

Resolution No. 2003-116

**A RESOLUTION RELATING TO ORDINANCE NO. 2003-50, ENACTED BY THE BOARD OF COUNTY COMMISSIONERS OF NASSAU COUNTY, FLORIDA, ON September 8, 2003 AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$21,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2003; MAKING CERTAIN FINDINGS WITH RESPECT THERETO; ESTABLISHING PARAMETERS FOR THE SALE OF SUCH BONDS AND AUTHORIZING THE EXECUTION AND DELIVERY OF A PURCHASE CONTRACT; APPROVING A FORM OF PRELIMINARY OFFICIAL STATEMENT; APPOINTING A REGISTRAR AND A PAYING AGENT; AUTHORIZING THE EXECUTION OF OTHER INSTRUMENTS AND PROVIDING AN EFFECTIVE DATE.**

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF NASSAU COUNTY, FLORIDA:

**SECTION 1. AUTHORITY FOR THIS RESOLUTION.** This resolution is supplemental to, and is adopted in accordance with the provisions of the County's Ordinance No. 2003-50 enacted by the County on September 8, 2003 and referred to therein as the "Water and Sewer System Revenue Bond Ordinance" (the "Ordinance").

**SECTION 2. DEFINITIONS.** The terms used in this resolution shall have the respective means assigned to them in the Ordinance and in this Section, unless the context hereof clearly otherwise requires:

**"Authorized Officers"** means (i) the Chairman or Vice Chairman of the Board and (ii) the Clerk.

**"Bond Counsel"** means Rogers Towers, P.A.

**"Bond Insurance Policy"** means the financial guaranty policy to be issued by the Bond Insurer relating to the 2003 Bonds.

**"Draft Preliminary Statement and Preliminary Official Statement"** means the draft Preliminary Official Statement relating to the 2003 Bonds attached hereto as Exhibit A.

**"Financial Adviser"** means William R. Hough & Co.

**"Purchase Contract"** means the Purchase Contract attached hereto as Exhibit B.

**“Reserve Fund Insurance Policy”** means the Debt Service Reserve Fund Surety Bond to be issued by the Bond Insurer for deposit into the Debt Service Reserve Fund relating to the Debt Service Reserve Fund Requirement for the 2003 Bonds.

**“Underwriters”** means SunTrust Capital Markets, Inc. and A.G. Edwards & Sons, Inc., the purchasers of the 2003 Bonds.

**SECTION 3. FINDINGS.** It is hereby found and determined that:

A. On the date hereof, the Board duly enacted the Ordinance for the purpose of financing and refinancing the acquisition, extension, and improvements of its water and wastewater system through the issuance of its Bonds to pay the costs thereof and providing for the redemption of the Prior Note.

B. The County is advised that due to the present volatility of the market for tax-exempt public obligations such as the 2003 Bonds and the financial structuring required for a new utility system, it is in the best interest of the County to sell the 2003 Bonds by a negotiated sale, allowing the County to properly structure the financing and to enter such market at the most advantageous time, rather than at a specified advertised future date, thereby permitting the County to obtain the best possible price, interest rate and other terms for the 2003 Bonds and, accordingly, the Board does hereby find and determine that it is in the best financial interest of the County that a negotiated sale of the 2003 Bonds be authorized.

C. The Underwriters have verbally agreed with the Board to use its reasonable efforts to submit to the County an offer to purchase the 2003 Bonds in the form of the Purchase Contract upon terms acceptable to the Board as hereinafter authorized, and the Board does hereby find and determine that it is in the best financial interest of the County to accept the offer of the Underwriters to purchase the 2003 Bonds at a negotiated sale and to authorize the execution and delivery of the Purchase Contract in the manner and upon the terms hereinafter provided; and upon the execution of the Purchase Contract by the County and the Underwriters, the 2003 Bonds shall be sold to the Underwriters pursuant to the terms and provisions of the Purchase Contract.

D. The County is advised that because the terms of the 2003 Bonds cannot be determined on the date of adoption of this Resolution, it is in the best interest of the County to delegate the authority to determine the following parameters with respect to the 2003 Bonds: (i) principal amount of the 2003 Bonds, (ii) the dated date of the 2003 Bonds, (iii) the principal amount of each maturity of the 2003 Bonds, (iv) the maturities and interest rates of the 2003 Bonds, (v) the redemption provisions of the 2003 Bonds, and (vi) that portion of the County’s Revenue Note, Series 2000 which will constitute the Prior Note.

E. It is appropriate that the County authorize the distribution of a preliminary official statement for the purposes of acquainting potential investors with pertinent information with respect to the County and the 2003 Bonds and that the County authorize the distribution of a final official statement prior to or contemporaneously with the issuance and delivery of the 2003 Bonds. For this purpose, it is appropriate that the Draft Preliminary Official Statement be approved and that preparation and distribution of a preliminary official statement and a final

official statement be authorized and substantially the form of the Draft Preliminary Official Statement, the final forms thereof to be approved by the Authorized Officers at any time at or prior to the issuance of the 2003 Bonds.

F. It is necessary and appropriate that the Issuer appoint a Registrar and a Paying Agent for the 2003 Bonds, and that the institution hereinafter named is acceptable to the County; and it appears to the Board that the same is qualified to serve as the Registrar and Paying Agent for the 2003 Bonds in accordance with the terms of the Ordinance.

**SECTION 4. SALE OF THE 2003 BONDS; AUTHORIZATION OF EXECUTION OF PURCHASE CONTRACT.** A negotiated sale of the 2003 Bonds is hereby authorized. The Authorized Officers are hereby authorized and directed to award the sale of the Bonds to the Underwriters in an aggregate principal amount which shall not exceed \$21,000,000 (the "Maximum Principal Amount"), at an aggregate purchase price (excluding any original issue discount) of not less than 98% of the original principal amount of such Bonds (the "Minimum Purchase Price"), as approved by the Authorized Officers, within the following parameters (the "Parameters"): the all-in true interest cost of the 2003 Bonds shall not exceed 5.7%; the final maturity of the 2003 Bonds shall not be later than September 1, 2033; the costs of issuance of the 2003 Bonds shall be reasonable as determined by the Financial Advisor; and the Bond Insurer's commitment to provide the Bond Insurance Policy and Reserve Fund Insurance Policy with respect to the 2003 Bonds shall be in effect.

The proposed form of the Purchase Contract presented by the Underwriters, with such omissions, insertions and variations as may be necessary and/or desirable and approved by the Authorized Officers prior to the execution and delivery thereof, is hereby approved; such necessity and/or desirability and approval by the Authorized Officers to be presumed by the Authorized Officers' execution thereof; the Authorized Officers are hereby authorized to accept the offer of the Underwriters to purchase the 2003 Bonds in an aggregate principal amount not to exceed the Maximum Principal Amount, at a purchase price of not less than the Minimum Purchase Price plus accrued interest thereon to the date of delivery and with final terms within the Parameters, upon the terms and conditions set forth in the Purchase Contract; and the Authorized Officers are hereby authorized to execute and deliver the Purchase Contract in the form approved by such persons for and on behalf of the County pursuant to the terms hereof. Receipt by the Authorized Officers of a report of the Financial Advisor stating that the aggregate purchase price set forth in the Purchase Contract is not less than the Minimum Purchase Price and that the final terms are within the Parameters shall constitute conclusive proof that all of the terms and conditions set forth in this Section 4 have been fully satisfied.

The 2003 Bonds shall be dated such date, shall bear interest at such rates, mature on such dates, have such Amortization Installments, be redeemable prior to maturity upon such terms and conditions and have such other terms as are set forth in the Purchase Contract and approved by the Authorized Officers, and the authority to approve such matters is hereby expressly delegated to the Authorized Officers as herein provided, with the Authorized Officers' approval to be conclusively evidenced by the Authorized Officers' execution of any documents including such terms. Interest on the 2003 Bonds shall be payable semiannually on each March 1 and September 1, commencing March 1, 2004.

Prior to the execution and delivery of the Purchase Contract by the County, the Underwriters shall include in or attach to the Purchase Contract the disclosure statement required by Section 218.385, Florida Statutes, as amended. The Authorized Officers and the other officers, agents and employees of the County are hereby authorized and directed to implement the issuance and delivery of the 2003 Bonds and the redemption of the Prior Note in accordance with the provisions of the Ordinance, this resolution and the Purchase Contract.

Authority for the issuance of such aggregate principal amount of the 2003 Bonds herein authorized which shall not be hereafter delivered to the Underwriters pursuant to the provisions of the Purchase Contract is hereby cancelled and rescinded.

Notwithstanding the foregoing, in the event the Purchase Contract is not executed and delivered by the County and the Underwriters on or before December 31, 2003, the Authorized Officers' authority to award the sale of the 2003 Bonds to the Underwriters and to execute the Purchase Contract for and on behalf of the County pursuant to the terms hereof shall be automatically terminated on December 31, 2003.

**SECTION 5. APPROVAL OF PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZATION OF FINAL OFFICIAL STATEMENT.** The Draft Preliminary Official Statement is hereby approved, and a preliminary official statement and a final official statement in substantially the form of the Draft Preliminary Official Statement, with such omissions, insertions and variations as may be necessary and/or desirable and approved by the Authorized Officers prior to the release thereof, are hereby approved and each is authorized to be delivered by the County to the Underwriters for distribution prior to or contemporaneously with the issuance and delivery of the 2003 Bonds. The Authorized Officers' approval of the preliminary official statement shall be presumed by the delivery thereof to the Underwriters. The Authorized Officers are hereby authorized to evidence the County's approval of the final official statement by the Authorized Officers' endorsement thereof upon one or more copies, and approval of all such omissions, insertions and variations may be presumed from such endorsement upon any copy of such final official statement. Bond Counsel is hereby directed to furnish to the Division of Bond Finance of the State Board of Administration of the State of Florida a copy of the final official statement, a notice of the impending sale of the 2003 Bonds and the other information required by Section 218.38, Florida Statutes, as amended, within the appropriate time periods specified by such section.

**SECTION 6. REGISTRAR AND PAYING AGENT.** The Bank of New York Trust Company of Florida, N.A., a national banking association, is hereby appointed as Registrar and as Paying Agent under the Ordinance, to serve as Registrar and as Paying Agent for the 2003 Bonds; and the Authorized Officers are hereby authorized to execute and deliver on behalf of the County a registrar and paying agency agreement in a form which shall be approved by the County's attorney.

**SECTION 7. AUTHORIZATION OF EXECUTION OF OTHER CERTIFICATES AND OTHER INSTRUMENTS.** The Authorized Officers are hereby authorized and directed, either alone or jointly, under the official seal of the County, to execute and deliver certificates of the County certifying such facts as the County's attorney, counsel to the Underwriters or Bond Counsel shall require in connection with the issuance, sale and delivery of the 2003 Bonds, and

to execute and deliver such other instruments, including, without limitation, a Rule 15c2-12 deemed final certificate, a continuing disclosure certificate and a financial guaranty agreement in the form attached hereto as Exhibit C with such changes as shall be approved by the Authorized Officers, such approval to be conclusively evidenced by their execution and delivery thereof, as shall be necessary or desirable to perform the County's obligations under this resolution, the Ordinance and the Purchase Contract and to consummate the transactions contemplated hereby and thereby.

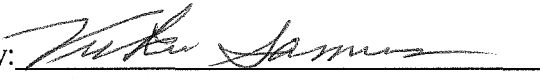
**SECTION 8. REPEALING CLAUSE.** All resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

**SECTION 9. EFFECTIVE DATE.** This resolution shall take effect immediately upon its adoption.


**PASSED, APPROVED AND ADOPTED** this 8<sup>th</sup> day of September 2003.

NASSAU COUNTY, FLORIDA

(SEAL)

By:   
VICKIE SAMUS  
Chairman

ATTEST:

By:   
J. M. "CHIP" OXLEY, JR.  
Ex-Officio Clerk

Approved as to form by the  
Nassau County Attorney:

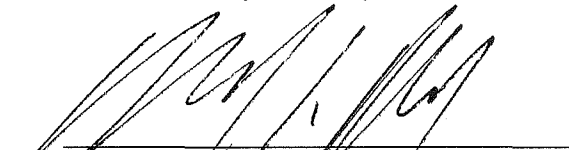
  
MICHAEL S. MULLIN  
County Attorney

EXHIBIT A

NGN DRAFT #8: 9/08/03  
36205.POS7

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 9, 2003

**NEW ISSUE**  
**BOOK-ENTRY ONLY**

**RATINGS: Fitch ( \_\_\_ insured and \_\_\_ underlying)**  
**S&P ( \_\_\_ insured and \_\_\_ underlying)**  
**Moody's ( \_\_\_ insured and \_\_\_ underlying)**  
See "RATINGS" herein

*In the opinion of Rogers Towers, P.A., Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2003 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Series 2003 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Bond Counsel is also of the opinion that the Series 2003 Bonds and the interest thereon are exempt from taxation under existing laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, banks and savings associations. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2003 Bonds. See "TAX MATTERS" herein.*

**\$19,050,000\***  
**NASSAU COUNTY, FLORIDA**  
**Water and Sewer System Revenue Bonds,**  
**Series 2003**

**Dated: September 1, 2003**

**Due: September 1, as shown below**

Nassau County, Florida (the "County") is issuing its \$19,050,000\* aggregate principal amount of Water and Sewer System Revenue Bonds, Series 2003 (the "Series 2003 Bonds"). The Series 2003 Bonds will be issued only as fully registered bonds, without coupons, which initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Individual purchases will be made in book entry form only in denominations of \$5,000 or integral multiples thereof. Purchasers of the Series 2003 Bonds (the "Beneficial Owners") will not receive physical delivery of the Series 2003 Bonds. Transfer of ownership in the Series 2003 Bonds will be effected by DTC's book-entry system as described herein. As long as Cede & Co. is the registered owner as nominee of DTC, principal and interest payments will be made directly to such registered owner which will in turn remit such payments to the Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. The principal and the premium, if any, on the Series 2003 Bonds will be payable upon presentation and surrender thereof at maturity or redemption at the principal corporate trust office of The Bank of New York Trust Company of Florida, N.A., Jacksonville, Florida, as Registrar and Paying Agent, or its successors. Interest on the Series 2003 Bonds is payable semi-annually on March 1 and September 1 of each year, commencing on March 1, 2004, by check or draft mailed by the Paying Agent to the registered owner thereof at the address as shown on the registration books kept by the Registrar at the close of business on the fifteenth day (whether or not a business day) of the month preceding each interest payment date.

Certain of the Series 2003 Bonds are subject to optional redemption prior to maturity as set forth in this Official Statement.

The Series 2003 Bonds are being issued (i) to refund \$17,675,000 in principal amount of the County's outstanding Revenue Note, Series 2000, (ii) to reimburse the County for certain capital costs relating to the acquisition of the System (as herein defined), (iii) to fund the Renewal and Replacement Fund established pursuant to the Bond Ordinance and (iv) to pay costs of issuance of the Series 2003 Bonds, including premium for the municipal bond insurance policy and debt service reserve surety bond.

**The Series 2003 Bonds are secured by a pledge of and are payable solely from Pledged Revenues, which primarily consist of Net Revenues and Impact Fees which derive from the System (as such terms are defined herein). The Series 2003 Bonds shall not be or constitute general obligations or indebtedness of the County within the meaning of the Constitution of Florida, but shall be payable solely from and secured by a lien upon and a pledge of the Pledged Revenues and the funds and the earnings thereon pledged to the payment of the Series 2003 Bonds, in the manner and to the extent provided in the Bond Ordinance (as defined herein). No Series 2003 Bondholder shall ever have the right to compel the exercise of the ad valorem taxing power of the County or taxation in any form on any real or personal property to pay such Series 2003 Bond or the interest thereon, nor shall any Series 2003 Bondholder be entitled to payment of such principal and interest from any other funds of the County other than the Pledged Revenues and the funds and the earnings thereon pledged to payment of the Series 2003 Bonds, all in the manner and to the extent provided in the Bond Ordinance (as defined herein).**

The scheduled payment of principal and interest on the Series 2003 Bonds, when due, will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2003 Bonds by MBIA Insurance Corporation. See "MUNICIPAL BOND INSURANCE" herein.

[INSERT INSURER LOGO]

MATURITIES, AMOUNTS, INTEREST RATES, PRICE OR YIELDS,  
AND CUSIP NUMBERS

\$ \_\_\_\_\_ Serial Bonds

<u>Maturity</u> <u>(September 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>Cusip</u> <u>Numbers</u>	<u>Maturity</u> <u>(September 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>Cusip</u> <u>Numbers</u>
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\$ \_\_\_\_\_ % Term Bonds due \_\_\_\_\_ Price \_\_\_\_\_ CUSIP No. \_\_\_\_\_

(Accrued interest to be added)

This cover page contains certain information for quick reference only. It is not a summary of the Series 2003 Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

\*Preliminary, subject to change

*The Series 2003 Bonds are offered when, as and if issued and received by the Underwriters, subject to the receipt of an opinion as to the validity of the Series 2003 Bonds and certain other matters by Rogers Towers, P.A., Jacksonville, Florida, Bond Counsel. Certain legal matters incident to the issuance and delivery of the Series 2003 Bonds will be passed on for the County by its counsel, Michael Mullin, Esq., Fernandina Beach, Florida, and for the Underwriters by their counsel, Nabors, Giblin & Nickerson, P.A., Tampa, Florida. William R. Hough & Co., Jacksonville, Florida is serving as Financial Advisor to the County. It is expected that the Series 2003 Bonds will be available for delivery to the Underwriters at the facilities of DTC in New York, New York on or about September 22, 2003.*

**SUNTRUST CAPITAL MARKETS**

**A.G. EDWARDS & SONS, INC.**

Dated: September \_\_\_\_, 2003



**NASSAU COUNTY, FLORIDA**  
**BOARD OF COUNTY COMMISSIONERS**

Vickie Samus, Chair  
Floyd L. Vanzant, Vice Chair  
Nick D. Deonas  
Ansley N. Acree  
Marianne Marshall

**CLERK OF COURT, EX OFFICIO CLERK TO  
THE BOARD OF COUNTY COMMISSIONERS**

J. M. "Chip" Oxley

**COUNTY ATTORNEY**

Michael Mullin, Esq.

**BOND COUNSEL**

Rogers Towers, P.A.  
Jacksonville, Florida

**FINANCIAL ADVISOR**

William R. Hough & Co.  
Jacksonville, Florida

**INDEPENDENT AUDITOR**

Farmand, Farmand & Farmand  
Fernandina Beach, Florida

**CONSULTING ENGINEER**

PBS&J  
Orlando, Florida

**RATE CONSULTANT**

Burton & Associates  
Jacksonville Beach, Florida

No dealer, broker, salesman or other person has been authorized by the County to give any information or to make any representations in connection with the Series 2003 Bonds other than as contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the County. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2003 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the County, DTC, the Insurer, and other sources which are believed to be reliable. The following statement has been provided by the Underwriters: The Underwriters have reviewed the information in this Official Statement in accordance with and, as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guaranty the accuracy or completeness of such information. The information and expressions of opinion stated herein are subject to change, and neither the delivery of this Official Statement nor any sale made hereunder shall create, under any circumstances, any implication that there has been no change in the matters described herein since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2003 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Preliminary Official Statement is in a form deemed final by the County for purposes of Rule 15c2-12 issued under the Securities Exchange Act of 1934, as amended, except for certain information permitted to be omitted pursuant to Rule 15c2-12(B)(1).

All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Series 2003 Bonds are qualified in their entirety by reference to the form thereof included in the aforesaid documents and agreements.

NO REGISTRATION STATEMENT RELATING TO THE SERIES 2003 BONDS HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION") OR WITH ANY STATE SECURITIES COMMISSION. IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATIONS OF THE COUNTY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2003 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE COMMISSION OR ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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**OFFICIAL STATEMENT  
relating to**

**\$19,050,000\***

**NASSAU COUNTY, FLORIDA  
Water and Sewer System Revenue Bonds,  
Series 2003**

**INTRODUCTION**

The purpose of this Official Statement, including the cover page and all appendices, is to set forth certain information in connection with the sale by Nassau County, Florida (the "County") of its \$19,050,000\* aggregate principal amount of Water and Sewer System Revenue Bonds, Series 2003 (the "Series 2003 Bonds").

Nassau County, Florida (the "County") is one of four counties comprising the Jacksonville Metropolitan Statistical Area. Located in the extreme northeast corner of Florida, the County is contiguous to Duval County and the City of Jacksonville. It is bordered on the north by the State of Georgia, on the west by the State of Georgia and Baker County, on the east by the Atlantic Ocean, and on the south by Duval County. Fernandina Beach, Callahan and Hilliard are the incorporated areas in the County. Yulee, Bryceville, and Amelia Island are among the largest of the unincorporated areas.

The Series 2003 Bonds are being issued pursuant to the Constitution and laws of the State of Florida, including Chapter 125, Florida Statutes and other provisions of law (collectively, the "Act"), and pursuant and subject to the terms and conditions of Ordinance No. 2003-50, enacted by the Board of County Commissioners of the County on September 8, 2003, as amended and supplemented from time to time, and as particularly supplemented by Resolution No. 2003-116 adopted by the Board of County Commissioners on September 8, 2003 (collectively, the "Bond Ordinance").

The Series 2003 Bonds are being issued (i) to refund \$17,675,000 in aggregate principal amount of the County's outstanding Revenue Note, Series 2000 (the "Prior Note"), (ii) to reimburse the County for certain capital costs relating to the acquisition of the System (as herein defined), (iii) to fund the Renewal and Replacement Fund established under the Bond Ordinance, and (iii) to pay costs of issuance of the Series 2003 Bonds, including premium for the municipal bond insurance policy and debt service reserve surety bond (the "Bond Insurance Policy"). For additional information concerning the use of the proceeds of the Series 2003 Bonds, see "ESTIMATED SOURCES AND USES OF FUNDS" herein.

THE SERIES 2003 BONDS ARE SECURED BY A PLEDGE OF AND ARE PAYABLE SOLELY FROM PLEDGED REVENUES WHICH PRIMARILY CONSIST OF NET REVENUES AND IMPACT FEES WHICH DERIVE FROM THE SYSTEM (AS SUCH TERMS ARE DEFINED HEREIN). THE SERIES 2003 BONDS SHALL NOT BE OR CONSTITUTE GENERAL OBLIGATIONS OR INDEBTEDNESS OF THE COUNTY WITHIN THE MEANING OF THE CONSTITUTION OF FLORIDA, BUT SHALL BE PAYABLE SOLELY FROM AND SECURED BY A LIEN UPON AND A PLEDGE OF THE PLEDGED REVENUES AND THE FUNDS AND THE EARNINGS THEREON PLEDGED TO THE PAYMENT OF THE SERIES 2003 BONDS, IN THE MANNER AND TO THE EXTENT PROVIDED IN THE BOND ORDINANCE. NO SERIES

\*Preliminary, subject to change

2003 BONDHOLDER SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE COUNTY OR TAXATION IN ANY FORM ON ANY REAL OR PERSONAL PROPERTY TO PAY SUCH SERIES 2003 BOND OR THE INTEREST THEREON, NOR SHALL ANY SERIES 2003 BONDHOLDER BE ENTITLED TO PAYMENT OF SUCH PRINCIPAL AND INTEREST FROM ANY OTHER FUNDS OF THE COUNTY OTHER THAN THE PLEDGED REVENUES AND THE FUNDS AND THE EARNINGS THEREON PLEDGED TO PAYMENT OF THE SERIES 2003 BONDS, ALL IN THE MANNER AND TO THE EXTENT PROVIDED IN THE BOND ORDINANCE. FOR ADDITIONAL INFORMATION CONCERNING THE SECURITY FOR THE SERIES 2003 BONDS, SEE "SECURITY FOR THE BONDS" HEREIN.

The Series 2003 Bonds will be issued as fully registered bonds and will be initially registered to Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2003 Bonds. Individual purchases of the Series 2003 Bonds will be made in book-entry form only, and the purchasers will not receive physical delivery of the Series 2003 Bonds, or any certificate representing their beneficial ownership interest in the Bonds. See "Book-Entry Only System" herein. The interest on the Series 2003 Bonds is payable on each March 1 and September 1, commencing March 1, 2004, until maturity or earlier redemption as more fully described herein. The Bank of New York Trust Company of Florida, N.A., Jacksonville, Florida, is Registrar and Paying Agent for the Series 2003 Bonds.

Certain of the Series 2003 Bonds are subject to optional redemption prior to their stated maturities as described herein. See "DESCRIPTION OF THE SERIES 2003 BONDS," herein.

The County may issue Additional Bonds in the future on a parity with the Series 2003 Bonds, subject to compliance with certain conditions set forth in the Bond Ordinance. See "SECURITY FOR THE BONDS – Additional Bonds," herein.

The County has agreed and undertaken, for the benefit of the Series 2003 Bondholders, to provide certain financial information and operating data relating to the County, the Pledged Revenues and the Series 2003 Bonds pursuant to Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE" herein and "APPENDIX F – Form of Continuing Disclosure Certificate," attached hereto.

Pursuant to the Bond Ordinance, the County is granted the right to make certain amendments to the Bond Ordinance with the consent of the holders of the Series 2003 Bonds. See "APPENDIX C – Form of Bond Ordinance," attached hereto.

Capitalized terms used but not defined herein have the same meanings as when used in the Bond Ordinance unless the context clearly indicates otherwise. Complete descriptions of the terms and conditions of the Series 2003 Bonds are set forth in the Bond Ordinance, the form of which is attached to this Official Statement as "APPENDIX C – Form of Bond Ordinance." The description of the Series 2003 Bonds, the documents authorizing and securing the same, and the information from various reports and statements contained herein are not comprehensive or definitive. All references herein to such documents, reports and statements are qualified by the entire, actual content of such documents, reports and statements. Copies of such documents, reports and statements referred to herein that are not included in their entirety in this Official Statement may be obtained, after payment of applicable copying and mailing costs, from Nassau County, Florida, P.O. Box 456, Fernandina Beach, Florida 32035-0456.

## DESCRIPTION OF THE SERIES 2003 BONDS

### General

The Series 2003 Bonds will be issued as fully registered bonds and will be initially registered to Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2003 Bonds. Individual purchases of the Series 2003 Bonds will be made in book-entry form only, and the purchasers will not receive physical delivery of the Series 2003 Bonds, or any certificate representing their beneficial ownership interest in the Bonds. See "Book-Entry Only System" herein. The Bank of New York Trust Company of Florida, Jacksonville, Florida, is Registrar and Paying Agent for the Series 2003 Bonds.

The Series 2003 Bonds shall be issued in fully registered form in the denomination of \$5,000 each, or integral multiples thereof, shall be dated, shall bear interest computed on the basis of a 360 day year at the rates and shall mature on the dates and in the amounts shown on the cover page hereof.

The Series 2003 Bonds shall bear interest from the later of their date, or from the most recent interest payment date to which interest has been paid, which shall be paid by check or draft of the Paying Agent mailed to the registered owner thereof at his or her address as it appears on the registration books of the County at the close of business on the 15th day (whether or not a business day) of the month next preceding the interest payment date (the "Record Date"), irrespective of any transfer or exchange of such Series 2003 Bond subsequent to such Record Date and prior to such interest payment date, unless the County shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name such Series 2003 Bond is registered at the close of business on a special record date for the payment of such defaulted interest as established by notice by deposit in the U.S. mails, postage prepaid, by the County to the registered owner of Series 2003 Bonds not less than fifteen days preceding such special record date. Such notice shall be mailed to the person in whose name the Series 2003 Bonds are registered at the close of business on the fifth (5th) day (whether or not a business day) preceding the date of mailing.

### Registration and Transfer

Subject to the provisions regarding book-entry registration set forth below, the registration of the Series 2003 Bonds may be transferred upon the registration books upon delivery to the principal office of the Registrar, accompanied by a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Registrar, duly executed by the owner of the Series 2003 Bonds or by his attorney-in-fact or legal representative, containing written instructions as to the details of transfer of the Series 2003 Bonds, along with the social security number or federal employer identification number of such transferee. In all cases of a transfer of a Series 2003 Bond, the Registrar shall at the earliest practical time in accordance with the provisions of the Bond Ordinance enter the transfer of ownership in the registration books and (unless uncertificated registration shall be requested and the County has a registration system that will accommodate uncertificated registration) shall deliver in the name of the new transferee or transferees a new fully registered Series 2003 Bond or Series 2003 Bonds of the same maturity and of authorized denomination or denominations, for the same aggregate principal amount and payable from the same sources of funds. Neither the County nor the Registrar shall be required to register transfer of any Series 2003 Bond during the fifteen (15) days next preceding an Interest Payment Date on the Series 2003 Bonds or, in the case of any proposed redemption of Series 2003 Bonds, after such Series 2003 Bonds or any portion thereof has been selected for redemption. The County and the Registrar may

charge the owner of such Series 2003 Bond for the registration of every such transfer of a Series 2003 Bond sufficient to reimburse them for any tax, fee or any other governmental charge required (other than by the County) to be paid with respect to the registration of such transfer, and may require that such amounts be paid before any such new Series 2003 Bond shall be delivered.

### **Saturday, Sunday or Legal Holiday**

If the date for payment of the principal of, premium or interest on the Series 2003 Bond shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the County where the corporate trust office of the Paying Agent is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such day shall have the same force and effect as if made on the nominal date of payment.

### **Book-Entry Only System**

**THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE COUNTY BELIEVES TO BE RELIABLE, BUT THE COUNTY DOES NOT TAKE ANY RESPONSIBILITY FOR THE ACCURACY THEREOF.**

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2003 Bonds. The Series 2003 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2003 Bond will be issued for each maturity of the Series 2003 Bonds, as set forth on the cover page hereof, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).



So long as the book-entry only system is in effect, beneficial interests in the Series 2003 Bonds will be available in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Series 2003 Bonds will not receive certificates representing their beneficial interests in the Series 2003 Bonds purchased. The Underwriters are to confirm original issuance purchases of beneficial interests with statements containing certain terms of the Series 2003 Bonds in which such beneficial interests are purchased.

Purchases of Series 2003 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2003 Bonds on DTC's records. The ownership interest of each actual purchaser of Series 2003 Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2003 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2003 Bonds, except in the event that use of the book-entry system for the Series 2003 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2003 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2003 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2003 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2003 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2003 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2003 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond Ordinance. For example, Beneficial Owners of Series 2003 Bonds may wish to ascertain that the nominee holding the Series 2003 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

The Paying Agent will make payments of principal of, premium, if any, and interest on the Series 2003 Bonds to DTC or such other nominee, as may be requested by an authorized representative of DTC, as registered owner of the Series 2003 Bonds. Redemption proceeds, distributions, and dividend payments on the Series 2003 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County and the Paying Agent, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility

of such Participant and not of DTC nor its nominee, the Paying Agent, or the County subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The County and the Paying Agent will send redemption notices to DTC. If less than all of the Series 2003 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2003 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2003 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

THE COUNTY AND THE PAYING AGENT WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO THE BENEFICIAL OWNERS, DTC PARTICIPANTS OR THE PERSONS FOR WHOM DTC PARTICIPANTS ACT AS NOMINEES WITH RESPECT TO THE SERIES 2003 BONDS FOR THE ACCURACY OF RECORDS OF DTC, CEDE & CO. OR ANY DTC PARTICIPANT WITH RESPECT TO THE SERIES 2003 BONDS OR THE PROVIDING OF NOTICE OR PAYMENT OF PRINCIPAL, OR INTEREST, OR ANY PREMIUM ON THE SERIES 2003 BONDS, TO DTC PARTICIPANTS OR BENEFICIAL OWNERS, OR THE SELECTION OF SERIES 2003 BONDS FOR REDEMPTION.

The County and the Paying Agent cannot give any assurances that DTC, DTC Participants or others will distribute payments of principal of, premium, if any, and interest on the Series 2003 Bonds paid to DTC or its nominee, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve or act in a manner described in this Official Statement.

For every transfer and exchange of beneficial interests in the Series 2003 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other government charge that may be imposed in relation thereto.

DTC may discontinue providing its services as depository with respect to the Series 2003 Bonds at any time by giving reasonable notice to the County or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2003 Bonds are required to be printed and delivered. In addition, the County may decide to discontinue use of the system of book-entry transfers through DTC (or any successor securities depository). In that event, Series 2003 Bonds will be printed and delivered.

### **Optional Redemption**

The Series 2003 Bonds maturing on or prior to September 1, \_\_\_\_\_ are not subject to redemption prior to maturity. The Series 2003 Bonds maturing September 1, \_\_\_\_\_ and thereafter are subject to redemption prior to their respective maturities, on or after September 1, \_\_\_\_\_ at the option of the County, in whole or in part at any time in such manner as shall be determined by the County and by lot within a maturity if less than a full maturity, from any legally available monies;

at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date.

### **Mandatory Redemption**

The Series 2003 Bonds maturing September 1, \_\_\_\_\_ are subject to mandatory sinking fund redemption prior to maturity by operation of Amortization Installments in part, by lot, on September 1, \_\_\_\_\_ and each September 1 thereafter to and including September 1, \_\_\_\_\_, at a redemption price equal to the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium, from Amortization Installments as follows:

<u>Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>
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### **Notice of Redemption**

Notice of redemption shall be given by the deposit in the U.S. mails of a copy of a redemption notice, postage prepaid, certified, return receipt requested or registered, at least thirty (30) and not more than sixty (60) days before the redemption date to all holders of the Series 2003 Bonds or portions of Series 2003 Bonds to be redeemed at their addresses as they appear on the registration books to be maintained in accordance with the provisions of the Bond Ordinance. Failure to mail any such notice to a registered owner of a Series 2003 Bond, or any defect therein, shall not affect the validity of the proceedings for redemption of any Series 2003 Bond or portion thereof with respect to which no failure or defect occurred.

Each notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds then Outstanding shall be called for redemption, the distinctive numbers and letters, if any, of such Series 2003 Bonds to be redeemed and, in the case of Series 2003 Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. Such notice shall state any conditions to such redemption. If any Series 2003 Bond is to be redeemed in part only, the notice of redemption which relates to such Series 2003 Bond shall also state that on or after the redemption date, upon surrender of such Series 2003 Bond, a new Series 2003 Bond or Series 2003 Bonds in a principal amount equal to the unredeemed portion of such Series 2003 Bond will be issued.

Any notice mailed as provided in the Bond Ordinance shall be conclusively presumed to have been duly given, whether or not the owner of such Bond receives such notice.

### **Effect of Notice of Redemption**

Notice having been given in the manner and under the conditions required by the Bond Ordinance (see "DESCRIPTION OF THE SERIES 2003 BONDS – Notice of Redemption" herein), the Series 2003 Bonds or portions of Series 2003 Bonds so called for redemption shall, on the redemption date designated in such notice and upon satisfaction of any conditions described in such notice, become and be due and payable at the redemption price provided for redemption of such Series 2003 Bonds or portions of Series 2003 Bonds on such date. On the date so designated for redemption, moneys for payment of the redemption price being held in separate accounts by the Paying Agent in trust for the relevant Series 2003 Bondholders, all as provided in the Bond Ordinance, interest on the Series 2003 Bonds or portions of Series 2003 Bonds so called for redemption shall cease to accrue, such Series 2003 Bonds and portions of Series 2003 Bonds shall

cease to be entitled to any lien, benefit or security under the Bond Ordinance, and the relevant Series 2003 Bondholders shall have no right in respect thereof except to receive payment of the redemption price thereof and, to the extent provided in the Bond Ordinance, to receive Series 2003 Bonds for any unredeemed portions of the Series 2003 Bonds.

### **Partial Redemption**

In case part but not all of an Outstanding fully registered Series 2003 Bond shall be selected for redemption, the relevant Series 2003 Bondholders shall present and surrender such Series 2003 Bond to the County or the Paying Agent for payment of the principal amount thereof so called for redemption, and the County will execute and deliver to or upon the order of such Series 2003 Bondholder, without charge therefor, for the unredeemed balance of the principal amount of the Series 2003 Bond so surrendered, a Series 2003 Bond or Series 2003 Bonds fully registered as to principal and interest.

### **Bonds Called for Redemption Not Deemed Outstanding**

Series 2003 Bonds or portions of Series 2003 Bonds that have been duly called for redemption under the provisions of the Bond Ordinance, and with respect to which amounts sufficient to pay the principal of premium, if any, and interest to the date fixed for redemption shall be delivered to and held in separate accounts by an escrow agent, any Authorized Depository or any Paying Agent in trust for the relevant Series 2003 Bondholders, as provided in the Bond Ordinance, shall not be deemed to be Outstanding under the provisions of the Bond Ordinance and shall cease to be entitled to any lien, benefit or security under the Bond Ordinance, except to receive the payment of the redemption price on or after the designated date of redemption from moneys deposited with or held by the escrow agent, Authorized Depository or Paying Agent, as the case may be, for such redemption of the Series 2003 Bonds and, to the extent provided in the Bond Ordinance, to receive Series 2003 Bonds for any unredeemed portions of the Series 2003 Bonds.

## **SECURITY FOR THE BONDS**

### **General**

The Series 2003 Bonds together with any Additional Bonds hereafter issued (collectively, the "Bonds") are secured by "Pledged Revenues" which consist of the Net Revenues, the Impact Fees, and proceeds from insurance, condemnation or the disposition of property comprising the System (to the extent and for the purposes provided in the Bond Ordinance).

"Net Revenues" is defined in the Bond Ordinance to mean, with respect to any period, the Gross Revenues during such period, determined on an accrual basis, minus the Cost of Operation and Maintenance during such period determined on an accrual basis, to the extent paid from Gross Revenues. Moneys deposited into the Rate Stabilization Fund (as provided in the Ordinance) shall be excluded from Gross Revenues for the purposes of calculating Net Revenues under the Bond Ordinance for the Fiscal Year in which such transfer into the Rate Stabilization Fund occurs. Moneys on deposit in the Rate Stabilization Fund may be withdrawn at any time and redeposited into the General Revenue Account, and such money shall be included in Gross Revenues for the purpose of calculating Net Revenues for the Fiscal Year in which such redeposit into the General Revenue Account occurs.

"Gross Revenues" is defined in the Bond Ordinance to mean all income or earnings (excluding Impact Fees and deposit accounts which are held in escrow to secure timely payment by System users) derived by the County from the ownership, operation, leasing or use of the System,

or any part thereof, including the Gross Revenue Component of contract payments received pursuant to the Bond Ordinance, any income from the investment of funds to be deposited in the General Revenue Account or the Sinking Fund as provided in the Bond Ordinance and moneys allocated from the Rate Stabilization Fund to the General Revenue Account, but shall not include proceeds from the sale of any Bonds or other obligations of the County.

"Cost of Operation and Maintenance" is defined in the Bond Ordinance to mean the current expenses, paid or accrued, of operation, maintenance and repair of the System and its facilities, as calculated in accordance with generally accepted accounting principles, consistently applied, and shall include, without limiting the generality of the foregoing, administrative expenses relating to the System (including amounts paid to the Chief Financial Officer for financial services rendered and amounts paid to the County Attorney for legal services rendered), and insurance premiums and charges for the accumulation of appropriate reserves for self-insurance, not annually recurring but which are reasonably expected to be incurred on a periodic basis in accordance with generally accepted accounting principles, consistently applied. The Cost of Operation and Maintenance shall not include (i) any reserve for renewals and replacements (except to the extent contemplated under the Federal Clean Water Act, 33 U.S.C.A., 1251, et seq., as amended, and the regulations promulgated thereunder, with respect to certain equipment replacement), extraordinary repairs or any allowance for depreciation or amortization and (ii) the payment of any principal of or interest on the Bonds and all other notes, bonds and similar obligations of the County.

"Impact Fees" is defined in the Bond Ordinance to mean all nonrefundable (except at the option of the County) capital expansion fees, system improvement fees or other similar fees and charges separately imposed by the County as a nonuser capacity charge for the proportionate share of the cost of expanding, oversizing, separating or constructing new additions to the System (including any future capacity components of contract payments received under the Ordinance), and any income from the investment of funds deposited into the Impact Fee Account pursuant to the Bond Ordinance. With respect to each series of Bonds, the term "Impact Fees" in each Bond Year shall not include any amounts in excess of the Annual Bond Service Requirement multiplied by the Expansion Project Percentage.

Generally, under Florida law, impact fees such as the Impact Fees may be validly imposed against new construction or development in order to fund capital improvements or capacity which are necessitated by such new construction or development to satisfy debt service for the bonds or other obligations issued for such purposes. Proceeds of such impact fees may be used only for the capital improvements or capacity charge attributable to the new construction or development or to pay associated debt service.

IMPACT FEE REVENUES FLUCTUATE WITH THE AMOUNT OF NEW CONSTRUCTION OR DEVELOPMENT WHICH OCCURS WITHIN THE AREAS SERVED BY THE SYSTEM. THEREFORE, THERE CAN BE NO ASSURANCES THAT SUCH REVENUE WILL NOT DECREASE OR BE ELIMINATED ALTOGETHER IN THE EVENT THAT NEW CONSTRUCTION, FOR WHATEVER REASON, MIGHT DECREASE OR CEASE ALTOGETHER WITHIN AREAS SERVED BY THE SYSTEM.

"System" is defined in the Bond Ordinance to mean the complete combined and consolidated waterworks and wastewater collection, treatment and distribution system and all parts and components thereof or interest therein, owned, operated or used by the County, and all such parts and components hereafter constructed, contracted for or acquired, the improvements, extensions and additions thereto to be constructed or acquired from any source, together with all land and interests therein, plants, buildings, machinery, franchises, pipes, fixtures, equipment, contract rights and all

property, real or personal, tangible or intangible, now or hereafter owned, operated or used by the County in connection therewith.

THE SERIES 2003 BONDS SHALL NOT BE OR CONSTITUTE GENERAL OBLIGATIONS OR INDEBTEDNESS OF THE COUNTY WITHIN THE MEANING OF THE CONSTITUTION OF FLORIDA, BUT SHALL BE PAYABLE SOLELY FROM AND SECURED BY A LIEN UPON AND A PLEDGE OF THE PLEDGED REVENUES AND THE FUNDS AND THE EARNINGS THEREON PLEDGED TO THE PAYMENT OF THE SERIES 2003 BONDS, IN THE MANNER AND TO THE EXTENT PROVIDED IN THE BOND ORDINANCE. NO SERIES 2003 BONDHOLDER SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE COUNTY OR TAXATION IN ANY FORM ON ANY REAL OR PERSONAL PROPERTY TO PAY SUCH SERIES 2003 BOND OR THE INTEREST THEREON, NOR SHALL ANY SERIES 2003 BONDHOLDER BE ENTITLED TO PAYMENT OF SUCH PRINCIPAL AND INTEREST FROM ANY OTHER FUNDS OF THE COUNTY OTHER THAN THE PLEDGED REVENUES AND THE FUNDS AND THE EARNINGS THEREON PLEDGED TO PAYMENT OF THE SERIES 2003 BONDS, ALL IN THE MANNER AND TO THE EXTENT PROVIDED IN THE BOND ORDINANCE.

### **Uniform Commercial Code**

The Series 2003 Bonds will have all the qualities and incidents of an investment security under the Uniform Commercial Code-Investment Securities Law of the State. In 2001, the Florida legislature adopted revisions to Florida's uniform commercial code relating to secured transactions (Chapter 679, Florida Statutes). Under the rewritten code, transfers by governments and governmental units continue to remain exempt from the provisions of the uniform commercial code relating to secured transactions (Chapter 2001-198, Laws of Florida).

### **Funds and Accounts**

The Bond Ordinance establishes the Construction Fund, the Water and Sewer Enterprise Fund (and the following accounts therein to be known as the General Revenue Account, the Impact Fee Account, and the Operation and Maintenance Account), the Sinking Fund (and the following accounts therein to be known as the Principal Account, the Interest Account, the Swap Obligations Account and the Redemption Account), the Debt Service Reserve Fund, the Operating Reserve Fund, the Renewal and Replacement Fund, the Rate Stabilization Fund, and the General Reserve Fund. The Enterprise Fund, the Construction Fund, the Sinking Fund, the Debt Service Reserve Fund, the Renewal and Replacement Fund, the General Reserve Fund, the Rate Stabilization Fund and all accounts and subaccounts therein shall constitute trust funds and will be held by the County's Chief Financial Officer (or an Authorized Depository designated by the Chief Financial Officer), in each case who shall act as trustee of such funds for the purposes of the Bond Ordinance, shall be subject to a lien and charge in favor of the Bond holders, and shall at all times be kept separate and distinct from all other funds of the County and used only as provided in the Bond Ordinance.

All funds or other property which at any time may be owned or held in the possession of or deposited with the County in the Enterprise Fund, the Construction Fund, the Sinking Fund, the Debt Service Reserve Fund, the Renewal and Replacement Fund, the Operating Reserve Fund and the General Reserve Fund under the provisions of the Bond Ordinance shall be held in trust and applied only in accordance with the provisions of the Bond Ordinance, and shall not be subject to lien or attachment by any creditor of the County.

All funds or other property which at any time may be owned or held in the possession of or deposited with the County pursuant to the Bond Ordinance shall be continuously secured, for the

benefit of the County and the Bondholders either (a) by lodging with an Authorized Depository, as custodian, collateral security consisting of obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (b) in such other manner as permitted by the Bond Ordinance and as may then be required or permitted by applicable state or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, including without limitation, the provisions of Chapter 280, Florida Statutes, as from time to time amended.

### **Rate Covenant**

The County has covenanted in the Bond Ordinance to fix, establish, revise from time to time whenever necessary, maintain and collect fees, rates, rentals and other charges for the use of the products, services and facilities of the System that will always provide Gross Revenues in each Bond Year which together with the additional sources of funds referred to below, will be sufficient in accordance with the provisions hereof to meet the following requirements:

(a) The Gross Revenues received in such Bond Year shall be at least equal to the sum of one hundred percent (100%) of the Cost of Operation and Maintenance for such Bond Year, plus one hundred ten percent (110%) of the Bond Service Requirement for the Bonds in such Bond Year, plus the payment of annual debt service on Subordinated Obligations; and

(b) The sum of the Gross Revenues and the Available Impact Fees received in such Bond Year shall be at least equal to the sum of one hundred percent (100%) of the Cost of Operation and Maintenance for such Bond Year, plus one hundred twenty-five percent (125%) of the Annual Bond Service Requirement for the Bonds in such Bond Year.

For purposes of this Section, the "Available Impact Fees" shall mean the amount of Impact Fees that are received in such Bond Year.

See "THE SYSTEM" herein for a schedule of current water and sewer system rates and applicable impact fees. As of the date of issuance of the Series 2003 Bonds, the County will be in full compliance with its rate covenant described in the immediately preceding paragraph.

### **Flow of Funds**

Pursuant to the Bond Ordinance, Gross Revenues shall be deposited by the County into the General Revenue Account immediately upon receipt, and all Impact Fees shall be deposited by the County into the Impact Fee Account immediately upon receipt.

(1) Funds in the General Revenue Account shall be disposed of on or before the 15th day of each month, commencing with the month immediately following the delivery of the Series 2003 Bonds, only in the following order and priority:

(a) First, by deposit in the Operation and Maintenance Account, the amount necessary to make the funds on deposit therein equal to the amount provided in the Annual Budget of the County for payment of the Cost of Operation and Maintenance for one full month following the date of such deposit plus such additional amounts as may be necessary to pay the actual Cost of Operation and Maintenance for such month.

(b) Then, by deposit into the Sinking Fund, an amount which, together with amounts set aside in the Impact Fee Account pursuant to (2)(a) below that have not been taken into account for purposes of this clause (b), and other deposits made into the Interest Account pursuant to the provisions of the Bond Ordinance, will be equal to one-sixth (1/6th) of the interest maturing on the Bonds on the next interest payment date, one-twelfth (1/12th) of all principal maturing during the current Bond Year on the various series of Serial Bonds of the Bonds that mature annually, one-sixth (1/6th) of all principal maturing on the next maturity date in such Bond Year on the various series of Serial Bonds of the Bonds that mature semiannually, one-sixth (1/6th) of the semiannual Amortization Installments coming due on the next interest payment date in the current Bond Year with respect to the Bonds, one-twelfth (1/12th) of the annual Amortization Installments and the unamortized principal balances of Term Bonds coming due during the current Bond Year with respect to the Bonds, until there are sufficient funds then on deposit equal to the sum of the interest, principal and redemption payments due, respectively, on the Bonds, on the next interest, principal and redemption dates in such Bond Year.

Moneys deposited into the Sinking Fund pursuant to the foregoing shall be credited first to the Interest Account, then pro rata to the Principal Account and the Redemption Account, in each case until the amounts on deposit therein are equal to the amounts required to be deposited therein at the end of each six (6) month period ending on an interest payment date; provided, however, that for each interest payment date that is not also an annual principal payment or redemption date with respect to annual rather than semiannual payments or Amortization Installments, the amounts required to be deposited in the Principal Account and the Redemption Account with respect to annual rather than semiannual payments or Amortization Installments shall be one-half (1/2) of the amounts required to be on deposit therein at the next annual principal payment or redemption date.

Deposits shall be increased or decreased to the extent required to pay principal and interest coming due, after making allowance for any accrued and capitalized interest and taking into account deficiencies in prior months' deposits. Additionally, if Variable Rate Bonds are Outstanding, the County shall deposit into the Sinking Fund on the business day immediately preceding the interest payment date the interest accrued on such Bonds not theretofore deposited for such month (plus any deficiencies in interest deposits for the preceding month), in lieu of the one-sixth (1/6th) interest deposit described above.

In the event the County shall enter into an Interest Rate Agreement with respect to Bonds, the County shall adjust deposits into the Sinking Fund with respect to interest on the Bonds taking into account: (i) the actual interest borne by such Bonds for such period, (ii) County receipts from the Interest Rate Agreement Provider under the Interest Rate Agreement, and (iii) the payments made by the County to the Interest Rate Agreement Provider for such period, with the payments described in clauses (ii) and (iii) above being calculated on the applicable notional amount.

(c) Then, by deposit into the Debt Service Reserve Fund, an amount which, together with funds concurrently deposited therein from the Impact Fee Account pursuant to (2)(b) below and other funds then on deposit therein, will be sufficient to make the funds on deposit therein equal to the Debt Service Reserve Fund Requirement for the Bonds.

(d) Then, to the payment of principal and interest on any Subordinated Obligations heretofore or hereafter incurred by the County in connection with the System and in accordance with the proceedings authorizing such Subordinated Obligations.



(e) Then, by deposit into the Operating Reserve Fund an amount until such time that the balance therein shall equal 25% of the Cost of Operation and Maintenance in the Annual Budget for the Current Fiscal Year.

(f) Then, by deposit into the Renewal and Replacement Fund an amount until such time that the balance therein shall equal twenty percent (20%) of Gross Revenues for the preceding Fiscal Year (in the case of the Fiscal Year ending in 2003, Gross Revenues for such Fiscal Year shall be annualized), plus an amount equal to any unrestored withdrawal made to cure deficiencies in the Sinking Fund pursuant to the Bond Ordinance; provided, however, that subsequent to September 30, 2009 no further deposits shall be required under this subparagraph (f) whenever and so long as the County shall obtain a certificate from the Qualified Independent Consultant that, in its judgment, the amount on deposit in the Renewal and Replacement Fund as set forth in the annual report filed with the County pursuant to the Bond Ordinance is adequate to pay the cost of replacements of capital assets and any emergency repairs described in the Bond Ordinance. In making the deposits contemplated by this subparagraph (f) and subparagraph (h), the County will take into account moneys already on deposit in the Renewal and Replacement Fund.

(g) By deposit into the Rate Stabilization Fund, at the discretion of the County, such sums as may be determined by the County.

(h) Any remaining Gross Revenues shall be deposited into the General Reserve Fund, which moneys shall be used in the following order of priority: (i) to the Operation and Maintenance Account to make up any deficiency in amounts available for the Cost of Operation and Maintenance, (ii) to the Sinking Fund to make up any deficiencies in said Fund, (iii) to the Debt Service Reserve Fund so the amount therein shall be equal to the Debt Service Reserve Fund Requirement, (iv) to the payment of Subordinated Obligations to the extent of any deficiency in the amounts due thereon and (v) to the Renewal and Replacement Fund to make up any deficiencies in said Fund and, prior to October 1, 2009, to further accumulate any remaining Gross Revenues.

Amounts in the General Reserve Fund not required to meet deficiencies as required in the preceding paragraph or to make the accumulation prior to October 1, 2009 shall upon determination of the County be applied or set aside for anyone or more of the following:

- (i) the purchase or redemption of any Bonds, and expenses in connection with the purchase or redemption of any Bonds or any reserves the County determines shall be required for such purposes;
- (ii) in connection with the planning, development and determination of feasibility of future extensions, improvements or additions to the System;
- (iii) for deposit into the General Revenue Account; and
- (iv) for any other lawful purpose of the County.

Deposits described above shall be cumulative and the amount of any deficiency in any month shall be added to the amount otherwise required to be deposited in each month thereafter until such time as all such deficiencies have been cured.

(2) Funds in the Impact Fee Account shall be disposed of on or before the fifteenth (15th) day of each month, commencing with the month immediately following the delivery of the Series 2003 Bonds, only in the following order and priority, and then only to the extent permitted under law:

(a) For the payment into the Interest Account, the Principal Account and the Redemption Account when the moneys in the General Revenue Account are insufficient to make the deposits therein required pursuant to the Bond Ordinance.

(b) To restore any withdrawals or to make up any deficiencies that may exist from time to time in the Debt Service Reserve Fund whenever the moneys in the Revenue Fund are insufficient for such purpose.

(c) To pay the cost of constructing extensions to the System or for the purpose of purchasing or redeeming Bonds or for any other lawful purpose.

(3) The County shall not be required to make any further payments into the Sinking Fund, including the subaccounts therein, or the Debt Service Reserve Fund when the aggregate amount of funds in both the Sinking Fund, including the subaccounts therein, and Debt Service Reserve Fund, are at least equal to the aggregate principal amount of Bonds then Outstanding, plus the amount of interest then due or thereafter to become due on said Bonds then Outstanding, or if all Bonds then Outstanding have otherwise been defeased pursuant to the Bond Ordinance.

#### **Debt Service Reserve Fund**

General. The Bond Ordinance provides for the establishment and maintenance of a Debt Service Reserve Fund for the benefit of all Bondholders in an amount equal to the Debt Service Reserve Fund Requirement. The Debt Service Reserve Fund Requirement following the issuance of the Series 2003 Bonds shall equal \$ \_\_\_\_\_, which equals the least of (i) one hundred twenty-five percent (125%) of the average annual amount of debt service on all series of Bonds Outstanding for the then current Bond Year or any future Bond Year, (ii) ten percent (10%) of the respective proceeds (as such term is defined under the Code for such purpose) of each series of Bonds, or (iii) the maximum annual aggregate debt service on all series of Bonds outstanding for the then current Bond Year or any future Bond Year. All or a portion of such Debt Service Reserve Fund Requirement may be satisfied by depositing a credit facility as contemplated in the Bond Ordinance. The County expects to obtain a surety bond from MBIA Insurance Corporation in satisfaction of the Debt Service Reserve Fund Requirement with respect to the Series 2003 Bonds.

Series 2003 Debt Service Surety Bond. Application has been made to the MBIA Insurance Corporation (the "Insurer") for a commitment to issue a surety bond (the "Debt Service Reserve Fund Surety Bond"). The Debt Service Reserve Fund Surety Bond will provide that upon notice from the Paying Agent to the Insurer to the effect that insufficient amounts are on deposit in the Sinking Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Series 2003 Bonds, the Insurer will promptly deposit with the Paying Agent an amount sufficient to pay the principal of and interest on the Series 2003 Bonds or the available amount of the Debt Service Reserve Fund Surety Bond, whichever is less. Upon the later of: (i) three (3) days after receipt by the Insurer of a Demand for Payment in the form attached to the Debt Service Reserve Fund Surety Bond, duly executed by the Paying Agent, or (ii) the payment date of the Series 2003 Bonds as specified in the Demand for Payment presented by the Paying Agent to the Insurer, the Insurer will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for

the payment to the Paying Agent, of amounts which are then due to the Paying Agent (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

The available amount of the Debt Service Reserve Fund Surety Bond is the initial face amount of the Debt Service Reserve Fund Surety Bond less the amount of any previous deposits by the Insurer with the Paying Agent which have not been reimbursed by the Issuer. The Issuer and the Insurer have entered into a Financial Guaranty Agreement dated September 22, 2003 (the "Agreement"). Pursuant to the Agreement, the Issuer is required to reimburse the Insurer, within one year of any deposit, the amount of such deposit made by the Insurer with the Paying Agent under the Debt Service Reserve Fund Surety Bond. Such reimbursement shall be made only after all required deposits to the Operation and Maintenance Account and the Sinking Fund have been made.

Under the terms of the Agreement, the Paying Agent is required to reimburse the Insurer, with interest, until the face amount of the Debt Service Reserve Fund Surety Bond is reinstated before any deposit is made to the Debt Service Reserve Fund. No optional redemption of the Series 2003 Bonds may be made until the Insurer's Debt Service Reserve Fund Surety Bond is reinstated. The Debt Service Reserve Fund Surety Bond will be held by the Paying Agent in the Debt Service Reserve Fund for the Series 2003 Bonds and is provided as an alternative to the Issuer depositing a part of the funds equal to the Debt Service Reserve Fund Requirement for outstanding Series 2003 Bonds. The Debt Service Reserve Fund Surety Bond will be issued in the face amount equal to the Debt Service Reserve Fund Requirement, and the premium therefore will be fully paid by the Issuer at the time of delivery of the Series 2003 Bonds.

### **Operating Reserve Fund**

The funds in the Operating Reserve Fund shall be used only (i) at any time for the purpose of curing deficiencies in the Sinking Fund or the Debt Service Reserve Fund, or both, (ii) when no such deficiencies exist, as needed for the purpose of paying the Cost of Operation and Maintenance, to the extent moneys on deposit in the Operation and Maintenance Account are insufficient therefor, or (iii) when no such deficiencies exist, as needed for the purpose of paying the cost of extensions, improvements or additions to, or the replacement of capital assets of the System, when amounts on deposit in the Renewal and Replacement Fund are insufficient therefor.

### **Renewal and Replacement Fund**

The funds in the Renewal and Replacement Fund shall be used only (i) at any time for the purpose of curing deficiencies in the Sinking Fund or the Reserve Fund, or both or (ii) when no such deficiencies exist, as needed for the purpose of paying the cost of extensions, improvements or additions to, or the replacement of capital assets of the System, including land, or any unusual or extraordinary maintenance or repairs which the Utilities Director of the County shall certify are necessary for the System; provided, however, that upon the certificate of the County's Qualified Independent Consultant that funds in the Renewal and Replacement Fund are not needed for the purposes described in clause (ii) above, and so long as no deficiencies described in clause (i) above exist, such excess funds may be used for the redemption prior to maturity of Bonds then Outstanding in the manner provided in the Bond Ordinance or the purchase at not more than the redemption price of such Bonds on the next ensuing redemption date. The County does not expect to pay any debt service on the Bonds from the Renewal and Replacement Fund nor does it expect that moneys in the Renewal and Replacement Fund will be available for such purpose. No amounts were transferred to the Renewal and Replacement Fund at the time of the acquisition of the Acquired System.

## **Rate Stabilization Fund**

Funds in the Rate Stabilization Fund may be used only for redeposit into the General Revenue Account, which amounts shall be included in Gross Revenues for purposes of calculating Net Revenues under the Bond Ordinance.

## **Additional Bonds**

Additional Bonds which will have an equal lien to the Pledged Revenues and rank equally in all other respects to the Series 2003 Bonds may be issued under the Bond Ordinance upon compliance with the following requirements:

(1) There shall have been obtained and filed with the Governing Body a certificate signed by one or more Qualified Independent Consultants, pursuant to which they shall state and certify the following:

(a) The actual Cost of Operation and Maintenance of the System as determined under generally accepted auditing standards, for any twelve (12) consecutive months out of the thirty (30) consecutive months immediately preceding the date of issuance of proposed Additional Bonds (the "Determination Period") adjusted to take into account any expected increases or decreases in the Cost of Operation and Maintenance of the System as a result of the construction or acquisition of additions, extensions and improvements to various components of the System to be financed by such Additional Bonds or otherwise, had such increases or decreases occurred at the beginning of the Determination Period (such Cost of Operations and Maintenance as adjusted being hereinafter referred to as the "Historical Adjusted Cost of Operation and Maintenance").

(b) The Gross Revenues received by the County during the Determination Period as determined under generally accepted auditing standards, adjusted to take into account expected increases in the Gross Revenues during the Determination Period that would have been realized from or as a result of (i) new customers of the System attributable to an existing water or wastewater system acquired after the beginning of the Determination Period, or to be acquired with such Additional Bonds before the end of the first Fiscal Year following the issuance of such Additional Bonds had such acquisition occurred at the beginning of the Determination Period, (ii) connections to the System shown in writing by the Qualified Independent Consultants to have been made after the beginning of the Determination Period as if such connections had occurred at the beginning of the Determination Period, (iii) new customers of the System that by ordinance, agreement, law or regulation will be required to connect to the System within three years of the issuance of such Additional Bonds, or which the Qualified Independent Consultant projects, by virtue of their proximity to the service provided by a Project or otherwise, will connect to the System within three years of the issuance of such Additional Bonds, as if such connections occurred at the beginning of the Determination Period, (iv) new customers which, prior to the delivery of such certificate, have paid a rate, fee or charge to reserve water or sewer capacity or to guarantee availability of water or sewer service, had such new customers been customers at the beginning of the Determination Period, and (v) any changes in the rate schedules for customers and users of the System which the County shall then have in effect, or has enacted by Ordinance on or before the date of such certificate and which the County has covenanted to put into effect prior to the issuance of such Additional Bonds, or any

of them, had such rate changes been effective on the first day of the Determination Period (such Gross Revenues as adjusted being hereinafter referred to as the "Historical Adjusted Gross Revenues");

(c) If Impact Fees are to be considered in meeting the tests described in subparagraph (e) below, the Impact Fees actually received by the County during the Determination Period, adjusted to take into account any expected increases in the annual Impact Fees anticipated to occur within three years of the issuance of such Additional Bonds had the reasons for such increases existed at the beginning of the Determination Period (such Impact Fees as adjusted being hereinafter referred to as the "Historical Adjusted Impact Fees");

(d) The amount of the Maximum Bond Service Requirement for any Bond Year thereafter on account of all Bonds then Outstanding under the Bond Ordinance and the Additional Bonds proposed to be issued under the Bond Ordinance; and

(e) Based upon the foregoing, it is such Qualified Independent Consultant's opinion that:

(i) The Historical Adjusted Gross Revenues will be at least equal to the sum of one hundred percent (100%) of the Historical Adjusted Cost of Operation and Maintenance, plus one hundred ten percent (110%) of the Maximum Bond Service Requirement on the Bonds and proposed Additional Bonds, plus debt service requirements on Subordinated Obligations, and

(ii) The sum of the Historical Adjusted Gross Revenues and the Historical Adjusted Available Impact Fees (as such term is hereinafter defined) will be at least equal to the sum of one hundred percent (100%) of the Historical Adjusted Cost of Operation and Maintenance, plus one hundred twenty-five percent (125%) of the Maximum Bond Service Requirement on the Bonds and proposed Additional Bonds;

(2) There shall be obtained and filed with the Governing Body a certificate from the engineer, who may be an employee of the County, supervising construction of such proposed Project that the balance of the funds in the subaccount in the Construction Fund together with net proceeds from such Additional Bonds and the other funds, if any, to be transferred from available moneys of the County and from grants, contributions in aid of construction and investment income, if any, that the County reasonably expects to receive or make available to pay the cost of such Project, will be sufficient to pay the cost of such Project remaining unpaid.

(3) Notwithstanding the requirements contained in subparagraphs (1) and (2) above, the County may, if and to the extent necessary, issue Additional Bonds for the purpose of completing any Project for which Bonds were theretofore issued and the proceeds of which were insufficient to pay the entire cost of construction thereof, provided that the principal amount of all series of Additional Bonds issued for such purpose with respect to any such Project shall not exceed, in the aggregate, ten percent (10%) of the principal amount of the series of Bonds initially issued to finance such Project, and provided further that the Chief Financial Officer of the County shall first certify that the amount of Additional Bonds

proposed to be issued, together with all other funds available to and committed or reserved by the County for use in connection with paying the costs of completing such Project, is not less than the amount required to complete the acquisition and construction of such Project.

(4) In addition to the foregoing, the County may issue at any time and from time to time Additional Bonds for the purpose of refunding any series of Bonds, or any maturity of Bonds within a series, without the necessity of complying with the requirements contained in subparagraphs (1) and (2) above, provided that prior to the issuance of such Bonds there shall be filed with the Governing Body of the County a certificate from a Qualified Independent Consultant to the effect that the Annual Bond Service Requirement with respect to such Additional Bonds in each Bond Year following the issuance thereof shall be equal to or less than the Annual Bond Service Requirement for such Bond Year with respect to the Bonds which would have been outstanding in that Bond Year had the same not been refunded. In addition, prior to the issuance of such Additional Bonds, there shall be filed with the Governing Body of the County an opinion of Bond Counsel to the effect that (i) the proceeds from the sale of such Additional Bonds will be or have been set aside in irrevocable escrow for the payment of the Bonds to be refunded in the manner described in the Bond Ordinance, and (ii) the issuance of such Additional Bonds and the use of the proceeds thereof as described above will not have the effect of causing the interest on any Bond then Outstanding under the Bond Ordinance (including the Bonds be refunded) to become includible in gross income for federal income tax purposes.

(5) The Chief Financial Officer of the County shall certify that the County is not in default in the performance of any of the covenants and obligations assumed by it under the Bond Ordinance, and that all payments herein required to have been made into the funds and accounts provided in the Bond Ordinance shall have been made in full to the extent required.

(6) The County Attorney or Bond Counsel shall submit an opinion to the Governing Body of the County to the effect that the issuance of such Bonds has been duly authorized and that all conditions precedent to the delivery of such Bonds have been fulfilled.

(7) Each ordinance, resolution or enabling instrument authorizing the issuance of Additional Bonds will recite that all of the covenants contained in the Bond Ordinance will be fully applicable to such Bonds as if originally issued under the Bond Ordinance.

Additional Bonds issued pursuant to the Bond Ordinance shall be deemed on a parity as to lien on the Pledged Revenues with all Bonds then Outstanding, and all of the covenants and other provisions of the Bond Ordinance shall be for the equal benefit, protection and security of the holders of any Bonds originally authorized and issued pursuant to the Bond Ordinance and the holders of any Bonds evidencing additional obligations subsequently created within the limitations of and in compliance with the Bond Ordinance. Bonds shall be issued only for the purpose of financing one or more Projects, or for the purpose of refunding any obligations theretofore issued for such purposes.

### **Subordinated Obligations**

The County covenants in the Bond Ordinance that it will not issue any obligations payable from the Net Revenues and/or the Impact Fees, or voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien of any Series 2003 Bonds, upon the Net Revenues and/or the Impact Fees, except under the

terms and conditions and in the manner provided therein. See "SECURITY FOR THE BONDS – Additional Bonds" herein. Any obligations issued by the County payable from the Net Revenues and/or the Impact Fees that are not Additional Bonds shall contain an express statement that such obligations are junior and subordinate in all respects to the Series 2003 Bonds issued under the Bond Ordinance as to lien on, and source of and security for payment from, the Net Revenues and/or the Impact Fees.

### **Investments**

Moneys held for the credit of the Funds and Accounts established under the Bond Ordinance shall be invested and reinvested by the County in the Investment Obligations (as such term is defined in "APPENDIX C – Form of Bond Ordinance" attached hereto). Such investments or reinvestments shall mature or become available not later than the respective dates, as estimated by the County, that the monies held for the credit of said Funds and Accounts will be needed for the purposes of such Funds or Accounts.

Obligations so purchased as an investment of moneys in any such Fund or Account shall be deemed at all times to be a part of such Fund or Account, and shall at all times, be valued annually at the end of each Bond Year at the cost thereof at the time of purchase or market value, whichever is less; provided, however, that investments in the Reserve Fund shall be valued no less than annually at the fair market value thereof.

Except as otherwise expressly provided in the Bond Ordinance, all income and profits derived from the investment of moneys in the Construction Fund, General Reserve Fund and the Impact Fee Account shall be retained in such Funds and Accounts and be used for the purposes specified for such Fund and Account. All income and profits derived from the investment of moneys in the Debt Service Reserve Fund shall be retained therein until the Debt Service Reserve Fund is fully funded; thereafter, such income and profits shall be deposited into the Construction Fund until the amount on deposit therein is sufficient for such purposes. All income and profits derived from the investment of moneys in all other Funds and Accounts created by the Bond Ordinance shall be deposited upon receipt into the General Revenue Account.

### **Maintenance of System**

The County covenants in the Bond Ordinance that it will maintain the System and all parts thereof in good condition and will operate the same in an efficient and economical manner, making such expenditures for such equipment, maintenance and repairs and for renewals and replacements thereof as may be proper for its economical operation and maintenance.

The System will be inspected and its operations reviewed annually by the County or, at the option of the County, by a Qualified Independent Consultant, and immediately following such inspection, a written report on the condition of the System and manner of operations will be filed with the County.

A copy of the report as it relates to the Enterprise Fund and the accounts therein will be available for inspection at the offices of the County, and mailed to any Bondholder requesting the same.

If the report shows that the System is not in good condition, then to the extent funds in the Operation and Maintenance Account or the Renewal and Replacement Fund or the funds on deposit in the Impact Fee Account are available, the County will immediately make or cause to be made such repairs as shall be necessary to place it in good condition.

If the report shows that the operations are not in conformity with any provisions of the Bond Ordinance, the County will immediately take such reasonable steps as are necessary to comply with such provisions.

### **No Free Services**

The County will not render or cause to be rendered any free services of any nature by its System, nor will any preferential rates be established for users of the same class; and in the event the County or any department, agency, instrumentality, officer or employee thereof shall avail itself of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances will be charged to the County and any such department, agency, instrumentality, officer or employee. Such charges will be paid as they accrue, and the County will transfer from its general funds sufficient sums to pay such charges. The revenues so received will be deemed to be revenues derived from the operation of the System, and will be deposited and accounted for in the same manner as other revenue derived from such operation of the System. Notwithstanding the foregoing, the County may provide effluent to use for golf course irrigation to Summer Beach, Ltd. and Long Point Development Company during the period of any existing contract relating thereto, without any extension of such contracts.

### **Mandatory Cutoff**

Upon the failure of any user to pay for services rendered by the System within sixty (60) days, the County, to the extent permitted by applicable law, will shut off the connection of such user and will not furnish him or permit him to receive from the System further service until all obligations owed by him to the County on account of services have been paid in full. Such covenant will not, however, prevent the County from causing the System connection to be shut off sooner.

### **Enforcement of Collections**

The County will diligently enforce its right to receive the Net Revenues and will diligently enforce and collect the fees, rates, rentals and other charges for the use of the products, services and facilities of the System. The County will not take any action that will impair or adversely affect its rights to levy, collect and receive the Net Revenues as provided in the Bond Ordinance, or impair or adversely affect in any manner the pledge of the Net Revenues made in the Bond Ordinance or the rights of the Bondholders. The County shall be unconditionally and irrevocably obligated, so long as any of the Bonds are Outstanding and unpaid, to take all lawful action necessary or required to continue to entitle the County to receive the Net Revenues and each component thereof in at least the amounts required by the Bond Ordinance.

### **No Competing System**

To the full extent permitted by law, the County will not grant, cause, consent to, or allow the granting of, any franchise or permit to any person for the furnishing of water distribution or wastewater collection and treatment services (other than that which is presently held by the Jacksonville Electric Authority) to or within the boundaries of the County, provided, however, that with respect to areas to which service is extended by the County, existing treatment facilities or septic tanks may continue in operation for reasonable periods necessary for integration with the System, to the extent that Net Revenues and Impact Fees of the System will not, in the opinion of the Qualified Independent Consultant, be adversely affected during such period. Nonetheless, the County may grant permits for septic tanks or temporary package plants if the area serviced is not



then being serviced by the System. The County will not own or operate a competing water or wastewater treatment or distribution system.

### **Connections with Sewer System**

In the Bond Ordinance, the County covenants that, except to the extent otherwise permitted thereunder, the County will, to the full extent permitted by law and within the capabilities of the System, subject to exception only in isolated hardship instances, require all lands, buildings and structures within the County fronting or abutting on the System or any part thereof or which can use the facilities and services of the System to connect with and use the facilities and services of the System and cease all other means and methods for the collection, purification, treatment and disposal of sewerage and liquid waste matter.

### **Imposition and Collection of Impact Fees**

The County will adopt and maintain an ordinance pursuant to which it will establish just and equitable Impact Fees, taking into account the recommendations of the Qualified Independent Consultant. The County will diligently enforce its rights to receive Impact Fees and will diligently enforce and collect the same. The County will not take any action that will impair or adversely affect its rights to impose, collect and receive the Impact Fees, as pledged in the Bond Ordinance, or impair or adversely affect the pledge of the Impact Fees made in the Bond Ordinance or the rights of the Bondholders.

### **Sale of the System**

The System may be sold or disposed of in whole or in substantial part by the County only upon the following conditions:

(1) The System may be sold or disposed of as a whole or in substantial part only if the net proceeds to be realized shall be sufficient to fully retire all of the Bonds issued pursuant to the Bond Ordinance, or to make provision for their payment in accordance with the Bond Ordinance and all other obligations payable pursuant to the terms thereof shall be paid in full.

(2) The County may also sell, lease, transfer or dispose of all or a substantial part of the System to any other public entity or agency thereof in the State of Florida provided (i) such public entity or agency assumes the covenants, duties and obligations of the County under the Bond Ordinance by ordinance, resolution or other appropriate written instrument, (ii) the County or such other public entity or agency thereof continues to collect, pledge and make available the Impact Fees, as provided in the Bond Ordinance, (iii) the County receives a certification of the Qualified Independent Consultant to the effect that the rates, fees, rentals and charges from the operation of the System by such public entity or agency, together with the remaining Net Revenues from that part of the System not sold, leased, transferred or disposed of and, to the extent appropriate, the Impact Fees, will be sufficient to satisfy the County's rate covenants contained in the Bond Ordinance and to pay in each year the debt service on the Bonds and the Cost of Operation and Maintenance and the deposits into the Reserve Fund and the Renewal and Replacement Fund as provided in the Bond Ordinance, (iv) in the opinion of Bond Counsel, such action will not cause the interest on the Bonds outstanding hereunder, or any of them, to become includible in gross income for federal income tax purposes, (v) the County shall have first received confirmation from any of the rating agencies initially rating the Bonds then Outstanding that such arrangement will not cause the rating on such Bonds to be lowered, and (vi) the documents evidencing such sale, lease, transfer or disposition shall otherwise comply in all material respects, in

form and substance, with the written recommendations of the Qualified Independent Consultant.

(3) The County may also lease the System or any part thereof to any other legal entity provided: (i) the System or such part shall, concurrently with such lease, be subleased to the County or to any other public entity or agency thereof in the State of Florida qualifying under the conditions described in the preceding paragraph, pursuant to an agreement with a term no shorter than the later of the final maturity date of any Bonds issued under the Bond Ordinance and (ii) the County shall first comply with all of the provisions of clauses (ii) through (vi) of the immediately preceding paragraph.

### MUNICIPAL BOND INSURANCE

**The following information has been furnished by MBIA Insurance Corporation ("MBIA" or the "Insurer") for use in this Official Statement. Reference is made to Appendix D herein for a specimen of the Bond Insurance Policy.**

MBIA's Bond Insurance Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the County to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to an Amortization Installment) and interest on, the Series 2003 Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by MBIA's Bond Insurance Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Series 2003 Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's Bond Insurance Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 2003 Bond. MBIA's Bond Insurance Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Series 2003 Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's Bond Insurance Policy also does not insure against nonpayment of principal of or interest on the Series 2003 Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Series 2003 Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Series 2003 Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Series 2003 Bonds or presentment of such other proof of ownership of the Series 2003 Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2003 Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of

MBIA as agent for such owners of the Series 2003 Bonds in any legal proceeding related to payment of insured amounts on the Series 2003 Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Series 2003 Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and MBIA set forth under this heading "MUNICIPAL BOND INSURANCE." Additionally, MBIA makes no representation regarding the Series 2003 Bonds or the advisability of investing in the Series 2003 Bonds.

The Financial Guarantee Insurance Policies are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2002; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Series 2003 Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2002, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room

in Washington D.,C. (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2002, MBIA had admitted assets of \$9.2 billion (audited), total liabilities of \$6.0 billion (audited), and total capital and surplus of \$3.2 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2003, MBIA had admitted assets of \$9.5 billion (unaudited), total liabilities of \$6.1 billion (unaudited), and total capital and surplus of \$3.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Moody's Investors Service rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2003 Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of either or both ratings may have an adverse effect on the market price of the Series 2003 Bonds. MBIA does not guarantee the market price of the Series 2003 Bonds nor does it guarantee that the ratings on the Series 2003 Bonds will not be reversed or withdrawn.

The insurance provided by the Bond Insurance Policy is not covered by the Florida Insurance Guaranty Association created under Chapter 631, Florida Statutes.

THE INFORMATION RELATING TO THE INSURER CONTAINED ABOVE HAS BEEN FURNISHED BY THE INSURER. NO REPRESENTATION IS MADE BY THE COUNTY OR THE UNDERWRITERS AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION OR THAT THERE HAS NOT BEEN ANY MATERIAL ADVERSE CHANGE IN SUCH INFORMATION SUBSEQUENT TO THE DATE OF SUCH INFORMATION. NEITHER THE COUNTY NOR THE UNDERWRITERS HAVE MADE ANY INVESTIGATION INTO THE FINANCIAL CONDITION OF THE INSURER, AND NO REPRESENTATION IS MADE AS TO THE ABILITY OF THE INSURER TO MEET ITS OBLIGATIONS UNDER THE BOND INSURANCE POLICY.

#### **ESTIMATED SOURCES AND USES OF FUNDS**

The following table sets forth the estimated sources and uses of the funds to be received from the sale of the Series 2003 Bonds (including accrued interest on the Series 2003 Bonds to the date of delivery):

Sources of Funds

Principal Amount of Series 2003 Bonds	\$
Accrued Interest	
Other Legally Available Funds <sup>(1)</sup>	
Plus Net Original Issue Premium	_____
Total Sources of Funds	\$

Uses of Funds

Deposit to pay Prior Note	\$
Deposit to Interest Account	
Deposit to Renewal and Replacement Fund	
Reimbursement of County Acquisition Costs	
Costs of Issuance <sup>(2)</sup>	_____
Total Uses	\$

<sup>(1)</sup> Consists of sinking fund moneys that were previously deposited to pay debt service on the Prior Note.  
<sup>(2)</sup> Includes legal and advisory fees, printing, bond insurance premium and debt service reserve fund surety premium and Underwriters' discount.

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## DEBT SERVICE SCHEDULE

Bond Year Ending <u>September 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2003	\$	\$	\$
2004			
2005			
2006			
2007			
2008			
2009			
2010			
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			

### THE SYSTEM

The County acquired the Amelia Island Water and Wastewater System (the "Acquired System") from Florida Water Services Corporation ("FWS") on March 31, 2003 by condemnation, financed with proceeds of the Prior Note. The Acquired System currently constitutes the County's System, and is divided into two departments: the Water System and Sewer System.

All customer security deposits were transferred to the County at the time of acquisition. FWS has continued to operate the System since its acquisition by the County, pursuant to an

Agreement for Temporary Operation of Utility, dated as of April 23, 2003 (the "Operations Agreement") between the County and FWS. The term of such Operations Agreement expired August 31, 2003, at which point the County assumed full responsibility for operation of the System. See "THE SYSTEM – Operations," herein.

### **Service Area**

The System service area is located entirely within the bounds of Nassau County, situated north of the Duval County line and south of the City of Fernandina Beach. The acquired system was developed to serve the Amelia Island Plantation community and areas and developments immediately adjacent to the north and south. The service area covers approximately 4,800 acres of residential, light commercial, and rural areas of Nassau County. The majority of the developed properties are single-family residential homes with the limited commercial development support facilities to the surrounding residents. Given that the remainder of the unincorporated area of Nassau County has been granted via franchise to JEA (formerly known as Jacksonville Electric Authority) for water and sewer service through the year 2031, it is unlikely that the System's service area will be expanded significantly in the near future. Moderate growth is expected within the existing service area based on the build-out of Amelia Island and extension of service to areas on the Island not currently served.

A petition was filed with the Florida Public Service Commission ("PSC") in July 2003 by the American Beach Property Owners' Association, Inc. ("ABPOA"), a property owners' association representing individuals residing or owning property in a community known as American Beach and located within the service area (but not served by the System), stating that FWS had committed to provide service to such area and asking the PSC to permit ABPOA to intervene in FWS' application to acknowledge its transfer of the System to the County. Such petition was denied by Order of the PSC dated August 21, 2003. The County has indicated its intent to undertake a study to determine the costs of providing service to such area and to pursue grants associated with the same. In the opinion of the County Attorney, the FWS action with respect to seeking acknowledgment and approval of the transfer of the System to the County does not affect the validity of the County's ownership and operation of the System. A small water system known as the Bobby Dollison American Beach Water System currently serves 25 ERC's within the American Beach area.

### **Water System**

The Water System includes water supply wells with associated disinfection and chemical addition facilities, water storage tanks, and approximately 49 miles of water transmission and distribution lines ranging in size from 1 to 16 inches in diameter. The water portion of the acquired System as of December 31, 2002 had 2,319 water customers.

The Water System has two operating raw water supply wells with depths of 759 and 1,016 feet drawing water from the Floridan aquifer. The system operates under the St. Johns River Water Management District (SJWMD) Consumptive Use Permit (CUP) No. 50087. The permit was issued on July 9, 2002 and will expire December 31, 2021. The County has no reason to expect that such permit will not be extended. The Consumptive Use Permit allows a maximum annual withdrawal of 689.485 million gallons in 2003 rising to 1,060.325 million gallons in 2021 and 4.03 million gallons as the maximum daily withdrawal for fire protection. The permit also authorizes the construction of two new wells ("3-AI") and "4-AI") and requires the installation of a groundwater-monitoring well ("5-Monitoring Well"). Well 3-AI is complete but requires piping, the pump, and electrical controls in order to be placed in service. Well 5 is also complete. Well 4-AI has been permitted but not yet implemented. It is included in the County's five-year capital improvement plan.

The Water System includes one water treatment plant. Due to the good water quality in the area, the treatment train includes only disinfection facilities, chemical addition, storage and high service pumping. The System's wells pump water to an aerated tank. The aerated water is chlorinated for disinfection prior to distribution. The system includes remote storage and a repumping booster station.

The Water System includes two ground storage tanks and two hydropneumatic tanks. One ground tank storage and one hydropneumatic tank are located on the plant site and the others are located at the repump station. The repump station includes high service pumps and fire pumps.

The current capacity of the treatment facility is 2.016 MGD based on the capacity of one of the two wells (1-AI or 2-AI) out of service and a maximum day capacity of 4.032 MGD utilizing both wells. When well 3-AI is placed in service the system should have a capacity of 4.03 MGD with one well out of service and a maximum capacity of 6.05 MGD.

The Water System has approximately 49 miles of water distribution pipelines. The water distribution system serves a relatively compact customer base. The County has continued FWS' program of routine line flushing to reduce bacteriological growth and to maintain chlorine residual levels throughout the distribution system.

The Consulting Engineers' Report with respect to the System (see Appendix G attached hereto) states that no apparent problems with the water utility facilities at the Acquired System were noted during the Consulting Engineer's due diligence investigation. In the opinion of the Consulting Engineers, the water system is in generally good condition, properly maintained, and typical of other systems of comparable age.

#### WATER SYSTEM CUSTOMERS

<u>Customer Class</u>	<u>Installed Meters</u>	<u>Percent of Total Customers</u>	<u>Meter Equivalents</u>	<u>Percent of Total ERCs</u>
Single Family (individually metered)	2,376	88.3%	2,499	56.3%
Commercial and Public Authority	<u>314</u>	<u>11.7%</u>	<u>1,943</u>	<u>43.7%</u>
TOTALS	2,690	100.0%	4,442	100.0%

Source: Consulting Engineers' Report.  
 (1) As of December 31, 2002



## WATER PRODUCTION

<u>Year Ending December 31,</u>	<u>Allowable Average Daily Withdrawal mgd<sup>(1)</sup></u>	<u>Average Daily Flow, mgd</u>	<u>Treatment Capacity mgd <sup>(1)</sup></u>	<u>Percent Capacity Utilized <sup>(2)</sup></u>	<u>Maximum Daily Flow, mgd</u>	<u>Maximum Capacity mgd <sup>(3)</sup></u>	<u>Percent Capacity Utilized <sup>(4)</sup></u>
1998	1.29	1.379	2.016	71.9%	2.85	4.03	70.8%
1999	1.36	1.449	2.016	77.8	2.68	4.03	66.4
2000	1.42	1.568	2.016	74.2	2.32	4.03	57.6
2001	1.43	1.495	2.016	74.2	2.91	4.03	72.1
2002	1.71	1.546	2.016	76.7	3.07	4.03	76.1

Source: Consulting Engineers' Report.

(1) Percent of treatment capacity.

(2) CUP limits the maximum daily flow to 4.03 mgd.

(3) Percent of maximum capacity.

## WATER SYSTEM USAGE

<u>Calendar Year Ended December 31<sup>(1)</sup></u>	<u>Average Annual Water Equivalent Residential Connections</u>	<u>Average Daily Demand (gallons)</u>	<u>Maximum Monthly Average Peak Daily Demand (gallons)</u>	<u>Average Daily Water Use per ERC</u>
1998	2,740.75	1,379,277	2,853,000	503.25
1999	2,979.75	1,448,641	2,675,000	486.16
2000	3,187.00	1,567,760	2,322,000	491.92
2001	3,376.25	1,499,391	2,905,170	444.10
2002	3,382.44	1,545,776	3,067,498	457.00

Source: Consulting Engineers' Report.

(1) Historical Data provided by FWS.

### Water Rates

Each consumer of County water must put up a cash deposit with the County or establish credit satisfactory to the County prior to institution of service. This deposit is applied to a consumer's bill in the event of non-payment, with the remainder refunded upon discontinuance of water service. All water deposits collected are separated from other County funds and deposited in an escrow account under the title "Water Deposit-Escrow Account." Funds in the Water Deposit-Escrow Account shall not normally be used for any purpose, other than customer water deposit refunds to customers; however, excess funds may be transferred by actions of the Board of County Commissioners. Funds in the Water Deposit-Escrow Account and earnings therefrom, if any, are not part of the Pledged Revenues.

Rates for water service (effective October 1, 2003, as described below) shall include:

(a) Flat monthly service charge per meter, as follows:

5/8" X 3/4"	\$ 5.38
3/4"	8.09
1"	13.46
1-1/2"	26.91
2"	43.05
3"	86.09
4"	134.53
6"	269.03
8"	430.47
10"	618.80

(b) In addition to the flat monthly charges, a charge for all water used, per Equivalent Residential Unit, as determined by the County water meter (per thousand gallons):

1.13

(c) Any customer who requests that service be temporarily interrupted/disconnected will also pay a shut-off fee of thirty dollars (\$30.00) and a turn-on fee of fifteen dollars and seventy-five cents (\$15.75) when the service is restored.

The County maintains a separate schedule for fire-protection-only service as follows:

<u>Meter Size</u>	<u>Charge Per Billing Period</u>
2"	\$3.58
3"	\$7.18
4"	\$11.22
6"	\$22.42
8"	\$35.87
10"	\$51.57

The County continued the water rates utilized by FWS for the period after acquisition of the System by the County. The County imposed a 5% rate increase, effective October 1, 2003. Based upon the Financial Feasibility Report prepared by Burton & Associates of Jacksonville, Florida (see Appendix H hereto), with respect to water rates and water impact fees, no further increase in water rates is projected for the period ending September 30, 2008.

### **Cost of Connection to Water System**

The County charges and collects from all applicants for connection to the County water distribution system charges (the water "Impact Fees") as set forth in the following schedule (effective October 1, 2003) to cover the expense of tapping water mains and installing meters:

<u>Diameter of water service (inches)</u>	<u>Meter Installation Charges</u>	<u>Service Installation Charges</u>
5/8 x 3/4	\$94.50	\$150.15
3/4	115.50	150.15
1	147.00	161.70
1-1/2	315.00	212.63
2	404.25	257.25
3 and larger	Actual Cost	Actual Cost

In addition to service installation charges and meter installation charges, the County requires and collects, from every applicant for water connection, a payment to cover the cost of increasing the water system production capacity as follows:

	<u>Per ERC</u>	<u>Per Foot/Gallon Equivalent</u>
Main Extension Charge	\$468.30	\$7.15
Plant Capacity Charge	933.33	3.65 <sup>(1)</sup>

<sup>(1)</sup>Based upon average usage of 255 gallons per day per ERC

In addition, the County imposes a flat charge of \$660 per ERC as an "allowance for funds prudently invested" to account for carrying costs associated with capacity improvements previously placed in service and for which the current water Impact Fees were imposed.

Under Florida law, impact fees may only be expended to cover the cost of expansion of the System necessary to service new customers by virtue of new construction or development, and to satisfy debt service for bonds or other obligations issued for such purposes. See "SECURITY FOR THE BONDS – General" herein for more information relating to impact fees.

## **Sewer System**

The Sewer System consists of a wastewater treatment plant (WWTP), approximately 30 miles of gravity sewer lines, 37 lift stations, 20 miles of force main and 3.5 miles of reuse or effluent force mains. The sewer portion of the Acquired System, as of December 31, 2002, had 2,142 customers.

The Sewer System operates under FDEP operating permit number FLA01168. The permit was issued on February 19, 1999 and expires on February 18, 2004. An application to renew the permit has been submitted as of August of 2003. The County has no reason to expect that the permit will not be extended. The average daily loading to the facility, as of December 31, 2002, was 0.647 MGD. Because the current flow to the facility is greater than 50% of the permitted flow of 0.950 MGD, the new permit can be expected to require that the County begin planning and possibly the design work for expansion of the treatment facility.

The permit authorizes the operation of a 0.950 MGD permitted capacity advanced secondary activated sludge wastewater treatment facility consisting of the following:

1. Influent screening.

2. Two flow equalization basins with a total volume of 170,000 gallons
3. Two 210,000 gallon aeration basins
4. Two 186,500 gallon anoxic basins
5. Two 182,000 gallon secondary clarifiers
6. Two 198 sq ft high rate effluent filters
7. Two chlorine contact chambers with a total volume of 30,000 gallons
8. One 158,000 gallon aerobic digester
9. One lined 1,000,000 gallon reject effluent storage pond
10. One un-lined 2,900,000 gallon effluent irrigation storage pond

Wastewater residuals are treated to Class B stabilization requirements and land applied. If Class B stabilization requirements are not met, wastewater residuals are transported to a FDEP permitted regional residuals treatment facility, treated and land applied.

Treated effluent from the facility is permitted to discharge to a 1.585 MGD AADF slow-rate public access reclaimed water irrigation system consisting of three golf courses located within the service area. The County has contracts in place to dispose of said waste water which extend until 2005. The County expects to begin charging for receipt of reclaimed water upon expiration of such contracts.

The Sewer System contains approximately 30 miles of gravity sewer lines and 20 miles of force main. The Sewer System has 37 lift stations serving the wastewater collection system. The lift stations include seven drywell stations, six suction lift stations and 24 stations with submersible pumps. The pumps range in size from 1 to 25 horsepower with wetwells ranging in depth from less than 8 feet to greater than 15 feet. According to the Consulting Engineer's Report (see Appendix G herein), the lift stations are generally in good condition but require a normal amount of attention and maintenance. The County intends to continue FWS' ongoing program of upgrading the stations on a rotating basis.

The Consulting Engineer's Report states that no apparent problems with the wastewater utility facilities at the Acquired System were noted during the Consulting Engineer's due diligence investigation. The wastewater is in generally good condition typical of other systems of comparable age.

### **Sewer System Customers**

The County has indicated, based upon the determinations of the Consulting Engineer, that the number of single family wastewater customers as opposed to its other customers is roughly equivalent to the proportion of single family water customers to other water customers as described above in the table under the heading "WATER SYSTEM CUSTOMERS."

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## TREATED WASTEWATER FLOWS

Calendar Year Ended <u>December 31</u>	Average Annual Wastewater Equivalent Residential <u>Connections</u>	Annual Average Daily Flow (gallons)	Maximum Monthly Average Daily Peak Flow (gallons)	Average Daily Flow per ERC	Permitted Capacity (gallons)	Percent Capacity Utilized
1998	2,448.25	672,011	897,000	274.49	950,000	70.7%
1999	2,675.25	562,948	678,000	210.43	950,000	59.3
2000	2,862.75	627,189	765,000	219.09	950,000	66.0
2001	3,016.25	646,888	793,498	213.887	950,000	67.9
2002	3,214.25	648,186	797,269	201.66	950,000	68.2

Source: Consulting Engineer's Report.

### Sewer Rates

The County does not meter sewer system service, but charges for sewer service based on water consumption. Residential customers are charged for sewer service based on water used up to 6,000 gallons; there are no sewer service charges related to water used by a residential customer in excess of 6,000 gallons. Commercial customers are charged for sewer service based on all water consumed. Monthly sewage service residential rates are \$16.64 per ERC, plus \$3.37 per 1,000 gallons.

General and multifamily sewer rates are as follows:

#### General and Multifamily Base Sewer Fee

<u>Meter Size</u>	<u>Charge</u>
5/8" x 3/4"	\$ 16.64
3/4"	24.94
1"	41.58
1-1/2"	83.15
2"	133.04
3"	266.05
4"	415.70
6"	831.39
8"	1,330.22
10"	1,912.20

Each multifamily and general customer is also billed a gallonage charge of \$4.04 per 1,000 gallons.

The County continued the sewer rates utilized by FWS for the period after acquisition of the System by the County. The County has imposed a 5% rate increase, effective October 1, 2003. Based upon the Financial Feasibility Report by Burton & Associates of Jacksonville, Florida (see Appendix H hereto) with respect to the sewer rates and sewer impact fees, no further increase in sewer rates is projected for the period ending September 30, 2008.

## Cost of Connection to the Sewer System

The County also imposes the following, which it characterizes as sewer Impact Fees for purposes of the Resolution.

The County collects a fee for service availability as follows per connection:

<u>Size</u>	<u>Charge</u>
4" (unpaved)	\$178.50
6" (unpaved)	238.35
5" (paved)	575.40
6" (paved)	635.25

The County also imposes the following fees.

	<u>Per ERC</u>	<u>Per Foot/Gallon Equivalent</u>
Main Extension Charges	\$ 504.00	7.75 <sup>(1)</sup>
Plant Capacity Charges	1,733.33	10.12 <sup>(2)</sup>

<sup>(1)</sup> Per ERC, with an ERC = 217 gpd, and per foot equivalent based upon 65 foot per lot

<sup>(2)</sup> Per ERC, with an ERC = 171 gpd

The ten (10) largest users of the Water System and Wastewater System as of December 31, 2002 are described below:

### WATER SYSTEM AND WASTEWATER SYSTEM LARGEST USERS

<u>Customer Name</u>	<u>Annual Average Monthly Consumption, (000,000s)</u>	<u>Annual Average Monthly Revenue</u>	<u>% of Total System Revenue</u>	<u>% of Total System Volume</u>
Ritz Carlton	4.751	\$ 17,455	9.6%	11.1%
Amelia Island Company <sup>(1)</sup>	1.854	10,826	5.9	4.3
Amelia Island Company <sup>(1)</sup>	1.242	7,048	3.9	2.9
Amelia Surf & Racquet Association	0.505	3,523	1.9	1.2
Sandcastle Association	0.564	3,376	1.9	1.3
Demetree Enterprises	0.512	3,357	1.8	1.2
Shipwatch Association	0.467	3,254	1.8	1.1
Back Walker Villas Association	0.386	2,703	1.5	0.9
Nassau Beach Development Venture	0.413	2,609	1.4	1.0
Turtle Dunes Condominium Association	0.217	1,588	0.9	0.5
TOTALS:	10.911	\$55,729	30.6	25.4

Source: Consulting Engineers' Report.

<sup>(1)</sup> Represent common ownership, totaling 8.4% usage of the total System.

## Comparable Water and Sewer Rates

The table below compares water and sewer monthly bills of the County with those of comparable localities.

### COMPARISON OF TYPICAL MONTHLY RESIDENTIAL BILLS FOR WATER AND SEWER SERVICE WITH VARIOUS OTHER UTILITIES<sup>(1)</sup> (Based on Usage of 6,400 Gallons)

<u>Utility</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Nassau County	\$12.03	\$35.11	\$47.14
City of Fernandina Beach <sup>(2)</sup>	15.41	24.00	39.41
JEA <sup>(3)</sup>	13.44	28.23	41.67
Jacksonville Beach	20.63	32.44	53.07
Atlantic Beach	11.61	35.37	46.98
Neptune Beach	11.44	40.39	51.84
Palm Coast	33.31	27.93	61.24
St. Augustine	27.10	36.98	64.08
Flagler Beach	22.90	27.40	50.30
Hilliard	20.35	25.43	45.78
St. Johns County	31.17	29.86	61.03

Source: Consulting Engineers' Report

<sup>(1)</sup> Unless otherwise noted, amounts shown reflect residential rates in effect as of August 2003 and are exclusive of taxes or franchise fees, if any. All rates are as reported by the respective utility. This comparison is intended to show comparable charges for similar service for comparison purposes only and is not intended to be a complete listing of all sales and charges offered by each listed utility.

<sup>(2)</sup> Represents rates inside the city. Service outside the city includes a 25% surcharge.

<sup>(3)</sup> Wastewater is charged from April to September at 90% of actual usage up to 30 ccf (22,400 gallons). Areas in which service is provided by Florida Water Services have a lower wastewater rate of \$25.75.

## Historical Revenues and Expenses by Category

The following table sets forth the historical revenues and expenses of the Acquired System for the past three (3) calendar years:

	<u>Years Ended September 30</u>		
	<u>2000</u>	<u>2001</u>	<u>2002</u>
Gross Revenues	\$2,143,070	\$2,251,195	\$2,227,807
Cost of Operation and Maintenance	951,823	962,612	1,063,311

Source: Financial Feasibility Report, based on information provided by FWS.

## Historical Revenues, Expenses and Pro Forma Debt Service Coverage

The following table sets forth the historical revenues and expenses of the Acquired System and pro forma debt service coverage for the past three (3) fiscal years:

	<u>2000</u>	<u>2001</u>	<u>2002</u>
Gross Revenues <sup>(1)</sup>	\$2,143,070	\$2,251,195	\$2,227,807
Cost of Operation and Maintenance	<u>951,823</u>	<u>962,612</u>	<u>1,063,311</u>
Net Revenues	\$1,191,247	\$1,288,583	\$1,164,496
Impact Fees <sup>(2)</sup>			
Water Impact Fees	182,299	322,512	148,841
Sewer Impact Fees	<u>358,235</u>	<u>123,254</u>	<u>182,535</u>
Subtotal	\$1,731,781	\$1,734,349	\$1,495,872
Maximum Annual Debt Service on Series 2003 Bonds <sup>(3)</sup>	\$1,213,700	\$1,213,700	\$1,213,700
Pro Forma Debt Service Coverage on Net Revenues <sup>(1) (4)</sup>	0.98 x	1.06 x	0.96 x
Pro Forma Debt Service Coverage on Net Revenues plus Impact Fees <sup>(4)</sup>	1.43 x	1.43 x	1.23 x

<sup>(1)</sup> As described under the caption "THE SYSTEM -- Water Rates" and "-- Sewer Rates," the County has implemented a 5% rate increase effective October 1, 2003. The revenues shown in this table do not reflect such increase. See "APPENDIX H - Financial Feasibility Report" for the County's feasibility consultant's projection of future debt service coverage.

<sup>(2)</sup> Based on amounts listed as contributions in aid of construction on annual reports filed by FWS for the applicable years. Such amounts may include property other than cash and adjustments for prior year amounts. The Expansion Project Percentage, as defined in the Bond Ordinance, has been calculated by the Consulting Engineer as 100% with respect to the Series 2003 Bonds. See "SECURITY FOR THE BONDS - General" herein.

<sup>(3)</sup> Estimated Maximum Annual Debt Service on Series 2003 Bonds based upon an assumed true interest cost of 4.92% and a final maturity of September 1, 2033.

<sup>(4)</sup> See "SECURITY FOR THE BONDS - Additional Bonds" herein. The County cannot issue Additional Bonds on parity as to lien on Pledged Revenues as to the Series 2003 Bonds unless it can demonstrate, for a particular 12-month period, that (i) Historical Adjusted Gross Revenues plus Historical Adjusted Impact Fees shall equal at least 100% of the Historical Adjusted Cost of Operation and Maintenance and 125% of the Maximum Bond Service Requirement, and (ii) Historical Adjusted Gross Revenues alone shall equal at least 100% of the sum of Historical Adjusted Cost of Operation and Maintenance, plus 110% of the Maximum Bond Service Requirement, plus the debt service requirements on Subordinated Obligations. Also see "SECURITY FOR THE BONDS - Rate Covenant" herein. The rate covenant requires the County to fix, establish, revise from time to time whenever necessary, maintain and collect rates, rentals and other charges for the use of products, services and facilities of the System that will provide (i) Gross Revenues in each Bond Year to pay at least 100% of the Cost of Operation and Maintenance for such Bond Year, plus the 110% of the Bond Service Requirement for the Bonds in such Bond Year, plus the payment of annual debt service on Subordinated Obligations, and (ii) Gross Revenues and Available Impact Fees at least equal to 100% of the Cost of Operation and Maintenance for such Bond Year and 125% of the Bond Service Requirement for the Bonds in such Bond Year.

Source: Financial Feasibility Report



## **Developer Agreements**

The County has assumed the obligations of FWS under ten separate developer agreements, obligating the County to provide water and wastewater service to additional customers. In the opinion of the Consulting Engineer, such obligation has been taken into account in both the County's capital improvement plan and its revenue and expense projections.

## **Future Capital Requirements**

The County currently plans on improving the System to meet current and future sewer demands. Planned improvements to occur on or before September 30, 2008 include renewals and replacements as well as capital projects which increase System capacity, and total approximately \$4,350,000. The largest projects within this projection of needs includes approximately \$2,500,000 for wastewater plant expansion, which needs are projected to occur in the fiscal years ended September 30, 2006 and September 30, 2007. All of the County's needs described above are expected to be paid from System revenues, impact fees, and/or grant funds.

## **Regulatory Status**

The County is in full compliance with all applicable federal and state regulatory requirements relating to the System and there are currently no outstanding consent orders requiring corrective actions that have been issued by any regulatory authority relating to any component of the System. The County is operating all of its water production facilities and wastewater treatment plants pursuant to unexpired permits issued by the requisite regulatory agencies. The County is current on all permit renewals. The water produced by the System meets all federal and state regulatory primary drinking water standards.

## **Operations**

As stated above, the County took over operation of the System from FWS when the Operations Agreement expired on August 31, 2003. The County expects to send the monthly bills for the System commencing September 2003. As of September 1, 2003 all of the seven employees currently employed by FWS in the operation of the System became employees of the County and continue in their same positions. The Consulting Engineer has stated that the staff members are thoroughly familiar with the layout, operation, maintenance and permitting procedures needed to operate the System safely, effectively and in compliance with regulatory requirements. See "APPENDIX G – Report of the Consulting Engineer." The Financial Feasibility Consultant (see Appendix H attached hereto) projects that the County's costs of operation and maintenance of the System will increase over the annualized FWS operating costs for the year ended September 31, 2002 (less costs of operations and maintenance associated with private ownership such as regulatory fees and directors salaries) by a 3.5% annual inflation rate.

## **RISK FACTORS**

The future financial condition of the System could be affected adversely by, among other things, legislation, environmental and other regulatory actions as set forth above, changes in demand

for services, economic conditions, demographic changes, and litigation. In addition to those items listed above, some of the possible changes in the future may include, but not be limited to, the following:

1. The facilities of the System are subject to regulation and control by numerous federal, state and local governmental agencies. Neither the County nor its consultants can predict future policies such agencies may adopt. Future changes could result in the County having to discontinue operations at certain facilities or to make significant capital expenditures and could generate substantial litigation.

2. Historical revenues and expenses presented in this Official Statement may not necessarily be indicative of future performance. Revenues and expenses relating to the System are subject to, among other things, future economic growth and other conditions which are unpredictable and which may adversely affect such revenues and expenses, and in turn, the payment of the Series 2003 Bonds.

3. Historical revenues and expenses presented in this Official Statement reflect the prior ownership of the Acquired System by FWS, a private company, and may not necessarily be indicative of the costs of public ownership of a utility system.

4. Although the County has hired the employees of FWS who previously ran the Acquired System, the County has no prior experience in running a water and sewer system.

### **INVESTMENT POLICY**

The County's investment policy applies to all financial assets held or controlled by the County, other than pension trust, or bond funds where there are other existing policies or indentures in effect. For information relating to the investment of moneys on deposit in funds and accounts created pursuant to the Bond Ordinance, please see "APPENDIX C – Form of Bond Ordinance" attached hereto.

The County limits investments to (1) the Florida Local Government Surplus Funds Trust Fund; (2) negotiable direct obligations, the principal and interest of which are unconditionally guaranteed by the United States government; (3) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by United States agencies, provided such obligations are backed by the full faith and credit of the United States government; (4) bonds, debentures, notes or others evidences of indebtedness issued or guaranteed by certain non-full faith credit agencies of the United States government; (5) non-negotiable interest-bearing time certificates of deposit or savings accounts in certain banks and savings associations; (6) repurchase agreements comprised only of those investments identified in sections (2), (3) and (4) above; (7) derivative securities, but only as recommended by the County's money manager, excluding reverse repurchase agreements, floating rate securities with coupons floating inversely to an index, certain tranches of CMOs and securities with future coupons which may be suspended because of movement of interest rates or an index, and (8) any investment authorized or permitted by Florida law controlling the investment of public funds of a county. It is the policy of the County to control investment risk and at the same time provide the best rate of return.

The County may revise the aforementioned investment policy from time to time.

### **LEGAL MATTERS**

Certain legal matters in connection with the issuance of the Series 2003 Bonds are subject to an approving legal opinion of Rogers Towers, P.A., Jacksonville, Florida, Bond Counsel, whose approving opinion (a form of which is attached hereto as "APPENDIX E – Form of Bond Counsel Opinion") will be available at the time of delivery of the Series 2003 Bonds. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Official Statement or otherwise shall create no implication that subsequent to the date of the opinion Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion. Certain legal matters will be passed on for the County by Michael Mullin, Esq., County Attorney, Fernandina Beach, Florida. Certain legal matters will be passed on for the Underwriters by Nabors, Giblin & Nickerson, P.A., Tampa, Florida.

### **LITIGATION**

There is no pending or, to the knowledge of the County, any threatened litigation against the County of any nature whatsoever which in any way questions or affects the validity of the Series 2003 Bonds, or any proceedings or transactions relating to their issuance, sale, execution, or delivery, or the enactment of the Bond Ordinance, or the pledge of the Pledged Revenues, or the acquisition of the Acquired System. Neither the creation, organization or existence, nor the title of the present members of the Board of County Commissioners, or other officers of the County is being contested.

The County experiences claims, litigation, and various legal proceedings which individually are not expected to have a material adverse effect on the operations or financial condition of the County or the System, but may, in the aggregate, have a material impact thereon. In the opinion of the County Attorney, however, the County will either successfully defend such actions or otherwise resolve such matters without any material adverse consequences on the financial condition of the County or the System.

### **DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS**

Pursuant to Section 517.051, Florida Statutes, as amended by Chapter 87-316, Laws of Florida, no person may directly or indirectly offer or sell securities of the County except by an offering circular containing full and fair disclosure of all defaults as to principal or interest on its obligations since December 31, 1975, as provided by rule of the Florida Department of Banking and Finance (the "Department"). Pursuant to Rule 3E-400.003, Florida Administrative Code, the Department has required the disclosure of the amounts and types of defaults, any legal proceedings resulting from such defaults, whether a trustee or receiver has been appointed over the assets of the County, and certain additional financial information, unless the County believes in good faith that such information would not be considered material by a reasonable investor. The County is not and has not been in default on any bond issued since December 31, 1975 which would be considered material by a reasonable investor.

## TAX MATTERS

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2003 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Series 2003 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Bond Counsel is also of the opinion that the Series 2003 Bonds and the interest thereon are exempt from taxation under existing laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, banks and savings associations. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX E hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2003 Bonds. The County has made representations related to certain of these requirements and has covenanted to comply with certain restrictions designed to insure that interest on the Series 2003 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2003 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2003 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2003 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2003 Bonds.

Certain agreements, requirements and procedures contained or referred to in the Bond Ordinance, the Tax Certificate to be executed by the County simultaneously with the issuance of the Series 2003 Bonds and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Series 2003 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in the Bond Ordinance. Bond Counsel expresses no opinion as to any Series 2003 Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Bond Counsel.

Although Bond Counsel is of the opinion that interest on the Series 2003 Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2003 Bonds may otherwise affect a beneficial owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

In addition, no assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Series 2003 Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Series 2003 Bonds from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Series 2003 Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the Internal Revenue Service (the "IRS"), including but not limited to regulation, ruling, or selection of the Series 2003 Bonds for audit examination, or the course or result of any IRS examination of the Series 2003 Bonds, or obligations which present similar tax issues, will not affect the market price for the Series 2003 Bonds. The IRS has initiated a program of expanded audits of tax-exempt bonds.

### **RATINGS**

Fitch Ratings ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") are expected to assign their municipal bond ratings of "AAA," "Aaa" and "AAA," respectively, to the Series 2003 Bonds with the understanding that upon delivery of the Series 2003 Bonds, the Bond Insurance Policy insuring the timely payment of the principal and interest on the Series 2003 Bonds will be issued by the Insurer. In addition, \_\_\_\_\_ and \_\_\_\_\_ have assigned their underlying municipal bond ratings of "\_\_\_\_" and "\_\_\_\_," respectively, without giving any regard to such Bond Insurance Policy. The ratings reflect only the views of said rating agencies and an explanation of the ratings may be obtained only from said rating agencies. There is no assurance that such ratings will continue for any given period of time or that they will not be lowered or withdrawn entirely by the rating agencies, or any of them, if in their judgment, circumstances so warrant. A downward change in or withdrawal of any of such ratings, may have an adverse effect on the market price of the Series 2003 Bonds. An explanation of the significance of the ratings can be received from the rating agencies, at the following addresses: Fitch, Ratings, One State Street Plaza, New York, New York 10004; Moody's, 99 Church Street, New York, New York, 10007-2796 and Standard & Poor's, 55 Water Street, New York, New York, 10004.

### **FINANCIAL ADVISOR**

The County has retained William R. Hough & Co., Jacksonville, Florida, as financial advisor in connection with the County's financing plans and with respect to the authorization and issuance of the Series 2003 Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and is not obligated to review or ensure compliance with the undertaking by the County to provide continuing secondary market disclosure. The Financial Advisor did not participate in the underwriting of the Series 2003 Bonds.

### **AUDITED FINANCIAL STATEMENTS**

The General Purpose Financial Statements of the County as of September 30, 2002, and for the year then ended, have been audited by Farmand, Farmand & Farmand, P.A., Fernandina Beach,

Florida (the "Independent Certified Public Accountant") as stated in their report included in "APPENDIX B – Excerpts of Audited Financial Statements of the County" attached hereto. Such statements speak only as of September 30, 2002. The Independent Certified Public Accountant has consented to the use of such report herein.

The Series 2003 Bonds are payable solely from the Pledged Revenues as described in the Bond Ordinance and the Series 2003 Bonds are not otherwise secured by, or payable from, the general revenues of the County. The Acquired System was acquired subsequent to the date of the above-referenced financial statements. The General Purpose Financial Statements are presented for general information purposes only. See "THE SYSTEM," herein, "APPENDIX G – Report of the Consulting Engineer," and "APPENDIX H – Financial Feasability Report" for a description of certain historical information relating to the Acquired System.

### **UNDERWRITING**

The Series 2003 Bonds are being purchased by SunTrust Capital Markets, Inc. and A.G. Edwards & Sons, Inc. (the "Underwriters") at an aggregate purchase price of \$\_\_\_\_\_ (which includes net original issue premium of \$\_\_\_\_\_ and Underwriters' discount of \$\_\_\_\_\_), plus accrued interest. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Series 2003 Bonds if any Series 2003 Bonds are purchased. The Series 2003 Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2003 Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have reviewed the information in this Official Statement in accordance with and, as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guaranty the accuracy or completeness of such information.

### **CONTINGENT FEES**

The County has retained Bond Counsel and the Financial Advisor, with respect to the authorization, sale, execution and delivery of the Series 2003 Bonds. Payment of the fees of such professionals, the fees of Underwriter's Counsel and a discount to the Underwriters are each contingent upon the issuance of the Series 2003 Bonds.

### **ENFORCEABILITY OF REMEDIES**

The remedies available to the owners of the Series 2003 Bonds upon an event of default under the Bond Ordinance and the Bond Insurance Policy are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically the federal bankruptcy code, the remedies specified by the Bond Ordinance, the Series 2003 Bonds and the Bond Insurance Policy may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2003 Bonds, including Bond Counsel's approving opinion, will be

qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery. See "APPENDIX C – Form of Bond Ordinance," attached hereto for a description of events of default and remedies.

### **CONTINUING DISCLOSURE**

The County has covenanted for the benefit of the Series 2003 Bondholders to provide certain financial information and operating data relating to the County and the Series 2003 Bonds in each year, and to provide notices of the occurrence of certain enumerated material events. The County has agreed to file annual financial information and operating data and the audited financial statements with each nationally recognized municipal securities information repository then approved by the Securities and Exchange Commission (the "NRMSIRs"), as well as any state information depository that is established in the State of Florida (the "SID"). Currently, there are no such SIDs for the State of Florida. The County has agreed to file notices of certain enumerated material events, when and if they occur, with the NRMSIRs or the Municipal Securities Rulemaking Board, and with the SIDs, if any.

The specific nature of the financial information, operating data, and of the type of events which trigger a disclosure obligation, and other details of the undertaking are described in "APPENDIX F – Form of Continuing Disclosure Certificate" attached hereto. The Continuing Disclosure Certificate shall be executed by the County prior to the issuance of the Series 2003 Bonds. These covenants have been made in order to assist the Underwriters in complying with the continuing disclosure requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule").

With respect to the Series 2003 Bonds, no party other than the County is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the Rule. The County has complied with its prior agreements to provide continuing disclosure information pursuant to the Rule.

### **ACCURACY AND COMPLETENESS OF OFFICIAL STATEMENT**

The references, excerpts, and summaries of all documents, statutes, and information concerning the County and certain reports and statistical data referred to herein do not purport to be complete, comprehensive and definitive and each such summary and reference is qualified in its entirety by reference to each such document for full and complete statements of all matters of fact relating to the Series 2003 Bonds, the security for the payment of the Series 2003 Bonds and the rights and obligations of the owners thereof and to each such statute, report or instrument.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Series 2003 Bonds.

The appendices attached hereto are integral parts of this Official Statement and must be read in their entirety together with all foregoing statements.

**AUTHORIZATION OF OFFICIAL STATEMENT**

The execution and delivery of this Official Statement has been duly authorized and approved by the County. At the time of delivery of the Series 2003 Bonds, the County will furnish a certificate to the effect that nothing has come to their attention which would lead them to believe that the Official Statement (other than information herein related to the Insurer, the Bond Insurance Policy, DTC, the book-entry only system of registration and the information contained under the caption "TAX EXEMPTION" as to which no opinion shall be expressed), as of its date and as of the date of delivery of the Series 2003 Bonds, contains an untrue statement of a material fact or omits to state a material fact which should be included therein for the purposes for which the Official Statement is intended to be used, or which is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

**NASSAU COUNTY, FLORIDA**

By: \_\_\_\_\_  
Chairman, Board of County Commissioners

By: \_\_\_\_\_  
Clerk of Circuit Court, ex officio Clerk of the  
Board of County Commissioners



## APPENDIX A

### GENERAL INFORMATION CONCERNING NASSAU COUNTY, FLORIDA

THE FOLLOWING INFORMATION CONCERNING NASSAU COUNTY, FLORIDA IS INCLUDED ONLY FOR THE PURPOSE OF PROVIDING GENERAL BACKGROUND INFORMATION. THE INFORMATION HAS BEEN COMPILED ON BEHALF OF THE COUNTY AND SUCH COMPILATION INVOLVED ORAL AND WRITTEN COMMUNICATION WITH VARIOUS SOURCES INDICATED. THE INFORMATION IS SUBJECT TO CHANGE, ALTHOUGH EFFORTS HAVE BEEN MADE TO UPDATE THE INFORMATION WHERE PRACTICAL.

THE SERIES 2003 BONDS ARE NOT GENERAL OBLIGATIONS OF THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING NASSAU COUNTY, FLORIDA.

Nassau County, Florida, is a political subdivision of the State of Florida duly organized and validly existing under the and by the virtue of the laws thereof. The County is authorized, under the Act, and other applicable provisions of law, to make and execute financing agreements, contracts, deeds and other instruments necessary or convenient for the purpose of facilitating the financing of certain projects to the end that the County may be able to promote the economic development of the State of Florida and otherwise aid in improving the prosperity and welfare of said State and its inhabitants, and to provide such financing through the issuance of revenue bonds.

The County is governed by a Board of County Commissioners consisting of five members who are duly qualified electors of and taxpayers in Nassau County, Florida, and who are elected for terms of four years. The following persons constitute the current members of the Board of County Commissioners of Nassau County:

<u>District</u>	<u>Member</u>
3	Vickie Samus, Chair
4	Floyd L. Vanzant, Vice Chair
5	Marianne Marshall
2	Ansley N. Acree
1	Nick D. Deonas

The Series 2003 Bonds do not now and shall never constitute a debt, liability or obligation of the County, the State of Florida or any other political subdivision thereof, or a pledge of the faith and credit or taxing power of the County or of the State or of any political subdivision thereof. The County shall never be obligated or required to levy any ad valorem taxes on any property to pay the principal, premium, if any, or interest on the Series 2003 Bonds or to pay the same from any funds of the County, except from the Pledged Revenues in the manner and upon the conditions contained in the Bond Ordinance. The Series 2003 Bonds shall not be or constitute a lien upon any property owned by or situated within the territorial limits of the County, except on the Pledged Revenues.

### **Labor Force**

<u>Year</u>	<u>Total</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Rate</u>
1996	26,046	24,993	1,053	4.0%
1997	26,908	25,922	986	3.7
1998	27,527	26,606	921	3.3
1999	28,258	27,304	954	3.4
2000	29,599	28,660	939	3.2
2001	29,937	28,747	1,190	4.0
2002	29,949	28,618	1,331	4.4

Source: Nassau County Economic Development Board

### **Major Private Sector Employers**

<u>Name</u>	<u>Employees</u>
Amelia Island Plantation	1,200
The Ritz-Carlton	875
Smurfit-Stone Container Corporation	650
White Oak Plantation	324
Rayonier, Inc.	323
Publix Supermarket, Inc.	300
Baptist Medical Center-Nassau	277
Wal-Mart	190
Amelia Island Care Center	165
Mulch Manufacturing, Inc.	110

Source: Nassau County Economic Development Board

**NASSAU COUNTY, FLORIDA  
DEMOGRAPHIC STATISTICS**

Fiscal Year	Population <sup>(1)</sup>	Per Capita Income <sup>(1)</sup>	Median Age <sup>(1)</sup>	School Enrollment <sup>(2)</sup>	Unemployment Rates <sup>(3)</sup>		
					County	State	Nation
1991	45,000	18,200	N/A	8,646	6.8%	7.3%	6.7%
1992	45,000	18,900	N/A	8,808	7.4%	8.2%	7.4%
1993	46,500	19,700	33.4	8,991	6.2%	7.0%	6.8%
1994	47,400	20,300	34.6	9,082	5.8%	6.7%	6.3%
1995	49,100	21,500	35.1	9,406	4.8%	5.5%	5.6%
1996	51,100	23,100	35.5	10,200	4.2%	5.4%	5.5%
1997	52,700	24,000	35.8	10,259	3.3%	5.2%	4.7%
1998	54,500	26,200	36.1	10,243	3.0%	4.8%	4.4%
1999	57,400	N/A	36.4	9,939	3.6%	4.0%	4.2%
2000	60,200	N/A	N/A	10,214	3.2%	3.6%	4.0%

Sources: <sup>(1)</sup> University of Florida, Bureau of Economic Research, population rounded to nearest hundred

<sup>(2)</sup> Nassau County School Board

<sup>(3)</sup> Florida Department of Labor and Employment Security, Office of Labor Market Statistics

N/A - Information not available

**NASSAU COUNTY, FLORIDA  
PROPERTY VALUE AND CONSTRUCTION  
LAST TEN FISCAL YEARS  
(IN THOUSANDS OF DOLLARS)**

Fiscal Year <sup>(1)</sup>	Construction	Taxable Real Property Value		
	Taxable Value	Residential	Commercial <sup>(2)</sup>	Total
1993	\$104,637	\$ 957,730	\$410,287	\$1,368,017
1994	\$ 43,842	\$ 990,376	\$422,322	\$1,412,698
1995	\$ 36,623	\$1,047,490	\$430,456	\$1,477,946
1996	\$ 40,567	\$1,105,718	\$427,120	\$1,532,838
1997	\$ 51,046	\$1,160,481	\$441,054	\$1,601,535
1998	\$ 66,268	\$1,318,414	\$482,571	\$1,800,985
1999	\$ 82,875	\$1,476,726	\$523,694	\$2,000,420
2000	\$ 86,852	\$1,650,150	\$573,437	\$2,223,587
2001	\$119,719	\$2,051,959	\$615,637	\$2,667,596
2002	\$121,112	\$2,451,376	\$685,967	\$3,137,343

<sup>(1)</sup> Year tax is collected - 2002 represents final certified valuation as of January 1, 2001.

<sup>(2)</sup> Includes commercial, industrial, agricultural, government and railroad categories.

Source: Nassau County Property Appraiser

**PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u> <sup>(1)</sup>	<u>Total Tax Levy</u> <sup>(2)</sup>	<u>Current Tax Collections</u> <sup>(3)</sup>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
1993	10,523,192	10,467,893	99.47%	33,468	10,501,361	99.79%	21,831	0.21%
1994	10,599,626	10,495,131	99.01%	2,330	10,497,461	99.04%	102,165	0.96%
1995	12,218,608	12,053,247	98.65%	3,195	12,053,247	98.65%	65,361	1.35%
1996	12,661,492	12,280,636	96.99%	2,633	12,283,269	97.01%	378,223	2.99%
1997	13,060,319	12,610,026	96.55%	3,846	12,613,872	96.58%	446,447	3.42%
1998	14,506,053	13,947,844	96.15%	52,458	14,000,302	96.51%	505,751	3.49%
1999	16,027,484	15,424,755	96.24%	6,218	15,430,973	96.28%	596,511	3.72%
2000	17,649,844	17,075,180	96.74%	106,609	17,181,789	97.35%	468,055	2.65%
2001	20,403,540	19,694,986	96.53%	20,146	19,715,132	96.63%	688,408	3.37%
2002								

<sup>(1)</sup> Year tax is collected - - 2002 represents 2001 levy.

<sup>(2)</sup> Includes penalties under Florida Statutes 193.072.

<sup>(3)</sup> Includes discount taken for early payment of property taxes.

Source: Nassau County Tax Collector

**ASSESSED AND ESTIMATED ACTUAL VALUE  
OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS**

Fiscal Year <sup>(1)</sup>	<u>Real Property</u>		<u>Personal Property</u>		<u>Total</u>		Percent of Total Taxable to Total Actual Value
	<u>Taxable Value</u>	<u>Estimated Actual Value</u>	<u>Taxable Value</u> <sup>(2)</sup>	<u>Estimated Actual Value</u>	<u>Taxable Value</u>	<u>Actual Value</u>	
1993	1,368,017,160	1,951,166,583	279,290,757	425,103,285	1,647,307,917	2,376,269,868	69.32%
1994	1,412,698,258	2,017,097,901	289,744,046	439,795,971	1,702,442,304	2,456,893,872	69.29%
1995	1,477,946,482	2,097,984,736	307,827,396	465,400,997	1,785,773,878	2,563,385,733	69.66%
1996	1,532,837,591	2,169,793,594	316,181,851	467,260,989	1,849,019,442	2,637,054,583	70.12%
1997	1,601,535,498	2,268,491,775	335,776,143	489,429,958	1,937,311,641	2,757,921,733	70.25%
1998	1,800,984,784	2,552,656,205	350,017,472	505,623,465	2,151,002,256	3,058,279,670	70.33%
1999	2,000,420,132	2,798,471,634	375,580,566	532,394,935	2,376,000,698	3,330,866,569	70.33%
2000	2,223,587,265	3,106,417,508	393,384,768	554,030,903	2,616,972,033	3,660,448,411	71.49%
2001	2,667,596,028	3,681,589,895	402,551,264	563,903,689	3,070,147,292	4,245,493,584	72.32%
2002							

Source: Nassau County Property Appraiser

<sup>(1)</sup> Year tax is collected - - 2002 represents final certified valuation as of January 1, 2001.

<sup>(2)</sup> Railroad property value is included in personal property value.

**PROPERTY TAX RATES-DIRECT AND OVERLAPPING GOVERNMENTS  
(PER \$1,000 OF TAXABLE VALUE)  
LAST TEN FISCAL YEARS**

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
County-Wide Millages:										
General County:										
General Fund	2.6072	2.4485	2.9971	5.7361	5.6361	5.6361	5.6361	5.6361	5.9361	5.9361
Fine & Forfeiture Fund <sup>(1)</sup>	2.5758	2.5807	2.6964	-	-	-	-	-	-	-
County Transportation Fund	0.9813	0.9744	0.9200	0.8857	0.8857	0.8857	0.8857	0.8857	1.2357	1.2357
Capital Outlay Fund	-	-	-	-	-	-	-	-	-	-
Health Unit	0.2357	0.2285	0.2186	0.2103	0.2103	0.2103	0.2103	0.2103	0.2103	0.2103
Total General County	6.4000	6.2321	6.8321	6.8321	6.7321	6.7321	6.7321	6.7321	7.3821	7.3821
School Board:										
Required Local Effort	6.5870	6.5410	6.5530	6.6650	6.8980	6.8000	6.3660	6.3670	5.979	5.463
Discretionary and Capital Outlay	2.5100	2.5100	2.5100	2.5100	2.5100	2.6080	2.7410	2.7140	2.660	2.638
Total School Board	9.0970	9.0510	9.0630	9.1750	9.4080	9.4080	9.1070	9.0810	8.639	8.101
Nassau General Hospital <sup>(2)</sup>	0.6000	0.6000	-	-	-	-	-	-	-	-
Total County-Wide	16.0970	15.8831	15.8951	16.0071	16.1401	16.1401	15.8391	15.8131	16.0211	15.4831
Special Districts:										
St. Johns River Water Management	0.3580	0.4700	0.4820	0.4820	0.4820	0.4820	0.4820	0.4820	0.462	0.462
Greater St. Johns Basin	-	-	-	-	-	-	-	-	-	-
Amelia Island and Piney Island Mosquito Control	0.4703	0.4600	0.4490	0.4432	0.4341	0.4029	0.3750	0.3546	0.5418	0.380
Municipal Service Fund	0.3256	0.3224	0.3224	0.3224	0.3224	0.3224	0.3224	0.3224	0.3224	0.3224
Recreation and Water Conservation District	0.0508	0.0508	0.0508	0.0508	-	-	-	-	-	-
Municipalities:										
Callahan	2.7887	2.7887	2.7887	2.7887	2.7869	3.0000	2.8820	3.0000	2.894	2.8940
Fernandina Beach	6.9960	6.8500	6.7130	6.9477	6.9477	6.9477	6.6962	6.6962	6.2185	6.2185
Hilliard	0.8470	0.8470	0.8470	0.8470	0.8470	0.7682	0.7647	0.7408	0.6310	0.6047

Source: Nassau County Property Appraiser

<sup>(1)</sup> Fine & Forfeiture Fund was consolidated with General Fund beginning 1996.

<sup>(2)</sup> Nassau General Hospital was sold to Baptist Medical Center on July 1, 1994.

**APPENDIX B**

**EXCERPTS OF AUDITED FINANCIAL STATEMENTS OF THE COUNTY  
FOR THE YEAR ENDED SEPTEMBER 30, 2002**



**APPENDIX C**  
**FORM OF BOND ORDINANCE**

**APPENDIX D**  
**SPECIMEN BOND INSURANCE POLICY**

## APPENDIX E

### FORM OF BOND COUNSEL OPINION

*Upon the delivery of the Series 2003 Bonds, Rogers Towers, P.A. Jacksonville, Florida, Bond Counsel, proposes to render its final approving opinion with respect to the Series 2003 Bonds in substantially the following form:*

Nassau County, Florida  
Water and Sewer System  
Revenue Bonds, Series 2003

Board of County Commissioners of  
Nassau County, Florida  
Yulee, Florida

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by Nassau County, Florida (the "County") of \$ \_\_,000,000 aggregate principal amount of Water and Sewer System Revenue Bonds, Series 2003 (the "Series 2003 Bonds"). The Series 2003 Bonds are issued pursuant to the Constitution and laws of the State of Florida, including, in particular, Chapter 125, Florida Statutes and Ordinance No. 2003-50 of the County enacted by the Board of County Commissioners of the County (the "Board") on September 8, 2003, as supplemented by Resolution No. 2003-116 adopted on September 8, 2003 (collectively, the "Ordinance"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Ordinance.

The Ordinance provides that the Series 2003A Bonds are being issued to (a) refund \$ \_\_\_\_\_ in principal amount of the County's outstanding Revenue Note, Series 2000, (b) reimburse certain capital expenditures of the System, (c) fund the Renewal and Replacement Fund and (d) pay the cost of issuance of the Series 2003 Bonds. The County reserves the right to issue Additional Bonds which will have an equal lien on the Pledged Revenues and rank equally in all other respects with the 2003 Bonds, as provided in the Ordinance.

In such connection, we have reviewed a certified copy of the Ordinance; the Tax Certificate executed and delivered by the County on the date hereof in connection with the issuance of the Series 2003 Bonds (the "Tax Certificate"); an opinion of Michael S. Mullin, County Attorney; certificates of the County and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based upon an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Series 2003 Bonds has concluded with their

issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, including matters essential to the exclusion of interest on the Series 2003 Bonds from gross income for federal income tax purposes, and of the legal conclusions contained in the opinion, referred to in the third paragraph hereof (except that we have not relied on any such legal conclusions that are to the same effect as the opinions set forth herein). Furthermore, we have assumed compliance with all covenants and agreements contained in the Ordinance and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2003 Bonds to be included in gross income for federal income tax purposes.

We express no opinion herein as to the accuracy, completeness or sufficiency of any offering material relating to the Series 2003 Bonds. We have not passed herein upon any matters relating to the business, affairs or condition (financial or otherwise) of the County and no inference should be drawn that we have expressed any opinion on matters relating to the ability of the County to perform its obligations under the instruments described herein.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

(1) The County has the right and power under Chapter 125, Florida Statutes to enact the Ordinance, and the Ordinance has been duly and lawfully enacted by the County, is in full force and effect, is valid and binding upon the County and is enforceable in accordance with its terms, and no other authorization for the Ordinance is required. The Ordinance creates the valid pledge which it purports to create the Pledged Revenues and moneys on deposit in the funds and accounts created and established pursuant to the Ordinance, all in the manner and to the extent provided therein.

(2) The County is duly authorized and entitled to issue the Series 2003 Bonds; and the Series 2003 Bonds have been duly and validly authorized and issued by the County in accordance with the Constitution and statutes of the State of Florida, and particularly Chapter 125, Florida Statutes, and the Ordinance, and constitute the legal, valid and binding obligations of the County as provided in the Ordinance, enforceable in accordance with their terms and the terms of the Ordinance, and are entitled to the benefits of the Ordinance. The Series 2003 Bonds shall not be or constitute general obligations or indebtedness of the County as "bonds" within the meaning of the Constitution of Florida, but shall be payable solely from and secured by a lien upon and a pledge of the amounts as provided in the Ordinance. No Bondholder or Bondholders of any Series 2003 Bonds shall ever have the right to compel the exercise of the ad valorem taxing power of the County, or taxation in any form of any real or personal property in the County to pay the Series 2003 Bonds or interest thereon or be entitled to payment of such principal and interest from any other funds of the County except from the Pledged Revenues and the moneys in such funds and accounts as provided in the Ordinance.

(3) The County is legally authorized to operate the System and to collect, receive, hold and apply the Gross Revenues in accordance with the provisions of the Ordinance.

(4) Interest on the Series 2003 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Series 2003 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income.

(5) The Series 2003 Bonds and the interest thereon are exempt from taxation under existing laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, banks and savings associations.

Except as stated in paragraphs (4) and (5) hereof, we express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2003 Bonds.

All opinions as to legal obligations of the County set forth above are subject to and limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar laws, in each case relating to or affecting the enforcement of creditor's rights, (b) applicable laws or equitable principles that may affect remedies or injunctive or other equitable relief, including limitations on legal remedies against bodies political and corporate, (c) the application of judicial discretion in appropriate cases and (d) other applicable laws that may affect remedies, but do not, in our opinion, materially impair the practical realization of the benefits or the security of the parties entitled thereto. Further, we express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents.

Respectfully submitted,

**APPENDIX F**  
**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

**APPENDIX G**  
**REPORT OF THE CONSULTING ENGINEER**

**APPENDIX H**  
**FINANCIAL FEASIBILITY REPORT**



NGN DRAFT #4: 9/08/03  
36205 Nassau County

§  
**NASSAU COUNTY, FLORIDA**  
**WATER AND SEWER SYSTEM REVENUE BONDS**  
**SERIES 2003**

September \_\_, 2003

**PURCHASE CONTRACT**

Board of County Commissioners  
of Nassau County, Florida  
P.O. Box 1010  
Fernandina Beach, Florida

Ladies and Gentlemen:

The undersigned, on behalf of SunTrust Capital Markets and A.G. Edwards & Sons, Inc. (collectively, the "Underwriters"), offers to enter into this Purchase Contract with Nassau County, Florida (the "County"). This offer is made subject to written acceptance hereof by the County at or before 11:00 p.m., prevailing Eastern time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriters upon notice delivered to the County at any time prior to the acceptance hereof by the County.

**1. Purchase and Sale.** Upon the terms and conditions and in reliance on the representations, warranties, covenants and agreements set forth herein, the Underwriters hereby agree to purchase from the County, and the County hereby agrees to sell and deliver to the Underwriters, all (but not less than all) of the \$\_\_\_\_\_ aggregate principal amount of Water and Sewer System Revenue Bonds, Series 2003 (the "Series 2003 Bonds"). The Series 2003 Bonds shall be dated as of September 1, 2003, and shall be payable in the years and principal amounts, bear such rates of interest and be subject to redemption, all as set forth in Exhibit A attached hereto. The purchase price for the Series 2003 Bonds shall be \$\_\_\_\_\_ (representing the par amount of the Series 2003 Bonds, less an original issue discount of \$\_\_\_\_\_, plus an original issue premium of \$\_\_\_\_\_, less an underwriters' discount of \$\_\_\_\_\_), plus accrued interest in the amount of \$\_\_\_\_\_.

The statement required by Section 218.385, Florida Statutes, is attached hereto as Exhibit B.

The Series 2003 Bonds shall be as described in, and shall be issued and secured under the provisions of Ordinance No. \_\_\_\_\_, enacted by the County on September 8, 2003, as amended and supplemented from time to time, and as particularly supplemented by Resolution No. \_\_\_ adopted by the County on September 2, 2003, as may be further supplemented and amended from time to time (collectively, the "Ordinance").

## 2. Delivery of Official Statement and Other Documents.

(a) Prior to the date hereof, you have provided to the Underwriters for their review the Preliminary Official Statement dated September \_\_, 2003 (the "Preliminary Official Statement"). The Underwriters have reviewed the Preliminary Official Statement prior to the execution of this Purchase Contract. The County hereby deems the Preliminary Official Statement final as of its date, except for certain permitted omissions (the "permitted omissions"), as contemplated by Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12" or the "Rule") in connection with the pricing of the Series 2003 Bonds.

(b) The County shall deliver, or cause to be delivered, at its expense, to the Underwriters within seven (7) business days after the date hereof or within such shorter period as may be requested by the Underwriters in order to accompany any confirmation that requests payment from any customer sufficient copies of the final printed Official Statement dated September \_\_, 2003 (the "Official Statement") to enable the Underwriters to fulfill their obligations pursuant to the securities laws of Florida and the United States, in form and substance satisfactory to the Underwriters. In determining whether the number of copies to be delivered by the County is reasonably necessary, at a minimum the number shall be sufficient to enable the Underwriters to comply with the requirements of Rule 15c2-12, all applicable rules of the Municipal Securities Rulemaking Board ("MSRB") and to fulfill their duties and responsibilities under Florida and federal securities laws generally.

The Underwriters agree to file the final Official Statement with a Nationally Recognized Municipal Securities Information Repository ("NRMSIR") which has been so designated by the Securities and Exchange Commission pursuant to Rule 15c2-12 and with the MSRB (accompanied by a completed Form G-36) not later than two (2) business days after the Closing, and will furnish to the County a list of the names and addresses of each such NRMSIR receiving a copy. The filing of the Official Statement with each such NRMSIR shall be in accordance with the terms and conditions applicable to such NRMSIR.

The County authorizes the use and distribution of the Official Statement in connection with the public offering and sale of the Series 2003 Bonds. The Underwriters agree that they will not confirm the sale of any Series 2003 Bonds unless the confirmation of sale requesting payment is accompanied or preceded by the delivery of a copy of the Official Statement. Unless otherwise notified in writing by the Underwriters on or prior to the date of Closing, the County can assume that the "end of the underwriting period" for the Series 2003 Bonds for all purposes of Rule 15c2-12 is the date of the Closing. In the event notice to the contrary is given in writing by the Underwriters, the Underwriters shall thereafter notify the County in writing following the occurrence of the "end of the underwriting period" for the Series 2003 Bonds as defined in Rule 15c2-12. The "end of the underwriting period" for the Series 2003 Bonds as used in this Purchase Contract shall mean the date of Closing or such later date (but in no case later than 90 days after the Closing) as to which notice is given by the Underwriters in accordance with the preceding sentence.

(c) From the date hereof to and including the date which is twenty-five days from the "end of the underwriting period," if there shall exist any event which, in the opinion of the Underwriters or in the opinion of the County, requires a supplement or amendment to the Official Statement so that it will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, when it is delivered to a potential investor, the County will supplement or amend the Official Statement in a form and in a manner approved by the Underwriters and the County. The County will promptly notify the Underwriters of the occurrence of any event of which it has knowledge, which, in its opinion, is an event described in the preceding sentence.

The amendments or supplements that may be authorized for use with respect to the Series 2003 Bonds are hereinafter included within the term "Official Statement."

**3. Public Offering.** The Underwriters agree to make a bona fide offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) of all of the Series 2003 Bonds at not in excess of the initial public offering price or prices (or below the yields) set forth on the cover page of the Official Statement plus accrued interest, if any, thereon from the date of the Series 2003 Bonds. If such public offering does not result in the sale of all the Series 2003 Bonds, the Underwriters may offer and sell the Series 2003 Bonds to certain bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers at prices lower than the public offering prices not set forth on the cover page of the Official Statement.

The Underwriters do hereby certify that at the time of the execution of this Purchase Contract, based upon prevailing market conditions, they do not have any reason to believe that any of the Series 2003 Bonds will be initially sold to the public (excluding such bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices in excess of the prices, or yields below the yields, set forth on the cover page of the Official Statement, plus accrued interest, if any, on the Series 2003 Bonds from the date thereof. At the Closing the Underwriters shall deliver to the County a certificate in substantially the form attached as Exhibit C hereto, to the effect that (i) all of the Series 2003 Bonds have been the subject of an initial offering to the public as herein provided, and (ii) at least 10% of the Series 2003 Bonds of each maturity were sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at initial offering prices not greater than the respective prices shown on the cover of the Official Statement, or in the case of discount obligations shown on a yield basis, at yields no lower than the respective yields shown on the cover of the Official Statement, and as to such other matters required in order to enable Bond Counsel to render its opinion as to the exclusion from gross income for federal income tax purposes of interest on the Series 2003 Bonds.

The County hereby authorizes the Underwriters to use the Official Statement and the information contained therein in connection with the public offering and sale of the Series 2003 Bonds and ratifies and confirms its authorization of the distribution and use by the Underwriters prior to the date hereof of the Preliminary Official Statement in connection with such public offering and sale.

**4. Good Faith Deposit.** The Underwriters have delivered herewith to the County a check for \_\_\_\_\_ and no/100 (\$\_\_\_\_\_) Dollars payable to the order of the County. In the event you do not accept this offer, such check shall be immediately returned to the Underwriters. If the offer made hereby is accepted, the County agrees to hold this check uncashed until the Closing as security for the performance by the Underwriters of their obligations to accept and pay for the Series 2003 Bonds at the Closing, and, in the event of its compliance with such obligations, such check shall be returned to the Underwriters at the Closing. In the event of your failure (other than for a reason permitted hereunder) to deliver the Series 2003 Bonds at the Closing, or if you shall be unable to satisfy the conditions of the Closing contained herein, or if the obligations of the Underwriters shall be terminated for any reason permitted by this Purchase Contract (other than resulting from a failure to deliver the certificate required by Exhibit C hereto) such check shall be immediately returned to the Underwriters and such return shall constitute a full release and discharge of all claims by the Underwriters arising out of the transactions contemplated hereby. In the event that the Underwriters fail (other than for a reason permitted hereunder) to accept and pay for the Series 2003 Bonds at the Closing (as hereinafter defined), such check shall be retained by the County and presented for payment as and for full liquidated damages for such failure and for any defaults

hereunder on the part of the Underwriters and such retention shall constitute a full release and discharge of all claims by the County against the Underwriters arising out of the transactions contemplated hereby.

**5. County Representations, Warranties, Covenants, and Agreements.** The County represents and warrants to and covenants and agrees with the Underwriters that, as of the date hereof and as of the date of the Closing:

(a) The County has the powers set forth under Chapter 125, Part I, Florida Statutes, as amended and supplemented (collectively, the "Act") and is a duly and validly existing political subdivision of the State of Florida, and has full legal right, power and authority to acquire, construct, operate, maintain, improve, finance and refinance the Project (as defined in the Ordinance) as contemplated by the Official Statement.

(b) The County has, or had on the date of execution, full legal right, power and authority to enter into this Purchase Contract, to enact the Ordinance and to issue, sell and deliver the Series 2003 Bonds to the Underwriters as provided herein; by official action of the County taken prior to or concurrently with the acceptance hereof, the County has duly enacted the Ordinance in accordance with the Act; the Ordinance is in full force and has not been amended, modified or rescinded; the County has duly authorized and approved the execution and delivery of, and the performance by the County of its obligations contained in, the Series 2003 Bonds and in the Continuing Disclosure Certificate, dated as of September \_\_, 2003 (the "Continuing Disclosure Certificate") and this Purchase Contract; and the County has duly authorized and approved the performance by the County of its obligations contained in the Ordinance and the consummation by it of all other transactions contemplated by the Ordinance, the Official Statement and this Purchase Contract to have been performed or consummated at or prior to the date of Closing, and the County is in compliance with the provisions of the Ordinance.

(c) Except as disclosed by the Official Statement, the County is not in material breach of or default under any applicable constitutional provision, law or administrative regulation of the State of Florida or the United States, or any agency or department of either, or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party or to which the County or any of its properties or other assets is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such law, regulation, or instrument, in any such case to the extent that the same would have a material and adverse effect upon the business or properties or financial condition of the County or of the System; and the execution and delivery of the Series 2003 Bonds, this Purchase Contract and the Continuing Disclosure Certificate and the enactment of the Ordinance, and compliance with the provisions on the County's part contained therein, will not conflict with or constitute a breach of or default under the Act, or under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party or to which the County or any of its properties or other assets is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or the assets of the County under the terms of any such law, regulation, or instrument, except as provided or permitted by the Series 2003 Bonds and the Ordinance. The County has not been in default in the payment of either principal or interest on any obligations issued by it since 1975. The foregoing representation and warranty is given and made by the County in contemplation of Section 517.051(1), Florida Statutes.

(d) All approvals, consents and orders of any governmental authority, legislative body, board, agency, or commission having jurisdiction which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the County or its obligations under this Purchase Contract, the Ordinance, the Continuing Disclosure Certificate and the Series 2003 Bonds have been, or prior to the Closing will have been, duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Series 2003 Bonds.

(e) The Series 2003 Bonds, when issued, authenticated, and delivered in accordance with the Ordinance and sold to the Underwriters as provided herein and in accordance with the provisions of the Ordinance, will be valid and legally enforceable obligations of the County in accordance with their terms and the terms of the Ordinance, and the Ordinance will provide, for the benefit of the holders from time to time of the Series 2003 Bonds, a legally valid and binding lien on and pledge of the Pledged Revenues as defined in and provided by the Ordinance.

(f) The Preliminary Official Statement was, as of the date thereof, and the Official Statement is and at all times subsequent hereto up to and including the date of the Closing will be, true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact which is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. In addition, any amendments or supplements to the Official Statement prepared and furnished by the County pursuant hereto will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) The Series 2003 Bonds and the Ordinance will conform in all material respects to the descriptions and forms thereof contained in the Official Statement as it is delivered in final form.

(h) Except as contemplated by the Official Statement, since the date of the most recent audited financial statements to the date of Closing, the County has not or will not have incurred any material liabilities, direct or contingent, or entered into any material transaction, not reflected in such audited financial statements, in any case other than in the ordinary course of its business, and during such period, except as set forth in the Official Statement, there has not or shall not have been any material adverse change in the condition, financial or physical, of the County or its properties or other assets, including the System.

(i) Except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity before or by any court, government agency or public board or body, pending or, to the best knowledge of the County, threatened, which may affect the corporate existence of the County or the titles of its officers to their respective offices, or which may affect or which seeks to prohibit, restrain or enjoin the sale, issuance or delivery of the Series 2003 Bonds or the collection of the Pledged Revenues pledged or to be pledged to pay the principal of and interest on the Series 2003 Bonds, or which in any way contests or affects the validity or enforceability of the Series 2003 Bonds, the Ordinance, this Purchase Contract, the Continuing Disclosure Certificate, or any of them, or which may result in any material adverse change in the business, properties, other assets or financial condition of the County or contests the tax-exempt status of the interest on the Series 2003 Bonds as described in the Official Statement, or which contests in any way the completeness or accuracy of the Preliminary Official Statement of the Official Statement or which contests the power of the County or any authority or proceedings for the issuance, execution or delivery of this Purchase Contract nor, to the best knowledge of the County is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially

adversely affect the validity or enforceability of the Series 2003 Bonds, the Ordinance, the Continuing Disclosure Certificate or this Purchase Contract.

(j) The County will furnish such information, execute such instruments and take such other action not inconsistent with law in cooperation with the Underwriters as the Underwriters may reasonably request in order (i) to qualify the Series 2003 Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate and (ii) to determine the eligibility of the Series 2003 Bonds for investment under the laws of such states and other jurisdictions and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Series 2003 Bonds; provided that the County shall not be obligated to take any action that would subject it to the general service of process in any state where it is not now so subject.

(k) The County will advise the Underwriters promptly of any proposal to amend or supplement the Official Statement and will not effect any such amendment or supplement without the consent of the Underwriters. The County will advise the Underwriters promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Series 2003 Bonds.

(l) The County makes the following representations and statements in order to comply with Section 218.385(2) and (3), Florida Statutes, by making the following truth-in-bonding statement. The County is proposing to issue \$\_\_\_\_\_ of its Series 2003 Bonds, its limited obligations, for the principal purposes of (i) refunding \$17,675,000 in aggregate principal amount of the County's outstanding Revenue Note, Series 2000; (ii) reimbursing the County for certain expenditures incurred in acquiring the System; (iii) funding the Renewal and Replacement Fund established under the Bond Ordinance; and (iv) paying certain costs incidental to the issuance of the Series 2003 Bonds, including the premium for the municipal bond insurance policy. The above described obligations are expected to be repaid over a period of approximately \_\_\_ years. At a net interest cost of \_\_\_% total interest paid over the life of the obligations will be \$\_\_\_\_\_. The sources of repayment for the Series 2003 Bonds are the Pledged Revenues.

**6. The Closing.** At 1:00 p.m. prevailing Eastern time, on September 22, 2003, or at such earlier or later time or date to which the County and the Underwriters may mutually agree, the County will, subject to the terms and conditions hereof, deliver the Series 2003 Bonds to the Underwriters in registered form, duly executed, together with the other documents hereinafter mentioned, and, subject to the terms and conditions hereof, the Underwriters will accept such delivery and pay the aggregate purchase price of the Series 2003 Bonds as set forth in Paragraph 1 hereof in immediately available federal funds deposited and invested as directed by the County (such delivery of and payment for the Series 2003 Bonds is herein called the "Closing"). The County shall cause CUSIP identification numbers to be printed on the Series 2003 Bonds, but neither the failure to print such number on any Series 2003 Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriters to accept delivery of and pay for the Series 2003 Bonds in accordance with the terms of this Purchase Contract. The Closing shall occur at the offices of Rogers Towers, P.A., Jacksonville, Florida, or such other place to which the County and the Underwriters shall have mutually agreed. The Series 2003 Bonds shall be prepared and delivered as fully registered bonds in such authorized denominations and registered in the names of the registered owners thereof or such other names as are furnished by the Underwriters and shall be delivered to the Underwriters two business days prior to the Closing for purposes of inspection.

**7. Closing Conditions.** The Underwriters have entered into this Purchase Contract in reliance upon the representations, warranties, covenants and agreements of the County contained

herein and in reliance upon the representations, warranties, covenants and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the County of its obligations hereunder, both as of the date hereof; and as of the date of the Closing. Accordingly, the Underwriters' obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Series 2003 Bonds shall be conditioned upon the performance by the County of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions:

(a) The representations, warranties, covenants and agreements of the County contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) At the time of Closing, the Ordinance shall be in full force and effect and shall not have been amended, modified or supplemented since the date hereof, and the Official Statement as delivered to the Underwriters shall not have been supplemented or amended, except in any such case as may have been approved by the Underwriters;

(c) At the time of the Closing, all official action of the County relating to this Purchase Contract, the Series 2003 Bonds and the Ordinance taken as of the date hereof shall be in full force and effect and shall not have been amended, modified or supplemented, except for amendments, modifications or supplements which have been approved by the Underwriters prior to the Closing;

(d) [Reserved]

(e) At or prior to the Closing, the Underwriters shall have received copies of each of the following documents:

(1) An opinion, dated the date of the Closing and addressed to the County, of Rogers Towers, P.A., Jacksonville, Florida, Bond Counsel to the County, in substantially the form attached as Appendix "E" to the Official Statement, accompanied by a letter authorizing the Underwriters to rely thereon as though such opinion were addressed to the Underwriters;

(2) An opinion, dated the date of the Closing and addressed to the Underwriters, of Rogers Towers, P.A., Bond Counsel to the County, to the effect that (i) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and it is not necessary to qualify the Ordinance pursuant to the Trust Indenture Act of 1939, as amended; (ii) they have reviewed statements contained in the Official Statement under the captions "INTRODUCTION," "DESCRIPTION OF THE SERIES 2003 BONDS" and "SECURITY FOR THE BONDS", and on the cover page thereof relating to their opinion and therein under the heading "TAX MATTERS"; and (iii) such statements (insofar as such statements constitute a summary of certain provisions of the Ordinance and the Series 2003 Bonds) present fair and accurate summaries of the provisions of the Ordinance and the Series 2003 Bonds purported to be summarized, and the information on the cover page relating to their opinion and under the heading "TAX MATTERS" is correct;

(3) An opinion, dated the date of the Closing and addressed to the Underwriters, of Michael Mullin, County Attorney, in the form attached hereto as Exhibit E.

(4) An opinion, dated the date of the Closing and addressed to the Underwriters, of counsel for the Insurer, in such form as is mutually and reasonably acceptable to the County and the Underwriters and customarily delivered by counsel for the Insurer;

(5) An opinion, dated the date of the Closing and addressed to the Underwriters, of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, counsel for the Underwriters, in form and substance satisfactory to the Underwriters;

(6) A certificate, dated the date of the Closing, signed by the Chairman of the Board of County Commissioners or other authorized officer of the County in substantially the form attached hereto as Exhibit D (but in lieu of or in conjunction with such certificate the Underwriters may, in their sole discretion, accept certificates or opinions of Rogers Towers, P.A., Bond Counsel, Michael Mullin, the County Attorney, or of other counsel acceptable to the Underwriters, that in the opinion of such counsel the issues raised in any pending or threatened litigation referred to in such certificate are without substance or that the contentions of all plaintiffs therein are without merit);

(7) Certified copies of the proceedings of the County Commission of the County authorizing and approving the Ordinance;

(8) Two transcripts of all proceedings relating to the authorization and issuance of the Series 2003 Bonds certified by the Clerk of the Circuit Court, ex officio Clerk of the Board of County Commissioners;

(9) Copy of the municipal bond insurance policy issued by MBIA Insurance Corporation (the "Insurer") insuring payment of the Series 2003 Bonds;

(10) Evidence of a rating of "AAA" from Standard & Poor's, an "Aaa" rating from Moody's and a "AAA" rating from Fitch on the Series 2003 Bonds, based upon the issuance of a municipal bond insurance policy securing payment on the Series 2003 Bonds by the Insurer;

(11) Copies of the executed Continuing Disclosure Certificate;

(12) Such additional legal opinions, certificates, instruments and other documents as the Underwriters may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the representations, warranties, covenants and agreements of the County contained herein and the truth, accuracy and completeness of the statements and information contained in the Official Statement and the due performance or satisfaction by the County on or prior to the date of the Closing of all agreements then to be performed and conditions then to be satisfied by it.

All of the evidence, opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Contract shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriters with such exceptions and modifications as shall be approved by the Underwriters and as such shall not in the opinion of the Underwriters materially impair the investment quality of the Series 2003 Bonds.

If the County shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Series 2003 Bonds contained in this Purchase Contract, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Series 2003 Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriters nor the County shall be under any further obligation hereunder, except that the County shall return the good faith check referred to in Paragraph 4 and the respective obligations of the County and the Underwriters set forth in Paragraph 9 hereof shall continue in full force and effect.



**8. Termination.** The Underwriters may terminate this Purchase Contract by notice to the County in the event that between the date hereof and the Closing (a) legislation shall be enacted by the Congress of the United States or introduced in or reported out of a committee of or adopted by either House thereof, or a decision by a court of the United States or the Tax Court of the United States shall be rendered or a ruling, regulation or official statement by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made, with respect to federal or Florida taxation of revenues or other income of the general character expected to be derived by the County or upon interest received on securities of that general character of the Series 2003 Bonds or which would have the effect of changing, directly or indirectly, the Federal or Florida income tax consequences of receipt of interest on securities of the general character of the Series 2003 Bonds in the hands of the holders thereof, which in the reasonable opinion of the Underwriters would materially adversely affect the market price of the Series 2003 Bonds; (b) there shall have occurred any new outbreak of ongoing or threatened hostilities or substantial escalation thereof, or other national or international calamity or crisis, the effect of such outbreak, escalation, calamity or crisis being such as, in the sole judgment of the Underwriters, would materially and adversely affect the ability of the Underwriters to market the Series 2003 Bonds or to enforce contracts for the sale of the Series 2003 Bonds or has caused a material disruption in the market for the Series 2003 Bonds; (c) there shall be in force a general suspension of trading on the New York Stock Exchange as the result of an event affecting the national economy; (d) a general banking moratorium shall have been established by federal, New York or Florida authorities; or (e) any event shall have occurred or shall exist which, in the reasonable opinion of the Underwriters, makes untrue or incorrect, as of such time, in any material respect, any material statement or information contained in the Official Statement or which is not reflected in the Official Statement, but should be reflected therein in order to make the statements and information contained therein not misleading as of such time.

**9. Expenses.** The Underwriters shall be under no obligation to pay, and the County shall pay at Closing or shortly thereafter, to the extent previously approved by the County any expenses incident to the performance of the obligations of the County hereunder including, but not limited to: (a) the cost of preparation, printing or other reproduction of the Ordinance; (b) the cost of preparation and printing of the Series 2003 Bonds; (c) the fees and disbursements of Bond Counsel and the County's Counsel; (d) the fees and disbursements of any experts, consultants or advisors retained by the County; (e) fees for bond ratings; (f) the premium for municipal bond insurance and cost of reserve policy, if any; (g) the fees and expenses of the Registrar, the Paying Agent and of their respective counsel; and (h) the costs of preparing, printing and delivering the Preliminary Official Statement, the Official Statement and any supplements or amendments to either of them; however, the County shall have no obligation to pay any fees, costs or other amounts relating to any supplements or amendments to the Official Statement to the extent such amendment or supplement is prepared after the period described in paragraph 2(c) hereof (provided that for purposes of this paragraph the end of the underwriting period shall be deemed to be the date of the Closing).

The Underwriters shall pay: (a) the cost of preparing, printing and delivering this Purchase Contract; (b) the cost of all "blue sky" and legal investment memoranda and related filing fees, (c) all advertising expenses; (d) payment of Underwriters' counsel fees, and (e) all other expenses incurred by them in connection with the public offering of the Series 2003 Bonds. In the event that either party shall have paid obligations of the other as set forth in this Section 9, adjustment shall be made at the time of the Closing.

**10. Notices.** Any notice or other communication to be given to the County under this Purchase Contract may be given by delivering the same in writing at its address set forth above, and any notice or other communication to be given to the Underwriters may be given by delivering the

same in writing to SunTrust Capital Markets, 200 S. Orange Avenue, M/CO - 1102, Tower 10, Orlando, FL 32801.

**11. Parties in Interest.** This Purchase Contract is made solely for the benefit of the County and the Underwriters (including the successors or assignees of the County or the Underwriters) and no other party or person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties, covenants and agreements in this Purchase Contract shall remain operative and in full force and effect, regardless of: (i) any investigations made by or on behalf of the Underwriters; (ii) at the delivery of and payment for the Series 2003 Bonds pursuant to this Purchase Contract; or (iii) any termination of this Purchase Contract but only to the extent provided by the last paragraph of Section 7 hereof.

**12. Waiver.** Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the County hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriters may be waived by the Underwriters, in its sole discretion, and the approval of the Underwriters when required hereunder or the determination of its satisfaction as to any document referred to herein shall be in writing, signed by appropriate officer or officers of the Underwriters and delivered to you.

**13. Effectiveness.** This Purchase Contract shall become effective upon the execution of the acceptance hereof by the Chairman or Vice-Chairman of the Board of County Commissioners and Clerk of the Circuit Court, ex officio Clerk of the Board of County Commissioners and shall be valid and enforceable at the time of such acceptance.

**14. Counterparts.** This Purchase Contract may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

**15. Headings.** The headings of the sections of this Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

**16. Florida Law Governs.** The validity, interpretation and performance of this Purchase Contract shall be governed by the laws of the State of Florida.

**17. Entire Agreement.** This Purchase Contract when accepted by you in writing as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the County and the Underwriters (including the successors or assigns of the County or the Underwriters). No other person shall acquire or have any right hereunder or by virtue hereof.

Very truly yours,

SUNTRUST CAPITAL MARKETS, on behalf  
of the Underwriters

By: \_\_\_\_\_  
Managing Director

Agreed to:

BOARD OF COUNTY COMMISSIONERS  
OF NASSAU COUNTY, FLORIDA

By: \_\_\_\_\_  
Chairman

By: \_\_\_\_\_  
Clerk of the Circuit Court

[SEAL]

**EXHIBIT A**

**TERMS OF THE SERIES 2003 BONDS**

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield or</u> <u>Price</u>
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**REDEMPTION PROVISIONS**

**Optional Redemption**

The Series 2003 Bonds maturing on or prior to September 1, \_\_\_\_\_ are not subject to redemption prior to maturity. The Series 2003 Bonds maturing September 1, \_\_\_\_\_ and thereafter are subject to redemption prior to their respective maturities, on or after September 1, \_\_\_\_\_ at the option of the County, in whole or in part at any time in such manner as shall be determined by the County and by lot within a maturity if less than a full maturity, from any legally available monies, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date.

**Mandatory Redemption**

The Series 2003 Bonds maturing September 1, \_\_\_\_\_ are subject to mandatory sinking fund redemption prior to maturity by operation of Amortization Installments in part, by lot, on September 1, \_\_\_\_\_ and each September 1 thereafter to and including September 1, \_\_\_\_\_, at a redemption price equal to the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium, from Amortization Installments as follows:

<u>Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>
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**EXHIBIT B**  
**DISCLOSURE STATEMENT**

September 22, 2003

Ladies and Gentlemen:

In connection with the proposed issuance by the Board of County Commissioners of Nassau County, Florida ("County") of \$ \_\_\_\_\_ Water and Sewer System Revenue Bonds, Series 2003 (the "Series 2003 Bonds"), SunTrust Capital Markets, on behalf of itself and A.G. Edwards & Sons, Inc. (collectively, the "Underwriters"), has agreed to underwrite a public offering of the Series 2003 Bonds. Arrangements for underwriting the Series 2003 Bonds will include a Purchase Contract between the County and the Underwriters.

The purpose of this letter is to furnish, pursuant to the provisions of Section 218.385(4) Florida Statutes, as amended, certain information in respect to the arrangement contemplated for the underwriting of the Series 2003 Bonds as follows:

(a) The nature and estimated amount of expenses to be incurred by the Underwriters and paid by the Underwriters in connection with the purchase and offering of the Series 2003 Bonds are set forth in Schedule I attached hereto.

(b) The names, addresses and estimated amounts of compensation of any person who is not regularly employed by, or not a partner or officer of, an underwriter, bank, banker, or financial consultant or advisor and who enters into an understanding with either the County or the Underwriters, or both, for any paid or promised compensation or valuable consideration directly, expressly or impliedly, to act solely as an intermediary between the County and the Underwriters for the purpose of influencing any transaction in the purchase of the Bonds are:

None, except as described below.

SunTrust Bank, an affiliate of SunTrust Equitable Securities Corporation, as part of its relationship services, referred the County to SunTrust Equitable Securities Corporation to discuss underwriting the Bonds. Under MSRB Rule G-38, SunTrust Bank is considered a "consultant." SunTrust Bank, after the closing of the issuance of the Bonds, will receive, as part of internal corporate revenue sharing arrangements a portion of the fees paid by the County to SunTrust Equitable Securities Corporation. At SunTrust Bank's option, a portion of this revenue may be paid as a bonus to its employees who were instrumental in making the referral.

(c) The amount of underwriting spread, including the management fee, expected to be realized is \$ \_\_\_\_\_ per thousand which includes a management fee of \$ \_\_\_\_\_ per thousand.

(d) No other fee, bonus or other compensation is estimated to be paid by the Underwriters in connection with the issuance of the Series 2003 Bonds to any person not regularly employed or retained by the Underwriters (including any "finder," as defined in Section 218.386(1)(a) Florida Statutes, as amended), except as specifically enumerated as expenses to be incurred and paid by the Underwriters, as set forth in Schedule I attached hereto.

(e) The name and address of the Underwriters is set forth below:

SunTrust Capital Markets  
200 S. Orange Avenue  
M/CO-1102, Tower 10  
Orlando, Florida 32801

A.G. Edwards & Sons, Inc.  
3637 4<sup>th</sup> Street, North, Suite 280  
St. Petersburg, Florida 33704

We understand that you do not require any further disclosure from the Underwriters, pursuant to Section 218.385(4), Florida Statutes, as amended.

Very truly yours,

**SUNTRUST CAPITAL MARKETS**, on  
behalf of the Underwriters

By: \_\_\_\_\_

## SCHEDULE I

### Underwriters' Expenses

#### **Breakdown of underwriting spread:**

(per \$1,000)

Takedown  
Management Fee  
Expenses  
  
Total Spread

#### **Expenses:**

Underwriters' Counsel  
Computer/Structuring  
CUSIP  
DTC  
Travel  
Day Loan  
Closing & Miscellaneous  
  
Total Expenses

**EXHIBIT C**

[DATE OF CLOSING]

Board of County Commissioners  
of Nassau County, Florida  
Fernandina Beach, Florida

\$ \_\_\_\_\_  
**NASSAU COUNTY, FLORIDA**  
Water and Sewer System Revenue Bonds, Series 2003

Ladies and Gentlemen:

The undersigned, on behalf of the Underwriters in connection with the sale of the above-referenced Series 2003 Bonds, hereby represents that:

All of the Series 2003 Bonds have been the subject of an initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers, made pursuant to the Purchase Contract between Nassau County, Florida (the "County") and the Underwriters, at prices no higher than, or yields no lower than, those shown on the cover of the Official Statement relating to the Series 2003 Bonds. To the best of our knowledge, based on our records and other information available to us which we believe to be correct, at least 10% of the Series 2003 Bonds of each maturity were sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at such prices.

2. The funding of the Debt Service Reserve Fund securing the Series 2003 Bonds in an amount equal to the Debt Service Reserve Requirement was a vital factor in marketing the Series 2003 Bonds and facilitated the marketing of the Series 2003 Bonds at interest rates comparable to those of other bond issues of a similar type, and was a requirement for obtaining the municipal bond insurance policy ("Policy").

3. The present value of the premiums paid to obtain the Policy from MBIA Insurance Corporation ("MBIA") is less than the present value of the interest reasonably expected to be saved as a result of the insurance. In determining such present value savings, the yield of the Series 2003 Bonds was used as the discount rate. The Series 2003 Bonds are or will be rated in the highest category by a nationally recognized rating agency. It is not reasonably expected that MBIA will be called upon to make any payment under the Policy.

**SUNTRUST CAPITAL MARKETS**, on  
behalf of the Underwriters

By: \_\_\_\_\_



## EXHIBIT D

### CERTIFICATE OF THE COUNTY

[DATE OF CLOSING]

The undersigned as Chairman of the Board of County Commissioners of Nassau County, Florida and the Clerk of the Court of Nassau County, Florida (the "County") hereby certify, to the best of their knowledge as follows in connection with the issuance and sale of its \$ \_\_\_\_\_ Nassau County, Florida, Water and Sewer System Revenue Bonds, Series 2003 (the "Series 2003 Bonds"). All terms not otherwise defined herein shall have the meanings ascribed thereto in the Purchase Contract (the "Purchase Contract"), dated as of September \_\_, 2003, by and between SunTrust Capital Markets and A.G. Edwards & Sons, Inc., as Underwriters (the "Underwriters") and the County.

(A) The representations of the County in the Preliminary Official Statement and the Official Statement are true and correct in all material respects as of the date of Closing;

(B) The County has performed all obligations to be performed hereunder as of the date of Closing;

(C) Except as disclosed in the Official Statement, there is no litigation of which either of them have notice, and no litigation is pending or to the best knowledge of each of them threatened (1) to restrain or enjoin the issuance or delivery of any of the Series 2003 Bonds, (2) in any way contesting or affecting any authority for the issuance of the Series 2003 Bonds or the validity of the Series 2003 Bonds, the Ordinance, the Continuing Disclosure Certificate or the Purchase Contract, (3) in any way contesting the corporate existence or powers of the County, (4) to restrain or enjoin the funds pledged or to be pledged to pay the principal of, interest and premium, if any, on the Series 2003 Bonds, (5) which may result in any material adverse change in the business, properties, assets and the financial condition of the County taken as a whole or of the System, or (6) asserting that the Official Statement contains any untrue statement of a material fact or omits any material fact necessary to make the statements therein, in the light of the circumstances under which they were made not misleading;

(D) Since September 30, 2002, no material adverse change has occurred in the financial position or results of operations of the County except as set forth in or contemplated by the Official Statement;

(E) The County has not, since September 30, 2002, incurred any material liabilities other than in the ordinary course of business or as set forth in or contemplated by the Official Statement;

(F) The County has not, since 1975, been in default on any bonds or other debt obligations of the County; and

(G) The Official Statement did not as of its date, and does not as of the Date of Closing contain any untrue statement of a material fact or omit to state a material fact required to be included therein or necessary in order to make the statements contained therein, in the light of the circumstances in which they were made, not misleading.

**NASSAU COUNTY, FLORIDA**

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Chairman, Board of County Commissioners

(SEAL)

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Clerk of the Circuit Court, ex officio  
Clerk of the Board of County Commissioners

## EXHIBIT E

### PROPOSED OPINION OF ISSUER'S COUNSEL

[Date of Closing]

SunTrust Capital Markets  
Orlando, Florida

A.G. Edwards & Sons, Inc.  
St. Petersburg, Florida

Board of County Commissioners  
of Nassau County, Florida  
Fernandina Beach, Florida

Rogers Towers, P.A.  
Jacksonville, Florida

I am counsel to Nassau County, Florida (the "Issuer") and have acted as such in connection with the enactment by the Issuer of an Ordinance on September 2, 2003 (the "Ordinance"), authorizing the issuance of the Issuer's Water and Sewer System Revenue Bonds, Series 2003 in the aggregate principal amount of \$ \_\_\_\_\_ (the "Bonds").

I am rendering this opinion pursuant to the Purchase Contract (the "Bond Purchase Agreement") dated September \_\_\_\_, 2003 between SunTrust Capital Markets, on behalf of the Underwriters named therein and the Issuer. All terms not otherwise defined in this opinion shall have the meanings ascribed to them in the Ordinance or the Bond Purchase Agreement, as the case may be.

I have examined the Ordinance, the Bond Purchase Agreement, the Official Statement, dated September \_\_\_\_, 2003 (the "Official Statement") and the Continuing Disclosure Certificate (as defined in the Official Statement), relating to the Bonds and such other proofs and documents as we have deemed necessary to enable us to render the following opinion. The Bonds, the Bond Purchase Agreement, the Continuing Disclosure Certificate and the Official Statement are hereinafter referred to as the "Financing Documents."

Based on the foregoing, I am of the opinion that:

1. The Issuer is a duly organized and existing political subdivision of the State of Florida with authority to execute and deliver the Financing Documents to be executed and delivered by the Issuer.
2. The Ordinance has been duly enacted at a meeting of the Issuer duly called and held in accordance with law and at which quorums were present and acting throughout, and that the Ordinance and any resolutions relating to the execution and delivery of the Financing Documents remain in full force and effect and have not been amended or modified in any respect.

3. The Issuer has duly authorized, executed and delivered the Official Statement and authorized the distribution of the Official Statement and the use thereof by the Underwriters in connection with the public offering of the Bonds.

4. The Ordinance has been duly enacted by the Issuer and constitutes a binding and valid agreement of the Issuer that is enforceable in accordance with its terms, except to the extent that the enforceability and binding effect of any of the provisions of the Ordinance or of any rights pursuant thereto, are subject to applicable bankruptcy, insolvency, reorganization, moratorium, or other laws in effect from time to time affecting the rights of creditors generally, and except to the extent that the enforceability thereof may be limited by application of general principles of equity (regardless of whether such enforceability is sought in a proceeding in equity or at law) and except to the extent that enforceability of the indemnification provisions in the Financing Documents may be limited by federal or state law.

5. To my knowledge, no provision of the Ordinance results in or constitutes a default under any agreement, indenture or other instrument to which the Issuer is a party or by which it may be bound.

6. The Issuer's enactment of the Ordinance is not subject to any authorization, consent, approval or review of any governmental body, public officer or regulatory authority required on the date of this opinion and not theretofore obtained or effected.

7. Assuming proper execution and delivery, the Bond Purchase Agreement constitutes a valid and binding limited obligation of the Issuer in accordance with its terms, except to the extent that the enforceability and binding effect of any of the provisions of the Bond Purchase Agreement or of any rights pursuant thereto, are subject to applicable bankruptcy, insolvency, reorganization, moratorium, or other laws in effect from time to time affecting the rights of creditors generally, and except to the extent that the enforceability thereof may be limited by application of general principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law).

8. The execution and delivery of the Financing Documents and compliance with the provisions thereof under the circumstances contemplated thereby, do not and will not in any material respect constitute on the part of the Issuer a breach of or default under any indenture, deed of trust, mortgage, agreement, or other instrument of which such counsel has knowledge and to which the Issuer is a party, or, to such counsel's knowledge, do not materially conflict with, violate, or result in a breach of any existing law.

9. The information and statements relating to the Issuer (except the statistical and financial information and the statements thereon, as to which no opinion is expressed) contained in the Official Statement under the captions entitled "INTRODUCTION," "LITIGATION" and "DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS" are true, correct and complete in all material respects.

10. Without undertaking to investigate or determine independently the accuracy or completeness or to verify the information furnished with respect to matters described in the Official Statement, except as provided in paragraph (9) above, but on the basis of only my information gained in the ordinary course of my representation of the Issuer, nothing has come to my attention that would lead me to believe that either the Official Statement when read in conjunction with Appendix C -- Form of Bond Ordinance thereto (except for the financial and statistical data and the statements related thereto and the information contained under the captions "MUNICIPAL BOND INSURANCE," and "TAX MATTERS," as to which no opinion is expressed) contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

11. Except as disclosed in the Official Statement, there is no action, suit or proceeding, at law or in equity before or by any court, or, to my knowledge, any governmental investigation pending or threatened against the Issuer (a) challenging the validity of the Financing Documents or the transactions described thereby, or (b) the collection of revenues pledged under the Ordinance or (c) challenging the accuracy or completeness of the Official Statement or the validity of the transactions described therein, or (d) challenging the existence or powers of the Issuer or the titles of its officers to their respective offices or (e) which, if determined adversely to the Issuer or its interests, would have a material adverse effect upon the consummation of the transactions described in, or the validity of, the Financing Documents, or upon the financial condition, assets, properties or operations of the Issuer.

12. The application of Florida Water Services Corporation to the Florida Public Service Commission for approval and acknowledgment of the transfer of the System (as defined in the Official Statement) to the County has no bearing on the validity of the County's ownership and operation of the System. The County has lawful title to and full right to operate the System.

The portions of this opinion made with respect to the Financing Documents are made subject to the terms and conditions expressed in such agreements. In rendering this opinion, I am acting as an expert only as to matters arising under Florida law.

Respectfully submitted,

## EXHIBIT C

### FINANCIAL GUARANTY AGREEMENT

FINANCIAL GUARANTY AGREEMENT made as of September 22, 2003, by and between Nassau County, Florida (the "Issuer") and MBIA Insurance Corporation (the "Insurer"), organized under the laws of the state of New York.

#### WITNESSETH

WHEREAS, the Issuer has or will issue the Obligations; and

WHEREAS, pursuant to the terms of the Document the Issuer agrees to make certain payments on the Obligations; and

WHEREAS, the Insurer will issue its Surety Bond, substantially in the form set forth in Annex A to this Agreement, guaranteeing certain payments by the Issuer subject to the terms and limitations of the Surety Bond; and

WHEREAS, to induce the Insurer to issue the Surety Bond, the Issuer has agreed to pay the Premium for the Surety Bond and to reimburse the Insurer for all payments made by the Insurer under the Surety Bond, all as more fully set forth in this Agreement; and

WHEREAS, the Issuer understands that the Insurer expressly requires the delivery of this Agreement as part of the consideration for the execution by the Insurer of the Surety Bond; and

NOW, THEREFORE, in consideration of the premises and of the agreements herein contained and of the execution of the Surety Bond, the Issuer and the Insurer agree as follows:

#### ARTICLE 1

##### DEFINITIONS; SURETY BOND

Section 1.01 Definitions. The terms which are capitalized herein shall have the meanings specified in Annex B hereto.

Section 1.02 Surety Bond.

(a) The Insurer will issue the Surety Bond in accordance with and subject to the terms and conditions of the Commitment.

(b) The maximum liability of the Insurer under the Surety Bond and the coverage and term thereof shall be subject to and limited by the terms and conditions of the Surety Bond.

Section 1.03 Premium. In consideration of the Insurer agreeing to issue the Surety Bond hereunder, the Issuer hereby agrees to pay or cause to be paid the Premium set forth in Annex B hereto. The Premium on the Surety Bond is not refundable for any reason.

Section 1.04 Certain Other Expenses. The Issuer will pay all reasonable fees and disbursements of the Insurer's special counsel related to any modification of this Agreement or the Surety Bond.

## ARTICLE 2

### REIMBURSEMENT AND INDEMNIFICATION OBLIGATIONS OF ISSUER AND SECURITY THEREFOR

Section 2.01 Reimbursement for Payments Under the Surety Bond and Expenses; Indemnification.

(a) The Issuer will reimburse the Insurer, within the Reimbursement Period, without demand or notice by the Insurer to the Issuer or any other person, to the extent of each Surety Bond Payment with interest on each Surety Bond Payment from and including the date made to the date of the reimbursement at the lesser of the Reimbursement Rate or the maximum rate of interest permitted by then applicable law.

(b) The Issuer also agrees to reimburse the Insurer immediately and unconditionally upon demand, to the extent permitted by state law, for all reasonable expenses incurred by the Insurer in connection with the Surety Bond and the enforcement by the Insurer of the Issuer's obligations under this Agreement, the Document, and any other document executed in connection with the issuance of the Obligations, together with interest on all such expenses from and including the date incurred to the date of payment at the rate set forth in subsection (a) of this Section 2.01.

(c) The Issuer agrees to indemnify the Insurer, to the extent permitted by State law, against any and all liability, claims, loss, costs, damages, fees of attorneys and other expenses which the Insurer may sustain or incur by reason of or in consequence of (i) the failure of the Issuer to perform or comply with the covenants or conditions of this Agreement or (ii) reliance by the Insurer upon representations made by the Issuer or (iii) a default by the Issuer under the terms of the Document or any other documents executed in connection with the issuance of the Obligations.

(d) The Issuer agrees that all amounts owing to the Insurer pursuant to Section 1.03 hereof and this Section 2.01 must be paid in full prior to any optional redemption or refunding of the Obligations.

(e) All payments made to the Insurer under this Agreement shall be paid in lawful currency of the United States in immediately available funds at the Insurer's office at 113 King Street, Armonk, New York 10504, Attention: Accounting and Insured Portfolio Management Departments, or at such other place as shall be designated by the Insurer.

Section 2.02 Allocation of Payments. The Insurer and the Issuer hereby agree that each payment received by the Insurer from or on behalf of the Issuer as a reimbursement to the Insurer as required by Section 2.01 hereof shall be applied by the Insurer first, toward payment of any unpaid premium; second, toward repayment of the aggregate Surety Bond Payments made by the Insurer and not yet repaid, payment of which will reinstate all or a portion of the Surety Bond

Coverage to the extent of such repayment (but not to exceed the Surety Bond Limit); and third, upon full reinstatement of the Surety Bond Coverage to the Surety Bond Limit, toward other amounts, including, without limitation, any interest payable with respect to any Surety Bond Payments then due to the Insurer.

Section 2.03 Security for Payments; Instruments of Further Assurance. To the extent, but only to the extent, that the Document, or any related ordinance, resolution, security agreement or similar instrument, if any, pledges to the Owners or any trustee therefor, or grants a security interest or lien in or on any collateral, property, revenue or other payments ("Collateral and Revenues") in order to secure the Obligations or provide a source of payment for the Obligations, the Issuer hereby grants to the Insurer a security interest in or lien on, as the case may be, and pledges to the Insurer all such Collateral and Revenues as security for payment of all amounts due hereunder and under the Document or any other document executed in connection with the issuance of the Obligations, which security interest, lien and/or pledge created or granted under this Section 2.03 shall be subordinate only to the interests of the Owners and any trustee therefor in such Collateral and Revenues, except as otherwise provided. The Issuer agrees that it will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, any and all financing statements, if applicable, and all other further instruments as may be required by law or as shall reasonably be requested by the Insurer for the perfection of the security interest, if any, granted under this Section 2.03 and for the preservation and protection of all rights of the Insurer under this Section 2.03.

Section 2.04 Unconditional Obligation. The obligations hereunder are absolute and unconditional and will be paid or performed strictly in accordance with this Agreement, subject to the limitations of the Document, irrespective of:

- (a) any lack of validity or enforceability of, or any amendment or other modification of, or waiver with respect to the Obligations, the Document or any other document executed in connection with the issuance of the Obligations; or
- (b) any exchange, release or nonperfection of any security interest in property securing the Obligations or this Agreement or any obligations hereunder; or
- (c) any circumstances that might otherwise constitute a defense available to, or discharge of, the Issuer with respect to the Obligations, the Document or any other document executed in connection with the issuance of the Obligations; or
- (d) whether or not such obligations are contingent or matured, disputed or undisputed, liquidated or unliquidated.

Notwithstanding any other provisions hereof, all obligations of the Issuer hereunder shall be payable solely out of Pledged Revenues (as such term is defined in the Document).

Section 2.05 Insurer's Rights. The Issuer shall repay the Insurer to the extent of payments made and expenses incurred by the Insurer in connection with the Obligations and this Agreement. The obligation of the Issuer to repay such amounts shall be subordinate only to the rights of the Owners to receive regularly scheduled principal and interest on the Obligations.

Section 2.06 On-Going Information Obligations of Issuer.



(a) Quarterly Reports. The Issuer will provide to the Insurer within 45 days of the close of each quarter interim financial statements covering all fund balances under the Document, a statement of operations (income statement), balance sheet and changes in fund balances. These statements need not be audited by an independent certified public accountant, but if any audited statements are produced, they must be provided to the Insurer;

(b) Annual Reports. The Issuer will provide to the Insurer annual financial statements audited by an independent certified public accountant within 154 days of the end of each fiscal year;

(c) Access to Facilities, Books and Records. The Issuer will grant the Insurer reasonable access to the project financed by the Obligations and will make available to the Insurer, at reasonable times and upon reasonable notice all books and records relative to the project financed by the Obligations; and

(d) Compliance Certificate. On an annual basis the Issuer will provide to the Insurer a certificate confirming compliance with all covenants and obligations hereunder and under the Document or any other document executed in connection with the issuance of the Obligations.

### ARTICLE 3

#### AMENDMENTS TO DOCUMENT

So long as this Agreement is in effect, the Issuer agrees that it will not agree to amend the Document or any other document executed in connection with the issuance of the Obligations, without the prior written consent of the Insurer.

### ARTICLE 4

#### EVENTS OF DEFAULT; REMEDIES

Section 4.01 Events of Default. The following events shall constitute Events of Default hereunder:

(a) The Issuer shall fail to pay to the Insurer when due any amount payable under Section 1.03; or

(b) The Issuer shall fail to pay to the Insurer any amount payable under Sections 1.04 and 2.01 hereof and such failure shall have continued for a period in excess of the Reimbursement Period; or

(c) Any material representation or warranty made by the Issuer under the Document or hereunder or any statement in the application for the Surety Bond or any report, certificate, financial statement, document or other instrument provided in connection with the Commitment, the Surety Bond, the Obligations, or herewith shall have been materially false at the time when made; or

(d) Except as otherwise provided in this Section 4.01, the Issuer shall fail to perform any of its other obligations under the Document, or any other document executed in connection with the issuance of the Obligations, or hereunder, provided that such failure continues for more than 30 days after receipt by the Issuer of written notice of such failure to perform; or

(e) The Issuer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of, or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take action for the purpose of effecting any of the foregoing; or

(f) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Issuer, or of a substantial part of its property, under the United States Bankruptcy Code or any other federal, state or foreign bankruptcy, insolvency or similar law or (ii) the appointment of a receiver, trustee, custodian, sequestrator or similar official for the Issuer or for a substantial part of its property; and such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall continue unstayed and in effect for 30 days.

Section 4.02 Remedies. If an Event of Default shall occur and be continuing, then the Insurer may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under this Agreement or to enforce performance of any obligation of the Issuer to the Insurer under the Document or any related instrument, and any obligation, agreement or covenant of the Issuer under this Agreement; provided, however, that the Insurer may not take any action to direct or require acceleration or other early redemption of the Obligations or adversely affect the rights of the Owners. In addition, if an Event of Default shall occur due to the failure to pay to the Insurer the amounts due under Section 1.03 hereof, the Insurer shall have the right to cancel the Surety Bond in accordance with its terms. All rights and remedies of the Insurer under this Section 4.02 are cumulative and the exercise of any one remedy does not preclude the exercise of one or more of the other available remedies.

## ARTICLE 5

### SETTLEMENT

The Insurer shall have the exclusive right to decide and determine whether any claim, liability, suit or judgment made or brought against the Insurer, the Issuer or any other party on the Surety Bond shall or shall not be paid, compromised, resisted, defended, tried or appealed, and the Insurer's decision thereon, if made in good faith, shall be final and binding upon the Insurer, the Issuer and any other party on the Surety Bond. An itemized statement of payments made by the Insurer, certified by an officer of the Insurer, or the voucher or vouchers for such

payments, shall be *prima facie* evidence of the liability of the Issuer, and if the Issuer fails to immediately reimburse the Insurer upon the receipt of such statement of payments, interest shall be computed on such amount from the date of any payment made by the Insurer at the rate set forth in subsection (a) of Section 2.01 hereof.

## ARTICLE 6

### MISCELLANEOUS

Section 6.01 Interest Computations. All computations of interest due hereunder shall be made on the basis of the actual number of days elapsed over a year of 360 days.

Section 6.02 Exercise of Rights. No failure or delay on the part of the Insurer to exercise any right, power or privilege under this Agreement and no course of dealing between the Insurer and the Issuer or any other party shall operate as a waiver of any such right, power or privilege, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Insurer would otherwise have pursuant to law or equity. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances, or constitute a waiver of the right of the other party to any other or further action in any circumstances without notice or demand.

Section 6.03 Amendment and Waiver. Any provision of this Agreement may be amended, waived, supplemented, discharged or terminated only with the prior written consent of the Issuer and the Insurer. The Issuer hereby agrees that upon the written request of the Paying Agent, the Insurer may make or consent to issue any substitute for the Surety Bond to cure any ambiguity or formal defect or omission in the Surety Bond which does not materially change the terms of the Surety Bond nor adversely affect the rights of the Owners, and this Agreement shall apply to such substituted surety bond. The Insurer agrees to deliver to the Issuer and to the company or companies, if any, rating the Obligations, a copy of such substituted surety bond.

Section 6.04 Successors and Assigns; Descriptive Headings.

(a) This Agreement shall bind, and the benefits thereof shall inure to, the Issuer and the Insurer and their respective successors and assigns; provided, that the Issuer may not transfer or assign any or all of its rights and obligations hereunder without the prior written consent of the Insurer.

(b) The descriptive headings of the various provisions of this Agreement are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

Section 6.05 Other Sureties. If the Insurer shall procure any other surety to reinsure the Surety Bond, this Agreement shall inure to the benefit of such other surety, its successors and assigns, so as to give to it a direct right of action against the Issuer to enforce this Agreement, and "the Insurer," wherever used herein, shall be deemed to include such reinsuring surety, as its respective interests may appear.

Section 6.06 Signature on Bond. The Issuer's liability shall not be affected by its failure to sign the Surety Bond nor by any claim that other indemnity or security was to have been obtained nor by the release of any indemnity, nor the return or exchange of any collateral that may have been obtained.

Section 6.07 Waiver. The Issuer waives any defense that this Agreement was executed subsequent to the date of the Surety Bond, admitting and covenanting that such Surety Bond was executed pursuant to the Issuer's request and in reliance on the Issuer's promise to execute this Agreement.

Section 6.08 Notices, Requests, Demands. Except as otherwise expressly provided herein, all written notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been given or made when actually received, or in the case of telex or telecopier notice sent over a telex or a telecopier machine owned or operated by a party hereto, when sent, addressed as specified below or at such other address as any of the parties may hereafter specify in writing to the others:

If to the Issuer:	Nassau County, Florida 191 Nassau Place Yulee, Florida 32097 Attention: Clerk of the Board of County Commissioners
If to the Paying Agent:	The Bank of New York Trust Company of Florida, N.A. 10161 Centurion Parkway, 2nd Floor Jacksonville, Florida 32256 Attention: Corporate Trust
If to the Insurer:	MBIA Insurance Corporation 113 King Street Armonk, New York 10504 Attention: Insured Portfolio Management Group

Section 6.09 Survival of Representations and Warranties. All representations, warranties and obligations contained herein shall survive the execution and delivery of this Agreement and the Surety Bond.

Section 6.10 Governing Law. This Agreement and the rights and obligations of the parties under this Agreement shall be governed by and construed and interpreted in accordance with the laws of the State.

Section 6.11 Counterparts. This Agreement may be executed in any number of copies and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument. Complete counterparts of this Agreement shall be lodged with the Issuer and the Insurer.

Section 6.12 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.

Section 6.13 Survival of Obligations. Notwithstanding anything to the contrary contained in this Agreement, the obligation of the Issuer to pay all amounts due hereunder and the rights of the Insurer to pursue all remedies shall survive the expiration, termination or substitution of the Surety Bond and this Agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

**Nassau County, Florida**

(SEAL)

By: \_\_\_\_\_  
Chairman

**MBIA Insurance Corporation**

\_\_\_\_\_  
President

Attest: \_\_\_\_\_  
Assistant Secretary

ATTESTED AND COUNTERSIGNED

By: \_\_\_\_\_  
Clerk

Form Approved:

\_\_\_\_\_  
County Attorney

**ANNEX A**  
**DEBT SERVICE RESERVE**  
**SURETY BOND**  
**MBIA Insurance Corporation**  
**Armonk, New York 10504**

Surety Bond No. [POLICY NO.]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this Surety Bond, hereby unconditionally and irrevocably guarantees the full and complete payments that are to be applied to payment of principal of and interest on the Obligations (as hereinafter defined) and that are required to be made by or on behalf of [NAME OF ISSUER] (the "Issuer") under the [TITLE OF THE DOCUMENT] (the "Document") to [NAME OF PAYING AGENT], (the "Paying Agent"), as such payments are due but shall not be so paid, in connection with the issuance by the Issuer of [TITLE OF THE OBLIGATIONS] (the "Obligations"), provided, that the amount available hereunder for payment pursuant to any one Demand for Payment (as hereinafter defined) shall not exceed [a: FIXED COVERAGE [Dollar Amount of Coverage] or the debt service reserve fund requirement for the Obligations, whichever is less (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein.] or [b: VARIABLE COVERAGE the annual amount set forth for the applicable bond year on Exhibit A attached hereto (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein.]

1. As used herein, the term "Owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the applicable paying agent, the Issuer or any designee of the Issuer for such purpose. The term "Owner" shall not include the Issuer or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment for the Obligations.

2. Upon the later of: (i) three (3) days after receipt by the Insurer of a demand for payment in the form attached hereto as Attachment 1 (the "Demand for Payment"), duly executed by the Paying Agent; or (ii) the payment date of the Obligations as specified in the Demand for Payment presented by the Paying Agent to the Insurer, the Insurer will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts that are then due to the Paying Agent (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

3. Demand for Payment hereunder may be made by prepaid telecopy, telex, TWX or telegram of the executed Demand for Payment c/o the Insurer. If a Demand for Payment made hereunder does not, in any instance, conform to the terms and conditions of this Surety Bond, the Insurer shall give notice to the Paying Agent, as promptly as reasonably practicable, that such Demand for Payment was not effected in accordance with the terms and conditions of this Surety Bond and briefly state the reason(s) therefor. Upon being notified that such Demand for

Payment was not effected in accordance with this Surety Bond, the Paying Agent may attempt to correct any such nonconforming Demand for Payment if, and to the extent that, the Paying Agent is entitled and able to do so.

4. The amount payable by the Insurer under this Surety Bond pursuant to a particular Demand for Payment shall be limited to the Surety Bond Coverage. The Surety Bond Coverage shall be reduced automatically to the extent of each payment made by the Insurer hereunder and will be reinstated to the extent of each reimbursement of the Insurer pursuant to the provisions of Article II of the Financial Guaranty Agreement dated the date hereof between the Insurer and the [ISSUER OR OBLIGOR] (the "Financial Guaranty Agreement"); provided, [ANNUAL PREMIUM OPTION: that no premium is due and unpaid on this Surety Bond and] that in no event shall such reinstatement exceed the Surety Bond Limit. The Insurer will notify the Paying Agent, in writing within five (5) days of such reimbursement, that the Surety Bond Coverage has been reinstated to the extent of such reimbursement pursuant to the Financial Guaranty Agreement and such reinstatement shall be effective as of the date the Insurer gives such notice. The notice to the Paying Agent will be substantially in the form attached hereto as Attachment 2.

5. Any service of process on the Insurer or notice to the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

6. The term of this Surety Bond shall expire [ANNUAL PREMIUM OPTION: ,unless cancelled pursuant to paragraph 9 hereof,] on the earlier of (i) [MATURITY DATE] (the maturity date of the Obligations being currently issued), or (ii) the date on which the Issuer has made all payments required to be made on the Obligations pursuant to the Document.

7. The premium payable on this Surety Bond is not refundable for any reason, including the payment prior to maturity of the Obligations.

8. [OPTIONAL FIRST SENTENCE: This Surety Bond shall be governed by and interpreted under the laws of the State of (STATE)]. Any suit hereunder in connection with any payment may be brought only by the Paying Agent within [1 or 3 years] after (i) a Demand for Payment, with respect to such payment, is made pursuant to the terms of this Surety Bond and the Insurer has failed to make such payment, or (ii) payment would otherwise have been due hereunder but for the failure on the part of the Paying Agent to deliver to the Insurer a Demand for Payment pursuant to the terms of this Surety Bond, whichever is earlier.

[NOS. 9 and 11 are OPTIONAL]

9. Subject to the terms of the Document, the Issuer shall have the right, upon 30 days prior written notice to the Insurer and the Paying Agent, to terminate this Surety Bond. In the event of a failure by the Issuer to pay the premium due on this Surety Bond pursuant to the terms of the Financial Guaranty Agreement, the Insurer shall have the right upon [No. of days] days prior written notice to the Issuer and the Paying Agent to cancel this Surety Bond. No Demand for Payment shall be made subsequent to such notice of cancellation unless payments are due but shall not have been so paid in connection with the Obligations.

10. There shall be no acceleration payment due under this Policy unless such acceleration is at the sole option of the Insurer.

11. This policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

In witness whereof, the Insurer has caused this Surety Bond to be executed in facsimile on its behalf by its duly authorized officers, this [DATE] day of [MONTH, YEAR].

**MBIA INSURANCE CORPORATION**

\_\_\_\_\_  
President

\_\_\_\_\_  
Assistant Secretary



**EXHIBIT A**

Surety Bond No. [POLICY NO.]

<u>Bond Year</u>	<u>Maximum Annual Debt Service</u>
20 to 20	\$
20 to 20	\$
20 to 20	\$

DEMAND FOR PAYMENT

\_\_\_\_\_, 20\_\_

MBIA Insurance Corporation  
113 King Street  
Armonk, New York 10504  
Attention: President

Reference is made to the Surety Bond No. [POLICY NO.] (the "Surety Bond") issued by the MBIA Insurance Corporation (the "Insurer"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

The Paying Agent hereby certifies that:

(a) In accordance with the provisions of the Document (attached hereto as Exhibit A), payment is due to the Owners of the Obligations on \_\_\_\_\_ (the "Due Date") in an amount equal to \$\_\_\_\_\_ (the "Amount Due").

(b) The [Debt Service Reserve Fund Requirement] for the Obligations is \$\_\_\_\_\_.

(c) The amounts legally available to the Paying Agent on the Due Date will be \$ less than the Amount Due (the "Deficiency").

(d) The Paying Agent has not heretofore made demand under the Surety Bond for the Amount Due or any portion thereof.

The Paying Agent hereby requests that payment of the Deficiency (subject to the Surety Bond Coverage) be made by the Insurer under the Surety Bond and directs that payment under the Surety Bond be made to the following account by bank wire transfer of federal or other immediately available funds in accordance with the terms of the Surety Bond:

\_\_\_\_\_  
[Paying Agent's Account]

[PAYING AGENT]

By

\_\_\_\_\_  
Its

Attachment 2  
Surety Bond No. [POLICY NO.]

NOTICE OF REINSTATEMENT

\_\_\_\_\_, 20\_\_

[Paying Agent]

[Address]

Reference is made to the Surety Bond No. [POLICY NO.] (the "Surety Bond") issued by the MBIA Insurance Corporation (the "Insurer"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

The Insurer hereby delivers notice that it is in receipt of payment from the Obligor pursuant to Article II of the Financial Guaranty Agreement and as of the date hereof the Surety Bond Coverage is \$

**MBIA Insurance Corporation**

\_\_\_\_\_  
President

Attest: \_\_\_\_\_  
Assistant Secretary

**ANNEX B**  
**DEFINITIONS**

For all purposes of this Agreement and the Surety Bond, except as otherwise expressly provided herein or unless the context otherwise requires, all capitalized terms shall have the meaning as set out below, which shall be equally applicable to both the singular and plural forms of such terms.

“Agreement” means this Financial Guaranty Agreement.

“Closing Date” means September 22, 2003.

“Commitment” means the commitment to issue Municipal Bond Guaranty Insurance in the form attached hereto as Annex C.

“Debt Service Payments” means those payments required to be made by or on behalf of the Issuer which will be applied to payment of principal of and interest on the Obligations.

“Demand for Payment” means the certificate submitted to the Insurer for payment under the Surety Bond substantially in the form attached to the Surety Bond as Attachment I.

“Document” means, collectively, Ordinance No. 2003-50 of the Issuer enacted September 8, 2003 as supplemented by Resolution No. 2003-116 of the Issuer adopted September 8, 2003.

“Event of Default” shall mean those events of default set forth in Section 4.01 of the Agreement.

“Insurer” has the same meaning as set forth in the first paragraph of this Agreement.

“Issuer” means Nassau County, Florida.

“Obligations” means \$\_\_\_\_\_ Nassau County, Florida Water and Sewer System Revenue Bonds, Series 2003 and bonds refunding such Series 2003 Bonds.

“Owners” means the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer or any designee of the Issuer for such purpose.

“Paying Agent” means The Bank of New York Trust Company of Florida, N.A.

“Premium” means [PREMIUM} payable to the Insurer on or prior to the Closing Date.

“Reimbursement Period” means, with respect to a particular Surety Bond Payment, the period commencing on the date of such Surety Bond Payment and ending on the earlier of the date of cancellation of the Surety Bond due to nonpayment of Premium when due or on the expiration of one year following such Surety Bond Payment.

“Reimbursement Rate” means Citibank’s prime rate plus three (3) percent per annum, as of the date of such Surety Bond Payment, said “prime rate” being the rate of interest announced from time to time by Citibank, N.A., New York, New York, as its prime rate. The rate of interest shall be calculated on the basis of the actual number of days elapsed over a 360-day year.

“State” means the State of Florida.

“Surety Bond” means that surety bond attached hereto as Annex A and issued by the Insurer guaranteeing, subject to the terms and limitations thereof, Debt Service Payments required to be made by the Issuer under the Document.

“Surety Bond Coverage” means the amount available at any particular time to be paid under the terms of the Surety Bond, which amount shall never exceed the Surety Bond Limit.

“Surety Bond Limit” means [SURETY BOND LIMIT].

“Surety Bond Payment” means an amount equal to the Debt Service Payment required to be made by the Issuer pursuant to the Document less (i) that portion of the Debt Service Payment paid by or on behalf of the Issuer, and (ii) other funds legally available for payment to the Owners, all as certified in a Demand for Payment.

ANNEX C  
COMMITMENT  
[To be provided.]

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**COMMITMENT TO ISSUE A  
FINANCIAL GUARANTY INSURANCE POLICY**

Application No.: 2003-006952-001  
Sale Date: September, 2003 (T)  
Program Type: Negotiated DP

Re: \$18,465,000 (est.) Nassau County, Florida, Water and Sewer System Revenue Bonds,  
Series 2003 (the "Obligations")

This commitment to issue a financial guaranty insurance policy (the "Commitment") dated September 3, 2003, constitutes an agreement between NASSAU COUNTY (the "Applicant") and MBIA Insurance Corporation (the "Insurer"), a stock insurance company incorporated under the laws of the State of New York.

Based on an approved application dated August 25, 2003, the Insurer agrees, upon satisfaction of the conditions herein, to issue on the earlier of (i) 120 days of said approval date or (ii) on the date of delivery of and payment for the Obligations, a financial guaranty insurance policy (the "Policy") for the Obligations, insuring the payment of principal of and interest on the Obligations when due. The issuance of the Policy shall be subject to the following terms and conditions:

1. Payment by the Applicant, or by the Trustee on behalf of the Applicant, on the date of delivery of and payment for the Obligations, of a nonrefundable premium in the amount of .410% of total debt service, premium rounded to the nearest thousand. The premium set out in this paragraph shall be the total premium required to be paid on the Policy issued pursuant to this Commitment.

2. The Obligations shall have received the unqualified opinion of bond counsel with respect to the tax-exempt status of interest on the Obligations.

3. There shall have been no material adverse change in the Obligations or the Resolution, Bond Ordinance, Trust Indenture or other official document authorizing the issuance of the Obligations or in the final official statement or other similar document, including the financial statements included therein.

4. There shall have been no material adverse change in any information submitted to the Insurer as a part of the application or subsequently submitted to be a part of the application to the Insurer.

5. No event shall have occurred which would allow any underwriter or any other purchaser of the Obligations not to be required to purchase the Obligations at closing.

6. A Statement of Insurance satisfactory to the Insurer shall be printed on the Obligations.

7. Prior to the delivery of and payment for the Obligations, none of the information or documents submitted as a part of the application to the Insurer shall be determined to contain any untrue or misleading statement of a material fact or fail to state a material fact required to be stated therein or necessary in order to make the statements contained therein not misleading.



8. No material adverse change affecting any security for the Obligations shall have occurred prior to the delivery of and payment for the Obligations.

9. The Insurer's "Payments Under the Policy/Other Required Provisions" (see attached) shall be included in the authorizing document.

10. The Applicant agrees not to use the Insurer's name in any public document including, without limitation, a press release or presentation, announcement or forum without the Insurer's prior consent. In the event that the Applicant is advised by counsel that it has a legal obligation to disclose the Insurer's name in any press release, public announcement or other public document, the Applicant shall provide the Insurer with at least three (3) business days' prior written notice of its intent to use the Insurer's name together with a copy of the proposed use of the Insurer's name and of any description of a transaction with the Insurer and shall obtain the Insurer's prior consent as to the form and substance of the proposed use of the Insurer's name and any such description.

11. This Commitment may be signed in counterpart by the parties hereto.

12. Compliance with the Insurer's General Document Provisions (see attached).

13. Compliance with the Insurer's List of Permissible Investments for Indentured Funds (see attached).

14. An Underlying S&P Rating of A- or higher.

Dated this 3rd day of September, 2003.

**MBIA Insurance Corporation**

By

Assistant Secretary

**NASSAU COUNTY**

By: \_\_\_\_\_

Title: \_\_\_\_\_





**COMMITMENT TO ISSUE A  
DEBT SERVICE RESERVE SURETY BOND**

Application No.: 2003-006952-002

Sale Date: September, 2003 (T)

Program Type: Negotiated DP

RE: \$1,846,500 (est.) Debt Service Reserve Fund for the \$18,465,000 (est.) Nassau County, Florida, Water and Sewer System Revenue Bonds, Series 2003 (the "Obligations")

This commitment to issue a debt service reserve surety bond (the "Commitment") constitutes an agreement between NASSAU COUNTY (the "Applicant"), and MBIA Insurance Corporation (the "Insurer"), a stock insurance company incorporated under the laws of the State of New York.

Based on an approved application dated September 3, 2003, the Insurer agrees, upon satisfaction of the conditions herein, to issue on the earlier of (i) 120 days of said approval date or (ii) on the date of delivery of and payment for the Obligations, a debt service reserve surety bond (the "Surety Bond"), for the Obligations, guaranteeing the payment to the issuer of up to \$1,846,500 (est.) on the Obligations. The issuance of the Surety Bond shall be subject to the following terms and conditions:

1. Payment by the Applicant, or by the Trustee on behalf of the Applicant, on the date of delivery of and payment for the Obligations, of a nonrefundable premium in the amount of 3.25% of the total surety bond amount, premium rounded to the nearest thousand. The premium set out in this paragraph shall be the total premium required to be paid on the Policy issued pursuant to this Commitment.
2. The Obligations shall have received the unqualified opinion of bond counsel with respect to the tax-exempt status of interest on the Obligations.
3. There shall have been no material adverse change in the Obligations or the Resolution, Bond Ordinance, Trust Indenture or other official document authorizing the issuance of the Obligations or in the final official statement or other similar document, including the financial statements included therein.
4. There shall have been no material adverse change in any information submitted to the Insurer as a part of the Application or subsequently submitted to be a part of the Application to the Insurer.
5. No event shall have occurred which would allow any underwriter or any other purchaser of the Obligations not to be required to purchase the Obligations at closing.
6. Prior to the delivery of and payment for the Obligations, none of the information or documents submitted as a part of the Application to the Insurer shall be determined to contain any untrue or misleading statement of a material fact or fail to state a material fact required to be stated therein or necessary in order to make the statements contained therein not misleading.
7. No material adverse change affecting any security for the Obligations shall have occurred prior to the delivery of and payment for the Obligations.
8. This Commitment may be signed in counterpart by the parties hereto.



9. Compliance with the Insurer's Term Sheet for Debt Service Reserve Fund Program  
(see Attachment A).

Dated this 3rd day of September, 2003.

**MBIA Insurance Corporation**

By

Assistant Secretary

**NASSAU COUNTY**

By: \_\_\_\_\_

Title: \_\_\_\_\_