

**INTERLOCAL AGREEMENT RELATING TO THE ACQUISITION
BY THE FLORIDA GOVERNMENTAL UTILITY AUTHORITY OF
PRIVATE UTILITY SYSTEMS IN PASCO COUNTY**

THIS INTERLOCAL AGREEMENT, dated as of this _____ day of _____, 2008 (the "Utility Acquisition Interlocal Agreement"), by and between the **FLORIDA GOVERNMENTAL UTILITY AUTHORITY**, a legal entity and public body created by interlocal agreement pursuant to section 163.01(7), Florida Statutes (the "FGUA"), and **PASCO COUNTY, FLORIDA**, a political subdivision of the State of Florida (the "County"), each constituting a "Public Agency" under Part I of Chapter 163, Florida Statutes, (the "Interlocal Act").

W I T N E S S E T H:

WHEREAS, the FGUA was established pursuant to an interlocal agreement dated as of February 1, 1999, as amended by a First Amended and Restated Interlocal Agreement Relating to Establishment of the Florida Governmental Utility Authority by and between Citrus County, Florida, Nassau County, Florida, Polk County, Florida and Sarasota County, Florida, dated as of December 1, 2000 (the "FGUA Interlocal Agreement"), for the purpose of acquiring, owning, improving, operating and maintaining water and wastewater utility facilities; and

WHEREAS, in 1999, the FGUA acquired the utility assets owned and controlled by Avatar Holdings, Inc. ("Avatar") which were located in Brevard, Collier, Hillsborough, Sarasota, Osceola and Polk Counties; and

WHEREAS, the FGUA acquired the utility assets of Florida Water Services Corporation located in Citrus County and Lee County in 2004; and

WHEREAS, Lee County, Brevard County, Sarasota County, Hillsborough County, Citrus County and Osceola County each have exercised their option to acquire from the FGUA the utility assets and systems located within their boundaries pursuant to the provisions of the FGUA Interlocal Agreement and merged such systems into their public utility systems; and

WHEREAS, pursuant to the Interlocal Act, Pasco County desires that the FGUA purchase certain water and wastewater utility facilities and assets owned by private utilities ("Private Utilities") within the County; and

WHEREAS, the FGUA will issue a series of obligations known as the Florida Governmental Utility Authority Utility Revenue Bonds (collectively referred to as the "Bonds")

pursuant to an indenture of trust (the "Indenture") for the principal purpose of acquiring such private utilities from their current owners; and

WHEREAS, the County and the FGUA have determined that they would like to document certain aspects of their relationship subsequent to the FGUA acquisition of such private utilities and the County would like to formally reserve the option at the County's sole discretion to acquire such utilities from the FGUA in the future through the assumption of the Bonds.

NOW, THEREFORE, in consideration of the foregoing and the covenants contained herein, it is mutually agreed and understood by and between the County and the FGUA as follows:

SECTION 1. COUNTY OPTION TO ACQUIRE THE PRIVATE UTILITIES.

(A) The FGUA hereby grants the County the right to acquire the assets, liabilities, obligations, and responsibilities relating to the Private Utilities subsequent to the date the FGUA closes on the Bonds. In the event that the County elects in the future to exercise this right to acquire the Private Utilities from the FGUA, the terms and provisions of such acquisition shall be established pursuant to a utility transition agreement which would then be entered between the FGUA and the County (the "Utility Transition Agreement"), and subject to the terms and conditions of the Indenture and the FGUA Interlocal Agreement. Notwithstanding the foregoing, the County and the FGUA agree that the purchase price for the Private Utilities shall be the amount required to repay the Bonds and any additional obligations of the FGUA related to the Private Utilities which may be outstanding on the date of closing of the sale to the County. The County further agrees to pay the FGUA all reasonable and verifiable expenses associated with the transfer of the Private Utilities by the FGUA to the County.

(B) The FGUA hereby grants the County the right to assume the FGUA's obligations under the Bonds and the Indenture, all pursuant to the terms and conditions to be set forth in the Indenture. Assumption of assets, liabilities, obligations and responsibilities relating to the Private Utilities by the County shall take place simultaneously with the transfer of the Private Utilities from the FGUA to the County.

SECTION 2. NOTICE AND REVIEW. The County hereby reserves the right to review and approve as fair and reasonable any changes proposed by the FGUA to the rates, charges, customer classifications, and terms of service to be offered to customers of the FGUA residing in the County prior to the FGUA adoption of such changes. In reserving the foregoing

right, the County understands and acknowledges that the right to review and approve any changes proposed by the FGUA is subject to the obligation of the FGUA to establish rates and charges that comply with the requirements contained in the Indenture and any other resolution or trust agreement relating to the issuance of Bonds to acquire and improve the effected utility and the County expressly agrees that it shall not dispute any rate change, or part thereof, required to permit the FGUA to pay the Bonds or otherwise comply with the requirements of FGUA's obligations issued in relation to the Private Utilities. The County or its representative may review, dispute and/or approve any rate change proposed by the FGUA to increase revenue to a level in excess of the level sufficient to maintain reasonable assurance of the ability to meet such obligations. The FGUA shall provide the County or its designee with information concerning any proposed increase in rates, charges, customer classifications and terms of service at least sixty (60) days prior to the hearing date established by the FGUA for consideration of such changes except that this notice and review provision shall not apply nor be required for annual indexing adjustments to such rates and charges.

SECTION 3. REVIEW OF CAPITAL IMPROVEMENT PROGRAM.

(A) The FGUA Interlocal Agreement requires the FGUA annually to submit a five-year capital improvement plan for the Private Utilities to the County, as a member of the FGUA, prior to the FGUA's adoption of an annual budget. Section 4.10 of the FGUA Interlocal Agreement further provides that the FGUA's capital improvement plan and utility expansion and line extension policies for the Private Utilities shall be consistent with the land development regulations, local comprehensive plans and other applicable regulations adopted by the County.

(B) The County and the FGUA agree that the FGUA shall annually submit the five-year capital improvement plan to the County for review. It shall be within the County's sole discretion to determine whether such capital improvement plan as well as the FGUA's utility expansion and line extension policies are consistent with the County's land development regulations, comprehensive plan and other applicable regulations unless authority to make preliminary determinations of such consistency is expressly delegated to the Authority by the County.

SECTION 4. FILING OF ANNUAL REPORTS BY FGUA. The FGUA agrees to file annually with the Authority a copy of the FGUA's Comprehensive Annual Financial Report.

SECTION 5. AMENDMENTS. The County and the FGUA understand and agree that to the extent that the provisions of Sections 1 through 3 of this Utility Acquisition

Interlocal Agreement may be read to conflict with Sections 4.02, 4.04, 4.10 or any other section of the First Amended and Restated Interlocal Agreement Relating to Establishment of the Florida Governmental Utility Authority, the terms of this Utility Acquisition Interlocal Agreement shall apply.

SECTION 6. COUNTY PAYMENT TO FGUA OF CERTAIN ACQUISITION COSTS. The County will pay the FGUA for costs of acquisition in the manner and to the extent identified in Appendix A hereto. The FGUA shall include sufficient funds in the Bonds to permit the FGUA to reimburse the County for all acquisition costs paid by the County to, or on behalf of, the FGUA.

SECTION 7. GENERAL PROVISIONS.

(A) Except as specifically set forth herein, nothing herein shall be deemed to authorize the delegation of any of the constitutional and statutory duties of the State of Florida, the FGUA, the County or any officer thereof.

(B) A copy of this Utility Acquisition Interlocal Agreement shall be filed with the Clerk of the Circuit Court of Pasco County, Florida and the Clerk of the Circuit Court of Leon County, as required by the Interlocal Act.

(C) The County shall not be obligated to pay any debts, obligations or liabilities arising as a result of any actions of the FGUA, any Director of the FGUA, or any other agents, employees, officers, or officials of the FGUA, except as expressly provided in this Agreement and neither the FGUA, the Directors, nor any other agents, employees, officers or officials of the FGUA have any authority or power to otherwise obligate the County in any manner.

(D) In the event that any provision of this Utility Acquisition Interlocal Agreement shall, for any reason, be determined invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, the other provisions of this Utility Acquisition Interlocal Agreement shall remain in full force and effect.

(E) This Utility Acquisition Interlocal Agreement shall be construed and governed by the laws of the State of Florida.

SECTION 10. EFFECTIVE DATE. This Utility Acquisition Interlocal Agreement shall become effective on the latter of (a) the dated date hereof or (b) the last date the last of the parties hereto executes this Interlocal Agreement and the filing requirements of Section 7(B) hereof are satisfied.

