AMENDED AND RESTATED INTERLOCAL AGREEMENT

JED PITTMAN, PASCO COUNTY CLERK
07/09/98 01:43PM 1 of 1055
OR BK 3967 PG 432

reorganizing the

WEST COAST REGIONAL WATER SUPPLY AUTHORITY

9C475274 WJB 07-06-1998 08:29:47
11 3010 - 00001039
AGR-WEST COAST REGIONAL WATER SUPP
RECORD FEES 9 $32.50
MOD TRUST FUND 10 $8.00

TOTAL: $40.50
CHARGE AMOUNT: $40.50

9C475275 WJB 07-06-1998 08:30:25
01 AGR-WEST COAST REGIONAL WATER SU
RECORDING 9 $4,753.50
RECORD FEES 9 $2.00

TOTAL: $4,755.50
CHECK AMT. TENDERED: $4,755.50
CHANGE: $0.00

Return to:
Donald D. Conn, General Counsel
West Coast Regional Water Supply Authority
2535 Landmark Drive, Suite 211
Clearwater, FL 33761-3930
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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.

(C) "Agreement" means this Amended and Restated Interlocal Agreement, including any amendments or supplements hereto executed and delivered in accordance with the terms hereof.

(D) "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.

(E) "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.

(F) "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.

(G) "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 valorem tax roll or (B) requiring significant annual expenditures of public funds by the Member Government. 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.
"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.

"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.

"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.

"Member Governments" means Hillsborough, Pasco, Pinellas, New Port Richey, St. Petersburg and Tampa.

"New Port Richey" means the City of New Port Richey, a municipal corporation of the State.
"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.

"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.

"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.

"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.

"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.

"Pasco" means Pasco County, a political subdivision of the State.

"Pasco Transfer Agreement" means the agreement attached hereto as Appendix F, pursuant to which Pasco will convey Transferred Assets to the Authority.

"Pinellas" means Pinellas County, a political subdivision of the State.
"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.

"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.

"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.

"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.
"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.

"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.

"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.

"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.
"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.

"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.

"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."

(000) "TWRP" 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. WATER SUPPLY 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(8) 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:

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 F. 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 TWRRP 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.
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.

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.

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 its own counsel and witnesses; (c) the fees, charges and expenses of the arbitrators and any experts engaged by the arbitrators; and (d) the fees, charges and expenses of the Member Governments' counsel and any witnesses called by the Member Governments.
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 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 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 theretofore 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 count 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 Cost 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

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$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;

(ii) 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

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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 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 6.12. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement among the parties pertaining to the subject matter hereof, and supercedes (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.
IN WITNESS WHEREOF, the Board of County Commissioners of Hillsborough County, Florida, has caused this Agreement to be executed and delivered as of the day and year first above written.

ATTEST:
RICHARD AKE
CLERK OF THE CIRCUIT COURT

HILLSBOROUGH COUNTY, FLORIDA

By: [Signature]
Chairman
Board of County Commissioners
Date: 6-10-98

STATE OF FLORIDA
COUNTY OF Hillsborough

The foregoing instrument was acknowledged before me this 16th day of June, 1998, by [Signature] as Chairman for the Hillsborough County Commission.

Notary Public

Print Name
My Commission Expires:

Personally Known OR Produced Identification
Type of Identification Produced
IN WITNESS WHEREOF, the Board of County Commissioners of Pasco County, Florida, has caused this Agreement to be executed and delivered as of the day and year first above written.

ATTEST:

JED PITTMAN
CLERK OF THE CIRCUIT COURT

By:

Chairman
Board of County Commissioners

Date: 6-10-98

PASCO COUNTY, FLORIDA

STATE OF FLORIDA
COUNTY OF HILLSBOROUGH

The foregoing instrument was acknowledged before me this 10th day of June, 1998, by Sylvia Young as Chairman for the Pasco County Commission.

Krista R. Simon
Notary Public

Print Name
My Commission Expires:

Personally Known ✓ OR Produced Identification
Type of Identification Produced
IN WITNESS WHEREOF, the Board of County Commissioners of Pinellas County, Florida, has caused this Agreement to be executed and delivered as of the day and year first above written.

ATTEST:  
KARLEEN F. DE BLAKER  
CLERK OF THE CIRCUIT COURT  
Deputy Clerk  
(SEAL)

PINELLAS COUNTY, FLORIDA  
By:  
Chairman  
Board of County Commissioners  
Date: 6-10-98

APPROVED AS TO FORM:  
Office of the County Attorney  

STATE OF FLORIDA  
COUNTY OF HILLSBOROUGH  
The foregoing instrument was acknowledged before me this 10th day of June, 1998, by Barbara Sher Todd as Chairman for the Pinellas County Commission.

Notary Public  
Krista R. Simon  
Print Name  
My Commission Expires:

Personally Known ✔ OR Produced Identification  
Type of Identification Produced
IN WITNESS WHEREOF, the City Council of the City of New Port Richey, Florida, has caused this Agreement to be executed and delivered as of the day and year first above written.

ATTEST:

City Clerk

(SEAL)

CITY OF NEW PORT RICHEY, FLORIDA

Mayor

Date: 6-10-98

APPROVED AS TO FORM:

Office of the City Attorney

STATE OF FLORIDA
COUNTY OF HILLSBOROUGH

The foregoing instrument was acknowledged before me this 10th day of June, 1998, by Peter A. Altman as Mayor for the City of New Port Richey.

Notary Public

Print Name

My Commission Expires:

Personally Known OR Produced Identification

Type of Identification Produced
IN WITNESS WHEREOF, the City Council of the City of St. Petersburg, Florida, has caused this Agreement to be executed and delivered as of the day and year first above written.

ATTEST:

CITY OF ST. PETERSBURG, FLORIDA

By: ____________________________
Mayor
Date: 6-10-98

APPROVED AS TO FORM:

Office of the City Attorney

STATE OF FLORIDA
COUNTY OF HILLSBOROUGH

The foregoing instrument was acknowledged before me this 10th day of June, 1998, by David J. Fischer as Mayor for the City of St. Petersburg.

Krista R. Simon
Notary Public
Print Name

My Commission Expires:

Personally Known    OR Produced Identification
Type of Identification Produced

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IN WITNESS WHEREOF, the City Council of the City of Tampa, Florida, has caused this Agreement to be executed and delivered as of the day and year first above written.

ATTEST:

[Signature]
City Clerk
(SEAL)

CITY OF TAMPA, FLORIDA

By: [Signature]
Mayor
Date: 6-10-98

APPROVED AS TO FORM:

[Signature]
Office of the City Attorney

STATE OF FLORIDA
COUNTY OF HILLSBOROUGH

The foregoing instrument was acknowledged before me this 16th day of June, 1998, by [Signature] as Mayor for the City of Tampa.

[Signature]
Notary Public

Print Name

My Commission Expires:

Personally Known OR Produced Identification
Type of Identification Produced

KIRSTA R. SIMON
COMMISSION # CC 490323
EXPIRES AUG 21, 1999
BONDED THRU
ATLANTIC BONDING CO., INC.