to the extent of the waiver of sovereign immunity or limitation of liability specified in Section 768.28, Florida Statutes. The Member Governments intend the Authority to have all of the privileges and immunities from liability and exemptions from laws, ordinances, rules and common law which apply to the municipalities and counties of the State of Florida. Nothing in this Agreement is intended to inure to the benefit of any third-party for the purpose of allowing any claim which would otherwise be barred under the doctrine of sovereign immunity or by operation of law.

SECTION 6.11. NOTICE. All notices, demands, requests and other communications hereunder shall be deemed sufficient and properly given, if in writing and delivered in person to the following addresses or sent by certified or registered mail, postage prepaid with return receipt requested, at such addresses; provided, if such notices, demands, requests or other communications are sent by mail, they shall be deemed as given on the third day following such mailing which is not a Saturday, Sunday or a day on which United States mail is not delivered:

If to the Authority: West Coast Regional Water Supply Authority
2535 Landmark Drive, Suite 211
Clearwater, Florida 33761
Attention: General Manager

If to Pinellas: Board of County Commissioners
315 Court Street
Clearwater, Florida 34616
Attention: County Administrator

If to Pasco: Board of County Commissioners
7530 Little Road, Room 340
West Pasco Government Center
New Port Richcy, Florida 34654
Attention: County Administrator

If to Hillsborough: Board of County Commissioners
601 East Kenneth Boulevard, 26th Floor
Tampa, Florida 33602
Attention: County Administrator
If to St. Petersburg:  
City of St. Petersburg  
One Fourth Street North  
St. Petersburg, Florida 33701  
Attention: City Administrator

If to Tampa:  
City of Tampa  
315 East Kennedy Boulevard  
Tampa, Florida 33602  
Attention: Mayor

If to New Port Richey:  
City of New Port Richey  
5919 Main Street  
New Port Richey, Florida 34652  
Attention: City Manager

Any party may, by like notice, designate any further or different addresses to which subsequent notices shall be sent. Any notices hereunder signed on behalf of the notifying party by a duly authorized attorney at law shall be valid and effective to the same extent as if signed on behalf of such party by a duly authorized officer or employee.

SECTION 6.12. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement among the parties pertaining to the subject matter hereof, and supersedes (except as expressly provided herein) all prior and contemporaneous agreements, understandings, negotiations and discussions of the parties, whether oral or written, and there are no warranties, representations or other agreements between the parties in connection with the subject matter hereof, except as specifically set forth herein.

SECTION 6.13. AMENDMENTS AND WAIVERS. No amendment, supplement, modification or waiver of this Agreement, including but not limited to the admission of additional Member Governments or the withdrawal of any Member Government, shall be binding unless executed in writing by all parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision of this Agreement, whether or not similar, unless otherwise expressly provided. Each such amendment, supplement, modification or waiver of this Agreement shall be filed with the Clerk of the Circuit Court in Hillsborough County, Pasco County and Pinellas County.

SECTION 6.14. BINDING EFFECT. This Agreement shall be binding upon the parties, their respective successors and assigns and shall inure to the benefit of the parties, their respective successors and assigns.

SECTION 6.15. SEVERABILITY. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof; provided however, that if any material provision of this Agreement (including but not limited to the governance structure, Member Governments’ voting rights, or any other material change in the relative rights and responsibilities of the Authority and the Member Governments, but excluding initial enactment of the legislation attached hereto as Appendix M) is substantively modified by the Florida Legislature or any other person or entity that is not a party hereto, this Agreement may be terminated pursuant to Section 6.04 hereof.

SECTION 6.16. EXECUTION IN COUNTERPARTS. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 6.17. APPLICABLE LAW. This Agreement shall be governed by and construed in accordance with the laws of the State.
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APPENDIX D

FORM OF MASTER WATER SUPPLY CONTRACT
MASTER WATER SUPPLY CONTRACT

THIS MASTER WATER SUPPLY CONTRACT (the "Contract"), entered into as of this 1st day of May, 1998, by and among the WEST COAST REGIONAL WATER SUPPLY AUTHORITY, an interlocal governmental agency created and existing pursuant to Sections 373.1962 and 163.01, Florida Statutes (the "Authority), as reorganized by that certain Amended and Restated Interlocal Agreement, dated as of May 1, 1998 (the "Interlocal Agreement"); HILLSBOROUGH COUNTY, FLORIDA, a political subdivision of the State of Florida ("Hillsborough"); the CITY OF NEW PORT RICHEY, FLORIDA, a municipal corporation of the State of Florida ("New Port Richey"); PASCO COUNTY, FLORIDA, a political subdivision of the State of Florida ("Pasco"); PINELLAS COUNTY, FLORIDA, a political subdivision of the State of Florida ("Pinellas"); the CITY OF ST. PETERSBURG, FLORIDA, a municipal corporation of the State of Florida ("St. Petersburg") and the CITY OF TAMPA, FLORIDA, a municipal corporation of the State of Florida ("Tampa") (Hillsborough, New Port Richey, Pasco, Pinellas, St. Petersburg and Tampa may sometimes be collectively referred to herein as the "Member Governments" and individually referred to as a "Member Government").

WHEREAS, the Authority was created by Hillsborough, Pasco, Pinellas, St. Petersburg and Tampa on October 25, 1974, as amended, for the purpose of developing, recovering, storing and supplying water for county and municipal purposes in such manner as will give priority to reducing the adverse environmental effects of excessive or improper withdrawals from concentrated areas; and

WHEREAS, as of May 1, 1998, the Member Governments reorganized the Authority pursuant to the Interlocal Agreement in order to establish the Authority as a water utility; and

WHEREAS, the Authority and the Member Governments currently own or lease, control and manage various water production, treatment and transmission facilities for the supply of water to customers of the Member Governments; and

WHEREAS, the Member Governments have heretofore determined that the Authority shall own, license or lease and operate various water production, treatment and transmission facilities (collectively, the "System"), including certain facilities currently owned, licensed or leased by Member Governments, for the common use and benefit of the Member Governments, in the manner specified in the Interlocal Agreement; and

WHEREAS, on the Effective Date (as defined herein) of this Contract the Member Governments shall have certain water needs; and

WHEREAS, the Authority agrees that it shall satisfy the aforementioned water needs of the Member Governments in accordance with the terms hereof; and

WHEREAS, the Member Governments desire the Authority to expand the System to meet the common needs of all of the Member Governments, in the manner specified herein and in the Interlocal Agreement; and

WHEREAS, the Member Governments desire to share the costs of operating, developing, acquiring, constructing, equipping and expanding the Authority’s System in the manner specified herein and in the Interlocal Agreement; and

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WHEREAS, the Member Governments desire to purchase and the Authority desires to sell water produced by the Authority from the System at a rate, as specified herein; and

WHEREAS, the Member Governments agree that this Contract shall supersede and replace various existing agreements described herein between the Authority and each of the Member Governments relating to supplying water upon issuance of the herein-described Series 1998 Bonds by the Authority; and

WHEREAS, such Series 1998 Bonds shall be secured in the manner provided herein and pursuant to the instrument by which they shall be issued; and

WHEREAS, the proceeds of the Series 1998 Bonds shall be used principally (1) to restructure the Authority’s outstanding debt so that the terms hereof shall pertain to all water supplied by the Authority to the Member Governments, (2) to fund certain capital improvements to the System, and (3) to acquire certain Transferred Assets (as defined herein) from Member Governments;

NOW, THEREFORE, for and in consideration of the above premises, which shall be deemed an integral part of this Contract, and of the mutual covenants and agreements hereafter set forth, the Authority, Hillsborough, New Port Richey, Pasco, Pinellas, St. Petersburg and Tampa, intending to be legally bound, hereby agree as follows:

SECTION 1. RECITALS. The foregoing recitals are true and correct and are incorporated by reference herein and made a part hereof.

SECTION 2. EXHIBITS. Except as otherwise expressly provided herein, all Exhibits identified herein are made a part hereof and are incorporated herein by this reference to the same extent as if fully set forth herein. Exhibits A and F may be amended or supplemented from time to time by the Authority in accordance with the terms hereof without approval by any Member Government. Exhibit B shall not be amended to reflect any change or modification to the Master Water Plan as the same may be made from time to time. Exhibit B is attached hereto for informational purposes only. Amendments to Exhibit C shall require the written consent of the Authority and any affected Member Government. For purposes of Exhibit C, a Member Government shall be considered affected if the amendment or supplement thereto directly affects the point or location at which such Member Government receives Quality Water from the Authority. The standards for the arbitration process provided in Exhibit D may only be changed with the consent of the Authority and all Member Governments. Specific water quality parameters in Exhibit D may be changed by the Authority without consent of the Member Governments, subsequent to arbitration by any Member Government as provided in Exhibit D; provided, however, the Authority agrees to comply with the results of any arbitration determinations relating to Water quality standards. Exhibit E may only be amended or supplemented by the Member Government which is modifying its Water Service Area, provided Authority approval shall be required under the circumstances described in the last sentence of Section 9 hereof. Exhibits G, H, I and J shall not be amended without the written consent of all parties hereto. Exhibit K is attached hereto for informational purposes only. No Exhibit hereto may be amended or supplemented in contravention to the terms of this Contract. All Exhibits shall be construed amended or supplemented upon delivery of a new Exhibit by the Authority to each Member Government, with written consent where appropriate as described above. No amendment or supplement to the Exhibits hereto shall require the reexecution of this Contract.

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SECTION 3. DEFINITIONS. Unless otherwise specifically set forth elsewhere in this Contract, the following words and phrases used in this Contract shall have the following meanings:

(A) "Annual Estimate" shall mean the estimate of the Authority Costs for a Fiscal Year, including the estimated amount thereof to be payable by each Member Government, and submitted to each Member Government on an annual basis, as required by Section 13 hereof. The Annual Estimate shall be based upon the Authority's proposed annual budget and estimated rate and shall consider the Annual Reports in determining the estimated amounts to be payable by the Member Governments.

(B) "Annual Report" or "Annual Reports" shall mean the report setting forth the next five (5) Fiscal Years of anticipated Water Service within the Water Service Areas for each of the Member Governments to be prepared by each such Member Government and submitted to the Authority as required by Section 12 hereof. The Annual Report may be amended by the Member Governments from time to time. The Annual Report shall be substantially in the form provided in Exhibit K hereto.

(C) "Authority" shall mean the West Coast Regional Water Supply Authority, an interlocal governmental agency created on October 25, 1974, and existing pursuant to Sections 373.1962 and 163.01, Florida Statutes, and pursuant to an interlocal agreement, among Hillsborough, Pasco, Pinellas, St. Petersburg and Tampa dated October 25, 1974, as amended, supplemented and reorganized pursuant to the Interlocal Agreement.

(D) "Authority Costs" shall mean Bond Coverage Costs, Capital Improvement Charges, Debt Service Charges, Operation, Maintenance and Administrative Costs, Operating Reserve Funds and Renewal and Replacement Charges.

(E) "Authority's System" or "System" shall mean the Authority's water production, transmission and treatment facilities, as they currently exist and as they may be modified or expanded in the future from time to time, which are owned, leased, licensed, operated and/or used by the Authority to provide Water. On the Effective Date hereof, the System shall consist of the facilities described in Exhibit A attached hereto. Such Exhibit A shall be amended or supplemented from time to time by the Authority to reflect any changes or modifications to such System.

(F) "Bond Coverage Costs" shall mean the costs of providing the coverage requirements established by the Financing Documents.

(G) "Capital Improvement Charge" shall mean the costs identified by the Authority for planning, designing, acquiring and constructing capital improvements to the System; provided such costs are not payable from proceeds of the Obligations (other than costs which are to be reimbursed from such proceeds) or from moneys received in relation to the Renewal and Replacement Charges.

(H) "Debt Service Charges" shall mean the principal, redemption premium, if any, and interest coming due on the Obligations and any recurring costs and expenses relating to the Obligations, including, but not limited to, paying agent, registrar and escrow agent fees, credit enhancement fees and other charges, but only to the extent such costs and expenses are not otherwise reflected in Operation, Maintenance and Administrative Costs.

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(I) "DEP" shall mean the Florida Department of Environmental Protection, a department and agency of the State of Florida, and any successor thereto.

(J) "Effective Date" shall mean the date on which all conditions precedent described in Section 5 hereof have been satisfied.

(K) "Environmental Permits" shall mean all permits, licenses or other third-party approvals necessary for the acquisition, construction or operation of an Authority Water Supply Facility, including, but not limited to, Primary Environmental Permits.

(L) "Existing Authority System" shall have the meaning provided therefor in the Interlocal Agreement.

(M) "Financing Documents" shall mean any resolution or resolutions of the Authority, as well as any indenture of trust, trust agreement or similar document relating to the issuance or security of the Obligations.

(N) "Fiscal Year" shall mean a twelve (12) month period which commences on October 1 of each year and ends on the next succeeding September 30, or such other period as may be prescribed by law as the fiscal year for the Authority.

(O) "Fixed Costs" shall mean all costs and expenses incurred by the Authority for the operation, maintenance, management, security, development and financing of the System other than Variable Costs.

(P) "Full Implementation Date" shall have the meaning provided therefor in the Interlocal Agreement.

(Q) "Hillsborough" shall mean Hillsborough County, Florida, a political subdivision of the State of Florida, acting by and through its Board of County Commissioners.

(R) "Hillsborough's Water Service Area" shall mean the geographic boundaries within which Hillsborough is permitted and authorized to provide Water Service.

(S) "Inspection Report" shall mean a report of the conditions and accuracy of the Metering Facilities which shall be prepared for the Authority by a representative of the manufacturer of the Metering Facilities or by a third-party selected by the Authority and which shall be submitted to the Member Governments as required by Section 11 hereof.

(T) "Interlocal Agreement" shall mean that certain Amended and Restated Interlocal Agreement, by and among the Member Governments, dated as of May 1, 1998, as the same may be amended or supplemented from time to time. Such Amended and Restated Interlocal Agreement shall be the successor instrument to the Interlocal Agreement, dated October 25, 1974, as amended, among Hillsborough, Pasco, Pinellas, St. Petersburg and Tampa.

(U) "Long Term Forecast" shall mean the forecast setting forth the next twenty (20) Fiscal Years of anticipated Water Service for each of the Member Governments for the development and use of their respective Water Service Areas, which Long Term Forecast shall be submitted to the Authority as of
the Effective Date hereof. The Long Term Forecast may be amended by the Member Governments from time
to time as part of the Annual Report.

(V) "Master Water Plan" shall mean the Authority’s plan for expansion, conservation,
diversification and preservation of Water supply for the Water Service Areas, as set forth in Exhibit B
attached hereto, as the same may be amended or superseded from time to time.

(W) "Member Governments" shall mean, collectively, Hillsborough, New Port Richey, Pasco,
Pinellas, St. Petersburg and Tampa.

(X) "Metering Facilities" shall mean, collectively, those certain water meters and appurtenant
recording and transmitting devices to be installed and owned by the Authority, as required by Section 11
hereof, which are used to measure and bill the volume of Quality Water being delivered to each of the
Member Governments.

(Y) "New Port Richey" shall mean the City of New Port Richey, Florida, a municipal
corporation of the State of Florida, acting by and through its Mayor and City Council.

(Z) "New Port Richey’s Water Service Area" shall mean the geographic boundaries within
which New Port Richey is permitted and authorized to provide Water Service.

(AA) "Obligations" shall mean the Series 1998 Bonds and any other series of bonds or other
evidence of indebtedness, including, but not limited to, notes, commercial paper, capital leases or any other
obligations of the Authority heretofore or hereafter issued or incurred.

(BB) "Operating Reserve Funds" shall mean those funds which are deemed by the Authority
as necessary to meet any cash flow and revenue collection shortfalls due to inaccuracies in the Annual
Reports or Annual Estimates or due to the requirements of the Financing Documents. The amount of
Operating Reserve Funds shall be established by Authority policy; provided such amount shall not exceed
an amount equal to two times the monthly average Variable Costs as provided in the Authority’s preliminary
budget.

(CC) "Operation, Maintenance and Administrative Costs" shall mean any and all costs
incurred by the Authority in operating, maintaining and administering the System, including, but not limited
to, the general administrative and legal costs of the Authority related to operation, maintenance, management,
security and development of the System; costs associated with tools, equipment, vehicles, supplies, materials,
services and support for the operation, maintenance, management, security and development of the System;
any costs of litigation or a legal judgment against the Authority; costs relating to Water conservation and
public education activities; costs of purchasing any Water; development expenses relating to expansion of
the System; all costs incurred in planning or applying for, obtaining, maintaining and defending
Environmental Permits which shall not be paid from the Capital Improvement Charge; accounting, legal and
engineering expenses; ordinary and current rentals of equipment or other property; refunds of moneys
lawfully due to others; pension, retirement, health and hospitalization funds; payments in lieu of taxes and
facility impact fees; moneys to be deposited to a rate stabilization fund; and fees for management of the
System or any portion thereof.

(DD) "Pasco" shall mean Pasco County, Florida, a political subdivision of the State of Florida,
acting by and through its Board of County Commissioners.
(EE) "Pasco Water Service Area" shall mean the geographic boundaries within which Pasco is permitted and authorized to provide Water Service.

(FF) "Pinellas" shall mean Pinellas County, Florida, a political subdivision of the State of Florida, acting by and through its Board of County Commissioners.

(GG) "Pinellas Water Service Area" shall mean the geographic boundaries within which Pinellas is permitted and authorized to provide Water Service.

(HH) "Points of Connection" shall mean those points where the Member Governments' water utility systems connect to the Authority's System for the purpose of delivering Quality Water from the Authority's System to the Member Governments, which Points of Connection are more particularly described on Exhibit C to this Contract.

(II) "Primary Environmental Permit" shall have the meaning provided therefor in the Interlocal Agreement.

(JJ) "Quality Water" shall mean Water which (1) meets State and federal drinking water regulations and standards as defined in Rule 62-550, Florida Administrative Code, as it may be amended or superseded from time to time, including regulations pertaining to surface water or groundwater under the direct influence of surface waters, but excluding regulations pertaining to disinfection and corrosivity, and (2) would not cause a particular Member Government utility to adopt new treatment techniques beyond modified chemical dosages and/or optimization of existing unit processes to meet a moderately altered source of Water. Except as otherwise provided herein, the provisions of this definition are not intended as permission for a Member Government to reject the type of Quality Water to be provided by the Authority to such Member Government; provided, however, the Authority shall pay for any additional treatment costs required to meet the standards for Quality Water as described herein. In addition, Quality Water shall meet the standards provided in Exhibit D attached hereto. The term "Quality Water" also includes Water delivered to the Points of Connection identified in Section 3.03(D) of the Interlocal Agreement or to Points of Connection at which a Member Government agrees, at its sole option, to accept Water not meeting the standards for Quality Water pursuant to Section 3.03(E) of the Interlocal Agreement.

(KK) "Production Failure" shall have the meaning provided therefor in the Interlocal Agreement.

(LL) "Renewal and Replacement Charges" shall mean those certain charges to be deposited to any renewal and replacement fund or account established pursuant to the Financing Documents.

(MM) "Series 1998 Bonds" shall mean the Authority's Utility Revenue Bonds, Series 1998. The Series 1998 Bonds may be issued in more than one series.

(NN) "St. Petersburg" shall mean the City of St. Petersburg, Florida, a municipal corporation of the State of Florida, acting by and through its Mayor and City Council.

(OO) "St. Petersburg Water Service Area" shall mean the geographic boundaries within which St. Petersburg is permitted and authorized to provide Water Service.

(PP) "State" shall mean the State of Florida.
(QQ) "SWFWMD" shall mean the Southwest Florida Water Management District, an agency of the State of Florida, created pursuant to Chapter 373, Florida Statutes, or any successor agency.

(RR) "Tampa" shall mean the City of Tampa, Florida, a municipal corporation of the State of Florida, acting by and through its Mayor and City Council.

(SS) "Tampa Water Service Area" shall mean the geographic boundaries within which Tampa is permitted and authorized to provide Water Service.

(TT) "Transferred Assets" shall mean the Water Supply Facilities (including real property, tangible personal property and intangible personal property) conveyed to the Authority pursuant to Sections 5.01, 5.02, 5.03, 5.04, 5.05 and 5.06 of the Interlocal Agreement; provided, however, that any equity interest of the Member Governments in the Existing Authority System that is relinquished pursuant to Sections 5.01, 5.02, 5.03, 5.04, 5.05 and 5.06 of the Interlocal Agreement shall not constitute a "Transferred Asset."

(UU) "Variable Costs" shall mean all costs and expenses of the Authority for the operation, maintenance and management of the System that change in direct proportion to changes in the volume of Water produced by the Authority, including, but not limited to, power, chemical and Water purchases.

(VV) "Water" shall mean Quality Water and any other water to be used by a Member Government in its public water supply system.

(WW) "Water Service" shall mean the provision of Water as required in the Interlocal Agreement to any and all of the Member Governments at the locations described in Exhibit C attached hereto and provision of Water by the Member Governments to their customers.

(XX) "Water Service Areas" shall mean, collectively, the Hillsborough Water Service Area, the New Port Richey Water Service Area, the Pasco Water Service Area, the Pinellas Water Service Area, the St. Petersburg Water Service Area and the Tampa Water Service Area. The Water Service Areas are described in Exhibit E attached hereto, as the same may be amended or supplemented from time to time pursuant to the terms hereof.

(YY) "Water Supply Facilities" shall mean Water production, treatment and transmission facilities. The term "Water Supply Facilities" does not include facilities for local distribution.

SECTION 4. TERM. The term of this Contract shall begin on the Effective Date and shall end on the later of (A) the date the Interlocal Agreement is terminated in accordance with the provisions thereof, or (B) the date on which no Obligations shall remain outstanding pursuant to the Financing Documents.

SECTION 5. CONDITIONS PRECEDENT. This Contract shall become effective upon satisfaction of the following conditions precedent:

(A) Execution of Contract. This Contract shall be duly authorized, executed and delivered by the Authority, Hillsborough, New Port Richey, Pasco, Pinellas, St. Petersburg and Tampa.

(B) Series 1998 Bonds. The Authority shall have issued the Series 1998 Bonds.
(C) **The Transferred Assets.** The Transferred Assets shall have been conveyed to the Authority as provided in the Interlocal Agreement.

(D) **Interlocal Agreement.** All conditions described in Sections 6.03(A) and (D) of the Interlocal Agreement shall have been satisfied or waived in writing by the Member Governments.

(E) **Certification of Representations.** Each of the parties hereto shall certify that the representations described in Section 7 hereof are true and accurate in all material respects as of the Effective Date.

**SECTION 6. SATISFACTION OF THE CONDITIONS PRECEDENT.** The Authority and each Member Government shall provide a written statement acknowledging the satisfaction of conditions of Section 5 hereof; provided, however, no Member Government shall be required to acknowledge satisfaction of any condition of which such Member Government has no knowledge. Receipt of such statements shall be conclusive evidence of the satisfaction of such conditions. All conditions precedent must be satisfied by the Full Implementation Date, otherwise all provisions hereof shall be void ab initio.

**SECTION 7. REPRESENTATIONS OF THE PARTIES.** As of the Effective Date, the Authority, Hillsborough, New Port Richey, Pasco, Pinellas, St. Petersburg and Tampa each make the following representations as it relates to itself (no representation is made by any party for any other party):

(A) **Status of the Parties.** The Authority, Hillsborough, New Port Richey, Pasco, Pinellas, St. Petersburg and Tampa are each duly organized, validly existing and in good standing under the laws of the State and are each duly qualified and authorized to satisfy their responsibilities pursuant to this Contract.

(B) **Authority to Enter the Contract.** The Authority, Hillsborough, New Port Richey, Pasco, Pinellas, St. Petersburg and Tampa each have the power, authority and legal right to enter into and perform the obligations set forth in this Contract, and the execution, delivery and performance hereof by the Authority, Hillsborough, New Port Richey, Pasco, Pinellas, St. Petersburg and Tampa: (i) has been duly authorized by the Board of Directors in the case of the Authority, by the Board of County Commissioners in the case of Hillsborough, Pasco and Pinellas, by the Mayor and City Council in the case of New Port Richey and Tampa and by the City Council in the case of St. Petersburg; (ii) does not require any consent or referendum of the voters; and (iii) does not constitute a default under, or result in the creation of any lien, charge, encumbrance or security interest upon, the assets of the Authority or any of the Member Governments under any agreement or instrument to which the Authority or any of the Member Governments is a party or by which the Authority or any of the Member Governments and their assets may be bound or affected, except as otherwise provided herein.

(C) **Validity of the Contract.** This Contract has been duly entered into and delivered by the Board of the Directors in the case of the Authority, the Board of County Commissioners in the case of Pasco, Hillsborough and Pinellas, by the City Council and Mayor in the case of New Port Richey, St. Petersburg and Tampa and, as of the Effective Date, constitutes a legal, valid and binding obligation of the Authority and the Member Governments, fully enforceable in accordance with its terms, except to the extent that the enforceability of this Contract may be limited by any applicable bankruptcy, moratorium, reorganization or other similar laws affecting creditor’s rights generally, or by the exercise of judicial discretion in accordance with general principles of equity.
(D) **Pending Litigation.** Other than matters previously disclosed in writing to the parties hereto, there is no action, suit or proceeding, at law or in equity, before or by any court or governmental authority, pending against the Authority or any of the Member Governments, wherein any unfavorable decision, ruling or finding would materially and adversely affect the performance by the Authority or any of the Member Governments of their obligations hereunder or the other transactions contemplated hereby, or which, in any way, would adversely affect the validity or enforceability of this Contract, or any other agreement or instrument entered into by the Authority in connection with the transactions contemplated hereby.

**SECTION 8. AUTHORITY’S AGREEMENT TO PROVIDE WATER SERVICE.**

(A) **Provision of Water Service.** The Authority shall sell and deliver sufficient Quality Water to the Member Governments to meet their need for Quality Water and the Member Governments shall purchase and receive the Quality Water delivered by the Authority to meet their needs in accordance with the terms of this Contract; subject, however, to the representations, conditions, limitations and restrictions set forth in this Contract and the Interlocal Agreement. Except as provided in the Interlocal Agreement, Water Service obtained by the Member Governments from the Authority may be utilized to serve only the Member Governments or their customers within their respective Water Service Areas. Nothing herein shall be construed to prohibit the Member Governments from temporarily exchanging or purchasing Water, either among themselves or with other public or private utilities, for emergency or maintenance purposes in the ordinary course of business.

(B) **Insufficient Water.** The Authority shall be in default hereunder should it fail to provide to each Member Government a supply of Quality Water sufficient to meet its needs, except where the Authority’s failure to supply the Quality Water needs of each Member Government is due to force majeure, as described in Section 21(E) hereof. In the event that there is, at any time, an insufficient supply of Quality Water available to fulfill the needs of the Member Governments due to force majeure described in Section 21(E) hereof, the Authority shall not be in default hereunder, if, in such circumstances, it shall furnish and deliver to the Member Governments, their pro rata share (or a share that as closely approximates their pro rata share as is reasonably practicable in the circumstances) of available supply, unless otherwise required by law, court order, or appropriate regulatory authorities. Each Member Government’s pro rata share shall be based on the average of the actual amount of Quality Water supplied each month by the Authority to such Member Government over the previous twelve (12) month period. The Authority shall use its best efforts to prevent an insufficiency of Quality Water and to remedy any such insufficiency and shall take all necessary actions to supply the Quality Water needs of each Member Government in accordance with the terms of the Interlocal Agreement.

(C) **Water Use Restrictions.** In the event of an insufficiency in the supply of Quality Water described in the preceding paragraph, the Authority may request the Member Governments to implement water use restrictions which shall be applied on a uniform basis among all Member Governments. In the event a Member Government does not implement such a request within thirty (30) days of the request and the insufficiency in available Quality Water is still present, the Member Governments agree to implement water use restrictions upon request of the Authority. The purposes of such restrictions shall be to reduce demand for Quality Water among Member Governments and to ensure that a particular Member Government or Governments does not unduly suffer as a result of such insufficiency.

(D) **Member Government’s Rights During Production Failure.** Nothing in this Section 8 shall affect a Member Government’s rights under Section 3.17 of the Interlocal Agreement in the event of a Production Failure.
SECTION 9. MEMBER GOVERNMENTS’ WATER SERVICE. Except as otherwise
provided herein or in the Interlocal Agreement, all Water required to service the customers within the
respective Water Service Areas shall be supplied by the Authority. Nothing herein shall be construed to
prohibit the Member Governments from temporarily exchanging or purchasing Water, either among
themselves or with other public or private utilities, for emergency or maintenance purposes in the ordinary
course of business. A Member Government shall notify the Authority in writing of any change in its Water
Service Area. Authority approval of a change in a Member Government’s Water Service Area is not required
except if such change involves providing Water outside its boundaries in the case of a Member Government
which is a county or the boundaries of the county where the Member Government is located in the case of
a Member Government which is a municipality. The parties hereto agree that Pasco may provide Water
Service in Hillsborough to customers in the Wyndham Lakes Subdivision.

SECTION 10. POINTS OF CONNECTION AND METER LOCATIONS. (A) Points of
Connection. The Points of Connection and the location of the Metering Facilities (which shall include
master meters) that will be used to connect the Member Governments’ water utility systems and the
Authority’s System, for Quality Water, shall be as provided in Exhibit C hereto. Each Member Government
may have more than one Point of Connection with the Authority’s System. Any change in the Points of
Connection for a Member Government shall be incorporated by reference in Exhibit C hereto. The parties
may, by mutual written agreement, more specifically identify or modify said Points of Connection or the
location of the Metering Facilities, and any such additional legal description or modifications shall be
considered to be a part of this Contract, as if initially set forth herein. After thirty (30) days written notice
to the Authority, and with the Authority’s prior written approval, not to be unreasonably withheld, delayed
or conditioned, the Member Governments may, at any time, at their sole cost and expense, relocate or modify
the location of the Points of Connection, as long as said relocation does not unreasonably interrupt, impair
or interfere with the ability of the Authority to provide Water Service to the respective Water Service Area
or service to other customers of the Authority. At the request and expense of a Member Government, the
Authority may relocate or modify the location of a Point of Connection. In the event the Authority on its
own initiative desires to modify a Point of Connection for a Member Government, it must receive the
approval of such Member Government, which approval shall not be unreasonably withheld, and it must pay
the expenses of such modification.

(B) Conveyance of Easements. It shall be the duty of the Authority to install, operate and
maintain any required Metering Facilities at the Points of Connection, as set forth in Section 11 hereof. The
Member Governments shall convey to the Authority, as and when the Authority requests, at no cost and
expense to the Authority, an appropriate non-exclusive easement over, under or above such portions of the
Water Service Areas as may be reasonably requested by the Authority for the installation, operation and
maintenance of such Metering Facilities at the Points of Connection. Such grants of non-exclusive easements
shall be adequate to meet the Authority’s needs but need not be more than the minimum required, according
to generally accepted engineering standards, in order to perform the functions requiring said non-exclusive
easements. No other easement granted by the respective Member Government over, under or above such
portions of the Water Service Areas shall unreasonably interfere with the ability of the Authority to duly and
properly install, operate or maintain the Points of Connection and Metering Facilities. The Authority shall
acquire any property it requires for easements at the metering location and Points of Connection if not
already owned by a Member Government.

(C) Pumping Stations. If a booster pump station is required to meet pressure described in Exhibit
C hereto at a Point of Connection, the booster pump station shall be constructed, owned and operated by the
Authority or, in the alternative at the option of the Authority, a Member Government may construct, own and
operate such booster pumping station, provided a credit shall be issued to such Member Government reflecting the Authority's avoided cost or the Member's actual cost, whichever is less. The Member Governments agree to provide available sites for future pump stations to the Authority at fair market value so that the Authority can carry out its obligations to provide adequate pressure to all Member Governments.

SECTION 11. METERING FACILITIES. (A) Installation of Metering Facilities. The Authority shall acquire and install such Metering Facilities as are adequate in view of the Member Governments' right to receive Water Service and as will accurately measure the volume of Quality Water delivered to Member Governments by the Authority. The Authority shall retain ownership of the Metering Facilities, together with any appurtenances thereto. The type of Metering Facilities selected shall be at the discretion of the Authority, subject to compliance with industry standards for similar Metering Facilities.

(B) Inspection of Metering Facilities. Visual inspection and routine maintenance of the Metering Facilities and appurtenances thereto shall be performed annually by the Authority, and the Authority shall prepare or shall have prepared an Inspection Report regarding the condition, accuracy and state of the Metering Facilities. The Inspection Report shall be prepared at the Authority's expense by a representative of the manufacturer of the Metering Facilities or a third-party reasonably acceptable to the Authority and the Member Governments, and a copy of each such Inspection Report shall be furnished to the Member Governments. The Authority shall perform or have performed annually at its expense a certified calibration test of the Metering Facilities and submit the results thereof to the Member Governments.

Upon request and at the expense of a Member Government, the Authority shall make arrangements for a meter test to be conducted by an independent testing facility. The Authority shall be responsible for negotiating and paying to the independent meter testing facility any fees charged for such a test. Such independent meter testing facilities shall conform to the manufacturer's standards. Where appropriate, the meter may be field tested. The Member Governments shall have the right to observe any field test, and the Authority shall provide the Member Governments with a written report of the results of each such test.

(C) Inaccurate Meters. The Authority shall employ water meters that register within the accuracy limits provided by the manufacturer. Should the accuracy of any of the Metering Facilities be determined to be inaccurate beyond limits prescribed in applicable Environmental Permits, such Metering Facilities will be assumed to have been inaccurate since the last annual Inspection Report, calibration or the last field test or for a period of six (6) months, whichever is less, and the following month's billing will be adjusted taking into account the nature of the inaccuracy to show a credit or additional charge to the respective Member Governments for metered flow for that period. Inaccuracies which are not beyond the limits prescribed in applicable Environmental Permits shall not be credited or charged to the affected Member Governments.

SECTION 12. ANNUAL REPORT. Commencing on the Effective Date hereof and by February 1 of each year thereafter, each Member Government shall supply the Authority with an updated Annual Report, in the form provided in Exhibit K attached hereto, setting forth the next five (5) Fiscal Years of projected Water Service demand within their respective Water Service Areas. Such projected Water Service demand shall state its projected average day and maximum day Water Service requirements. The Annual Report shall include a Long Term Forecast. The Long Term Forecast shall set forth the next twenty (20) Fiscal Years of projected Water Service demand within the respective Water Service Areas. At the Authority's request, such Member Government shall furnish to the Authority its back-up and supporting information, data and projections that form the basis of any Annual Report or Long Term Forecast. The Annual Reports shall be utilized by the Authority in formulating its capital improvement program; provided
the Authority agrees that such Annual Reports are only one factor in formulating its capital improvement program and it further agrees not to rely exclusively on such Annual Reports in its determination of the Quality Water needs of the Member Governments.

SECTION 13. RATE. (A) Authority’s Annual Estimate. No later than April 15 of each year during the term of this Contract, the Authority shall submit to the Member Governments the Annual Estimate which shall set forth the anticipated cost to the Authority of providing Water Service to the Member Governments for the forthcoming Fiscal Year. The Annual Estimate shall be based upon the Authority’s proposed budget for such Fiscal Year. The Annual Estimate shall describe the Fixed Costs and Variable Costs of the Authority. The Annual Estimate may be revised from time to time to reflect changes to the Authority’s budget. The Authority’s budget shall be approved as provided in the Interlocal Agreement.

(B) Rate. The rate in effect each Fiscal Year shall be sufficient to pay the Annual Estimate established by the Authority. During the term of this Contract, the Member Governments irrevocably agree to pay to the Authority, as compensation for the Water Service received by such Member Governments, a monthly charge for such Water Service based on the rate approved by the Authority and total volume of Quality Water delivered to such Member Governments by the Authority. In addition, the Authority’s rate structure may provide for debits and credits for different levels of treatment of Quality Water required of the Authority or a Member Government as described in Section 3.04 of the Interlocal Agreement. The Authority shall also provide for credits to those Member Governments who do not elect to take cash, in whole or in part, for the sale of their Transferred Assets to the Authority as provided in the Interlocal Agreement. The Authority and the Member Governments agree that the rate for Water delivered to Tampa from the Tampa Bypass Canal shall be established pursuant to the provisions of Section 3.08(D) of the Interlocal Agreement. The Member Governments shall be billed on a monthly basis in accordance with bills rendered by the Authority to each Member Government. The monthly bills delivered by the Authority to the Member Governments shall consist of two components. The first component shall be a charge for the Fixed Costs of the Authority. Each Member Government shall pay monthly an amount equal to one-twelfth of the Fixed Costs provided in the Annual Estimate times \( \frac{A}{B} \), whereby \( A \) equals the amount of Quality Water delivered to such Member Government during the previous Fiscal Year and \( B \) equals the total amount of Quality Water delivered to all of the Member Governments during such Fiscal Year. The amount of Fixed Costs payable by the Member Governments shall be subject to a true-up pursuant to Section 13(e) hereof. The second component of each monthly bill shall be the charge for the Variable Costs. Each Member Government shall pay an amount equal to the amount of Quality Water consumed by the Member Government during the prior month times the rate then in effect times \( \frac{C}{D} \), whereby \( C \) equals the Variable Costs and \( D \) equals the Annual Estimate then in effect. All bills shall become due within thirty (30) days of receipt thereof by a Member Government.

(C) Rate Setting. The initial rate for Water Service to be charged by the Authority to the Member Governments is contained in Exhibit F to this Contract. Between April 15 and August 1 of each Fiscal Year, the Authority may prepare and approve an adjustment to the Water Service rate then in effect, if appropriate, based on the Authority’s Annual Estimate of providing Water Service to the Member Governments during such period during which the adjustment will be in effect. Any rate adjustment put into effect as part of the Authority’s budget process described above shall become effective no earlier than the next succeeding October 1. The Authority may also prepare and approve an adjustment to the rate at such other time or times as shall be required by the Financing Documents.

The rate to be charged in a Fiscal Year to the Member Governments for Water Service may include the following components:
(i) Operation, Maintenance and Administrative Costs. Operation, Maintenance and Administrative Costs shall be based on the cost of service provided by the Authority in such Fiscal Year.

(ii) Debt Service Charges. Debt Service Charges relating to any Authority's Obligations shall be based upon the payment of, redemption premium, if any, and interest coming due on the Obligations in such Fiscal Year.

(iii) Renewal and Replacement Charges. Renewal and Replacement Charges shall be based on an engineering estimate by the Authority's consulting engineer of amounts to be deposited into the renewal and replacement fund or account at a level sufficient to satisfy in such Fiscal Year all requirements of covenants given or undertaken by the Authority in the Financing Documents.

(iv) Bond Coverage Costs. Bond Coverage Costs shall be based upon coverage requirements established by the Financing Documents.

(v) Capital Improvement Charges. Capital Improvement Charges shall be based upon the amount identified therefor in the Authority's Annual Estimate for such Fiscal Year.

(vi) Operating Reserve Funds. Operating Reserve Funds shall be based upon the amount identified therefor in the Authority's Annual Estimate for such Fiscal Year.

The Member Governments agree that the Authority may establish a rate stabilization fund. Operation, Maintenance and Administrative Costs and/or Operating Reserve Funds may be utilized by the Authority to fund such rate stabilization fund.

(D) Procedure for Rate Adjustments. Prior to the adoption of any proposed new or adjusted rate, the Authority shall provide to the Member Governments its proposed rate, with supporting data and calculations. Any disagreements in the proposed rate shall be submitted for determination in the manner and mode set forth in Section 19 hereof. Notwithstanding any disagreement by any such Member Government of the proposed rate, the Authority may, nonetheless, implement said proposed rate at any time not less than sixty (60) days after receipt thereof by the Member Governments. Upon completion of the determination regarding the propriety of the proposed rate, pursuant to the procedures set forth in Section 19 hereof, the rate so determined to be proper shall become the adopted and approved adjusted rate. If the proposed rate is determined to have been in excess of the rate permitted under this Contract, in whole or in part, then the Authority shall, within thirty (30) days of said determination, refund to such Member Government the difference between the proposed rate collected by the Authority and the rate found to be proper pursuant to the determination made under Section 19 hereof.

A copy of the Authority's rate, as it may be adjusted or proposed from time to time, is intended to be incorporated herein by this reference, and shall be considered to be attached hereto as Exhibit F.

(E) Annual True-Up. Following the end of each Fiscal Year, an annual adjustment in the Fixed Costs component of bills paid during that Fiscal Year shall be computed on the basis of (i) the Fixed Costs which are provided in the Annual Estimate in effect during the Fiscal Year then ended and (ii) the actual amount of Quality Water delivered to each of the Member Governments during the Fiscal Year then ended. The Authority shall determine the amount of Fixed Costs payable by each Member based upon actual delivery of Quality Water during the previous Fiscal Year. Such determination shall be made within forty-
five (45) days of the end of the Fiscal Year. In the event the determination reflects that an underpayment has been made by a Member Government as a result of consumption of an increased amount of Water by such Member Government, then the full amount due and owing for said underpayment shall be paid by the Member Government to the Authority within sixty (60) days of the Member Government’s receipt of the determination. In the event the determination reflects that an overpayment has been made by a Member Government as a result of consumption of a lesser amount of Quality Water by such Member Government, then the amount of said overpayment shall be paid to the Member Government within sixty (60) days following distribution of the determination. Neither underpayments nor overpayments shall bear interest. Each such adjustment in payments shall be verified by the Authority’s annual audit. The annual audit shall be distributed to the Member Governments on or before March 1 of the year following the end of each Fiscal Year. The Authority shall adjust any overpayments or underpayments to reflect the Quality Water consumption amounts provided in the annual audit.

(F) **Carry-Forward.** Any unencumbered moneys of the Authority present at the end of a Fiscal Year shall be budgeted by the Authority for the succeeding Fiscal Year and shall be utilized for the same purposes for which rates are charged by the Authority to the Member Governments pursuant to this Section 13.

**SECTION 14. PLEDGE OF CONTRACT REVENUES.** The Authority is hereby authorized to pledge all payments due, owing or received by Member Governments pursuant to the terms hereof, any interest or other income derived from moneys received under this Contract and any other moneys of the Authority for the purpose of securing the Obligations issued by the Authority.

**SECTION 15. DEVELOPMENT OF NEW WATER SUPPLY SOURCES.** Unless prevented by force majeure, as described in Section 21(E) hereof, the Authority will develop new Water Supply Facilities as provided in the Interlocal Agreement in order to meet the Quality Water supply needs of the Member Governments. The Authority and the Member Governments realize that the development of new water supply sources and the implementation of the Master Water Plan are paramount to the Authority’s ability to fulfill its Water Service obligations under this Contract, and the parties hereby agree to work together toward accomplishing the objectives set forth in the Master Water Plan and the Interlocal Agreement.

**SECTION 16. MEMBER GOVERNMENTS’ RIGHTS TO DEVELOP AND SUPPLY WATER.** Member Governments may develop Water Supply Facilities or purchase Water from persons other than the Authority only to the extent provided in the Interlocal Agreement.

**SECTION 17. ADDITIONAL REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE AUTHORITY.** The Authority hereby represents, warrants and covenants to the Member Governments as follows:

(A) **Water Quality.** The Authority shall deliver to the Member Governments Quality Water from the Authority’s System at the Points of Connection. Upon the request, and at the expense, of a Member Government and upon the conditions described in Section 3.04 of the Interlocal Agreement, the Authority may provide additional treatment to the Quality Water.

(B) **Environmental Permits.** The Authority shall obtain, renew, maintain and modify, if necessary, all Environmental Permits necessary to provide Water Service to the Water Service Areas in
accordance with the terms of the Interlocal Agreement. The Authority further agrees to comply with all Environmental Permit conditions and applicable rules and regulations.

(C) Financing Water Supply Facilities. The Authority shall from time to time issue such Obligations as it deems necessary to cover the costs incurred in constructing, acquiring, operating, replacing and expanding the Authority’s System; provided any Obligations issued to finance operating expenses shall mature no later than one year from the date of their issuance.

(D) Accounting. The Authority shall maintain accounts and records for all funds received and disbursed by it with respect to Water Service. On or before each March 1, beginning on the March 1 immediately following the date upon which all conditions precedent in Section 5 hereof are satisfied, the Authority shall complete an audit of the aforesaid accounts. Said audit shall be conducted by a nationally recognized certified public accounting firm.

(E) Adequate Water and Environmental Effects. The Authority shall supply Water Service to the Member Governments and reduce adverse environmental effects of excessive or improper withdrawals of Water from concentrated areas as provided herein and in the Interlocal Agreement.

(F) Conservation. The Member Governments shall have primary responsibility for implementing means, methods and techniques relating to Water conservation; provided, however, the Authority may continue to plan and coordinate the conservation efforts of the Member Governments.

(G) Operation of System. The Authority shall at all times operate and maintain the System in accordance with prudent utility practices.

(H) Compliance with Laws. The Authority shall comply with all laws, rules and regulations applicable to this Contract and its obligations arising hereunder.

(I) Equitable Treatment of Member Governments. The Authority shall treat all Member Governments equitably without preference for any one Member Government over another Member Government, all in accordance with the terms of this Contract and the Interlocal Agreement.

(J) Rate. The rate charged by the Authority to the Member Governments for Water Service shall be reasonable.

SECTION 18. ADDITIONAL REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE MEMBER GOVERNMENTS. The Member Governments hereby represent, warrant and covenant to the Authority as follows:

(A) Irrevocable Commitment to Pay. The Member Governments shall pay their respective monthly bills for Water Service to their respective Water Service Areas for every Fiscal Year throughout the term of this Contract in the manner provided in Section 13 hereof. Said payments by the parties shall be made without notice or demand and without set-off, counterclaim, abatement, suspension or deduction. The Authority is undertaking the acquisition, construction, operation, replacement and expansion of the Authority’s System on the representations, warranties and covenants of the Member Governments set forth in this Section 18.
(B) **Acquisition of Real Property.** The Member Governments shall cooperate with the Authority in acquiring all interests in real property necessary to acquire, construct, manage, operate and expand the Authority’s System.

(C) **Member Governments’ Water Utility System Charges.** The Member Governments shall fix, revise, maintain and collect such fees, rates, tariffs, rentals, or other charges for the use of products, services and facilities of their respective Member Government’s water utility systems to the extent necessary to fund the timely payment of their respective obligations and liabilities under this Contract.

(D) **Member Governments’ Water Utility System Operation and Maintenance Account.** Except as otherwise provided herein, the Member Governments shall maintain their Member Governments’ water utility system operation and maintenance accounts throughout the term of this Contract for the purpose of paying their obligations and liabilities under this Contract. At all times during the term of this Contract, the parties’ obligations and liabilities under this Contract shall be considered an operating expense of their water utility systems and shall be paid from their water utility system operation and maintenance accounts; provided, however, that such obligations and liabilities of a Member Government shall not be considered an operating expense of its water utility system nor need it be paid from the operation and maintenance account to the extent the Member Government has budgeted and appropriated legally available moneys for such purpose and is current on all its obligations arising hereunder.

(E) **Member Government Payment Obligation.** A Member Government shall not be liable under this Contract for the obligations of any other Member Government. A Member Government shall be solely responsible and liable for performance of its obligations under this Contract. The obligation of a Member Government to make payments under this Contract is a severable obligation and not a joint obligation with the other Member Governments.

(F) **Cooperation on Issuance of Authority Obligations.** Each Member Government shall cooperate with the Authority in issuance of the Authority’s Obligations. In such connection, each Member Government and the Authority shall comply with reasonable requests of each other and will, upon request, do as follows: (i) make available general and financial information about itself; (ii) consent to publication and distribution of its financial information; (iii) certify that its general and financial information is accurate, does not contain any untrue statements of a material fact and does not omit to state a material fact necessary to make the statements in the information, in light of circumstances under which they are made, not misleading; (iv) make available certified copies of official proceedings; (v) provide reasonable certifications to be used in a transcript of closing documents; and (vi) provide and pay for reasonable requested opinions of counsel as to the validity of its actions taken in respect to and the binding effect of the Interlocal Agreement and this Contract, title to its Water supply system, as applicable, and pending litigation which could materially affect its performance hereunder. In addition, each Member Government agrees to take no action which shall adversely affect the exclusion from gross income of interest on the Authority’s Obligations for purposes of federal income taxation. Each Member Government shall provide the Authority reasonable assurance that no actions taken by it shall adversely affect the exclusion from gross income of interest on the Authority’s Obligations for purposes of federal income taxation. Each Member Government further agrees that it shall pay any arbitrage rebate liability arising pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, from the use or investment of proceeds of the Series 1998 Bonds which are paid to such Member Government for acquisition of its Transferred Assets by the Authority.
SECTION 19. ARBITRATION. (A) Arbitration. Except as otherwise provided in this Section 19, any disputes respecting monetary defaults committed by the Authority or any of the Member Governments, any disputes regarding Water quality as provided in Exhibit D hereto, and any disputes between the Authority and any Member Government involving fiscal matters arising under this Contract, which are not otherwise resolved after due diligent effort by the parties, shall be resolved through binding arbitration in accordance with the following provisions of this Section 19. Such binding arbitration shall be the sole and exclusive method of resolving disputes described above.

(i) Arbitration shall be commenced by one party serving written notice upon the other parties of its demand to arbitrate. Within sixty (60) days after actual receipt of a written demand to arbitrate, the parties shall proceed with arbitration. Within said sixty (60) days, the Authority and the Member Government each shall appoint a person as arbitrator. Each appointment shall be signed in writing by each party to the other, and the arbitrators so appointed shall, within ten (10) days of their appointment, appoint a third arbitrator and who shall chair the panel. If the arbitrators appointed by the parties are unable to agree upon a third arbitrator, the third arbitrator shall be appointed by the American Arbitration Association from its qualified panel of arbitrators. If the Authority or the Member Government fails to appoint an arbitrator within sixty (60) days after receipt from the other party of a written demand to arbitrate, then the arbitrator appointed by the party not in default hereunder shall appoint a second arbitrator and the two so appointed shall appoint a third arbitrator to chair the panel. None of the arbitrators shall have a business or other pecuniary relationship with either party, except for payment of the arbitrator’s fees and expenses.

(ii) In the event a dispute arises involving the Authority and more than one Member Government in regard to the same subject matter, such parties may agree to one arbitration proceeding to settle such a dispute. Within sixty (60) days of such agreement, the Authority, individually, and the Member Governments, collectively, shall each appoint a person as arbitrator. Each appointment shall be signed in writing by each party to the other parties and the arbitrators so appointed shall, within ten (10) days of their appointment, appoint a third arbitrator who shall chair the panel. If the arbitrators appointed are unable to appoint a third, such third arbitrator shall be appointed by the American Arbitration Association from its qualified panel of arbitrators. If either the Authority or the Member Governments fail to appoint an arbitrator within sixty (60) days after agreement to proceed with a single arbitration, then the arbitrator appointed shall appoint a second arbitrator and the two so appointed shall appoint a third arbitrator to chair the panel. None of the arbitrators shall have a business or other pecuniary relationship with any of the parties, except for payment of the arbitrator’s fees and expenses.

(iii) The three arbitrators, after being duly sworn to perform their duties with impartiality and fidelity, shall proceed to determine the questions submitted. The arbitrators may, at their discretion, and shall, upon the written request of either the Authority or the Member Government(s), engage experts to provide peer review of any scientific and technical studies introduced by parties. The arbitration hearing shall convene not earlier than ninety (90) days and not later than one hundred twenty (120) days of the appointment of the chair by the arbitrators, unless the parties agree to an earlier date. The arbitrators shall render an award within sixty (60) days of the conclusion of the arbitration hearing, and such award shall be in writing and in duplicate, one counterpart thereof to be delivered simultaneously to each of the parties. The award shall contain findings of fact and conclusions of law and shall be final and binding upon the parties involved.

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(iv) The fees, charges and expenses of such arbitrators and any experts engaged by the arbitrators shall be borne equally by the parties. The fees of respective counsel engaged by the parties, and the fees of expert witnesses and other witnesses called by the parties shall be paid by the respective party engaging such counsel or engaging such witnesses.

(v) Except to the extent inconsistent with this Section 19, the American Arbitration Association standards shall apply to any arbitration proceedings conducted under the provisions of this Section 19. The venue for any such action shall be the county in which the Authority maintains its principal office. Discovery shall be conducted pursuant to the rules set forth in Exhibit L attached hereto unless all parties to the proceeding agree to modify such rules.

(B) **Continuation of Payments.** The Member Governments agree that during any such period of arbitration, they shall continue to promptly make all payments due to the Authority, pursuant to the terms of this Contract, and the Authority shall continue to provide Water Service to such Member Governments in accordance with the terms hereof.

(C) **Exclusive Remedy.** Other than as provided herein, the Authority and the Member Governments hereby establish binding arbitration, as described in this Section 19, as the sole and exclusive method of resolving the disputes arising hereunder which are subject to arbitration. It is expressly agreed that no Member Government shall fund the participation of, or provide in-kind contributions to, any third-party in an administrative or judicial review of any matter which is the subject of arbitration hereunder; provided, however, that this Section 19(C) shall not apply to the Hillsborough County Environmental Protection Commission while in compliance with the agreement between itself, the Authority and the Member Governments.

(D) **Events Not Subject to Arbitration.** Other than disputes regarding monetary defaults, disputes regarding Water quality as provided in Exhibit D hereto and disputes regarding fiscal matters arising under this Contract, no other disputes arising hereunder shall be subject to the mandatory arbitration provisions of this Section 19; provided the parties hereto may avail themselves of such arbitration procedures for other disputes on a voluntary basis.

**SECTION 20. AUTHORITY'S SOURCES OF WATER.** Subject to any rights a Member Government may have pursuant to the Interlocal Agreement, the Authority may provide Water Service to satisfy its obligations hereunder from any component of its System or such other source deemed appropriate by the Authority and the Authority may use any component of its System or such other source to transport water to the Points of Connection.

**SECTION 21. DEFAULT AND REMEDY.** (A) **Defaults.** In the event any of the parties default under any of the terms or provisions of this Contract and such default is not subject to the provisions of Section 19 hereof, the parties may avail themselves of any rights or remedies available under applicable law. Notwithstanding the commission of an act of default by a Member Government under any of the terms or provisions of this Contract, none of the parties hereto shall be relieved from their obligations under the terms of this Contract to provide, receive or pay for timely and sufficient Water Service in accordance with the provisions of this Contract. The parties, however, shall not be assumed to have waived any such default by the continuation of the provision or payment of said Water Services. The parties hereto acknowledge that this Contract may not be terminated except as provided in Section 4 hereof.
(B) **Reliance by Holders of Obligations.** The parties acknowledge that to finance the acquisition and construction of improvements and expansion of the System, the Authority will issue Obligations from time to time and, by reason of such issuance by the Authority, it is essential that the Authority be paid in a timely fashion all sums due from Member Governments pursuant to this Contract. In light of the obligations of the Authority to holders of Obligations, and the Authority’s reliance on Member Governments’ representation and covenant that payment of all sums due to the Authority under the terms of this Contract shall be prompt in their remittance, the parties hereby agree to resolve any disputes over the correct amount of monthly billings in accordance with Section 19 hereof. During the pendency of such dispute resolution proceedings, the Authority agrees to continue to provide Water Service to the Member Governments, and the Member Governments agree to continue to pay in full, as billed, for such service, but subject to the Authority’s obligation to refund to the Member Governments any amount collected in excess of the amount ultimately determined to have been proper with interest on such excess amount from the date of payment at the rate then prevailing for investments in the Local Government Surplus Funds Trust Fund.

(C) **Failure to Pay Monthly Bills.** In the event that a Member Government fails to pay the full amount of a bill for monthly service or for any other amount coming due to the Authority under this Contract within thirty (30) days of receipt of said bill, then such Member Government shall pay interest on the unpaid balance from the original due date to the date of payment at the rate then prevailing for investments in the Local Government Surplus Funds Trust Fund.

(D) **Bankruptcy by Member Government.** In the event a Member Government becomes insolvent, or voluntary or involuntary bankruptcy proceedings are instituted against such Member Government, or a Member Government becomes unable or fails to meet its obligations to its creditors as they come due, the Authority shall thereupon become entitled to seek the appointment of a receiver for the revenues of such Member Government’s water utility system (but not for the operation of a Member Government’s water utility system). In the event a receiver is appointed for the revenues of such Member Government’s water utility system in accordance with this Section 21, said receiver shall, subject to orders of the appointing court, have the exclusive right to obtain, collect and deposit or invest all revenues payable to or received by a Member Government from its water customers, to pay to the Authority from such revenues all amounts due or becoming due to the Authority under this Contract, and to make payments under the provisions of resolutions or indentures pertaining to outstanding debt of a Member Government that is secured by the revenues of the water utility system.

The Authority’s right to seek the appointment of a receiver under the provisions of this Section 21 shall be subordinate to any right to the appointment of a receiver that may be conferred upon the holders of debt obligations secured by the revenues of a Member Government’s water utility system. By virtue of the treatment of amounts due to the Authority under this Contract as operating expenses of a Member Government (except as otherwise provided in Section 18(D) hereof), it is acknowledged that the Authority’s right to receive payments hereunder will be prior to the right of the holders of the debt obligations of a Member Governments water utility system. A Member Government shall have the right to contest the appointment of a receiver only in the event that such Member Government is not in default on any payment obligations to the Authority hereunder at the time of the filing of the Authority’s petition for the appointment of such a receiver. Such Member Government shall be entitled to have the receivership discharged at any time upon demonstration to the court that the Authority is current in the payment of all amounts then due and owing to the Authority hereunder and in substantial compliance with the material covenants and agreements of the Member Government hereunder.

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(E) **Force Majeure.** In the event that the performance of this Contract by any party is prevented or interrupted in consequence of any cause strictly beyond the control of such party including, but not limited to, Acts of God; war; national emergency; allocation or other governmental restrictions upon the use or availability of labor or materials; shortages of energy sources or supplies; failure to obtain electricity or telephone service; shortages of raw materials; rationing; civil insurrection, riot, disorder or demonstration; strike; lock out; embargo; flood; tidal wave; fire; explosion; bomb detonation; nuclear fallout; windstorm; hurricane; earthquake; a casualty, disaster or catastrophe; unforeseeable failure or breakdown of pumping, transmission, processing or other facilities; governmental rules, acts, orders, restrictions, regulations or requirements (other than denial of an Environmental Permit); discretionary acts or actions of any government, public, governmental authority, commission, board, agency, agent, official or officer (except for the acts or actions of the Authority or Member Governments or its agents or officers and affecting this Contract or the denial of an Environmental Permit); the enactment of any statute, ordinance, resolution, regulation, rule, ruling or order (other than denial of an Environmental Permit); a decree, judgment or injunction of any court; or the failure to obtain any required permit or governmental approval after making its best efforts to obtain same; said party shall not be liable for such nonperformance, but only for the duration of or to the extent of said force majeure and only if said party is not directly or indirectly responsible therefor. Any party claiming to be relieved of any duty pursuant to this Section 21 shall give prompt written notice thereof to the other parties. The parties agree, however, to remedy with all reasonable dispatch the cause or causes preventing a party from carrying out its agreement.

**SECTION 22. DISPOSITION OF ASSETS UPON TERMINATION OF AUTHORITY.** Upon termination of the Authority, all assets and property of the Authority shall be disposed of as provided in Section 6.04 of the Interlocal Agreement.

**SECTION 23. APPLICABLE LAW AND VENUE.** The laws of the State of Florida shall govern the validity, interpretation, construction and performance of this Contract and venue for any suit involving this Contract shall be in the county where the Authority's principal office is located.

**SECTION 24. ASSIGNMENT.** No assignment, delegation, transfer or novation of this Contract or any part hereof shall be made unless approved in writing by all parties.

**SECTION 25. NOTICES.** All notices, demands, requests and other communications hereunder shall be deemed sufficient and properly given, if in writing and delivered in person to the following addresses or sent by certified or registered mail, postage prepaid with return receipt requested, at such addresses; provided, if such notices, demands, requests or other communications are sent by mail, they shall be deemed as given on the third day following such mailing which is not a Saturday, Sunday or a day on which United States mail is not delivered:

If to the Authority: West Coast Regional Water Supply Authority 2535 Landmark Drive, Suite 211 Clearwater, Florida 33761 Attention: General Manager

If to Pinellas: Board of County Commissioners 315 Court Street Clearwater, Florida 34616 Attention: County Administrator
If to Pasco: Board of County Commissioners
7530 Little Road, Room 340
West Pasco Government Center
New Port Richey, Florida 34654
Attention: County Administrator

If to Hillsborough: Board of County Commissioners
601 East Kennedy Boulevard, 26th Floor
Tampa, Florida 33602
Attention: County Administrator

If to St. Petersburg: City of St. Petersburg
One Fourth Street North
St. Petersburg, Florida 33701
Attention: City Administrator

If to Tampa: City of Tampa
315 East Kennedy Boulevard
Tampa, Florida 33602
Attention: Mayor

If to New Port Richey: City of New Port Richey
5919 Main Street
New Port Richey, Florida 34652
Attention: City Manager

Any party may, by like notice, designate any further or different addresses to which subsequent notices shall be sent. Any notices hereunder signed on behalf of the notifying party by a duly authorized attorney at law shall be valid and effective to the same extent as if signed on behalf of such party by a duly authorized officer or employee.

SECTION 26. THIRD-PARTY BENEFICIARIES. The Authority, St. Petersburg, Tampa, New Port Richey, Pasco, Pinellas and Hillsborough agree the holders of any Obligations issued by the Authority to finance or refinance the acquisition, construction, improvement, replacement or operation of the Authority’s System shall be third-party beneficiaries of this Contract and the rights, obligations, representations and warranties of the Authority, Hillsborough, New Port Richey, Pasco, Pinellas, St. Petersburg and Tampa pursuant to this Contract and the Interlocal Agreement. No right or cause of action shall accrue upon or by reason hereof, or for the benefit of any other person not expressly named as a party in this Contract.

SECTION 27. WAIVER. Unless otherwise specifically provided by the terms of this Contract, no delay or failure to exercise a right resulting from any breach of this Contract shall impair such right or shall be construed to be a waiver thereof, but such right may be exercised from time to time and as often as may be deemed expedient. Any waiver shall be in writing and signed by the party granting such waiver. If any representation, warranty or covenant contained in this Contract is breached by any party and thereafter waived by another party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive, either expressly or impliedly, any other breach under this Contract.
SECTION 28. CAPTIONS AND REFERENCES. The title page, table of contents, section headings and captions contained herein are included for convenience of reference only and shall not be considered part of this Contract or affect in any manner its construction or interpretation. Except as otherwise indicated, all references herein to sections are to sections of this Contract.

SECTION 29. SEVERABILITY. In the event that any provision of this Contract shall, for any reason, be determined invalid, illegal or unenforceable in any respect, the parties hereto shall negotiate in good faith and agree to such amendments, modifications or supplements of this Contract or such other appropriate actions as shall, to the maximum extent practicable in light of such determination, implement and give effect to the intentions of the parties as reflected herein, and the other provisions of this Contract, as amended, modified, supplemented or otherwise affected by such action, shall remain in full force and effect.

SECTION 30. AMENDMENT. This Contract may only be amended by a written document duly executed by the Authority, Hillsborough, New Port Richey, Pasco, Pinellas, St. Petersburg and Tampa. The parties hereto agree to make no amendment hereto or to the Interlocal Agreement which will materially adversely affect the rights or security of the holders of the Obligations.

SECTION 31. NO OTHER AGREEMENTS. This Contract shall constitute the entire agreement of the Authority, Hillsborough, New Port Richey, Pasco, Pinellas, St. Petersburg and Tampa with respect to the matters provided herein.

SECTION 32. EXISTING AGREEMENTS. The agreements for the supply of water by the Authority to a Member Government described in Exhibit G hereto shall be terminated and shall no longer be in effect upon the Effective Date hereof. The agreements described in Exhibit H hereto shall remain in full force and effect. The parties hereto agree to modify the agreements described in Exhibit I as specified therein and further agree that the agreements described in Exhibit I shall be superseded to the extent they are not expressly modified. The agreements described in Exhibit J hereto shall be superseded to the extent of any conflict or inconsistency with the Interlocal Agreement or this Contract. Any other agreement of the Authority or Member Government relating to Water production, transmission, treatment, delivery or sale not specifically described in Exhibit G, H, I or J shall be superseded by the Interlocal Agreement and this Contract to the extent of any conflict or inconsistency with such Agreement or this Contract.

SECTION 33. SUCCESSORS AND ASSIGNS. This Contract shall be binding upon and inure to the benefit of the respective successors, permitted assigns, administrators and trustees of the Authority, Hillsborough, New Port Richey, Pasco, Pinellas, St. Petersburg and Tampa.

SECTION 34. EXECUTION OF DOCUMENTS. This Contract shall be executed in multiple duplicate originals, any of which shall be regarded for all purposes as an original and all of which shall constitute one and the same instrument.

SECTION 35. INTERLOCAL AGREEMENT. This Contract shall constitute an interlocal agreement pursuant to Section 163.01, Florida Statutes. A true and correct copy of this Contract and any subsequent amendments shall be filed with the Clerk of the Circuit Court in Pinellas, Pasco and Hillsborough Counties.

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SECTION 36. OBLIGATIONS OF MEMBER GOVERNMENTS. All monetary and fiscal obligations of a Member Government arising under this Contract shall be payable solely as described in Section 18(D) hereof.

SECTION 37. CONFLICT WITH INTERLOCAL AGREEMENT. To the extent any provision herein shall conflict with a provision in the Interlocal Agreement, the provision in the Interlocal Agreement shall be controlling.

SECTION 38. GOOD FAITH. The parties hereto agree to exercise good faith and fair dealing in respect to all matters relating to this Contract.

SECTION 39. MISCELLANEOUS PROVISIONS. (A) Whenever the singular is used in this Contract and when required by the context, the same shall include the plural, and the masculine, feminine and neuter genders shall each include the others.

(B) Whenever approvals of any nature are required by any of the parties to this Contract, it is agreed that same shall not be unreasonably withheld, delayed or conditioned, unless the Contract indicates that said approval is within the discretion of one of the parties. Said approval shall promptly be communicated to the requesting party not more than sixty (60) days after its request (or, as to those provisions in this Contract expressly requiring action within a shorter period, then within such period). In the event that the party being called upon for the approval fails to either approve, deny or approve with conditions within said sixty (60) day period (or such shorter period), the request made to the delaying party shall be deemed to be automatically approved, without any further action or notice required by either party, unless the delaying party shall have requested an extension of time for good cause prior to the expiration of the sixty (60) day period (or such shorter period).

(C) It is agreed by and between the parties hereto that all words, terms and conditions contained herein are to be read in concert, each with the other, and that a provision contained under one heading may be considered to be equally applicable under another in the interpretation of this Contract.

(D) Failure to insist upon the strict compliance of any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such terms, covenants, or conditions, nor shall any waiver or relinquishment of any right or power hereunder at any one time, or times, be deemed a waiver or relinquishment of such right or power at any other time or times or of any other right or power.
APPENDIX E

TAMPA BAY WATER'S FINANCIAL STATEMENTS
FINANCIAL STATEMENTS

Tampa Bay Water (A Regional Water Supply Authority)
Years Ended September 30, 2009 and 2008
With Reports of Independent Certified Public Accountants
Tampa Bay Water
(A Regional Water Supply Authority)

Financial Statements

Years Ended September 30, 2009 and 2008

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Report of Independent Certified Public Accountants

The Board of Directors
Tampa Bay Water, A Regional Water Supply Authority

We have audited the accompanying balance sheets of Tampa Bay Water, A Regional Water Supply Authority (the Agency) as of September 30, 2009 and 2008, and the related statements of revenue, expenses, and change in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Agency’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Agency’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tampa Bay Water, A Regional Water Supply Authority, at September 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 22, 2010, on our consideration of the Agency’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management’s discussion and analysis on pages 2 through 13 and the schedule of funding progress on page 48 are not a required part of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

January 22, 2010
This section of Tampa Bay Water, A Regional Water Supply Authority’s (the Agency) annual financial report presents management’s analysis of the Agency’s financial performance during the fiscal years ended September 30, 2009 and 2008. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights

- The Agency owns and operates facilities having a net book value of $1,130.5 million to provide water to its six member governments. Financial data for the years ended September 30, 2009 and 2008 reflects the Agency’s operations and maintenance of its existing facilities, as well as the development of new facilities to meet the region’s future water needs. The facilities operating in both 2009 and 2008 included 13 regional wellfield systems, two smaller wellfields, the Enhanced Surface Water System, and the Seawater Desalination Facility. The Enhanced Surface Water System is comprised of the Regional Surface Water Treatment Plant, High Service Pumping Station, Tampa Bypass Canal Pump Station and Pipeline, Alafia River Intake and Pump Station, and C.W. Bill Young Regional Reservoir. Additionally, operating facilities include Cypress Creek Pump Station and Keller Hydrogen Sulfide Treatment Facility, as well as various booster stations, water treatment facilities, and approximately 200 miles of collection mains and large-diameter potable water transmission mains. The Agency also has administrative, laboratory, and infrastructure management facilities at Cypress Creek Wellfield and an administrative facility in Clearwater. The Agency is focused on the efficient and cost-effective management of this integrated system through improved processes, utilization of new technologies, and appropriate staffing.

- The Agency’s resources are also dedicated to development of additional water supply to meet the future water needs of the Hillsborough-Pasco-Pinellas County region. It requires 6 to 10 years to plan, permit, design, and build drinking water facilities. In 2006, the Agency’s Board of Directors selected the System Configuration II (Config II) projects to meet the region’s water needs in 2011 and beyond. In 2009, construction of these projects was underway, resulting in the $67.6 million or 6.4% increase in capital assets from 2008 to 2009. This is a series of phased projects that will build on the existing Enhanced Surface Water System, including modification of the existing water use permits at the Hillsborough River and Tampa Bypass Canal to use additional mid-range higher flows. The projects include expansion of the existing Regional Surface Water Treatment Plant, Tampa Bypass Canal Pump Station, Regional Repump Station, and Regional High Service Pump Station, as well as a new South Central Hillsborough Booster Station, a new Reservoir Pump Station, and several additional interconnects. Two later phases of the Enhancements project were also approved for continued study. These phases include potentially building a second reservoir, use of additional mid-range higher flows from the Alafia River, and downstream augmentation of the Hillsborough River as alternatives to meet the region’s water needs through 2027.

- The Agency has also focused on several projects to connect members’ isolated water supplies to the regional water supply system or to expand service at existing connections. In the current year an expanded U.S 41 Booster Station and Lake Bridge Water Treatment Plant were placed in service to provide additional supply to the central Pasco area. The South Central Hillsborough Chlorination Facility was also placed in service this year. The South Central Hillsborough Infrastructure Project (SCHIP) and the Northwest Hillsborough Pipeline (part of Config II) are in development and will connect isolated service areas to the regional water supply system providing increased reliability of supply and facilitating reduction of groundwater pumping in those areas.

- The Agency’s net assets increased by $79.4 million or 15.8%, reflecting a reduction in the Agency’s outstanding debt, whose proceeds funded acquisition of those assets, as well as the recognition of previously deferred revenue.
Financial Highlights (continued)

- The Agency’s restricted assets, primarily cash and investments, decreased by $23.8 million or 6.3% from 2008 to 2009 due to expenditure of construction funds on the Config II projects.

- Capital contributions reflect $42.5 million received from the Southwest Florida Water Management District (the District) under the agreement to provide funding for construction of the desalination facility. These funds were used to redeem $42.5 million of the Agency’s Series 2002 Variable Rate Bonds. Capital contributions and the related receivable also include $10.3 million resulting from the Agency meeting the eligibility criteria to receive an additional grant amount equivalent to the interest earned on the desalination facility grant trust account.

- During the current year, the Agency also billed $42.5 million to the District for funding of design and construction of the Config II projects and $1.4 million to the U.S. Environmental Protection Agency (EPA) for funding of the Downstream Augmentation project, as reflected in capital contributions.

- As a result of the continued low interest rates and volatility in the financial markets during 2009, the Agency experienced a 63.0% decline in its interest earnings from 2008 to 2009. These same conditions resulted in an increase in the fair value of the Agency’s swaption liability to $44.6 million and an increase in the unrealized change in the fair value of the swaptions from $(10.0) million in 2008 to $(18.4) million in 2009 as reflected in the statements of revenues, expenses, and changes in net assets.

- During the year, the Agency’s revenue from water sales was $151.7 million. In addition, $6.3 million was utilized from the Rate Stabilization Account in accordance with contractual obligations with the Agency’s members and Agency accounting policies, resulting in an increase in revenue recognized of $2.6 million from 2008 to 2009.

- Operating expenses increased 13.1% from 2008 to 2009. The increase is largely attributable to a $4.0 million increase in chemical costs, resulting from escalating chemical prices. Increased operation of the desalination facility and the reservoir maintenance program also contributed to the increase.

- In 2009, there was a net loss on disposition of assets due primarily to removal and replacement of the sludge drying bed at the Regional Surface Water Treatment Plant.

- Staff has developed a plan and schedule for completing the analysis of causal factors for the failure of the regional reservoir’s flat-plate soil-cement as an erosion control measure and for development of a solution. In June 2009, the Board of Directors approved a program that will move forward with design and environmental permitting of the planned construction remedy, which will be planned for the 2010 to 2015 timeframe. Currently the reservoir is operating at or near full capacity with no change in service utility. Management does not anticipate any decline in service utility until the remediation period. The reservoir will be taken out of service for approximately twenty-four months for the remediation process. Tampa Bay Water has coordinated with the District to accommodate unusual circumstances related to usage of the other water supplies which may be needed if the region experiences drought conditions at that time and must rely more heavily on ground water supplies.
Overview of the Financial Statements

This annual report consists of two parts: management’s discussion and analysis of the financial statements and the financial statements. The financial statements also include notes that explain much of the information contained in the financial statements in greater detail.

Required Financial Statements

The financial statements of the Agency use accounting methods similar to those used by private sector companies. These statements present short-term and long-term financial information about its activities. The balance sheets include all of the Agency’s assets and liabilities and provide information about the nature and amounts of investment in resources (assets) and the obligations to Agency creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and noncurrent assets and liabilities. It also provides the basis for computing rate of return, evaluating the capital structure of the Agency, and assessing the liquidity and financial flexibility of the Agency. All of the current year’s revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net assets. This statement measures the success of the Agency’s operations over the past year and can be used to determine whether the Agency has successfully recovered all its costs through its water rates and other charges, as well as its credit worthiness. The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Agency’s cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Analysis of the Agency

Our analysis of the Agency begins with a measure of the Agency’s financial position or financial health by reporting its assets and liabilities and the difference between them, the “net assets.” Over time, increases or decreases in the Agency’s net assets are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as new water supply facilities, water demand, economic conditions, population growth, state and federal regulation, and changes in government legislation must also be considered in evaluating the Agency’s financial health. Consideration also needs to be given to the terms of the Agency’s agreements with its Members under which water rates are based on budgeted operating and capital costs, as well as certain reserve requirements. The statements of revenues, expenses, and changes in net assets and the statements of cash flows report information about the Agency’s activities and its sources and uses of cash. These statements provide additional information for measuring the Agency’s financial health.
Financial Analysis of the Agency (continued)

Net Assets

To begin our analysis, a summary of the Agency’s Balance Sheets is presented in Table A-1.

<table>
<thead>
<tr>
<th>Assets</th>
<th>FY 2009</th>
<th>FY 2008</th>
<th>FY 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current and other assets</td>
<td>$81.2</td>
<td>$96.4</td>
<td>$95.3</td>
</tr>
<tr>
<td>Restricted assets</td>
<td>355.3</td>
<td>379.1</td>
<td>314.6</td>
</tr>
<tr>
<td>Capital assets and water capacity rights</td>
<td>1,448.6</td>
<td>1,381.0</td>
<td>1,344.2</td>
</tr>
<tr>
<td>Total assets</td>
<td>$1,885.1</td>
<td>$1,856.5</td>
<td>$1,754.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and net assets</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Demand bonds outstanding</td>
<td>$21.2</td>
<td>$63.7</td>
<td>$85.0</td>
</tr>
<tr>
<td>Long-term debt outstanding</td>
<td>1,116.2</td>
<td>1,144.2</td>
<td>1,066.4</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>165.1</td>
<td>145.4</td>
<td>143.4</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1,302.5</td>
<td>1,353.3</td>
<td>1,294.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net assets</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>507.0</td>
<td>429.0</td>
<td>384.9</td>
</tr>
<tr>
<td>Restricted</td>
<td>54.0</td>
<td>42.0</td>
<td>43.9</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>21.6</td>
<td>32.2</td>
<td>30.5</td>
</tr>
<tr>
<td>Total net assets</td>
<td>582.6</td>
<td>503.2</td>
<td>459.3</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>$1,885.1</td>
<td>$1,856.5</td>
<td>$1,754.1</td>
</tr>
</tbody>
</table>

As shown in the table above, net assets increased $79.4 million or 15.8% to $582.6 million in fiscal 2009 from $503.2 million in fiscal 2008. The major component of net assets is the amount invested in capital assets, net of related debt, which increased by $78.0 million during the fiscal year. This increase results primarily from a $62.6 million increase in construction in progress and a $15.1 million decrease in the outstanding debt allocable to acquisition of these capital assets.

Net assets increased $43.9 million or 9.6% to $503.2 million in fiscal 2008 from $459.3 million in fiscal 2007. The increase resulted primarily from an increase in net capital assets of $36.8 million and a decrease of $7.1 million in the outstanding debt allocable to acquisition of these capital assets.

Further examination of net assets shows that restricted net assets (those established by debt covenants, enabling legislation, or other legal requirements) experienced a decrease of $12.0 million in fiscal 2009. This decrease is primarily the net impact of a $35.8 million decrease in debt related to the acquisition and construction of capital assets offset by a $23.8 million decrease in cash held in construction funds due to payment of project expenditures.
Financial Analysis of the Agency (continued)

Net Assets (continued)

From 2007 to 2008, restricted net assets decreased $1.9 million. This decrease is the net impact of a $73.3 million increase in cash held in construction funds, offset by a $75.2 million increase in related debt.

Unrestricted net assets decreased by $10.6 million from 2008 to 2009 and represent the funds generated from current year activities that are available to finance day-to-day operations.

Unrestricted net assets increased by $1.7 million from 2007 to 2008.

Change in Net Assets

<table>
<thead>
<tr>
<th>TABLE A-2</th>
<th>Condensed Statements of Revenues, Expenses, and Changes in Net Assets (In Millions of Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY 2009</td>
</tr>
<tr>
<td>Operating revenues</td>
<td>$158.0</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(81.0)</td>
</tr>
<tr>
<td>Operating income before depreciation</td>
<td>77.0</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(25.0)</td>
</tr>
<tr>
<td>Operating income</td>
<td>52.0</td>
</tr>
<tr>
<td>Interest income, net</td>
<td>3.1</td>
</tr>
<tr>
<td>Interest expense, net</td>
<td>(50.5)</td>
</tr>
<tr>
<td>Loss on disposal of capital assets, net</td>
<td>(3.7)</td>
</tr>
<tr>
<td>Change in fair value of swaption, net</td>
<td>(18.4)</td>
</tr>
<tr>
<td>Litigation recoveries (settlements)</td>
<td>0.1</td>
</tr>
<tr>
<td>Income before contributions</td>
<td>(17.4)</td>
</tr>
<tr>
<td>Capital contributions</td>
<td>96.8</td>
</tr>
<tr>
<td>Capital contribution to member</td>
<td>–</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>79.4</td>
</tr>
<tr>
<td>Total net assets – beginning</td>
<td>503.2</td>
</tr>
<tr>
<td>Total net assets – ending</td>
<td>$582.6</td>
</tr>
</tbody>
</table>

Table A-2 reflects the statements of revenues, expenses, and changes in net assets and provides information as to the nature and source of these changes. As shown above, income before contributions reduced net assets by $17.4 million or 3.5%. The overall increase in net assets of $79.4 million results from a $60.2 million increase in capital contributions. This increase is due to the reimbursement of certain expenses under the terms of various grants related to the desalination facility in the amounts of $42.5 million and $10.3 million, as well as $42.5 million billed to the District for costs incurred related to certain Config II projects. This increase is offset by the $18.4 million unfavorable change in the fair value of swaptions due to current market conditions.

$7.3 million or 16.6% of the $43.9 million increase in net assets in 2008 results from income before contributions. Of this amount, $10 million is attributable to the unfavorable change in the fair value of swaptions, and $2 million is due to the settlement of certain litigation. Capital contributions from the District and state funding sources of $36.6 million contributed 83.4% to the net asset increase.
Tampa Bay Water
(A Regional Water Supply Authority)

Management’s Discussion and Analysis (continued)

Financial Analysis of the Agency (continued)

Change in Net Assets (continued)

As illustrated in the following charts, total water sales billed to Member Governments were $151.7 million in 2009 compared to $152.5 million in 2008 and $145.5 million in 2007. Demand decreased by 2.95% from 176.34 mgd (millions of gallons per day) in 2008 to 171.14 mgd in 2009. This followed a decrease of 5.5% from 186.68 mgd in 2007. The decline in demand in 2009 results primarily from continued water conservation measures and the continued impact of economic conditions. This impact was largely offset by the increased water demand from the City of Tampa. Water sales to Tampa increased 108.0% from 6.18 mgd in 2008 to 12.88 mgd in 2009 as a result of the impact of continued drought conditions on Tampa’s surface water sources. The Agency experienced a 5.5% decrease in water demand from 2007 to 2008 due to (1) a reduction in active retail water accounts, resulting from the current economic decline, home foreclosures, and loss of jobs in the Tampa Bay area and (2) unusual rain events during the winter and early spring of 2008 that decreased typical springtime consumption of water for outdoor irrigation. In contrast, population growth in Hillsborough and Pasco Counties, as well as increased demand from the City of Tampa due to sustained drought conditions in the region, had resulted in increased water production in 2007.

Amounts billed differ from water sales revenue by the amount of water sales revenue that is collected but deferred to subsequent periods or recognized from deferred revenue of previous periods. In 2009 deferred revenue decreased $6.3 million or 14.6% from 2008 with a corresponding increase in revenue as a result of budgeted use of rate stabilization funds to meet operating expenses. In 2008, deferred revenue also decreased by $2.9 million representing use of deferred revenues to fund 2008 operations. In 2007, deferred revenue increased by $17.3 million reflecting deferral of certain budgeted activities to the next fiscal year in accordance with contractual obligations with the Agency’s members which resulted in a decrease in operating revenues for that year.

Annual Water Sales

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Annual Water Sales</td>
<td>$145,467,440</td>
<td>$133,547,754</td>
<td>$121,722,100</td>
</tr>
<tr>
<td>Pinellas County</td>
<td>$50,062,951</td>
<td>$53,462,048</td>
<td>$56,793,218</td>
</tr>
<tr>
<td>Hillsborough County</td>
<td>$40,687,816</td>
<td>$42,722,711</td>
<td>$41,368,310</td>
</tr>
<tr>
<td>City of St. Petersburg</td>
<td>$23,539,273</td>
<td>$23,037,409</td>
<td>$24,568,837</td>
</tr>
<tr>
<td>Pasco County</td>
<td>$20,541,865</td>
<td>$22,505,372</td>
<td>$20,429,064</td>
</tr>
<tr>
<td>City of Tampa</td>
<td>$8,424,233</td>
<td>$9,796,385</td>
<td>$9,011,445</td>
</tr>
<tr>
<td>City of New Port Richey</td>
<td>$2,211,162</td>
<td>$2,103,465</td>
<td>$2,103,488</td>
</tr>
</tbody>
</table>
Financial Analysis of the Agency (continued)

Change in Net Assets (continued)

Annual Water Production (mgd)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Annual Water Sales</td>
<td>186.68</td>
<td>176.34</td>
<td>171.14</td>
</tr>
<tr>
<td>Pinellas County</td>
<td>64.76</td>
<td>62.01</td>
<td>57.64</td>
</tr>
<tr>
<td>Hillsborough County</td>
<td>52.63</td>
<td>49.54</td>
<td>47.17</td>
</tr>
<tr>
<td>City of St. Petersburg</td>
<td>30.45</td>
<td>29.02</td>
<td>27.88</td>
</tr>
<tr>
<td>Pasco County</td>
<td>26.57</td>
<td>26.10</td>
<td>23.18</td>
</tr>
<tr>
<td>City of Tampa</td>
<td>9.41</td>
<td>6.18</td>
<td>12.88</td>
</tr>
<tr>
<td>City of New Port Richey</td>
<td>2.86</td>
<td>3.49</td>
<td>2.39</td>
</tr>
</tbody>
</table>

The Agency’s capital improvement program has included development of a number of new projects utilizing alternative water sources, including surface water sources and desalination. In general, the cost of water production and treatment from these alternative sources is greater than the cost of traditional groundwater production and treatment. In 2009, the increased use of alternative facilities combined with price increases in various commodities, chemicals, and power resulted in increased operating expenses of 9.4 million or 13.1% from 2008 to 2009.

In 2008, operating expenses increased approximately $15.6 million or 27.9% and was attributable to the increased cost of power and chemicals required for operation of the various water treatment and pumping facilities as well as full operation of the desalination plant.

Gain (loss) on disposal of capital assets consists of the net gain or loss from sale or disposal of obsolete, damaged, or surplus equipment and property, and the write-off of costs of discontinued projects. In 2009, the net loss resulted primarily from the write-off of costs associated with removal and relocation of the existing sludge drying bed due to the expansion project at the Surface Water Treatment Plant and disposition of the remaining groundwater treatment plant equipment. In 2008, there was a net loss from the write-down of carrying costs of a groundwater treatment plant scheduled for demolition and the write-off of costs associated with the discontinued 72” Transmission Main project.

Depreciation expense increased $2.7 million from 2008 to 2009 due primarily to a reduction in the estimated useful life of the alkalinity adjustment facility at the Regional Water Treatment Plant site in anticipation of its removal from service when expansion of the plant is completed. Depreciation increased $1.2 million from 2007 to 2008 due to a partial year of depreciation for the various facilities being placed in service in each year and a full year of depreciation for the facilities placed in service in the prior year.
Financial Analysis of the Agency (continued)

Change in Net Assets (continued)

Interest income decreased 63% ($5.3 million or 44% before the effects of interest capitalization) in 2009 as a result of several significant factors: due to continued concerns with the financial markets, Agency funds have remained largely in public deposit accounts, including certificates of deposit, with qualified financial institutions; interest rates have continued to decline and remain at historical lows; a $37.3 million repurchase agreement paying 5.6% was terminated due to concerns over the financial stability of the provider, and the funds were placed in a lower yield public deposit account. Concerns over the financial markets continue to delay investing in other higher yielding investments. Interest income decreased $2.8 million or 26% from 2007 to 2008 due primarily to withdrawal of Agency funds from the Florida Local Government Surplus Funds Trust Fund (SBA) and to the 250 basis point drop in average rates on qualified public deposit accounts.

Interest expense increased $2.1 million in 2009 due in part to a $3.4 million increase for the first full year of interest on the 2008 bonds and offset by a $1.5 million reduction in interest on the 2002 variable rate bonds due to reductions in the amount outstanding of $42.5 million in March 2009 and $21.3 million in March 2008. Interest expense decreased by $2.0 million in 2008 due to the impact of paying off the final $15 million of the 1999 capital interest bonds, the $21.3 million reduction of the Series 2002 Bonds, and an increase in interest capitalized to projects of $0.8 million.

Capital Assets

The Agency had invested $1,130.5 million, $1,062.9 million, and $1,026.1 million at September 30, 2009, 2008, and 2007, respectively, in a broad range of infrastructure including wellfields, water treatment and pumping facilities, transmission mains, buildings, a reservoir, and other maintenance and administration equipment as shown in Table A-3. The Agency has an additional $318.1 million invested in water rights at the various wellfields.

| TABLE A-3 | Capital Assets  
(In Millions of Dollars) |
<table>
<thead>
<tr>
<th>FY 2009</th>
<th>FY 2008</th>
<th>FY 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and improvements</td>
<td>$81.5</td>
<td>$81.0</td>
</tr>
<tr>
<td>Wells and wellfield improvements</td>
<td>156.8</td>
<td>156.6</td>
</tr>
<tr>
<td>Water treatment and pumping facilities</td>
<td>432.4</td>
<td>426.3</td>
</tr>
<tr>
<td>Transmission mains</td>
<td>295.3</td>
<td>282.5</td>
</tr>
<tr>
<td>Buildings</td>
<td>17.3</td>
<td>16.9</td>
</tr>
<tr>
<td>Reservoir</td>
<td>147.6</td>
<td>147.6</td>
</tr>
<tr>
<td>Other equipment and software</td>
<td>22.1</td>
<td>17.0</td>
</tr>
<tr>
<td><strong>Less accumulated depreciation</strong></td>
<td>1,153.0</td>
<td>1,127.9</td>
</tr>
<tr>
<td>Construction-in-progress:</td>
<td>171.0</td>
<td>150.7</td>
</tr>
<tr>
<td>Water treatment plants and booster stations</td>
<td>83.4</td>
<td>43.0</td>
</tr>
<tr>
<td>Transmission mains</td>
<td>4.5</td>
<td>2.7</td>
</tr>
<tr>
<td>Surface water sources and pumping facilities</td>
<td>38.0</td>
<td>17.9</td>
</tr>
<tr>
<td>Wellfields and improvements</td>
<td>9.2</td>
<td>9.0</td>
</tr>
<tr>
<td>Desalination facilities</td>
<td>11.6</td>
<td>11.6</td>
</tr>
<tr>
<td>Other supply and infrastructure</td>
<td>1.6</td>
<td>1.5</td>
</tr>
<tr>
<td>Software in development</td>
<td>0.2</td>
<td>—</td>
</tr>
<tr>
<td><strong>Capital assets, net</strong></td>
<td>$1,130.5</td>
<td>$1,062.9</td>
</tr>
</tbody>
</table>
Financial Analysis of the Agency (continued)

Capital Assets (continued)

The Agency has a variety of projects in various stages of development to improve or expand existing facilities and to meet future demand for water. In 2009, construction-in-progress increased $62.7 million over 2008 due to increased construction activity on components of System Configuration II (predominantly the Surface Water Treatment Plant Expansion, South Central Hillsborough Booster Station, Tampa Bypass Canal Pump Station, High Service Pump Station, and the Repump Station Expansion).

In 2008, construction-in-progress increased $13.8 million from 2007 due in part to increased design and construction activity on components of System Configuration II (predominantly the Surface Water Treatment Plant Expansion, South Central Hillsborough Booster Station, and the SCHIP Chloramination Facility) and the Lake Bridge Booster Station.

Debt Administration

On June 5, 2008, the Agency issued $101.4 million Tampa Bay Water Utility System Revenue Bonds, Series 2008. After funding of a $1.3 million debt service reserve and costs related to the issue, the proceeds will be used to fund the design and construction of various capital projects for expansion of the Utility System and development of new water supply sources.

<table>
<thead>
<tr>
<th>Bond Ratings</th>
<th>Limitations on Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency ratings from Moody’s, Standard &amp; Poor’s and Fitch are Aa3, AA+, and AA, respectively. The 2002 Variable Rate Revenue Bonds carry a rating of Aaa, AAA, and AA, from Moody’s, Standard &amp; Poor’s, and Fitch IBCA, respectively, based on a letter of credit with Bank of America, N.A. All outstanding bonds except the variable rate bonds and the 2008 Series bonds carry insurance with Financial Guaranty Insurance Company. Financial Guaranty Insurance Company ratings from Moody’s, Standard &amp; Poor’s and Fitch were withdrawn in 2009.</td>
<td>Bond Covenants allow for the issuance of additional debt, on parity, as to lien, on the net revenues of the Agency provided certain net earnings ratios are met. The major criteria are: (1) that the net revenues (as defined in the Covenants) for any 12 consecutive months selected by the issuer, of the 24 months immediately preceding the issuance of the additional bonds, together with the fund balance (as defined in the Covenants) on the last day of such 12-month period, were equal to at least 125% of the debt service on the outstanding bonds during such 12-month period and (2) the net revenues for such 12-month period were equal to at least 100% of: (a) the debt service due on the outstanding bonds for the 12-month period, (b) any required deposit to the Renewal and Replacement Fund, and (c) any required deposit to the Reserve Fund. The Agency is in compliance with all required financial and nonfinancial debt covenants.</td>
</tr>
</tbody>
</table>
Financial Analysis of the Agency (continued)

Debt Administration (continued)

TABLE A-4
Cost of Capital

<table>
<thead>
<tr>
<th>Debt Balance (In Millions)</th>
<th>Average Coupon Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998A Bonds</td>
<td>$27.4</td>
</tr>
<tr>
<td>1998B Bonds</td>
<td>38.3</td>
</tr>
<tr>
<td>1999 Bonds</td>
<td>21.7</td>
</tr>
<tr>
<td>2001A Bonds</td>
<td>303.8</td>
</tr>
<tr>
<td>2001B Bonds</td>
<td>164.5</td>
</tr>
<tr>
<td>2002 Bonds</td>
<td>21.3</td>
</tr>
<tr>
<td>2004 Bonds</td>
<td>106.9</td>
</tr>
<tr>
<td>2005 Bonds</td>
<td>175.0</td>
</tr>
<tr>
<td>2006 Bonds</td>
<td>79.3</td>
</tr>
<tr>
<td>2008 Bonds</td>
<td>101.4</td>
</tr>
<tr>
<td>$1,039.6</td>
<td></td>
</tr>
</tbody>
</table>

The variable rate, including fees, effective at September 30, 2009, on the 2002 bonds was 0.83% at September 30, 2009, and 7.8% at September 30, 2008. Symptomatic of the market volatility during the period, the rate had risen from 2.05% on September 17, 2008, to 7.8% on September 30, 2008, then settled back to 1.76% by December 31, 2008, and continued to decline until mid-2009.
Financial Analysis of the Agency (continued)

Debt Administration (continued)

Under the Agency’s budgetary process, rates are established to provide adequate coverage for existing and planned additional debt. This is demonstrated by the Agency’s coverage ratios which are 1.34, 1.36, and 1.43 at September 30, 2009, 2008, and 2007, respectively. These coverage ratios are another indicator of the Agency’s financial strength and future borrowing capability.

### TABLE A-5

**Debt Coverage Ratio**

*(In Millions of Dollars)*

<table>
<thead>
<tr>
<th></th>
<th>FY 2009</th>
<th>FY 2008</th>
<th>FY 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from sales</td>
<td>158.0</td>
<td>155.4</td>
<td>128.2</td>
</tr>
<tr>
<td>Less: Purchase price amortization credit</td>
<td>(10.3)</td>
<td>(10.4)</td>
<td>(10.4)</td>
</tr>
<tr>
<td>Grant proceeds available for debt service (Notes 4 and 5)</td>
<td>10.3</td>
<td>–</td>
<td>15.1</td>
</tr>
<tr>
<td>Litigation and insurance recoveries (Note 6)</td>
<td>0.1</td>
<td>–</td>
<td>7.9</td>
</tr>
<tr>
<td>Interest income – unrestricted (Note 1)</td>
<td>3.0</td>
<td>7.7</td>
<td>11.1</td>
</tr>
<tr>
<td>Total revenue</td>
<td>161.1</td>
<td>152.7</td>
<td>151.9</td>
</tr>
<tr>
<td>Operation and maintenance expenditures (Note 2)</td>
<td>(84.5)</td>
<td>(78.6)</td>
<td>(56.2)</td>
</tr>
<tr>
<td>Net revenue for coverage calculation</td>
<td>$ 76.6</td>
<td>$ 74.1</td>
<td>$ 95.7</td>
</tr>
<tr>
<td>Total debt service on bonds</td>
<td>$ 74.9</td>
<td>$ 71.4</td>
<td>$ 83.4</td>
</tr>
<tr>
<td>Debt service on loans</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Required deposit to Capital Improvement Fund</td>
<td>0.2</td>
<td>0.8</td>
<td>9.4</td>
</tr>
<tr>
<td>Required deposit to Renewal &amp; Replacement Fund</td>
<td>0.8</td>
<td>0.9</td>
<td>1.7</td>
</tr>
<tr>
<td>Total debt service and reserve requirements</td>
<td>$ 75.9</td>
<td>$ 73.1</td>
<td>$ 94.5</td>
</tr>
<tr>
<td>Debt service and reserve coverage (times)</td>
<td>1.01</td>
<td>1.01</td>
<td>1.01</td>
</tr>
<tr>
<td>Fund balance (Note 3)</td>
<td>$ 23.6</td>
<td>$ 23.4</td>
<td>$ 23.1</td>
</tr>
<tr>
<td>Net revenue plus fund balance</td>
<td>$ 100.2</td>
<td>$ 97.5</td>
<td>$ 118.8</td>
</tr>
<tr>
<td>Debt service coverage (times)</td>
<td>1.34</td>
<td>1.36</td>
<td>1.43</td>
</tr>
</tbody>
</table>

**Notes:**

1. Interest income does not include interest on construction and rebatable arbitrage funds of $0.06, $0.60, and $0.001 millions in 2009, 2008, and 2007, respectively.
2. Operation and maintenance expenditures include capital expenditures for maintenance of the existing system of $3.6, $5.0, and $0.2 millions in 2009, 2008, and 2007, respectively, as well as $2.0 litigation settlement in 2008.
3. Fund balance is defined by the Bond Resolution and is calculated as of the prior year-end in accordance with the Bond Resolution.
4. Debt service coverage is calculated on the total debt service requirement, net of any capitalized interest provided from bond proceeds, in accordance with the Bond Resolution. Interest on the 2008 bonds of $1.6 million was funded from bond proceeds, therefore is not includible in the coverage calculation.
5. For purposes of calculating Debt Service Coverage, the Bond Resolution defines “Gross Revenues” to include proceeds of government grants available for payment of debt service.
6. Litigation and insurance recoveries do not include recoveries of $2.8 million restricted as to purpose in 2007.
Financial Analysis of the Agency (continued)

Economic Factors and Next Year’s Budget and Rates

The Agency’s rate structure consists of a fixed cost portion to ensure funding of necessary activities and debt service and a variable cost portion to provide funding for costs which fluctuate directly with production.

The Agency’s Board of Directors and management considered many factors when setting the fiscal year 2010 budget and water rates (Uniform Rate). These factors include the estimated demands provided by the Agency’s Member Governments, which in turn consider such factors as anticipated population growth of the three counties, environmental conditions, and the economy of the region as a whole. The budgeted Uniform Rate for 2010 is $2.3980 per thousand gallons as compared to a rate of $2.2451 in 2009 and $2.2488 in 2008. Two key factors impacting the 6.8% increase in the 2010 rate are decreased demand projections causing fixed costs to be distributed over a smaller production base and a projected 34% increase in cost of market driven commodities used in water production and treatment.

The Agency uses surveys of its Member Governments and local employment market rates when establishing its job classifications and pay plan. These indicators were also taken into consideration when adopting the Agency budget for fiscal year 2010.

Other Information

This financial report is designed to provide a general overview of the Agency’s finances for those having an interest therein. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance and Administration at 2575 Enterprise Road, Clearwater, FL, 33763.
Financial Statements
Tampa Bay Water
(A Regional Water Supply Authority)

Balance Sheets

<table>
<thead>
<tr>
<th>Assets</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30</td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 64,371,210</td>
<td>$ 77,735,613</td>
</tr>
<tr>
<td>Accounts receivable from sale of water</td>
<td>5,118,993</td>
<td>8,211,596</td>
</tr>
<tr>
<td>Interest receivable, unrestricted</td>
<td>716,919</td>
<td>657,412</td>
</tr>
<tr>
<td>Other accounts receivable</td>
<td>1,739,458</td>
<td>70,971</td>
</tr>
<tr>
<td>Inventories</td>
<td>663,416</td>
<td>614,766</td>
</tr>
<tr>
<td>Other current assets</td>
<td>882,389</td>
<td>647,973</td>
</tr>
<tr>
<td>Total current assets</td>
<td>73,492,385</td>
<td>87,938,331</td>
</tr>
<tr>
<td>Noncurrent assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>157,698,935</td>
<td>144,898,599</td>
</tr>
<tr>
<td>Interest receivable, restricted</td>
<td>238,920</td>
<td>910,868</td>
</tr>
<tr>
<td>Investments</td>
<td>175,874,017</td>
<td>222,803,282</td>
</tr>
<tr>
<td>Grants receivable, net of an allowance of $0 in 2009 and $46,513 in 2008</td>
<td>21,520,554</td>
<td>10,516,157</td>
</tr>
<tr>
<td>Total restricted assets</td>
<td>355,332,426</td>
<td>379,128,906</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>1,130,482,183</td>
<td>1,062,929,007</td>
</tr>
<tr>
<td>Water capacity rights</td>
<td>318,058,360</td>
<td>318,058,360</td>
</tr>
<tr>
<td>Bond issue costs, net of accumulated amortization of $5,768,877 in 2009 and $5,034,273 in 2008</td>
<td>7,701,021</td>
<td>8,435,625</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 1,885,066,375</td>
<td>$ 1,856,490,229</td>
</tr>
<tr>
<td>Liabilities and net assets</td>
<td>2009</td>
<td>2008</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-----------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$ 11,587,006</td>
<td>$ 10,789,313</td>
</tr>
<tr>
<td>Credits due to customers</td>
<td>3,537,555</td>
<td>1,874,762</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>24,644,223</td>
<td>17,768,703</td>
</tr>
<tr>
<td>Demand bonds payable</td>
<td>21,250,000</td>
<td>63,750,000</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>61,018,784</td>
<td>94,182,778</td>
</tr>
<tr>
<td>Current liabilities payable from restricted assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction funds accounts payable</td>
<td>15,700,448</td>
<td>11,919,519</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>25,592,598</td>
<td>25,385,064</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>27,215,024</td>
<td>26,158,676</td>
</tr>
<tr>
<td>Total current liabilities payable from restricted assets</td>
<td>68,508,070</td>
<td>63,463,259</td>
</tr>
<tr>
<td>Noncurrent liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt, net of current portion</td>
<td>1,116,163,666</td>
<td>1,144,153,136</td>
</tr>
<tr>
<td>Fair value of interest rate swaptions</td>
<td>44,641,278</td>
<td>26,198,828</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>12,157,074</td>
<td>25,320,012</td>
</tr>
<tr>
<td>Total noncurrent liabilities</td>
<td>1,172,962,018</td>
<td>1,195,671,976</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1,302,488,872</td>
<td>1,353,318,013</td>
</tr>
<tr>
<td>Net assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>507,011,988</td>
<td>428,969,087</td>
</tr>
<tr>
<td>Restricted</td>
<td>53,998,988</td>
<td>42,017,587</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>21,566,527</td>
<td>32,185,542</td>
</tr>
<tr>
<td>Total net assets</td>
<td>582,577,503</td>
<td>503,172,216</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>$ 1,885,066,375</td>
<td>$ 1,856,490,229</td>
</tr>
</tbody>
</table>

See accompanying notes.
## Tampa Bay Water
(A Regional Water Supply Authority)

### Statements of Revenues, Expenses, and Changes in Net Assets

<table>
<thead>
<tr>
<th></th>
<th>Year Ended September 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
</tr>
<tr>
<td>Revenue from sale of water</td>
<td>$151,725,100</td>
</tr>
<tr>
<td>Rate stabilization transfer</td>
<td>6,287,418</td>
</tr>
<tr>
<td><strong>Total operating revenue</strong></td>
<td><strong>158,012,518</strong></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(80,959,736)</td>
</tr>
</tbody>
</table>
| Operating income before 
  depreciation                   | 77,052,782   | 83,813,133   |
| Depreciation expense           | (24,982,405) | (22,297,214) |
| **Operating income**           | **52,070,377**| **61,515,919**|
| Nonoperating revenues (expenses): |            |              |
| Interest income, net of 
  capitalized amounts of $3,753,968 
  in 2009 and $3,855,562 in 2008 | 3,078,361    | 8,279,462    |
| Interest expense, net of 
  capitalized amounts of 
  $7,549,785 in 2009 and 
  $9,061,397 in 2008 | (50,510,428) | (48,451,423) |
| Loss on disposal of capital 
  assets                        | (3,696,165)  | (2,076,474)  |
| Change in fair value of 
  swaption                      | (18,442,450) | (9,982,908)  |
| Litigation recoveries (settlements) | 145,372    | 2,000,000    |
| **Total nonoperating (expenses)** | (69,425,310) | (54,231,343) |
| **(Loss) income before 
  contributions**              | (17,354,933) | 7,284,576    |
| Capital contributions          | 96,760,220   | 36,612,763   |
| Change in net assets           | 79,405,287   | 43,897,339   |
| Total net assets – beginning   | 503,172,216  | 459,274,877  |
| **Total net assets – ending**  | **$ 582,577,503** | **$ 503,172,216** |

*See accompanying notes.*
Tampa Bay Water  
(A Regional Water Supply Authority)  

Statements of Cash Flows

<table>
<thead>
<tr>
<th></th>
<th>Year Ended September 30</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
<td>2008</td>
</tr>
<tr>
<td><strong>Operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from customers</td>
<td>$156,480,496</td>
<td>$156,988,785</td>
</tr>
<tr>
<td>Payments for goods and services</td>
<td>(73,858,666)</td>
<td>(62,803,916)</td>
</tr>
<tr>
<td>Payments to employees</td>
<td>(8,329,972)</td>
<td>(8,074,740)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td><strong>74,291,858</strong></td>
<td><strong>86,110,129</strong></td>
</tr>
</tbody>
</table>

**Capital and related financing activities**

| **Proceeds from issuance of capital debt** | –                  | 104,540,142 |
| **Capital contributions**                | 85,755,824          | 37,259,505  |
| **Acquisition and construction of capital assets** | (92,460,891)       | (56,091,623) |
| **Proceeds from disposition of capital assets** | 24,961              | 143,522     |
| **Litigation recoveries (settlements)**   | 145,372             | (2,000,000) |
| **Increase in accounts payable from restricted assets** | 3,780,929           | 1,908,390   |
| **Principal paid on capital and other long-term debt** | (68,658,676)       | (57,340,955) |
| **Payment of debt issue costs**           | –                   | (973,669)   |
| **Interest paid on capital and other long-term debt** | (57,879,537)       | (56,205,559) |
| **Net cash used in capital and related financing activities** | **(129,292,018)** | **(28,760,247)** |

**Investing activities**

| **Proceeds from sales and maturities of investments** | 136,777,832          | 128,732,662 |
| **Purchase of investments**                          | (89,848,567)         | (278,985,814) |
| **Interest received on investments**                 | 7,506,828            | 11,190,838  |
| **Arbitrage rebate payment**                         | –                    | (69,297)    |
| **Net cash provided by (used in) investing activities** | **54,436,093**       | **(139,131,611)** |
| **Net change in cash and cash equivalents**          | (564,067)            | (81,781,729) |

| **Cash and cash equivalents, beginning of year**     | 222,634,212          | 304,415,941 |
| **Cash and cash equivalents, end of year**           | **$222,070,145**     | $222,634,212 |

Continued on next page.
Reconciliation of operating income to net cash provided by operating activities

<table>
<thead>
<tr>
<th></th>
<th>Year Ended September 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
</tr>
<tr>
<td>Operating income</td>
<td>$52,070,377</td>
</tr>
<tr>
<td>Adjustments to reconcile operating income to net cash provided by operating activities:</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>24,982,405</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>1,424,116</td>
</tr>
<tr>
<td>Inventories</td>
<td>(48,650)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(247,400)</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>735,635</td>
</tr>
<tr>
<td>Credits due to customers</td>
<td>1,662,793</td>
</tr>
<tr>
<td>Revenue deferred for rate stabilization</td>
<td>(6,287,418)</td>
</tr>
<tr>
<td>Total adjustments</td>
<td>22,221,481</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>$74,291,858</td>
</tr>
</tbody>
</table>

Supplemental schedule of noncash investing and financing activities:

The Agency recognized an increase of $18,442,450 and $9,982,908 in the fair value of its liability under swaption agreements for the years ended September 30, 2009 and 2008, respectively.

See accompanying notes.
1. Organization

Tampa Bay Water, A Regional Water Supply Authority (the Agency) formerly West Coast Regional Water Supply Authority (the Predecessor Authority), was created on October 25, 1974, by enabling state legislation under Florida Statute Sections 163.01, 373.1962, and 373.1963. Hillsborough, Pasco, and Pinellas counties and the cities of St. Petersburg, Tampa, and New Port Richey comprise the Member Governments of the Agency. A Governance Study was adopted by the Florida Legislature in 1997 (the 1997 Legislation) that amended Section 373.1963, Florida Statutes.

As part of the 1997 Legislation, the Agency was created by the Interlocal Agreement and entered into the Master Water Supply Contract with its Member Governments for a term of 40 years. Pursuant to the Amended and Restated Interlocal Agreement and Master Water Supply Contract:

- The Agency will charge a uniform per-gallon wholesale rate to Member Governments for the wholesale supply of drinking water; with one exception for the City of Tampa. The Agency will charge a separate rate to the City of Tampa for water delivered from the Tampa Bypass Canal.

- All Member Governments relinquished to the Agency their individual rights to develop drinking water supplies subject to certain exceptions as defined in the Amended and Restated Interlocal Agreement.

- The Agency has the absolute and unequivocal obligation to meet the Quality Water needs of the Member Governments as defined in the Master Water Supply Contract.

- The Member Governments are required to maintain and collect such rates or other charges for the use of the products, services, and facilities of the respective members’ water utility systems to the extent necessary to fund the timely payment of their respective obligations and liabilities under the Master Water Supply Contract.

In 1998, the Southwest Florida Water Management District (the District), its respective Basin Boards, the Agency, and the Member Governments entered into the Northern Tampa Bay New Water Supply and Ground Water Withdrawal Reduction Agreement (the Partnership Agreement). Under this agreement, the District committed to fund $183,000,000 for eligible projects, excluding ground water sources and including alternative sources of potable water and transmission pipelines, subject to the terms and conditions of the Partnership Agreement. Projects eligible for funding were determined by the District. The commitment to fund a project and the amount of funding was established by project Funding Agreements entered into by the District and the Agency. The Agency has requested and received $161,750,000 of funding available under the agreement with $21,250,000 remaining in trust for the Desalination Plant. $42,500,000 and $21,250,000 were collected under this agreement in 2009 and 2008, respectively. At September 30, 2009, the Agency has also met the requirements to receive an additional $10,300,000 grant funded from the interest earned on the trust.

In 2007, the District and the Agency entered into a new cooperative funding agreement for additional water supply projects comprising the System Configuration II projects (consisting of expansion of various surface water facilities and interconnections). Under this agreement the District will provide District funding of $105,100,000, pass-through of state Community Budget Issue Request funding (CBIR) of $6,250,000, and pass-through of state Water Protection and Sustainability Program funding (WPSPTF) of $15,500,000. $42,529,103 and $15,362,763 were received under these grants in 2009 and 2008, respectively.
2. Summary of Significant Accounting Policies

Operating Revenue and Expense

The Agency considers all revenue and expense associated with the delivery of water to customers to be operating activities. All other revenue and expense are considered to be nonoperating activities.

Net Assets

Net assets are classified into three components:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

- Restricted – This component of net assets consists of net assets whose use is subject to external constraints by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The accounting policies and practices of the Agency conform to accounting principles generally accepted in the United States applicable to an enterprise fund of a government unit.

Measurement Focus and Basis of Accounting

The Agency is accounted for on the flow of economic resources measurement focus and uses the accrual basis of accounting in the preparation of its annual financial statements. The accounting and reporting policies of the Agency conform to the accounting rules prescribed by the Governmental Accounting Standards Board (GASB). The Agency has elected under GASB Statement No. 20, Paragraph 7, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, to apply all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

Under the provisions of the Agency’s Amended and Restated Interlocal Agreement and the Master Water Supply Contract, the Agency establishes a single uniform rate for sale of Quality Water to Member Governments, provided however, that a separate rate is established for sale of water from the Tampa Bypass Canal to the City of Tampa. The rate to be charged in a fiscal year to the Member Governments for water may include the following components as defined by the agreements: (1) operation, maintenance, and administrative costs; (2) debt service charges; (3) renewal and replacement charges; (4) bond coverage costs; (5) capital improvement charges; and (6) operating reserve funds. The Agency may also establish a rate stabilization fund to be funded from the operation, maintenance, and administrative costs or operating reserve funds. This method of rate setting results in costs being included in the determination of rates in different periods than when these costs are recognized for financial statement purposes.
2. Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

The Agency follows Statement of Financial Accounting Standards (SFAS) No. 71, Accounting for the Effects of Certain Types of Regulation, as amended, which allows the Agency to capitalize certain costs or defer certain revenue when three criteria are met. The Agency meets the required criteria since its rates are established by its Board in accordance with the Amended and Restated Interlocal Agreement and Master Water Supply Contract, rates are designed to recover the Agency’s costs, and the Agency can reasonably expect to collect such rates.

Cash Equivalents

For purposes of the statements of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and have original maturities of 91 days or less.

Investments

Investments are reported at fair value in the balance sheets, except for money market funds and U.S. government obligations with original maturities less than one year, which are reported at amortized cost as permitted by GASB Statement No. 31, Certain Investments and External Investment Pools. All changes in the fair value of investments are recognized as gains or losses in the statements of revenues, expenses, and changes in net assets (See Note 6).

Inventories

Inventories consist primarily of spare parts and are stated at the lower of average cost or market. Average cost approximates the first-in, first-out method.

Capital Assets

It is the Agency’s policy to capitalize property and equipment having an original cost in excess of $1,000 and a useful life longer than one year, except for computer software, which is capitalized when the original cost exceeds $25,000. Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

<table>
<thead>
<tr>
<th>Life in Years</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Land improvements</td>
<td>10–99</td>
</tr>
<tr>
<td>Buildings</td>
<td>20–50</td>
</tr>
<tr>
<td>Wells and wellfield improvements</td>
<td>5–75</td>
</tr>
<tr>
<td>Water treatment and pumping facilities</td>
<td>3–50</td>
</tr>
<tr>
<td>Transmission mains</td>
<td>14–75</td>
</tr>
<tr>
<td>Reservoir</td>
<td>100</td>
</tr>
<tr>
<td>Other equipment and software</td>
<td>3–20</td>
</tr>
</tbody>
</table>

Maintenance, repairs, and minor renewals are charged to expense as incurred. Expenditures that materially increase value, increase capacity, or extend useful lives are capitalized. Capital assets are removed (net of accumulated depreciation) upon retirement or disposition. Related gains or losses are charged to nonoperating activities.
2. Summary of Significant Accounting Policies (continued)

Water Capacity Rights

Water Capacity Rights represent the Agency’s rights in certain wholesale water supply wellfields. The Agency accounts for the Water Capacity Rights in accordance with the provisions of GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets*. This statement requires that indefinite-lived intangible assets not be amortized, but instead be tested for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Agency has not identified any indicators of impairment relative to the Water Capacity Rights at September 30, 2009 or 2008.

Impairment of Capital Assets and Insurance Recoveries

The Agency accounts for impairment of capital assets and insurance recoveries in accordance with the provisions of GASB Statement 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement requires that capital assets be reviewed for impairment whenever events or changes in circumstances indicate that the service utility of the asset has declined significantly and unexpectedly. Impaired capital assets that will no longer be used are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used are measured using the method that best reflects the diminished service utility of the asset: restoration cost approach, service units approach, or deflated depreciated replacement cost approach. Insurance recoveries related to impairment losses are netted against the impairment loss if received in the same year, otherwise the recovery is reported as revenue in the year received. No impairment losses were recognized in 2009 or 2008.

Capitalization of Interest

Interest costs incurred are capitalized as part of the cost of constructing capital assets. In instances where proceeds of the related debt are externally restricted to financing the construction, the interest earned on funds restricted for construction are offset against the interest costs capitalized.

Bond Issue Costs, Bond Discounts, and Bond Premiums

Bond issue costs are recorded as deferred charges, whereas bond discounts and premiums are recorded as a reduction of, or addition to, the face amount of bonds payable. Amortization of bond issue costs, bond discounts, and bond premiums is calculated over the life of the bonds using the bonds outstanding method, which approximates the effective interest method and is reported as a component of interest expense.

Unamortized Losses on Debt Refunding

Losses resulting from current or advance refundings of debt are deferred and amortized over the shorter of the life of the new debt or the remaining life of the old debt. The amount deferred is reported as a reduction of the debt, and the amount amortized is reported as a component of interest expense.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.
2. Summary of Significant Accounting Policies (continued)

Deferred Revenue for Rate Stabilization

Under the Amended and Restated Interlocal Agreement and the Master Water Supply Contract, the Board may establish rates sufficient to fund a Rate Stabilization Account. The contracts also provide that funds collected in any year in excess of current costs may be deposited to the Rate Stabilization Account with Board approval. Funds placed in the Rate Stabilization Account are accounted for as deferred revenue until the year in which the Board approves their recognition to meet current costs of the Agency. Funds expected to be used in the next fiscal year are recorded as a current liability.

Capital Contributions

Capital contributions represent capital grants from the District, including pass-through funds from the state CBIR and WPSPTF programs. Contributions are recognized when all applicable eligibility requirements of the grant have been met, pursuant to GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Sales and Pledges of Receivables and Future Revenues

The Agency provides disclosure of pledged revenues in accordance with the requirements of GASB Statement 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenue* which establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. The Agency has no sales or pledges of receivables and future revenues except as discussed in Note 11.

Use of Estimates

Management of the Agency has made a number of estimates and assumptions related to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period to prepare these financial statements in accordance with accounting principles generally accepted in the United States. Actual results could differ from those estimates.

Pending GASB Pronouncements

GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, is effective for periods beginning after December 15, 2007. The statement requires the recognition of a pollution liability when any one of five specified obligating events occurs. The obligating events are (1) a government is compelled to take pollution remediation action because of an imminent endangerment; (2) a government violates a pollution prevention related permit or license; (3) a government is named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible party for remediation, or as a party responsible for sharing costs; (4) a government is named, or evidence indicates that it will be named, in a lawsuit to compel participation in pollution remediation; and (5) a government commences or legally obligates itself to commence pollution remediation. The implementation of this standard for fiscal year ending September 30, 2009, did not have any impact on the beginning net assets or operating activities of the Agency.
2. Summary of Significant Accounting Policies (continued)

Pending GASB Pronouncements (continued)

GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets*, was issued in June 2007 and is effective for periods beginning after December 15, 2009. This statement requires capitalization of intangible assets under certain circumstances and requires that indefinite-lived intangible assets not be amortized, but instead be tested for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Agency has elected to early-implement this statement, which is applicable to the Agency’s Water Capacity Rights and computer software development.

GASB Statement 52, *Land and Other Real Estate Held as Investments by Endowments*, is not applicable for the Agency since the Agency has no endowments.

GASB Statement 53, *Accounting and Financial Reporting for Derivative Instruments*, requires that the fair value of financial arrangements, called “derivatives” or “derivative instruments” be reported in the financial statements of state and local governments. This pronouncement will not be effective for the Agency until fiscal year 2010. The Agency is currently evaluating the potential impact of this statement.

GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, is not applicable to the Agency since the Agency operates as an Enterprise Fund.

3. Permits and Regulations

The key regulations affecting the operations of the Agency are state regulations applicable to the Agency’s withdrawals of water from its water supply sources, and state and federal regulations applicable to operation of the Agency’s treatment and distribution systems and Seawater Desalination Plant. Withdrawals of water are regulated under Water Use Permits issued by the District. The water treatment facilities, desalination facility, and distribution system are regulated through permits issued by the Florida Department of Environmental Protection (FDEP).

The Consolidated Permit, issued by the District in January 1999, regulates withdrawals from 11 of the 13 regional wellfield systems operated by the Agency. The Consolidated Permit included initial withdrawal limits for each wellfield (annual average) and for each well within each wellfield (peak month and annual average). A condition of the Consolidated Permit is to manage withdrawals from the wellfields to minimize environmental impacts through optimum distribution of pumping among all wells according to an approved Operations Plan.

Since January 1, 2003, the 11 wellfields of the Consolidated Permit no longer have individual withdrawal limits and are considered a single system for the purpose of measuring compliance with the permitted annual average withdrawal quantity. Withdrawals from the 11 wellfields were limited to 121 million gallons per day (mgd) on a 12-month running average basis between January 1, 2003 and December 31, 2007. Beginning January 1, 2008, withdrawals from the 11 wellfields are limited to 90 mgd on a 12-month running average basis with the first compliance date being December 31, 2008. The Agency met the new compliance levels at December 31, 2008 and into the spring of 2009. Due to extreme and prolonged drought conditions in April 2009, it was necessary for pumpage at the wellfields to exceed the threshold for a short period of time to meet the Agency’s contractual obligations to provide water to the Member Governments at the rates and pressures necessary to maintain public health and safety. With the abatement of drought conditions, pumpage was returned to compliance levels and the 12 month running average is expected to be back in compliance with the permit limit in December 2009. In October 2009, the District and the Agency executed a consent order settling the issue of non-compliance, requiring a payment to the District of $2,000 for administrative costs and expenditure of an additional $46,554 to fund a water conservation project approved by the District.
3. Permits and Regulations (continued)

The remaining two regional wellfield systems, the South-Central Hillsborough Regional Wellfield and the Brandon Urban Dispersed Wells, as well at the Carrollwood Wells and the Eagles Wells, are regulated under separate Water Use Permits issued by the Southwest Florida Water Management District. Withdrawals from the Brandon Urban Dispersed Wells are limited to 6 mgd on a 12-month running average basis. Withdrawals from the South-Central Hillsborough Regional Wellfield are limited to 24.1 mgd on a 12-month running average basis. Withdrawals from the Carrollwood Wells are limited to 0.82 mgd on a 12-month running average basis. Withdrawals from the Eagles Wells are limited to 0.198 mgd on a 12-month running average basis. Withdrawals from the Tampa Bypass Canal are separately permitted and limited to 20 mgd on a 12-month running average basis and provide water to the City of Tampa via augmentation of the Hillsborough River Reservoir on an as-needed basis.

The two surface water facilities that comprise the withdrawal component of the Enhanced Surface Water System are the Tampa Bypass Canal Pump Station and the Alafia River Pump Station. The Tampa Bypass Canal Pump Station and transmission facilities convey water during high flow periods from the Tampa Bypass Canal and Hillsborough River to the Regional Surface Water Treatment Plant. The Alafia River Pump Station and transmission facilities also convey water during high-flow periods to the Regional Surface Water Treatment Plant. The Water Use Permits for these two surface water sources allow the harvesting of high flows from these river systems when a minimum threshold flow is exceeded in each system. It is estimated that the Enhanced Surface Water System (including the Tampa Bypass Canal/Hillsborough River system, Alafia River, and C.W. Bill Young Regional Reservoir) along with the expanded permitted withdrawals of the Tampa Bypass Canal and expansion of the Surface Water Treatment Plant will meet the future drinking water needs of the Agency’s six Member Governments through at least 2017.

The Regional Surface Water Treatment Plant is designed to treat up to 72 mgd from the surface water sources and deliver that water to the Regional System. The Plant is currently undergoing expansion and is expected to be able to treat up to 120 mgd at completion of the project. The C.W. Bill Young Regional Reservoir provides storage capacity during high river flow periods so that the stored water can be utilized as a reliable water source when surface water is not available for withdrawal from the river systems. The designed storage capacity of the reservoir is approximately 15 billion gallons. Production from the Tampa Bay Seawater Desalination Plant is also used to meet drinking water demands. The desalination facility has the capability of providing 25 mgd to the Regional System on a nominal basis.

The permitted quantity withdrawal limit for the 11 wellfields as stated in the Consolidated Permit is listed below together with the permitted quantities for the remaining four wellfields and the surface water facilities:

<table>
<thead>
<tr>
<th>Water Supply Facility</th>
<th>Permitted Capacity in mgd</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consolidated Permit Wellfields – Total</strong> *</td>
<td>90,000</td>
</tr>
<tr>
<td>South-Central Hillsborough Regional Wellfield</td>
<td>24,100</td>
</tr>
<tr>
<td>Brandon Urban Dispersed Wells</td>
<td>6,000</td>
</tr>
<tr>
<td>Carrollwood Wells</td>
<td>0.820</td>
</tr>
<tr>
<td>Eagles Wells</td>
<td>0.198</td>
</tr>
<tr>
<td>Enhanced Surface Water System (consisting of Tampa Bypass Canal/Hillsborough River, Alafia River, C.W. Bill Young Regional Reservoir) **</td>
<td>72,000</td>
</tr>
<tr>
<td>Tampa Bay Seawater Desalination Plant **</td>
<td>28,750</td>
</tr>
</tbody>
</table>

* Consolidated Permit Wellfields – Cross Bar Ranch, Cypress Creek, Cypress Bridge, Morris Bridge, Starkey, North Pasco, South Pasco, Eldridge-Wilde, Cosme/Odessa, Section 21, and Northwest Hillsborough (inclusive of Crystal Lakes). These wellfields are permitted as a single system, and there is no annual withdrawal quantity assigned to any individual wellfield. These wellfields are operated in compliance with the Optimized Regional Operations Plan.
3. Permits and Regulations (continued)

** The Water Use Permits for the Tampa Bypass Canal/Hillsborough River and the Alafia River facilities do not have assigned average annual quantities. The permit authorizes the harvest of high river flows after a threshold flow has been exceeded in each river system. The quantity shown represents the rated capacity of the plant for both the Enhanced Surface Water System and the Seawater Desalination Plant, and sustained delivery rates will be less depending on river flow.

The following table summarizes the actual annual water quantity sold and billed to the Member Governments of the Agency for the years ended September 30, 2009 and 2008:

<table>
<thead>
<tr>
<th>Member Government</th>
<th>Annual Water Quantity</th>
<th>Amounts Billed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sold (mgd)</td>
<td>2009</td>
</tr>
<tr>
<td>Hillsborough County</td>
<td>47.17</td>
<td>49.54</td>
</tr>
<tr>
<td>City of New Port Richey</td>
<td>2.39</td>
<td>3.49</td>
</tr>
<tr>
<td>Pasco County</td>
<td>23.18</td>
<td>26.10</td>
</tr>
<tr>
<td>Pinellas County</td>
<td>57.64</td>
<td>62.01</td>
</tr>
<tr>
<td>City of St. Petersburg</td>
<td>27.88</td>
<td>29.02</td>
</tr>
<tr>
<td>City of Tampa</td>
<td>12.88</td>
<td>6.18</td>
</tr>
<tr>
<td>Total current year water sales</td>
<td>171.14</td>
<td>176.34</td>
</tr>
</tbody>
</table>

Peak day production: 237.59 243.20

4. Rate-Making Policies and Procedures

Under the provisions of the Master Water Supply Contract, the Agency establishes rates based on an “Annual Estimate” that sets forth the expected cost of providing wholesale water service to the Member Governments. The Annual Estimate is based on the Agency’s budget for the forthcoming fiscal year. The Agency develops a uniform rate based on the Annual Estimate and the projected quantity of water expected to be delivered to customers.

The uniform rate consists of a variable cost rate and a fixed cost rate. The variable cost rate is designed to recover Agency expenses that are directly related to the quantity of water delivered, primarily chemicals, electric power, and water purchased from the Cities of Tampa and New Port Richey. The variable cost rate is applied to the quantity of water delivered to Member Governments each month. The fixed cost rate is designed to recover Agency expenses incurred for the operation, maintenance, management, security, development, and financing of the water system. The fixed cost rate is assessed to Member Governments monthly based on one-twelfth of the total annual fixed cost applied to the ratio of each member’s annual water usage during the previous fiscal year divided by such usage of all Member Governments during such year. At the end of the fiscal year, each member’s share of this fixed cost is recalculated based on the current year’s usage. The intent and purpose of the rate structure is to provide an equitable means of matching the monthly billings with the Agency’s monthly cash flow needs. Based on analyses and forecasts, fixed costs are currently estimated to constitute approximately 77% of the Annual Estimate.
5. Restricted Assets

Restricted assets are established to the extent required by bond resolutions for the Agency’s debt and other contractual arrangements. Bond proceeds, water revenue, and interest income are utilized to maintain the various funds at their required levels. Amounts not needed to fund requirements may be used for any lawful purpose. Components and descriptions of the various funds are as follows:

<table>
<thead>
<tr>
<th>Fund</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction funds</td>
<td>$188,905,560</td>
<td>$213,970,454</td>
</tr>
<tr>
<td>Sinking funds</td>
<td>48,965,595</td>
<td>47,482,068</td>
</tr>
<tr>
<td>Renewal and replacement funds</td>
<td>10,182,741</td>
<td>10,021,307</td>
</tr>
<tr>
<td>Capital improvement funds</td>
<td>27,880,222</td>
<td>28,656,401</td>
</tr>
<tr>
<td>Operations and maintenance funds</td>
<td>4,979,094</td>
<td>4,641,521</td>
</tr>
<tr>
<td>Debt service reserve funds</td>
<td>74,257,841</td>
<td>74,257,841</td>
</tr>
<tr>
<td>Rebate funds</td>
<td>161,373</td>
<td>99,314</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$355,332,426</strong></td>
<td><strong>$379,128,906</strong></td>
</tr>
</tbody>
</table>

*Construction Funds* – Construction funds account for unexpended debt proceeds and interest income thereon from the Utility System Revenue Bonds, Series 2001B and 2008; the Florida Local Government Finance Commission loan and third-party grants for construction.


*Renewal and Replacement Funds* – Renewal and replacement funds are required for renewal and replacement of the water production, transmission, and treatment facilities and are based on 5% of gross revenues for the preceding fiscal year or such greater or lesser amount as may be determined by the system engineers.

*Capital Improvement Funds* – Capital improvement funds are restricted to payment of capital costs of acquiring and/or constructing additions or improvements to the water system.

*Operations and Maintenance Funds* – Operations and maintenance reserve funds are restricted for operating costs and are established at twice the monthly average variable costs as budgeted for each fiscal year.


*Rebate Fund* – Funds on deposit in the Rebate Fund are held and used solely to make required rebate payments to the United States Treasury in accordance with conditions of arbitrage certificates relating to the various series of bonds.

Bond resolutions place certain limitations on investments permitted by the various funds. When both restricted and unrestricted resources are available for use, it is the Agency’s policy to use restricted resources first, then unrestricted resources as they are needed.
6. Deposits and Investments

Deposits

As of September 30, 2009, the total carrying amount of the Agency’s deposits, (unrestricted and restricted), inclusive of certificates of deposit of $40,000,000 and exclusive of petty cash of $1,450, was $261,532,559. All of the Agency’s deposits with financial institutions are made with depository institutions that are members of the state of Florida’s collateral pool, are placed in accounts designated as “public deposit” accounts covered by the collateral pool and, therefore, are considered to be insured.

Investments

Pursuant to the interlocal agreement establishing the Agency, applicable statutory rules and debt covenants, the Agency’s investment policy permits investment of its manageable portfolio (all surplus funds exclusive of debt proceeds) in the following: (1) certificates of deposit and other bank accounts; (2) Florida Prime (formerly the Local Government Surplus Funds Trust Fund) administered by the State Board of Administration; (3) money market funds with the highest Standard and Poor’s (S&P) and Moody’s ratings; (4) United States Government Agency Obligations; (5) negotiable Direct Obligations of the United States Government; (6) mortgage-backed securities; (7) Investment Company Act of 1940 securities; (8) commercial paper of issuers whose short-term issuer rating is “A1” or higher and “Prime-1” or higher by S&P and Moody’s rating services, respectively; and (9) bankers’ acceptances guaranteed by banking institutions with a long-term issuer rating of at least “AA” from S&P and “Aa” from Moody’s Rating Service.

The Agency’s investments are reported at fair value in the balance sheets, except for money market funds and U.S. government obligations with original maturities less than one year, which are reported at amortized cost in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

The Florida Local Government Surplus Funds Trust Fund A (Investment Pool), managed by the State Board of Administration (SBA), a 2a7-like pool, is carried at cost. A 2a7-like pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940, which regulates money market funds. Therefore, this Investment Pool operates essentially as a money market fund and is not categorized as to custodial risk according to the criteria set forth in GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements, and GASB Statement No. 40, Deposit and Investment Risk Disclosures.

On November 29, 2007, the trustees of the SBA suspended deposits and withdrawals from the Florida Local Government Surplus Funds Trust Fund. This action was taken to stop withdrawals that caused the Investment Pool’s assets to fall from about $27 billion down to $14 billion in a month’s time. Withdrawals were initiated by various local governments due to concerns associated with securities held by the Investment Pool that were downgraded below the credit quality guidelines set for initial purchase by the Investment Pool, as well as some limited defaults. Prior to closing of the Investment Pool, the Agency withdrew substantially all of its investment after consultation with its financial advisor. Subsequently, the SBA split the investment pool into two funds: 86% was placed in Fund A to hold high-quality, money-market appropriate securities and 14% was placed in Fund B to hold higher-risk securities in default, having payment extensions or experiencing significant credit risk. The Investment Pool’s entire November interest and loan loss reserve was placed in Fund B to offset some of the lost value. Fund A continues to be a 2a-7 like fund. Fund B is accounted for as a fluctuating NAV pool. The Agency has not reinvested any funds in the investment pool and the remaining investment of $104 at September 30, 2009, is primarily in Fund B.
6. Deposits and Investments (continued)

Investments of bond proceeds are also permitted in the following: (1) obligations, including state and local government obligations, rated “A-” and “A3” or better by S&P and Moody’s; (2) money market funds rated “Am” or “Am-G” or better by S&P; (3) repurchase agreements with a term of one year or less with any institution with debt rated “AA” or commercial paper rated “A-1” or better by S&P; (4) repurchase agreements collateralized by Direct Obligations of the United States Government or Agency Obligations with any broker/dealer subject to the Securities Investors’ Protection Corporation jurisdiction or with any commercial bank with ratings of “Prime-1” or “A3” or better from Moody’s and “A-1” or “A-” or better from S&P on their unsecured, uninsured, and unguaranteed obligations; (5) investment agreements with a bank or insurance company whose uninsured, unsecured, unguaranteed obligation is rated “A3” or better by Moody’s and “A-” or better by S&P, or is the lead bank of a parent bank holding company meeting such rating requirements; and (6) any investment allowable under applicable law that is approved by the Board of Directors of the Agency.

Investments made by the Agency (restricted and unrestricted) at September 30, 2009, are summarized below. The investments are summarized by type of investment, and show the maturity, interest rate, fair value, and credit rating.

<table>
<thead>
<tr>
<th>Investments</th>
<th>Maturities</th>
<th>Interest Rate</th>
<th>Fair Value</th>
<th>Credit Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Board of Administration Local Government</td>
<td>6.69 years</td>
<td>0%</td>
<td>$104</td>
<td>not rated</td>
</tr>
<tr>
<td>Surplus Fund Investment Pool Fund B</td>
<td></td>
<td></td>
<td></td>
<td>not rated</td>
</tr>
<tr>
<td>Columbia Money Market Reserves Fund</td>
<td>48 days</td>
<td>0.126</td>
<td>536,033</td>
<td>AAAm</td>
</tr>
<tr>
<td>Total Investments &lt; 92 days</td>
<td>536,137</td>
<td></td>
<td></td>
<td>Aaa</td>
</tr>
<tr>
<td>Repurchase Agreement – Societe Generale, New York Branch</td>
<td>10/01/2010 *</td>
<td>4.425</td>
<td>20,660,432</td>
<td>highest possible</td>
</tr>
<tr>
<td>Repurchase Agreement – Citigroup</td>
<td>09/01/2011*</td>
<td>3.015</td>
<td>100,600,000</td>
<td>AAA</td>
</tr>
<tr>
<td>Forward Purchase Agreement – Morgan Stanley &amp; Co., Inc.</td>
<td>10/01/2011 *</td>
<td>5.538</td>
<td>14,613,585</td>
<td>A-1</td>
</tr>
<tr>
<td>Certificate of Deposit (non-negotiable)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SunTrust Bank</td>
<td>12/09/09</td>
<td>2.69</td>
<td>20,000,000</td>
<td>A-</td>
</tr>
<tr>
<td>Fifth Third Bank</td>
<td>11/16/09</td>
<td>1.29</td>
<td>10,000,000</td>
<td>BBB+</td>
</tr>
<tr>
<td>Regions Bank</td>
<td>12/16/2009</td>
<td>1.57</td>
<td>10,000,000</td>
<td>A-</td>
</tr>
<tr>
<td>Total investments &gt; 91 days</td>
<td></td>
<td></td>
<td>$175,874,017</td>
<td></td>
</tr>
</tbody>
</table>

* Funds available on any debt service payment date.

For the repurchase agreements and forward purchase agreement, the credit rating reflects the credit rating of the underlying collateral. The two repurchase agreements are collateralized by obligations of U.S. Agencies. Since direct obligations of the U.S. government and obligations of Agencies of the U.S. government which are explicitly guaranteed by the U.S. government are considered to have no credit risk, they have, by definition, the highest possible credit rating. The Forward Purchase Contract is collateralized by FCAR Owner Trust commercial paper maturing October 1, 2009. Certificates of Deposit are public funds collateralized through the state of Florida collateral pool as discussed above. Certificates of Deposit and Treasury Bills having a maturity of one year or less at time of purchase are recorded at cost.
6. Deposits and Investments (continued)

The credit ratings shown in the table above are a measure of credit risk, the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Agency’s investment policies seek to limit exposure to credit risk by establishing minimum credit ratings that must be met and maintained by providers of certain types of investments. Policies also require that certain types of agreements be collateralized with investments authorized under the policies.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. Exclusive of investments issued or explicitly guaranteed by the U.S. government and investments in external investment pools and other pooled investments, the Agency has the following investment concentrations in excess of 5% of its total investments at September 30, 2009 and 2008, respectively: 2009 – Repurchase Agreements secured by various U.S. Government Agency obligations – 11.72%, Forward Purchase Agreement invested in Commercial Paper of Morgan Stanley & Company, Inc. – 8.28%, Certificates of Deposit – 22.67%, 2008 – Repurchase Agreements secured by various U.S. Government Agency obligations – 60.22%, and Forward Purchase Agreement invested in Commercial Paper of Morgan Stanley & Company, Inc. – 5.55%.

Rating Downgrade

Under the terms of the Repurchase Agreement between the Agency and Citigroup Global Markets, Inc., Citigroup, Inc., the guarantor on the agreement, is required to notify the Agency in the event of a rating downgrade. A Notice of Rating Action dated December 20, 2008, was received by the Agency. According to this Notice, the senior unsecured long-term debt ratings of Citigroup, Inc. have been reduced to A and A2 from AA- and Aa3 by Standard & Poor’s Rating Services and Moody’s Investor Service, respectively. The rating change does not require any action by either the Agency or Citigroup relative to the Repurchase Agreement beyond the notification.

Repurchase Agreement Termination

Due to concerns about the financial strength of AIG Matched Funding, the Agency terminated the Repurchase Agreement with AIG effective October 14, 2008. There was no termination penalty and the Agency received the full amount of the investment together with accrued interest through the date of termination.

7. Grants Receivable and Capital Contributions

Grants receivable represent amounts due from the District for construction projects under various funding or grant agreements. The receivable balance at September 30, 2009 and 2008, net of an allowance, is $21,520,554 and $10,516,157, respectively.

Capital contributions include $1,395,200 received from the United States Environmental Protection Agency in 2009 as well as $95,365,020 and $36,612,763 billed to the District under various grant agreements for the years ended September 30, 2009 and 2008, respectively.
Tampa Bay Water  
(A Regional Water Supply Authority)  

Notes to Financial Statements (continued)  

8. Capital Assets  

The following are summaries of capital asset changes for the fiscal years ended September 30, 2009 and 2008:

<table>
<thead>
<tr>
<th></th>
<th>October 1, 2008</th>
<th>Additions</th>
<th>Deletions</th>
<th>Transfer</th>
<th>September 30, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets, nondepreciable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$78,025,735</td>
<td>$521,730</td>
<td>–</td>
<td>–</td>
<td>$78,547,465</td>
</tr>
<tr>
<td>Construction-in-progress</td>
<td>85,670,016</td>
<td>89,655,728</td>
<td>27,058,988</td>
<td>–</td>
<td>148,266,756</td>
</tr>
<tr>
<td>Software in development</td>
<td>–</td>
<td>155,591</td>
<td>–</td>
<td>–</td>
<td>155,591</td>
</tr>
<tr>
<td>Total nondepreciable assets</td>
<td>163,695,751</td>
<td>90,333,049</td>
<td>27,058,988</td>
<td>–</td>
<td>226,969,812</td>
</tr>
<tr>
<td>Capital assets, depreciable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land improvements</td>
<td>2,961,452</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2,961,452</td>
</tr>
<tr>
<td>Wells and wellfield improvements</td>
<td>156,601,716</td>
<td>168,468</td>
<td>–</td>
<td>–</td>
<td>156,770,184</td>
</tr>
<tr>
<td>Water treatment and pumping facilities</td>
<td>426,251,593</td>
<td>13,769,303</td>
<td>7,662,618</td>
<td>–</td>
<td>432,358,278</td>
</tr>
<tr>
<td>Transmission mains</td>
<td>282,527,823</td>
<td>12,791,152</td>
<td>–</td>
<td>–</td>
<td>295,318,975</td>
</tr>
<tr>
<td>Buildings</td>
<td>16,905,804</td>
<td>397,596</td>
<td>–</td>
<td>–</td>
<td>17,303,400</td>
</tr>
<tr>
<td>Reservoir</td>
<td>147,645,314</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>147,645,314</td>
</tr>
<tr>
<td>Other equipment and software</td>
<td>17,047,183</td>
<td>5,856,127</td>
<td>770,939</td>
<td>–</td>
<td>22,132,371</td>
</tr>
<tr>
<td>Total depreciable capital assets</td>
<td>1,049,940,885</td>
<td>32,982,646</td>
<td>8,433,557</td>
<td>–</td>
<td>1,074,489,974</td>
</tr>
<tr>
<td>Less accumulated depreciation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land improvements</td>
<td>189,683</td>
<td>58,190</td>
<td>–</td>
<td>–</td>
<td>247,873</td>
</tr>
<tr>
<td>Wells and wellfield improvements</td>
<td>44,917,177</td>
<td>3,073,898</td>
<td>–</td>
<td>–</td>
<td>47,991,075</td>
</tr>
<tr>
<td>Water treatment and pumping facilities</td>
<td>61,873,083</td>
<td>13,884,508</td>
<td>4,011,719</td>
<td>–</td>
<td>71,745,872</td>
</tr>
<tr>
<td>Transmission mains</td>
<td>25,273,297</td>
<td>3,987,322</td>
<td>–</td>
<td>–</td>
<td>29,260,619</td>
</tr>
<tr>
<td>Buildings</td>
<td>1,811,762</td>
<td>436,019</td>
<td>–</td>
<td>–</td>
<td>2,247,781</td>
</tr>
<tr>
<td>Reservoir</td>
<td>4,907,128</td>
<td>1,476,553</td>
<td>–</td>
<td>–</td>
<td>6,383,681</td>
</tr>
<tr>
<td>Other equipment and software</td>
<td>11,735,499</td>
<td>2,065,914</td>
<td>700,711</td>
<td>–</td>
<td>13,100,702</td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td>150,707,629</td>
<td>24,982,404</td>
<td>4,712,430</td>
<td>–</td>
<td>170,977,603</td>
</tr>
<tr>
<td>Total depreciated capital assets, net</td>
<td>899,233,256</td>
<td>8,000,242</td>
<td>3,721,127</td>
<td>–</td>
<td>903,512,371</td>
</tr>
<tr>
<td>Total capital assets, net</td>
<td>$1,062,929,007</td>
<td>$98,333,291</td>
<td>$30,780,115</td>
<td>–</td>
<td>$1,130,482,183</td>
</tr>
</tbody>
</table>
8. Capital Assets (continued)

<table>
<thead>
<tr>
<th>Description</th>
<th>October 1, 2007</th>
<th>Additions</th>
<th>Deletions</th>
<th>Transfer</th>
<th>September 30, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital assets, nondepreciable:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total nondepreciable assets</strong></td>
<td>149,069,094</td>
<td>58,823,909</td>
<td>44,197,252</td>
<td>–</td>
<td>163,695,751</td>
</tr>
<tr>
<td><strong>Capital assets, depreciable:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land improvements</td>
<td>2,937,615</td>
<td>23,837</td>
<td>–</td>
<td>–</td>
<td>2,961,452</td>
</tr>
<tr>
<td>Wells and wellfield improvements</td>
<td>155,646,398</td>
<td>977,319</td>
<td>5,875</td>
<td>(16,126)</td>
<td>156,601,716</td>
</tr>
<tr>
<td>Water treatment and pumping facilities</td>
<td>413,767,951</td>
<td>13,690,858</td>
<td>1,207,216</td>
<td>–</td>
<td>426,251,593</td>
</tr>
<tr>
<td>Transmission mains</td>
<td>264,603,481</td>
<td>23,461,067</td>
<td>5,536,725</td>
<td>–</td>
<td>282,527,823</td>
</tr>
<tr>
<td>Buildings</td>
<td>10,989,839</td>
<td>5,915,965</td>
<td>–</td>
<td>–</td>
<td>16,905,804</td>
</tr>
<tr>
<td>Reservoir</td>
<td>147,505,617</td>
<td>139,697</td>
<td>–</td>
<td>–</td>
<td>147,645,314</td>
</tr>
<tr>
<td>Other equipment and software</td>
<td>16,300,209</td>
<td>1,335,757</td>
<td>604,909</td>
<td>16,126</td>
<td>17,047,183</td>
</tr>
<tr>
<td><strong>Total depreciable capital assets</strong></td>
<td>1,011,751,110</td>
<td>45,544,500</td>
<td>7,354,725</td>
<td>–</td>
<td>1,049,940,885</td>
</tr>
<tr>
<td><strong>Less accumulated depreciation:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land improvements</td>
<td>133,281</td>
<td>56,402</td>
<td>–</td>
<td>–</td>
<td>189,683</td>
</tr>
<tr>
<td>Wells and wellfield improvements</td>
<td>41,894,398</td>
<td>3,043,154</td>
<td>5,875</td>
<td>(14,500)</td>
<td>44,917,177</td>
</tr>
<tr>
<td>Water treatment and pumping facilities</td>
<td>50,964,177</td>
<td>11,056,964</td>
<td>148,058</td>
<td>–</td>
<td>61,873,083</td>
</tr>
<tr>
<td>Transmission mains</td>
<td>27,129,021</td>
<td>3,681,001</td>
<td>5,536,725</td>
<td>–</td>
<td>25,273,297</td>
</tr>
<tr>
<td>Buildings</td>
<td>1,497,496</td>
<td>314,266</td>
<td>–</td>
<td>–</td>
<td>1,811,762</td>
</tr>
<tr>
<td>Reservoir</td>
<td>3,431,895</td>
<td>1,475,233</td>
<td>–</td>
<td>–</td>
<td>4,907,128</td>
</tr>
<tr>
<td>Other equipment and software</td>
<td>9,621,177</td>
<td>2,670,194</td>
<td>570,372</td>
<td>14,500</td>
<td>11,735,499</td>
</tr>
<tr>
<td><strong>Total accumulated depreciation</strong></td>
<td>134,671,445</td>
<td>22,297,214</td>
<td>6,261,030</td>
<td>–</td>
<td>150,707,629</td>
</tr>
<tr>
<td><strong>Total depreciated capital assets, net</strong></td>
<td>877,079,665</td>
<td>23,247,286</td>
<td>1,093,695</td>
<td>–</td>
<td>899,233,256</td>
</tr>
<tr>
<td><strong>Total capital assets, net</strong></td>
<td>$1,026,148,759</td>
<td>$82,071,195</td>
<td>$45,290,947</td>
<td>–</td>
<td>$1,062,929,007</td>
</tr>
</tbody>
</table>

Deletions from construction-in-progress of $27,058,988 and $44,129,461 during the year ended September 30, 2009 and 2008, respectively, consist of transfers of completed projects to various capital assets.

Depreciation expense was $24,982,405 and $22,297,214 for the years ended September 30, 2009 and 2008, respectively. In anticipation of removal from service of the alkalinity adjustment facility at the Regional Water Treatment Plant site, the useful life was reduced from 50 to 8 years. This change in estimate resulted in an increase in depreciation expense of $2,935,933 in 2009.

Due to construction of various improvements and changes to the water supply system, a groundwater treatment plant located at the Regional Water Treatment plant site was demolished in 2009 to make way for construction of an alkalinity adjustment facility needed at that location. In anticipation of demolition $1,052,258 of its $2,570,275 carrying value was included in asset dispositions in 2008. A change in estimate of the useful life of the remaining asset components from 50 to 20 years resulted in an increase in depreciation expense of $110,457 in 2008. The remaining components were permanently removed from service in 2009 and the carrying value at that time of $1,056,842 is included in asset dispositions for 2009.
8. Capital Assets (continued)

Commitments on construction contracts at September 30, 2009 and 2008, were approximately $139,203,186 and $43,453,166, respectively.

Interest is capitalized under the provisions of SFAS No. 34, Capitalization of Interest Cost, and SFAS No. 62, Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants, an Amendment of SFAS No. 34. Interest cost incurred was $58,060,213 and $57,512,820 for the years ended September 30, 2009 and 2008, respectively. Of the interest cost incurred, $7,549,785 and $9,061,397 was capitalized for the years ended September 30, 2009 and 2008, offset by interest income earned on funds restricted for construction of $3,753,968 and $3,855,562 for the respective years.

9. Accounts Payable

Accounts payable and accrued expenses at September 30, 2009 and 2008, consist of amounts owed for operating and payroll expenses as follows:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$8,969,908</td>
<td>$8,355,057</td>
</tr>
<tr>
<td>Accrued payroll expenses</td>
<td>2,617,098</td>
<td>2,434,256</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$11,587,006</strong></td>
<td><strong>$10,789,313</strong></td>
</tr>
</tbody>
</table>

10. Seawater Desalination Plant Acquisition, Financing, and Related Matters

**Financing**

On May 15, 2002, the Agency issued $108,390,000 of Utility System Variable Rate Revenue Bonds, Series 2002 to finance purchase of the Seawater Desalination Plant. The bonds are subject to purchase on demand of the holder at a price equal to principal plus accrued interest with at least seven days notice to the Agency’s remarketing agent, Banc of America Securities, LLC. Therefore, the bonds are classified as a current liability on the balance sheets. On October 2, 2006, $18,030,000 of the bonds was refunded by the Tampa Bay Water Utility System Refunding and Improvement Bonds, Series 2006. The bonds have been redeemed in the amounts of $42,500,000, $21,250,000, and $1,885,000 on February 26, 2009; March 26, 2008; and October 1, 2006, respectively. At September 30, 2009, the remaining bonds outstanding of $21,250,000 are subject to mandatory redemption according to the following schedule:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2024-2028</td>
<td>925,000</td>
</tr>
<tr>
<td>2029-2031</td>
<td>20,325,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$21,250,000</strong></td>
</tr>
</tbody>
</table>

The bonds pay interest at a variable rate determined weekly by the remarketing agent, which rate may not exceed the lesser of the interest rate used in computing the interest component of the letter of credit (see below) or the maximum rate permitted by law. The rates at September 30, 2009 and 2008, were 0.55% and 7.50%, respectively. In late 2008 and early 2009 interest rates were fluctuating significantly with market conditions. Since that period interest rates remained low consistent with market conditions. The Remarketing Agent is to use their best efforts to sell the bonds at a price equal to 100% of the principal amount.
10. Seawater Desalination Plant Acquisition, Financing, and Related Matters (continued)

Under an irrevocable, direct-pay Letter of Credit and Reimbursement Agreement between the Agency and Bank of America, N.A. dated May 15, 2002, the paying agent, USBank, is entitled to draw an amount sufficient to pay the purchase price of bonds tendered for redemption. The paying agent may draw an amount sufficient to pay the total principal of the Series 2002 bonds plus up to 35 days interest accrued at a maximum rate of 12% per annum. The letter of credit was amended April 1, 2004, and again on December 21, 2006, to extend the termination date to November 15, 2009, subject to extension or early termination. Any amounts borrowed under the letter of credit bear interest at a variable rate based on the 30-day London Interbank Offered Rate (LIBOR) plus 0.90% per annum. Any such borrowings must be repaid within 120 days. The Agency has paid no interest to date on the letter of credit.

In August 2009, the Board of Directors approved an extension of the Letter of Credit and Reimbursement Agreement effective November 15, 2009, and expiring November 15, 2010. Under the revised terms of the Agreement, any amounts borrowed under the letter of credit will bear interest based on the greater of Bank of America’s Prime Rate plus 2.0%, the Federal Funds Rate plus 3.0%, or 8.5%.

Based on the terms of this Letter of Credit and Reimbursement Agreement, the Agency was required to use the lesser of $75 million or an amount sufficient to reduce the outstanding principal to $40 million for repayment of the bonds within 60 days of receipt of grant funds from the District. $21,250,000 of grant funds received in 2008 was applied to reduction of the outstanding principal in satisfaction of this requirement.

The Agency pays an annual commitment fee to Bank of America, N.A. for the letter of credit. Commencing May 15, 2007 the rate in effect decreased from 0.27% to 0.23% of the maximum amount available to be drawn on the letter of credit, payable quarterly in advance. The Agency also pays an annual remarketing fee to Banc of America Securities LLC equal to 0.08% of the average daily outstanding principal of the bonds, payable quarterly in arrears. Total fees for the years ended September 30, 2009 and 2008, were $161,351 and $241,138, respectively.

Operating Agreement

In September 2004, the Agency selected American Water-Pridesa LLC, as the remediation contractor to correct deficiencies in the Seawater Desalination Plant. Under this Agreement, American Water-Pridesa, LLC continued to operate the plant during the remediation period and the Agency paid a service fee consisting of a base Interim Operations, Maintenance, & Management (IOM&M) charge, certain pass-through charges and various fee adjustments. Total operating fees under this contract which ended November 2007, were $568,473 for 2008.

The 20-year Operation, Maintenance, and Management (OM&M) Services Agreement for operation of the plant with American Water-Pridesa, LLC, approved by the Board in 2004, went into effect as of November 8, 2007. Under this agreement, American Water-Pridesa, LLC continues to operate and maintain the plant after completion of remediation and the Agency will pay a service fee consisting of a base OM&M charge, certain pass-through charges, maintenance reserve fund charges, and various fee adjustments. American Water-Pridesa, LLC was not eligible for this fee structure until it passed the plant acceptance testing criteria required under the Construction Completion Agreement. The base OM&M charge will be adjusted at the beginning of each contract year based on certain labor and plant cost indexes. The contract can be terminated for convenience with 90 days notice and payment for all services performed, reimbursable expenses due, a termination fee of $1 million gradually declining to zero after 15 years and demobilization fee of $50,000. Total operating fees under this contract were $5,778,971 and $4,982,522 for 2009 and 2008, respectively.
10. Seawater Desalination Plant Acquisition, Financing, and Related Matters (continued)

Funding Agreement

Under the terms of a Funding Agreement with the District, as amended January 24, 2006, the Agency is to receive reimbursement for eligible Seawater Desalination Plant construction costs of $85,000,000 upon meeting certain requirements. Under the agreement, the Agency could request 25% of the reimbursement amount upon the occurrence of the In-Service Date, as defined in the agreement and submission of the engineer’s acceptance report. An additional 50% of the reimbursement amount could be requested after the first year of operation and achievement of production at an annual average rate of at least 12.5 mgd over the previous 12 consecutive months. Another 25% of the reimbursement amount could be requested after achieving a production level of a monthly average of 25 mgd for four consecutive months. Interest accruing on the $85,000,000 held in trust is payable to the Agency upon completion of 12 consecutive months of operation following November 1, 2007, at an average rate of 20 mgd. On December 26, 2007, the In-Service Date criteria were met and the agency received its first payment of $21,250,000 from the District on January 24, 2008. On December 26, 2008, the Agency met the requirement to operate for 12 consecutive months at an average rate of 12.5 mgd and received payment of $42,500,000 from the District on December 29, 2008. On January 31, 2009, the Agency met the requirement to operate at an average rate of 20 mgd for 12 months and became eligible to receive the accumulated interest earnings on the Trust. As of September 30, 2009, these additional grant fundings approximate $10,300,000 and are included in grant receivable. These funds and subsequent accrued interest will be requested from the Trust in 2010. The amounts received or due are included in Capital Contributions of the respective years. At September 30, 2009, the requirements under the funding agreement for receiving the remaining $21,250,000 had not been met and no capital contribution has been recognized in the financial statements for that amount.

11. Long-Term Debt and Other Noncurrent Liabilities

The Agency has issued various series of debt to finance the construction of new sources of water to meet the needs of its Member Governments, as well as facilities at Clearwater and Cypress Creek Wellfield to meet administrative and security needs.

Series 2008 Bonds

On June 5, 2008, the Agency issued $101,375,000 of Utility System Revenue Bonds, Series 2008. The 2008 bonds were issued at a premium of $3,165,142, bear interest at 5% and mature 2032 through 2038. After issuance costs of $973,669, capitalized interest of $1,633,264, and debt service reserve funding of $1,323,333, net proceeds of $100,609,876 were deposited to a construction fund for funding of design and construction of various capital projects for expansion of the Utility System.

Derivative Financial Instruments

In February 2007, the Agency entered into three floating-to-fixed interest rate swap option transactions (collectively, the 2001A Swaption) to achieve a synthetic forward refunding of $138,550,000 of its Utility System Refunding and Improvement Revenue Bonds, Series 2001A, maturing October 1, 2022 through 2028. The 2001A Bonds cannot be refunded until October 1, 2011.
11. Long-Term Debt and Other Noncurrent Liabilities (continued)

Derivative Financial Instruments (continued)

In August 2005, the Agency entered into three floating-to-fixed interest rate swap option transactions (collectively, the 2001B Swaption) to achieve a synthetic forward refunding of $147,645,000 of its Utility System Revenue Term Bonds, Series 2001B, maturing October 1, 2026 (exclusive of 2025 maturities) and 2031. The 2001B Bonds cannot be refunded until October 1, 2011.

The purpose of these Swaption transactions is to allow the Agency to extract incremental savings from the Bond’s redemption feature in the form of option time value that reflects the possibility that market interest rates decline between the option sale date and the October 1, 2011, exercise date. At execution of the 2007 and 2005 Swaptions, the Agency received option premiums of $7,396,875 and $7,980,000, respectively. At September 30, 2009 and 2008, the unexpended premium payments received are recorded on the Agency’s balance sheet in restricted assets for construction projects. The estimated fair values of these swaptions are recorded under noncurrent liabilities in the amounts of $44,641,278 and $26,198,828 at September 30, 2009 and 2008, respectively, in accordance with SFAS No. 133, Accounting for Derivative Financial Instruments and Hedging Activities.

The unrealized change in fair value of the swaptions for the years ended September 30, 2009 and 2008, of $(18,442,450) and $(9,982,908), respectively, are included as a component of nonoperating revenues and expenses in the statements of revenues, expenses, and changes in net assets. Many market factors can affect the value of swaption transactions. Two significant factors that contributed to the increase in market value of the transactions at September 30, 2009, were the overall level of interest rates and level of implied volatility in the market. Because the Agency will pay a predetermined fixed rate and the counterparties will pay a floating rate if the options are exercised, a decrease in swap rates increases the market value of the transactions. Likewise, an increase in market volatility increases the value of the options; that is, the likelihood that the options will be exercised increases as volatility increases.

In early 2009, the agreements previously held by Bear Stearns Financial Products, Inc. were assumed by JPMorgan Chase. The providers have the right to exercise the options effective October 3, 2011, with an additional premium payment to the Agency totaling $1,436,801 relative to the 2001A Swaption and $1,590,861 relative to the 2001B Swaption. If the providers exercise their options on October 3, 2011, the Agency will be obligated to issue variable rate debt refunding the applicable 2001A and 2001B Bonds. Under the agreements, the Agency will pay the providers interest at an annual fixed rate of 4.696% and 4.695%, respectively, on notional amounts of $138,550,000 and $147,645,000, and the providers will pay the Agency interest at a variable rate on the same notional amount. The payments will be due monthly beginning November 1, 2011, and ending October 1, 2031. The variable rate paid to the Agency by the providers will reset weekly based on the Bond Market Association Swap Index (BMA). Use of BMA is expected to approximate the variable rate that will be paid by the Agency on its refunding bonds, thereby minimizing the Agency’s risk that the variable rate required to be paid will exceed the variable rate received from the providers. Under the terms of the agreements, the providers can terminate the agreements only if a termination event occurs. The Agency has reserved the right to terminate the agreements at any time subject to payment of a settlement amount equivalent to the fair value of the agreements at the time of termination.
11. Long-Term Debt and Other Noncurrent Liabilities (continued)

Derivative Financial Instruments (continued)

Both providers experienced credit rating downgrades in the current year. The credit ratings of the providers at September 30, 2009 and 2008, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Moody’s</th>
<th>Standard &amp; Poor’s</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
<td>2008</td>
</tr>
<tr>
<td>Bear Stearns Financial Products, Inc.</td>
<td>–</td>
<td>Aaa</td>
</tr>
<tr>
<td>Citibank, N.A. (see Note 17)</td>
<td>A1</td>
<td>Aa1</td>
</tr>
<tr>
<td>JPMorgan Chase Bank, N.A.</td>
<td>Aa1</td>
<td>Aaa</td>
</tr>
</tbody>
</table>

Long-term debt and other noncurrent liabilities as of September 30, 2009 and 2008, consist of:

**Utility System Revenue Bonds, Series 2008**
5% term bonds, due October 1, 2034, subject to mandatory redemption 2032 through 2034, interest payable semiannually

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$29,365,000</td>
<td>$29,365,000</td>
</tr>
</tbody>
</table>

5% term bonds, due October 1, 2038, subject to mandatory redemption 2035 through 2038, interest payable semiannually

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>72,010,000</td>
<td>72,010,000</td>
</tr>
</tbody>
</table>

Total Series 2008

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>101,375,000</td>
<td>101,375,000</td>
</tr>
</tbody>
</table>

**Utility System Refunding and Improvement Revenue Bonds, Series 2006**
4.0% to 5.0% serial bonds due annually at varying amounts through 2026, interest payable semiannually

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>21,680,000</td>
<td>24,240,000</td>
</tr>
</tbody>
</table>

4.375% term bonds, due October 1, 2031, subject to mandatory redemption from 2027 through 2031, interest payable semiannually

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,040,000</td>
<td>3,040,000</td>
</tr>
</tbody>
</table>

4.75% term bonds, due October 1, 2033, subject to mandatory redemption from 2032 through 2033, interest payable semiannually

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20,365,000</td>
<td>20,365,000</td>
</tr>
</tbody>
</table>

4.5% term bonds, due October 1, 2036, subject to mandatory redemption from 2034 through 2036, interest payable semiannually

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>34,240,000</td>
<td>34,240,000</td>
</tr>
</tbody>
</table>

Total Series 2006

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>79,325,000</td>
<td>81,885,000</td>
</tr>
</tbody>
</table>

**Utility System Refunding and Improvement Revenue Bonds, Series 2005**
3.5% to 5.5% serial bonds due annually at varying amounts through 2024, interest payable semiannually

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>174,965,000</td>
<td>174,965,000</td>
</tr>
</tbody>
</table>

Continued on next page
11. Long-Term Debt and Other Noncurrent Liabilities (continued)

<table>
<thead>
<tr>
<th>Bond Details</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Utility System Refunding Revenue Bonds, Series 2004</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.0% to 5.25% serial bonds, due annually at varying amounts through 2019,</td>
<td>106,900,000</td>
<td>107,150,000</td>
</tr>
<tr>
<td>interest payable semiannually</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Utility System Revenue Bonds, Series 2001B</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.3% to 3.9% serial bonds, due annually at varying amounts through 2011,</td>
<td>10,160,000</td>
<td>13,310,000</td>
</tr>
<tr>
<td>interest payable semiannually</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.0% term bonds, due October 1, 2026, subject to mandatory redemption</td>
<td>13,820,000</td>
<td>13,820,000</td>
</tr>
<tr>
<td>2025 and 2026, interest payable semiannually</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.0% term bonds, due October 1, 2031, subject to mandatory redemption</td>
<td>140,565,000</td>
<td>140,565,000</td>
</tr>
<tr>
<td>through 2031, interest payable semiannually</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Series 2001B</strong></td>
<td>164,545,000</td>
<td>167,695,000</td>
</tr>
<tr>
<td><strong>Utility System Revenue Bonds, Series 2001A</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.0% to 5.25% serial bonds, due annually at varying amounts through 2024,</td>
<td>$161,245,000</td>
<td>$162,130,000</td>
</tr>
<tr>
<td>interest payable semiannually</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.0% term bonds, due October 1, 2026, subject to mandatory redemption</td>
<td>34,620,000</td>
<td>34,620,000</td>
</tr>
<tr>
<td>2025 and 2026, interest payable semiannually</td>
<td>57,945,000</td>
<td>57,945,000</td>
</tr>
<tr>
<td>5.1% term bonds, due October 1, 2028, subject to mandatory redemption</td>
<td>50,000,000</td>
<td>50,000,000</td>
</tr>
<tr>
<td>2027 and 2028, interest payable semiannually</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Series 2001A</strong></td>
<td>303,810,000</td>
<td>304,695,000</td>
</tr>
<tr>
<td><strong>Utility System Revenue Bonds, Series 1999</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.8% to 5.0% serial bonds, due annually at varying amounts through 2011,</td>
<td>21,690,000</td>
<td>28,265,000</td>
</tr>
<tr>
<td>interest payable semiannually</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>5.06% capital appreciation bonds, due 2007</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Series 1999</strong></td>
<td>21,690,000</td>
<td>28,265,000</td>
</tr>
<tr>
<td><strong>Utility System Revenue Bonds, Series 1998A</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1% to 4.2% serial bonds, due annually at varying amounts through 2008,</td>
<td></td>
<td>3,350,000</td>
</tr>
<tr>
<td>interest payable semiannually</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>4.75% term bonds, due October 2027, subject to mandatory redemption from</td>
<td>27,360,000</td>
<td>27,360,000</td>
</tr>
<tr>
<td>2025 through 2027, interest payable semiannually</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Series 1998A</strong></td>
<td>27,360,000</td>
<td>30,710,000</td>
</tr>
<tr>
<td><strong>Utility System Revenue Bonds, Series 1998B</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1% to 5.0% serial bonds, due annually at varying amounts through 2008,</td>
<td></td>
<td>5,330,000</td>
</tr>
<tr>
<td>interest payable semiannually</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>4.75% term bonds, due October 2027, subject to mandatory redemption from</td>
<td>38,340,000</td>
<td>38,340,000</td>
</tr>
<tr>
<td>2025 through 2027, interest payable semiannually</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Series 1998B</strong></td>
<td>38,340,000</td>
<td>43,670,000</td>
</tr>
</tbody>
</table>
11. Long-Term Debt and Other Noncurrent Liabilities (continued)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition Credits</td>
<td>123,732,433</td>
<td>127,791,109</td>
</tr>
<tr>
<td>Total debt outstanding</td>
<td>1,142,042,433</td>
<td>1,168,201,109</td>
</tr>
<tr>
<td>Less current maturities</td>
<td>(27,215,024)</td>
<td>(26,158,676)</td>
</tr>
<tr>
<td></td>
<td>1,114,827,409</td>
<td>1,142,042,433</td>
</tr>
<tr>
<td>Add unamortized bond premium</td>
<td>34,856,747</td>
<td>38,411,599</td>
</tr>
<tr>
<td>Less unamortized bond discount</td>
<td>(3,474,770)</td>
<td>(3,662,671)</td>
</tr>
<tr>
<td>Less unamortized losses on bond refundings</td>
<td>(30,045,720)</td>
<td>(32,638,225)</td>
</tr>
<tr>
<td>Total long-term debt</td>
<td>$ 1,116,163,666</td>
<td>$ 1,144,153,136</td>
</tr>
</tbody>
</table>

The Agency’s changes in noncurrent liabilities for the fiscal years ended September 30, 2009 and 2008, were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Balance October 1, 2008</th>
<th>Additions</th>
<th>Deletions</th>
<th>Balance September 30, 2009</th>
<th>Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998A bonds</td>
<td>$ 30,710,000</td>
<td>–</td>
<td>$ 3,350,000</td>
<td>$ 27,360,000</td>
<td>–</td>
</tr>
<tr>
<td>1998B bonds</td>
<td>43,670,000</td>
<td>–</td>
<td>5,330,000</td>
<td>38,340,000</td>
<td>–</td>
</tr>
<tr>
<td>1999 bonds</td>
<td>28,265,000</td>
<td>–</td>
<td>6,575,000</td>
<td>21,690,000</td>
<td>6,885,000</td>
</tr>
<tr>
<td>2001A bonds</td>
<td>304,695,000</td>
<td>–</td>
<td>885,000</td>
<td>303,810,000</td>
<td>920,000</td>
</tr>
<tr>
<td>2001B bonds</td>
<td>167,695,000</td>
<td>–</td>
<td>3,150,000</td>
<td>164,545,000</td>
<td>3,265,000</td>
</tr>
<tr>
<td>2004 bonds</td>
<td>107,150,000</td>
<td>–</td>
<td>250,000</td>
<td>106,900,000</td>
<td>5,855,000</td>
</tr>
<tr>
<td>2005 bonds</td>
<td>174,965,000</td>
<td>–</td>
<td>–</td>
<td>174,965,000</td>
<td>3,490,000</td>
</tr>
<tr>
<td>2006 Bonds</td>
<td>81,885,000</td>
<td>–</td>
<td>2,560,000</td>
<td>79,325,000</td>
<td>2,675,000</td>
</tr>
<tr>
<td>2008 Bonds</td>
<td>101,375,000</td>
<td>–</td>
<td>–</td>
<td>101,375,000</td>
<td>–</td>
</tr>
<tr>
<td>Acquisition credits</td>
<td>127,791,109</td>
<td>–</td>
<td>4,058,676</td>
<td>123,732,433</td>
<td>4,125,024</td>
</tr>
<tr>
<td>Unamortized bond issue premium</td>
<td>38,411,599</td>
<td>–</td>
<td>3,554,852</td>
<td>34,856,747</td>
<td>–</td>
</tr>
<tr>
<td>Unamortized bond issue discount</td>
<td>(3,662,671)</td>
<td>–</td>
<td>(187,901)</td>
<td>(3,474,770)</td>
<td>–</td>
</tr>
<tr>
<td>Deferred refunding losses</td>
<td>(32,638,225)</td>
<td>–</td>
<td>(2,592,505)</td>
<td>(30,045,720)</td>
<td>–</td>
</tr>
<tr>
<td>Less current portion</td>
<td>1,170,311,812</td>
<td>–</td>
<td>26,933,122</td>
<td>1,143,378,690</td>
<td>27,215,024</td>
</tr>
<tr>
<td>Total long-term debt</td>
<td>1,144,153,136</td>
<td>(27,215,024)</td>
<td>774,446</td>
<td>1,116,163,666</td>
<td>27,215,024</td>
</tr>
<tr>
<td>Fair value of interest rate swaption</td>
<td>26,198,828</td>
<td>18,442,450</td>
<td>–</td>
<td>44,641,278</td>
<td>–</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>25,320,012</td>
<td>–</td>
<td>13,162,938</td>
<td>12,157,074</td>
<td>–</td>
</tr>
<tr>
<td>Total noncurrent liabilities</td>
<td>$ 1,195,671,976</td>
<td>(8,772,574)</td>
<td>13,937,384</td>
<td>$ 1,172,962,018</td>
<td>$ 27,215,024</td>
</tr>
</tbody>
</table>
## 11. Long-Term Debt and Other Noncurrent Liabilities (continued)

<table>
<thead>
<tr>
<th>Balance</th>
<th>October 1,</th>
<th>Additions</th>
<th>Deletions</th>
<th>Balance</th>
<th>September 30,</th>
<th>Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
<td></td>
<td></td>
<td>2008</td>
<td>2008</td>
<td></td>
</tr>
<tr>
<td>1998A bonds</td>
<td>$33,930,000</td>
<td>$–</td>
<td>$3,220,000</td>
<td>$30,710,000</td>
<td>$3,350,000</td>
<td></td>
</tr>
<tr>
<td>1998B bonds</td>
<td>48,790,000</td>
<td></td>
<td>5,120,000</td>
<td>43,670,000</td>
<td>5,330,000</td>
<td></td>
</tr>
<tr>
<td>1999 bonds</td>
<td>49,685,000</td>
<td></td>
<td>21,420,000</td>
<td>28,265,000</td>
<td>6,575,000</td>
<td></td>
</tr>
<tr>
<td>2001A bonds</td>
<td>305,545,000</td>
<td></td>
<td>850,000</td>
<td>304,695,000</td>
<td>885,000</td>
<td></td>
</tr>
<tr>
<td>2001B bonds</td>
<td>168,965,000</td>
<td></td>
<td>1,270,000</td>
<td>167,695,000</td>
<td>3,150,000</td>
<td></td>
</tr>
<tr>
<td>2004 bonds</td>
<td>107,395,000</td>
<td></td>
<td>245,000</td>
<td>107,150,000</td>
<td>250,000</td>
<td></td>
</tr>
<tr>
<td>2005 bonds</td>
<td>174,965,000</td>
<td></td>
<td></td>
<td>174,965,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006 Bonds</td>
<td>81,885,000</td>
<td></td>
<td></td>
<td>81,885,000</td>
<td>2,560,000</td>
<td></td>
</tr>
<tr>
<td>2008 Bonds</td>
<td></td>
<td>101,375,000</td>
<td></td>
<td>101,375,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition credits</td>
<td>131,757,064</td>
<td></td>
<td>3,965,955</td>
<td>127,791,109</td>
<td>4,058,676</td>
<td></td>
</tr>
<tr>
<td>Unamortized bond issue premium</td>
<td>38,729,487</td>
<td>3,165,142</td>
<td>3,483,030</td>
<td>38,411,599</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unamortized bond issue discount</td>
<td>(3,862,628)</td>
<td>–</td>
<td>(199,957)</td>
<td>(3,662,671)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred refunding losses</td>
<td>(35,230,730)</td>
<td>–</td>
<td>(2,592,505)</td>
<td>(32,632,225)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less current portion</td>
<td>(36,090,955)</td>
<td>(26,158,676)</td>
<td>(36,090,955)</td>
<td>(26,158,676)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total long-term debt</td>
<td>1,066,462,238</td>
<td>78,381,466</td>
<td>690,568</td>
<td>1,144,153,136</td>
<td>26,158,676</td>
<td></td>
</tr>
<tr>
<td>Fair value of interest rate swaption</td>
<td>16,215,920</td>
<td>9,982,908</td>
<td>–</td>
<td>26,198,828</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>30,899,410</td>
<td>–</td>
<td>5,579,398</td>
<td>25,320,012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total noncurrent liabilities</td>
<td>$1,113,577,568</td>
<td>$88,364,374</td>
<td>$6,269,966</td>
<td>$1,195,671,976</td>
<td>$26,158,676</td>
<td></td>
</tr>
</tbody>
</table>

Annual debt service requirements to maturity for all long-term debt as of September 30, 2009, are as follows:

<table>
<thead>
<tr>
<th>Year Ending September 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$27,215,024</td>
<td>$56,837,337</td>
<td>$84,052,361</td>
</tr>
<tr>
<td>2011</td>
<td>28,263,587</td>
<td>55,744,585</td>
<td>84,008,172</td>
</tr>
<tr>
<td>2012</td>
<td>29,409,628</td>
<td>54,479,328</td>
<td>83,888,956</td>
</tr>
<tr>
<td>2013</td>
<td>30,804,094</td>
<td>53,059,980</td>
<td>83,864,074</td>
</tr>
<tr>
<td>2014</td>
<td>32,266,599</td>
<td>51,572,975</td>
<td>83,839,574</td>
</tr>
<tr>
<td>2015–2019</td>
<td>172,336,471</td>
<td>233,029,529</td>
<td>405,366,000</td>
</tr>
<tr>
<td>2020–2024</td>
<td>220,006,702</td>
<td>182,550,231</td>
<td>402,556,933</td>
</tr>
<tr>
<td>2025–2029</td>
<td>272,760,328</td>
<td>118,534,143</td>
<td>391,294,471</td>
</tr>
<tr>
<td>2030–2034</td>
<td>212,460,000</td>
<td>49,474,209</td>
<td>261,934,209</td>
</tr>
<tr>
<td>2035–2039</td>
<td>116,520,000</td>
<td>14,848,425</td>
<td>131,368,425</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,142,042,433</td>
<td>$870,130,742</td>
<td>$2,012,173,175</td>
</tr>
</tbody>
</table>
11. Long-Term Debt and Other Noncurrent Liabilities (continued)

Revenues Pledged

The Agency has pledged its Net Revenues (Gross Revenues less Operating Expenses), all as defined by the master bond resolution, to repay its $1,142,042,433 outstanding utility system revenue bonds described above. The bonds are payable solely from Net Revenues and are payable through 2039. Pledged revenues, which are budgeted and collected annually to meet the annual debt service requirements, were $74,909,796 in 2009 and $71,445,253 in 2008. Annual principal and interest payments on the bonds are expected to require less than 50% of annual operating revenues. Bond covenants require the Agency to fund, among other accounts, sinking funds, and debt service reserves with pledged revenue. These funding requirements are described in Note 5.

The covenants also require that the Agency not issue any other obligations payable from the specified pledged revenue, nor voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrances, or other charges having priority to or being on a parity with the lien of the specific bonds except under conditions specified in the resolutions. At September 30, 2009 and 2008, the Agency complied with all debt covenants.

Defeasance of Debt

In 2005 and prior years, the Agency advance refunded certain bond issues through various refunding bonds. The proceeds of the refunding bonds were used to purchase United States government and Agency securities that were placed in an irrevocable trust to fund all future debt service payments on the refunded debt. As a result, the refunded bonds are considered defeased, and the related liability has been removed from the accompanying financial statements.


12. Employee Retirement Plan

Substantially all full-time employees of the Agency are eligible to participate in the State of Florida Retirement System (System), a cost-sharing multiple-employer public retirement system that provides a defined benefit plan for all state and participating county, district school board, community college, and university employees. The defined benefit plan was established in 1970 by the Florida Legislature. In 2002, the legislature amended the laws creating a new employer-funded, optional defined contribution program named the “Public Employee Optional Retirement Program” (the Investment Plan). Substantially all full-time employees are eligible to participate in this plan in lieu of the defined benefit plan.

Investment Plan participants vest after one year of service. Employer contributions are deposited to an account held in the employee’s name and are invested as directed by the employee in the options provided by the Investment Plan. Retirement benefits are conditional on the performance of the employee’s investment account. Agency employees must have made their plan election prior to March 1, 2004. Subsequent to that date, all plan participants may exercise a one-time option to switch plans. New employees may elect to participate in either plan when eligible.
12. Employee Retirement Plan (continued)

Under the defined benefit plan, employees who retire at or after age 62 with six years of credited service, or with 30 years of service, regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their average final compensation for each year of credited service. Final average compensation is the employee’s average of the five highest fiscal years of salary earned during credited service. Vested employees may retire before age 62 and receive benefits that are reduced 5% for each year prior to normal retirement age or date. The System also provides death and disability benefits. Benefits are established by Chapter 121, *Florida Statutes*, and Chapter 22B, Florida Administrative Code.

All retirement legislation enacting benefit improvements must comply with Article X, Section 14, of the State Constitution and with part VII, chapter 112, *Florida Statutes*. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The Florida Legislature enacted legislation in 2007 (Chapter 2007-84, Laws of Florida) that established uniform employer contribution rates for the Florida Retirement System (FRS) membership classes and subclasses and the Deferred Retirement Option Program (DROP) effective July 1, 2007 and July 1, 2008. In 2009 legislation continued these rates for the plan year effective July 1, 2009. The plans are administered by the State of Florida Division of Retirement, Department of Management Services.

The System publishes an unaudited annual report that provides 10-year historical trend information about progress made in accumulating sufficient assets to pay benefits when due. The most recent available report is for the plan year ended June 30, 2008. This report may be obtained by writing to the Division of Retirement, Research Education and Policy Section, P.O. Box 9000, Tallahassee, Florida 32315-9000, by calling (850) 488-5706, or by accessing their Internet site at [www.frs.state.fl.us](http://www.frs.state.fl.us).

The Agency is required to contribute at an actuarially determined rate as established and amended by the state of Florida. Effective July 1, 2008, the contribution rates were increased to 9.85% (previously 7.83%) of covered payroll for regular class, 13.12% (previously 10.45%) for senior management and 10.91% (previously 9.33%) for employees in the Deferred Retirement Option Program. These are blended rates applicable to both plans. The Agency’s contributions to the plan for the years ended September 30, 2009, 2008, and 2007 were $828,223, $792,005, and $767,779, respectively, and were equal to the required contributions for each year.

13. Postemployment Healthcare Benefits

Effective for the year ending September 30, 2008, the Agency implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits provided by the Agency. The requirements of this Statement are being implemented prospectively, with the actuarially determined liability of $781,073 at the October 1, 2007 date of transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment health care insurance benefits liability at the date of transition.

**Plan Description** – The Postemployment Healthcare Benefits Plan is a single-employer defined benefit plan administered by the Agency. Pursuant to the provisions of Section 112.0801, *Florida Statutes*, former employees who retire from the Agency and their eligible dependents may continue to participate in the Agency’s fully insured health and hospitalization plan for medical and prescription drug coverage. The Agency subsidizes the premium rates paid by retirees by allowing them to participate in the plans at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees.
13. Postemployment Healthcare Benefits (continued)

**Funding Policy** – For the Postemployment Healthcare Benefits Plan, contribution requirements of the Agency are established and may be amended through recommendations of the Finance Director and action from the Board. The Agency has not advanced-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. As of September 30, 2009, there were three retirees and two eligible dependents receiving postemployment healthcare benefits. For the year ending September 30, 2009, the Agency provided required contributions of ($20,153) toward annual OPEB costs, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), retention costs, and net of retiree contributions totaling $33,295. For the year ending September 30, 2008, the Agency provided required contributions of ($7,939) toward annual OPEB costs, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), retention costs, and net of retiree contributions totaling $26,811. Required contributions are based on projected pay-as-you-go financing.

**Annual OPEB Cost and Net OPEB Obligation** – The following table shows the Agency’s annual OPEB cost for the years ending September 30, 2009 and 2008, the amount actually contributed to the plan, and changes in the Agency’s net OPEB obligation:

<table>
<thead>
<tr>
<th></th>
<th>Year Ending September 30, 2009</th>
<th>Year Ending September 30, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Normal Cost</td>
<td>$39,442</td>
<td>$55,173</td>
</tr>
<tr>
<td>(2) Amortization of Unfunded Accrued Liability</td>
<td>15,837</td>
<td>27,896</td>
</tr>
<tr>
<td>(3) Interest</td>
<td>2,211</td>
<td>3,323</td>
</tr>
<tr>
<td>(4) Annual Required Contribution</td>
<td>57,490</td>
<td>86,392</td>
</tr>
<tr>
<td>(5) Interest of Net OPEB Obligation (NOO)</td>
<td>3,773</td>
<td>–</td>
</tr>
<tr>
<td>(6) Amortization of NOO</td>
<td>(3,369)</td>
<td>–</td>
</tr>
<tr>
<td>(7) Total Expense or Annual OPEB Cost (AOC)</td>
<td>57,894</td>
<td>86,392</td>
</tr>
<tr>
<td>(8) Actual Receipts (Contribution) Toward OPEB Cost</td>
<td>20,153</td>
<td>7,939</td>
</tr>
<tr>
<td>(9) Increase in NOO</td>
<td>78,047</td>
<td>94,331</td>
</tr>
<tr>
<td>(10) NOO Beginning of Year</td>
<td>94,331</td>
<td>–</td>
</tr>
<tr>
<td>(11) NOO End of Year</td>
<td>$172,378</td>
<td>$94,331</td>
</tr>
</tbody>
</table>

The Agency’s NOO is included in Accounts Payable and Accrued Expenses in the balance sheet. The Agency’s historical annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2009 and 2008, is as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>AOC</th>
<th>Contribution</th>
<th>Percentage of AOC Contributed</th>
<th>NOO</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/30/2008</td>
<td>$86,392</td>
<td>($7,939)</td>
<td>(9.2%)</td>
<td>$94,331</td>
</tr>
<tr>
<td>9/30/2009</td>
<td>$57,894</td>
<td>($20,153)</td>
<td>(34.8%)</td>
<td>$172,378</td>
</tr>
</tbody>
</table>

**Funded Status and Funding Progress** – As of September 30, 2009, the actuarial accrued liability of benefits was $468,424, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $468,424. The covered payroll (annual payroll for active participating employees) was $8,262,444 for the year ending September 30, 2009, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.7% (See Required Supplementary Information).
13. Postemployment HealthCare Benefits (continued)

**Actuarial Methods and Assumptions** – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Agency’s initial OPEB actuarial valuation for the 2008–2009 fiscal year used the entry age normal cost actuarial method to estimate the unfunded actuarial liability and to determine the annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4% rate of return on invested assets, which is the Agency’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.5% per year, and an annual healthcare cost trend rate of 10.5% initially for the 2008–2009 fiscal year, reduced by 1.0% per year, to an ultimate rate of 5.5% for the fiscal year ending September 30, 2014. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The unfunded actuarial accrued liability and gains/losses are being amortized as a level percentage of projected payroll on a closed basis over 30 years.

14. Risk Management

The Agency is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency has transferred the risk to outside parties through the purchase of various types of insurance coverage.

The Agency purchases the following insurance coverage through Wallace, Welch, and Willingham, Inc. or Brown & Brown, Inc, from various carriers: property insurance; inland marine; boiler and machinery insurance; commercial general liability; business auto liability and physical damage; marine hull coverage; employment practice liability; public official liability; and government crime coverage. The Agency obtained its workers’ compensation insurance from Preferred Government Insurance Trust (PGIT), a pool open to state and local governments. In addition, the Agency purchases storage tank insurance as well as commercial environmental impairment liability coverage relative to the operation of the Desalination Plant through AIG. There have been no significant reductions in insurance coverage from the prior year and no settlements have exceeded insurance coverage over the past three years.

15. Commitments and Contingencies

**Litigation**

The Agency is a party to various lawsuits, claims, and legal actions arising in the ordinary course of business. These actions relate primarily to eminent domain, construction claims, disputes, and personnel matters. Except as discussed in Note 16, any losses which may be incurred in connection with these matters are deemed by management to not be material to the Agency’s financial statements.
15. Commitments and Contingencies (continued)

Grant Funds

The Agency is subject to audit examination by funding sources to determine compliance with grant conditions. In the event that expenditures would be disallowed, repayment could be required.

Operating Leases

The Agency leases land for the Seawater Desalination Plant under a noncancelable operating lease and easement agreement expiring December 31, 2032. The lease may be extended for up to two consecutive additional periods of 30 years each. Rental expense on this lease was $37,787 and $41,436 in 2009 and 2008, respectively. Real estate taxes of $151,564 and $165,044 were also paid in 2009 and 2008. The basic rent is adjusted yearly by applying the Consumer Price Index for all urban consumers to the prior year basic rent.

The Agency entered into a two-year operating lease for copy equipment at the High Service Pump Station in 2008. Rental expense on this lease was $3,452 and $575 in 2009 and 2008, respectively.

The aggregate future minimum lease payments for the year ending September 30, 2009, are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Desalination Plant</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Land Lease</td>
<td>Other</td>
</tr>
<tr>
<td>2010</td>
<td>$37,856</td>
<td>$2,877</td>
</tr>
<tr>
<td>2011</td>
<td>37,856</td>
<td>–</td>
</tr>
<tr>
<td>2012</td>
<td>37,856</td>
<td>–</td>
</tr>
<tr>
<td>2013</td>
<td>37,856</td>
<td>–</td>
</tr>
<tr>
<td>2014</td>
<td>37,856</td>
<td>–</td>
</tr>
<tr>
<td>2015–2033</td>
<td>690,864</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>$880,144</td>
<td>$2,877</td>
</tr>
</tbody>
</table>

Operations and Maintenance Agreements

The Agency is a party to an Operations and Maintenance (O&M) Agreement with Veolia Water North America for the operation of its Surface Water Treatment Plant. The agreement, which became effective in 2004, provides for the payment by the Agency of a service fee that includes a base O&M charge that is payable regardless of plant production levels and several variable and pass-through cost components. The base O&M charge and certain other cost components increase yearly based on an index directly related to the expense. The agreement is fully cancellable with 90 days notice, payment of all accrued service fees, and any demobilization costs. Expense under this agreement was $4,175,728 and $4,024,219 for the years ended September 30, 2009 and 2008, respectively.

The Agency is also a party to a Facility Maintenance Agreement with Veolia Water North America for the maintenance of the Keller Hydrogen Sulfide Treatment Facility. The agreement provides for payment by the Agency of a service fee and is fully cancellable with a pro rata settlement of the annual service fee for work performed prior to termination of the Agreement. Expense under this agreement was $188,055 and $301,156 for the years ended September 30, 2009 and 2008, respectively.
15. Commitments and Contingencies (continued)

Operations and Maintenance Agreements (continued)

In 2005, the Agency entered into a Service Agreement with Veolia Water North America for operation and maintenance of the C.W. Bill Young Regional Reservoir. This agreement provides for payment of a monthly service fee and certain pass-through costs. The agreement is fully cancellable at the option of the Agency. Expense under this contract was $624,944 and $504,898 for the years ended September 30, 2009 and 2008, respectively.

Regional Reservoir

The C.W. Bill Young Regional Reservoir is located in southern Hillsborough County. The facility is designed to store up to 15 billion gallons from various surface water sources. Construction of the facility was completed in 2005 and, following approval from Florida Department of Environmental Protection (FDEP), was placed into full operational status in June 2005. Beginning in December 2006, larger-than-expected cracks began to form in the flat-plate soil-cement on the interior face of the embankment. The flat-plate soil-cement is an erosion barrier that provides erosion protection for the embankment and is not a structural component of the reservoir. Engineers engaged by both the Agency and FDEP agree that the reservoir is safe and poses no public safety hazard. In August 2008, FDEP and the Agency agreed to limit the fill elevation at the Reservoir to 105 feet (approximately 6.5 billion gallons) to prevent potential storm-related wave damage to the cracked areas in the flat-plate soil-cement, until the Agency could provide reasonable assurances that erosion features that might exist beneath the flat-plate soil-cement in these areas had been identified and repaired. In November and December 2008, Tampa Bay Water completed test procedures that demonstrated the erosion features in the soil wedge directly under the flat plate soil cement could be located using ground penetrating radar (GPR). In June 2009, Tampa Bay Water completed a short-term repair program at a cost of approximately $2 million at the facility and received FDEP approval to return the reservoir to its current permitted fill volume and rate of withdrawal. Tampa Bay Water believes it will be necessary to perform similar short-term repairs to this facility in the future until the causal factors underlying the cracks are addressed.

Staff has also developed a plan and schedule for completing the analysis of causal factors for the failure of the flat-plate soil-cement as an erosion control measure and for development of a solution. In June 2009, the Board of Directors approved a program that will move forward with design and environmental permitting of the planned construction remedy, which will be planned for the 2010 to 2015 timeframe.

16. Litigation Settlements

In 2009, Tampa Bay Water settled a 2007 case with the Hartford Accident and Indemnity Company requiring Tampa Bay Water to pay $510,000. The case arose out of a 2001 pipeline construction contract wherein the contractor defaulted and construction completion was assumed by the surety. This additional construction cost has been capitalized as a cost of the pipeline in 2009.

In 2008, the Agency settled a long-standing suit with Saddlewood Estates, Inc., arising from claims based on flooding events, in the amount of $2 million.

The Agency accounts for recoveries from litigation and insurance in a manner that is consistent with the guidance for insurance recoveries provided in GASB 42.
17. Subsequent Events

In November 2009, Tampa Bay Water settled with 3 of the 37 defendants in the ongoing MTBE litigation. The amount of the settlement from the three defendants was $111,720. The case involves threatened contamination to certain Tampa Bay Water production wells from leaking underground gasoline storage tanks.

At its December 14, 2009 meeting, the Board approved use of $3,500,000 from deferred revenues held in the rate stabilization fund to fund the costs of various legal activities in 2010 that were not anticipated and were not previously budgeted for.
Tampa Bay Water  
(A Regional Water Supply Authority)

Required Supplementary Information  
Other Post Employment Benefits  
Schedule of Funding Progress  

September 30, 2009

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets</th>
<th>Actuarial Accrued Liability</th>
<th>Unfunded Actuarial Accrued Liability</th>
<th>Funded Ratio</th>
<th>Covered Payroll</th>
<th>Unfunded as a Percent of Covered Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>09/30/2008</td>
<td>–</td>
<td>$ 851,914</td>
<td>$ 851,914</td>
<td>0.0%</td>
<td>$8,061,228</td>
<td>10.5%</td>
</tr>
<tr>
<td>09/30/2009</td>
<td>–</td>
<td>$ 468,424</td>
<td>$ 468,424</td>
<td>0.0%</td>
<td>$8,262,444</td>
<td>5.7%</td>
</tr>
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</table>

The Agency implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the 2007–08 fiscal year; accordingly, only two years of data are available.
Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Directors of Tampa Bay Water, A Regional Water Supply Authority

We have audited the financial statements of Tampa Bay Water, A Regional Water Supply Authority (the Agency), as of and for the year ended September 30, 2009, and have issued our report thereon dated January 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal control over financial reporting

In planning and performing our audit, we considered the Agency’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Agency’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Agency’s member governments, state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

January 22, 2010

Ernst & Young LLP
APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

SECTION 1. PURPOSE OF THE DISCLOSURE AGREEMENT. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12 (as defined below).

SECTION 2. DEFINITIONS. In addition to the definitions set forth in the Resolution which apply to any capitalized term used in this Disclosure Agreement, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositaries or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer, and which has filed with the Issuer a written acceptance of such designation.

"EMMA" shall mean the Municipal Securities Rulemaking Board's Electronic Municipal Market Act.

"Listed Events" shall mean any of the event listed in Section 5(a) of this Disclosure Agreement.

"Participating Underwriters" shall mean the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean the continuing disclosure requirements of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Florida.
"State Repository" shall mean any public or private repository or entity designated by the State as a state information depository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

SECTION 3. PROVISION OF ANNUAL REPORTS.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than April 30 commencing April 30, 2011, provide to EMMA and any State Repository, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report only if they are not available by that date so long as they are provided when they become available. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to EMMA and any State Repository an Annual Report by the date required in subsection (a), the Issuer shall send a notice to (i) EMMA, and (ii) the State Repository, if any, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall, if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to EMMA and any State Repository.

SECTION 4. CONTENT OF ANNUAL REPORTS. The Issuer's Annual Report shall contain or include by reference the following:

(a) the audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; and

(b) an update of the financial and operating data from the Official Statement.

Relating to information to be provided to EMMA and any State Repository, the information provided under Section 4(b) above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to EMMA and any State Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from EMMA. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. REPORTING OF SIGNIFICANT EVENTS.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice with EMMA and any State Repository of the occurrence in a timely manner not in excess of ten (10) business days after the occurrence of any of the following events with respect to the Bonds:
1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701–TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of the holders of the Bonds, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Ratings changes;
12. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

SECTION 6. TERMINATION OF REPORTING OBLIGATION. The Issuer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. DISSEMINATION AGENT. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be the Issuer.

SECTION 8. AMENDMENT; WAIVER. Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3 (a), 4, or 5 (a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the
original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of such holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. ADDITIONAL INFORMATION. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. DEFAULT. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement; provided, however, the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with the provisions of this Disclosure Agreement shall be an action to compel performance. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolution.

SECTION 11. DUTIES, IMMUNITIES AND LIABILITIES OF DISSEMINATION AGENT. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.
SECTION 12. BENEFICIARIES. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: July 7, 2011

TAMPA BAY WATER, A REGIONAL WATER SUPPLY AUTHORITY

By: __________________________
   Chairman

ATTEST:

_________________________
General Manager and Secretary
EXHIBIT A
NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Tampa Bay Water, A Regional Water Supply Authority

Name of Bond Issue: Utility System Refunding Revenue Bonds, Series 2011

Date of Issuance: July 7, 2011

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Resolution No. 2011-002 duly adopted by the Issuer on October 18, 2010, authorizing the issuance of the Bonds, and Sections 3 and 4(b) of the Continuing Disclosure Agreement dated July 7, 2011. The Issuer anticipates that the Annual Report will be filed by ________________.

Dated: _______________________

ISSUER

By: _______________________
Name: _______________________
Title: _______________________

APPENDIX G

FORM OF BOND COUNSEL OPINION
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FORM OF OPINION OF NABORS, GIBLIN & NICKERSON, P.A.,
WITH RESPECT TO THE 2011 BONDS

Upon delivery of the 2011 Bonds in definitive form, Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel, proposes to render its opinion with respect to such 2011 Bonds in substantially the following form:

(Date of Delivery)

Tampa Bay Water, A Regional Water Supply Authority
Clearwater, Florida

Board of Directors:

We have examined a record of proceedings relating to the issuance of $104,645,000 aggregate principal amount of Tampa Bay Water, A Regional Water Supply Authority, Utility System Refunding Revenue Bonds, Series 2011 (the "2011 Bonds").

The 2011 Bonds are issued under and pursuant to the Laws of the State of Florida, including, particularly, Sections 373.1962, 373.1963 and 163.01, Florida Statutes, the Amended and Restated Interlocal Agreement, dated as of May 1, 1998 (the "Interlocal Agreement"), among certain Florida local governments, and Resolution No. 98-07TBW of Tampa Bay Water, a Regional Water Supply Authority (the "Authority"), adopted by the Board of Directors of the Authority on August 31, 1998, as amended and supplemented (the "Resolution").

The 2011 Bonds are dated and bear interest from their date of delivery, except as otherwise provided in the Resolution. The 2011 Bonds will mature on the dates and in the principal amounts, and will bear interest at the respective rates per annum, as provided in the Resolution and as set forth in the Purchase Contract for the 2011 Bonds. Interest on the 2011 Bonds shall be payable on each October 1 and April 1, commencing October 1, 2011. The 2011 Bonds are not subject to redemption prior to their maturity.

The 2011 Bonds are being issued for the principal purpose of providing moneys for refunding a portion of the Authority's outstanding Utility System Refunding and
Improvement Revenue Bonds, Series 2001A (the "Refunded Bonds"). Certain proceeds of the 2011 Bonds, together with other moneys of the Authority, shall be deposited into an escrow deposit trust fund (the "Escrow Fund") established pursuant to the Escrow Deposit Agreement, dated as of the date hereof, between the Authority and U.S. Bank National Association and, except for a cash deposit, shall be invested in certain United States Treasury obligations (collectively, the "Escrow Securities"), such that the principal of and interest on said obligations, together with any cash on deposit in the Escrow Fund, shall be sufficient to pay the principal of, redemption premium, if any, and interest on the Refunded Bonds, as the same mature or are redeemed prior to maturity.

As to questions of fact material to our opinion, we have relied upon the representations of the Authority contained in the Resolution, the Interlocal Agreement and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that:

1. The Authority is a duly created and validly existing regional water supply authority established pursuant to the Laws of the State of Florida.

2. The Authority has the right and power under the Constitution and Laws of the State of Florida to adopt the Resolution and the Resolution has been duly and lawfully adopted by the Authority, is in full force and effect in accordance with its terms and is valid and binding upon the Authority and enforceable in accordance with its terms, and no other authorization for the Resolution is required. The Resolution creates the valid pledge which it purports to create of the Pledged Funds (as defined in the Resolution), subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

3. The Authority is duly authorized and entitled to issue the 2011 Bonds, and the 2011 Bonds have been duly and validly authorized and issued by the Authority in accordance with the Laws of the State of Florida and the Resolution. The 2011 Bonds constitute valid and binding obligations of the Authority as provided in the Resolution, are enforceable in accordance with their terms and the terms of the Resolution and are entitled to the benefits of the Resolution, the Interlocal Agreement and the laws pursuant to which they are issued. The 2011 Bonds are being issued on parity under the Resolution with certain other obligations of the Authority. The 2011 Bonds do not constitute a general indebtedness of the Authority or the State of Florida or any agency, department or political subdivision thereof, or a pledge of the faith and credit of such entities, but are payable from the Pledged Funds (as defined in the Resolution) in the manner and to the extent provided in the Resolution. No holder of the 2011 Bonds shall ever have the right to compel the exercise of any ad valorem taxing power of the
Authority or the State of Florida or any political subdivision, agency or department thereof to pay the 2011 Bonds.

4. Under existing statutes, regulations, rulings and court decisions, the interest on the 2011 Bonds (a) is excludable from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to certain corporations, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax. The opinions set forth in this paragraph 4 are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the 2011 Bonds in order that interest thereon be (or continues to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the 2011 Bonds to be so included in gross income retroactive to the date of issuance of the 2011 Bonds. The Authority has covenanted in the Resolution to comply with all such requirements. Ownership of the 2011 Bonds may result in collateral federal tax consequences to certain taxpayers. We express no opinion regarding such federal tax consequences arising with respect to the 2011 Bonds.

In rendering the opinions set forth above, we are relying upon (a) the arithmetical accuracy of certain computations included in schedules provided by Merrill Lynch, Pierce, Fenner & Smith Incorporated relating to the computations of projected receipts of the Escrow Securities and any other amounts deposited in the Escrow Fund, and of the adequacy of such projected receipts and other amounts to pay the principal of, redemption premium, if any, and interest on the Refunded Bonds, and (b) the verifications of arithmetical accuracy of such computations by The Arbitrage Group, Inc.

It should be noted that (1) except as may expressly be set forth in an opinion delivered by us to the underwriters (on which opinion only they may rely) for the 2011 Bonds on the date hereof, we have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the 2011 Bonds and we express no opinion relating thereto, and (2) we have not been engaged or undertaken to review the compliance with any federal or state law with regard to the sale or distribution of the 2011 Bonds and we express no opinion relating thereto.

The opinions expressed in paragraphs 2 and 3 hereof are qualified to the extent that the enforceability of the Resolution and the 2011 Bonds, respectively, may be limited by any applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity.
This opinion is given as of the date hereof and we assume no obligation to update, raise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We have examined the form of the 2011 Bonds and, in our opinion, the form of the 2011 Bonds is regular and proper.

Respectfully submitted,