

RESOLUTION NO. 04-240

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PARKER, FLORIDA, AUTHORIZING THE EXECUTION AND DELIVERY OF A SUPPLEMENTAL INTERLOCAL AGREEMENT WITH BAY COUNTY, FLORIDA, THE CITIES OF SPRINGFIELD AND CALLAWAY AND THE TOWN OF CEDAR GROVE PROVIDING FOR WHOLESALE WASTEWATER TREATMENT; AUTHORIZING THE EXECUTION AND DELIVERY OF A SUPPLEMENTAL TREATMENT CONTRACT WITH RESPECT THERETO; AUTHORIZING THE CITY OF CALLAWAY AND BAY COUNTY, FLORIDA TO ISSUE CERTAIN BONDS AND BORROW CERTAIN OTHER AMOUNTS PURSUANT TO SAID SUPPLEMENTAL INTERLOCAL AGREEMENT; AUTHORIZING THE EXECUTION AND DELIVERY OF A CONTINUING DISCLOSURE AGREEMENT; APPROVING CERTAIN DISCLOSURE WITH RESPECT TO THE CITY, ITS WASTEWATER COLLECTION SYSTEM AND THE SYSTEM CONTAINED IN OFFERING DOCUMENTS WITH RESPECT TO SAID BONDS; AND PROVIDING AN EFFECTIVE DATE:

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PARKER, FLORIDA:

**SECTION 1. FINDINGS**

(A) The City of Parker, Florida (the "City") has previously entered into an agreement (the "Existing Interlocal Agreement", as more fully described herein) with the Cities of Springfield and Callaway, the Town of Cedar Grove and Bay County, Florida, to construct a new wastewater treatment facility to be owned by the City and each of the aforesaid entities (collectively, the "Owners") and operated by an operator for the benefit of the Owners and to provide wholesale wastewater treatment services to such Owners and their citizens (such new treatment plant, together with certain other improvements described in said Existing Interlocal Agreement being referred to herein as the "System").

(B) In connection with the transactions contemplated by said Existing Interlocal Agreement, the City has previously entered into a Treatment Contract (the "Prior Treatment Contract") evidencing the City's obligation to make payments required by the terms of the Existing Interlocal Agreement.

(C) In connection with the transactions contemplated by the Existing Interlocal Agreement, the City authorized the City of Callaway and Bay County, Florida (the "Issuer") to jointly issue bonds (the "Series 1996 Bonds") for purposes of financing the acquisition and construction of the System, refunding certain outstanding indebtedness and financing certain other costs described in the Existing Interlocal Agreement.

(D) The City desires to authorize the Issuer to issue its Wastewater System Revenue Refunding Bonds, Series 2004 (the "2004 Bonds") for purposes of refunding the Series 1996 Bonds to achieve certain debt service savings, and in connection therewith to amend and supplement the Existing Interlocal Agreement and Prior Treatment Contract.

(E) In connection with the issuance of the Series 2004 Bonds, the City desires to approve the form of the disclosure used to describe the City and its wastewater collection system,



and to authorize the execution and delivery of a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") with respect thereto.

**SECTION 2. DEFINITIONS.** Capitalized terms used in this Resolution shall have the meanings set forth in the Existing Interlocal Agreement, except as otherwise provided herein.

**SECTION 3. AUTHORITY FOR THIS RESOLUTION.** This Resolution is adopted pursuant to the provisions of Chapter 166, Florida Statutes, the City Charter of the City of Parker and other applicable provisions of law. This Resolution shall repeal or supersede any and/or all Charter provisions, ordinances or resolutions, or portions thereof, in conflict herewith.

**SECTION 4. AUTHORIZATION OF EXECUTION OF SUPPLEMENTAL INTERLOCAL AGREEMENT.** The City hereby authorizes and directs the Mayor to execute, and the City Clerk to attest under the corporate seal of the City, the Supplemental Interlocal Agreement and to deliver the Supplemental Interlocal Agreement to the other parties thereto, and does hereby authorize and direct the execution, sealing and delivery of the Supplemental Interlocal Agreement. All of the provisions of the Supplemental Interlocal Agreement, when executed and delivered by the other parties thereto, shall be deemed to be a part of this Resolution as fully and to the same extent as if incorporated verbatim herein, and the Supplemental Interlocal Agreement shall be in substantially the form of the Supplemental Interlocal Agreement attached hereto as Exhibit A with such changes, amendments, modifications, omissions and additions, including the date of such Supplemental Interlocal Agreement, as may be approved by said Mayor. Execution by the Mayor of the Supplemental Interlocal Agreement shall be deemed to be conclusive evidence of approval of such changes.

**SECTION 5. AUTHORIZATION OF EXECUTION OF SUPPLEMENTAL TREATMENT CONTRACT.** The City hereby authorizes and directs the Mayor to execute, and the City Clerk to attest under the corporate seal of the City, the Supplemental Treatment Contract and to deliver the Supplemental Treatment Contract to Bay County, Florida, as the operator of the System (the "Operator"), and does hereby authorize and direct the execution, sealing and delivery of the Supplemental Treatment Contract. All of the provisions of the Supplemental Treatment Contract, when executed and delivered by the City as authorized herein and when duly authorized, executed and delivered by the Operator, shall be deemed to be a part of this Resolution as fully and to the same extent as if incorporated verbatim herein, and the Supplemental Treatment Contract shall be in substantially the form of the Supplemental Treatment Contract attached hereto as Exhibit B with such changes, amendments, modifications, omissions and additions, including the date of such Supplemental Treatment Contract, as may be approved by said Mayor. Execution by the Mayor of the Supplemental Treatment Contract shall be deemed to be conclusive evidence of approval of such changes.

**SECTION 6. APPROVAL OF ISSUANCE AND SALE OF SERIES 2004 BONDS.** The City does hereby authorize the issuance and sale by the Issuer of the Series 2004 Bonds, to Morgan Keegan & Company, Inc. and RBC Dain Rauscher Inc.. (collectively, the "Underwriters") upon delivery to the Chairman of the Board of County Commissioners of Bay County, the Mayor of the City of Callaway and the Issuer's financial advisor of a contract of purchase evidencing:

- (A) Series 2004 Bonds in an aggregate principal amount not exceeding \$20,000,000;
- (B) Optional redemption of the Series 2004 Bonds beginning not later than September 1, 2014 at a price not in excess of 101% of par, declining to par not later than September 1, 2015;
- (C) The final maturity of the Series 2004 Bonds being not later than September 1, 2026;
- (D) The true interest cost on such Series 2004 Bonds being not greater than 4.50% per annum;



(E) Net present value debt service savings associated with the refunding of the Series 1996 Bonds of not less than 2.75%; and

(F) The Underwriters' discount for the Series 2004 Bonds being not in excess of 0.75% of the initial principal amount of the Series 2004 Bonds.

The Mayor is authorized and directed to execute any document, including the Supplemental Loan Agreement to be entered into between the Issuer and the Operator, acknowledging the City's understanding and approval of the terms of said loan(s).

**SECTION 7. DISCLOSURE REGARDING THE CITY CONTAINED IN OFFICIAL STATEMENT; CONTINUING DISCLOSURE AGREEMENT.**

(A) The provisions regarding the City, the City's wastewater collection system and the System contained in the Official Statement to be utilized in the marketing of the Series 2004 Bonds, in substantially the form attached hereto as Exhibit C, be and the same hereby are approved with respect to the information therein contained. The use of a Preliminary Official Statement in the marketing of the Series 2004 Bonds is hereby authorized and the Official Statement, including any such changes, amendments, modifications, omissions and additions as approved by the Mayor, and the information contained therein are hereby authorized to be used in connection with the sale of the Series 2004 Bonds to the public.

(B) In order to enable the Underwriters to comply with the provisions of SEC Rule 15c2-12 relating to secondary market disclosure, the Mayor is hereby authorized and directed to execute and deliver the Continuing Disclosure Agreement in the name and on behalf of the City substantially in the form attached hereto as Exhibit D with such changes, amendments, omissions and additions as shall be approved by the Mayor, the execution and delivery thereof being conclusive evidence of such approval.

**SECTION 8. GENERAL AUTHORITY.** The members of the City Council of the City and the officers, attorneys and other agents or employees of the City are hereby authorized to do all acts and things required of them by this Resolution, the Interlocal Agreement, the Treatment Contract, the Continuing Disclosure Agreement, or the documents securing the Series 2004 Bonds, or desirable or consistent with the requirements hereof or the Interlocal Agreement, the Treatment Contract, the Continuing Disclosure Agreement, or the documents securing the Series 2004 Bonds for the full punctual and complete performance of all the terms, covenants and agreements contained herein or in the Interlocal Agreement, the Treatment Contract, the Continuing Disclosure Agreement, or the documents securing the Series 2004 Bonds, including the execution of any documents or instruments relating to insuring payment of the Series 2004 Bonds, and each member, employee, attorney and officer of the City is hereby authorized and directed to execute and deliver any and all papers and instruments and to be and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated hereunder.

**SECTION 9. SEVERABILITY AND INVALID PROVISIONS.** If any one or more of the covenants, agreements or provisions herein contained shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other provisions hereof or of the Interlocal Agreement.

**SECTION 10. EFFECTIVE DATE.** This Resolution shall become effective immediately upon its enactment.

**SECTION 10. EFFECTIVE DATE.** This Resolution shall become effective immediately upon its enactment.

The Mayor thereupon declared this Resolution duly passed and enacted on this 19th day of November, 2004.

CITY OF PARKER, FLORIDA

(SEAL)

By: Brenda G. Hendricks  
Brenda G. Hendricks, as Mayor

ATTEST:

Bonnie Bomar  
Bonnie Bomar, as City Clerk



**APPENDIX A**  
**INTERLOCAL AGREEMENT**

**FORM OF  
FIRST SUPPLEMENT TO  
MILITARY POINT ADVANCED WASTEWATER  
TREATMENT FACILITY INTERLOCAL AGREEMENT**

**WHEREAS**, the Board of County Commissioners of Bay County, Florida and the cities of Callaway, Parker, Springfield and the Town of Cedar Grove, acting by and through their respective boards of elected officials, have previously entered into that certain Military Point Advanced Wastewater Treatment Facility Interlocal Agreement (the "Existing Agreement"); and

**WHEREAS**, said Existing Agreement provides for the ownership and operation of the wastewater treatment system described therein; and

**WHEREAS**, the parties hereto desire to amend said Existing Agreement to accommodate the refunding of certain indebtedness incurred to finance improvements to said System;

**NOW, THEREFORE, FOR AND IN CONSIDERATION** of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the mutual covenants and conditions hereafter expressed, and reliance upon these presents, the parties hereto agree as follows:

**SECTION 1. DEFINITIONS.** The following defined terms set forth in the Existing Interlocal Agreement are hereby amended to read as follows:

"Debt Service Component" shall mean that component of an Owner's Treatment Rate budgeted by the Operator which shall equal the respective Owner's share of anticipated Debt Service for the Fiscal Year under consideration, apportioned among the Owners as follows: (i) all costs associated with the 2004 Bonds shall be apportioned on the same basis as previously apportioned under the Existing Interlocal Agreement with respect to the 1996 Bonds, proportionately reduced to reflect the reduced debt service associated therewith; (ii) all sums due under or attributable to a SRF Loan Agreement shall be apportioned on the basis of the distribution of the proceeds thereof; (iii) all costs of financing any Mandated Capital Improvements shall be apportioned on the basis of then current Capacity Allocation; and (iv) any other Debt Service shall be apportioned as the Owners may unanimously agree. Any Owner may at any time deposit with the Operator cash to prepay all or any portion of any of the foregoing debt and associated costs, including any negative arbitrage costs associated with prepaying debt related to the Series 2004 Bonds, allocated to such Owner, and the Operator shall use its best efforts to cause to be refunded, on a current or advance basis, in the manner and at the lowest reasonable cost and at the earliest reasonable opportunity, all determined in the Operator's sole discretion, such debt and reduce such Owner's Debt Service Component proportionately. The prepaying Owner shall be responsible for all costs and expenses reasonably incurred by the Operator, the Issuer, or the obligor in connection with such prepayment.



"1996 Loan Agreement" means that certain Loan Agreement by and between the Operator as borrower and the Issuer as lender, dated as of October 1, 1996, evidencing the loan of the net proceeds (after costs of issuance apportioned between the Owners on the basis of Bond proceeds utilized) of the 1996 Bonds, as supplemented by the First Supplemental Loan Agreement, dated as of November 1, 2004, reflecting the refunding of the 1996 Bonds by the 2004 Bonds.

"2004 Bonds" means the Issuer's Wastewater System Revenue Refunding Bonds, Series 2004, issued for the purpose of refunding the 1996 Bonds.

**SECTION 2. SUPPLEMENTAL TREATMENT CONTRACTS.** The form of Supplemental Treatment Contract attached hereto as Exhibit A, to be entered into by each of the Owners in connection with the issuance of the Series 2004 Bonds, is hereby approved.

**SECTION 3. APPROVAL OF 2004 LOAN.** The 2004 Loan (as defined in the 1996 Loan Agreement, as amended), is hereby approved for purposes of Article X of the Existing Interlocal Agreement.

**SECTION 4. EXISTING INTERLOCAL AGREEMENT TO REMAIN IN FULL FORCE AND EFFECT.** Except as amended hereby, the Existing Interlocal Agreement shall remain in full force and effect.

**SECTION 5. FILING.** Upon the execution of this Agreement, such Agreement shall be filed with the Clerk of the Circuit Court of Bay County.

**OWNERS:**

BAY COUNTY, FLORIDA, acting by and through its  
Board of County Commissioners

Attest:

\_\_\_\_\_  
Clerk

\_\_\_\_\_  
Chairman

Date Approved \_\_\_\_\_, 2004

Approved as to Form and Legality:

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

CITY OF CALLAWAY, a municipal corporation  
acting by and through its City Commission

Attest:

\_\_\_\_\_  
City Clerk

\_\_\_\_\_  
Mayor

Date Approved \_\_\_\_\_, 2004

Approved as to Form and Legality:

\_\_\_\_\_  
City Attorney

CITY OF SPRINGFIELD, a municipal corporation  
acting by and through its City Commission

Attest:

\_\_\_\_\_  
City Clerk

\_\_\_\_\_  
Mayor

Date Approved \_\_\_\_\_, 2004

Approved as to Form and Legality:

\_\_\_\_\_  
City Attorney

11/19/04

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Attest:

TOWN OF CEDAR GROVE, a municipal corporation acting by and through its City Commission

\_\_\_\_\_  
City Clerk

Approved as to Form and Legality:

\_\_\_\_\_  
City Attorney

\_\_\_\_\_  
Mayor

Date Approved \_\_\_\_\_, 2004

Attest:

CITY OF PARKER, a municipal corporation acting by and through its City Commission

\_\_\_\_\_  
City Clerk

Approved as to Form and Legality:

\_\_\_\_\_  
City Attorney

\_\_\_\_\_  
Mayor

Date Approved \_\_\_\_\_, 2004

**OPERATOR:**

BAY COUNTY, FLORIDA, acting by and through its Board of County Commissioners

Attest:

\_\_\_\_\_  
Clerk

Approved as to Form and Legality:

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

\_\_\_\_\_  
Chairman

Date Approved \_\_\_\_\_, 2004

11/19/04

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**APPENDIX B**  
**TREATMENT CONTRACT**



## **FIRST SUPPLEMENTAL WASTEWATER TREATMENT CONTRACT**

THIS FIRST SUPPLEMENTAL WASTEWATER TREATMENT CONTRACT (the "Supplemental Treatment Contract") is made and dated as of the 1st day of March, 2004, by and between Bay County, Florida, acting through its Board of County Commissioners (the "Operator") as the operator of the System pursuant to the Military Point Advanced Wastewater Treatment Facility Interlocal Agreement dated September 24, 1996 (the "Owner Interlocal Agreement") and the City of \_\_\_\_\_, Florida (the "Customer");

WHEREAS, the Operator and Customer are parties to the Owner Interlocal Agreement, and have previously entered into that certain Wastewater Treatment Contract (the "Prior Treatment Contract"), dated September 1, 1996, setting forth the terms and conditions in which the Customer pays for committed wastewater treatment capacity and for wastewater treatment services for wastewater collected by the Customer from its customers located within its municipal limits and service area (the "Collection System"); and

WHEREAS, the City of Callaway, Florida and Bay County, Florida (jointly, the "Issuer") have previously issued their Wastewater System Revenue Bonds, Series 1996 (the "Series 1996 Bonds"), the proceeds of which were loaned to the Operator to repay certain indebtedness and to finance the cost of certain improvements to the System, which Series 1996 Bonds are secured in part by payments made pursuant to the Prior Treatment Contract; and

WHEREAS, the Issuer desires to refund the Series 1996 Bonds by means of issuance of its Wastewater System Revenue Refunding Bonds, Series 2004 (the "Series 2004 Bonds"), in order to achieve certain debt service savings; and

WHEREAS, the Operator and the Customer desire to amend and supplement the Prior Treatment Contract to reflect such refinancing and provide for the pledge of amounts due under the Treatment Contract for the benefit of the Series 2004 Bonds, and to modify certain covenants contained in the Prior Treatment Contract;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, it is agreed by and between the parties hereto as follows:

**SECTION 1. DEFINITIONS.** Except as otherwise set forth herein, capitalized terms used herein shall have the meanings set forth in the Prior Treatment Contract and in the Supplemental Trust Indenture, dated as of March 1, 2004, entered into by the Issuer and SunTrust Bank, as trustee, in connection with the issuance of the Series 2004 Bonds.

**SECTION 2. WASTEWATER RATES AND CHARGES.** Section 5a of the Prior Treatment Contract is hereby amended to read as follows: The Customer agrees to pay to the

Operator, for wastewater treatment services, a monthly Treatment Rate that consists of the Operation and Maintenance Fee Component, the Debt Service Component, the Renewal and Replacement Component, the Rate Reserve Component and such amount as is necessary to cover a payment event under Section 5.29 (iii) of the Owner Interlocal Agreement.

- a. Debt Service Component. The Debt Service Component shall be charged monthly and is a sum equal to the Customer's share of Debt Service as calculated on a monthly basis. The Customer's share of Debt Service is determined by adding the portions of the Debt Service due and payable pursuant to the 1996 Loan Agreement and the SRF Loan Agreement, all as set forth in the Owners Interlocal Agreement and (i) and (ii) below:

- (i) As to that portion of the Debt Service due and payable pursuant to the Loan Agreement for the net proceeds of the Series 2004 Bonds, an amount equal to \$ \_\_\_\_\_ which relates to the portion of the Series 1996 Bond proceeds that were used for the benefit of the Customer, all as shown on Exhibit A attached hereto and incorporated herein by reference; plus
- (ii) As to that portion of the Debt Service due and payable pursuant to the SRF Loan Agreement for the net proceeds of the SRF loan, an amount equal to the sum of the following:
  - (a) the Debt Service due on an amount equal to \$ \_\_\_\_\_ of loan proceeds that were used for the benefit of the Customer based on the percentages shown on Exhibit A, pursuant to the initial loan agreement dated September 30, 1996, and subsequent amounts pursuant to any subsequent loan agreements funding those portions of the 1996 Project as described in the application dated March 13, 1996, filed by the City of Callaway, and plus
  - (b) the Debt Service due on the proceeds of any subsequent SRF loans received to fund any remaining portions of the 1996 Project on behalf of the Customer.

The Debt Service Component shall be adjusted, from time to time, to reflect:

- (i) Debt Service on subsequent additional Secured Indebtedness, and
- (ii) prepayment by the Customer as provided below.

The Customer may reduce its Debt Service Component by prepaying debt allocated to said Customer, including any negative arbitrage costs associated with prepaying debt related to the Series 2004 Bonds, in accordance with the definition of "Debt Service" as set forth in the Owner Interlocal



Agreement. The prepaying Customer shall be responsible for all costs and expenses reasonably incurred by the Operator, the Issuer or the obligor in connection with such prepayment.

- b. Rate Reserve Component. The Rate Reserve Component shall be calculated and charged monthly by multiplying the customer's Debt Service Component for that month by .15 (15/100th); provided, that for purposes of this subsection b, "Debt Service Component" shall be deemed to exclude any debt service on any Secured Indebtedness other than the Indebtedness evidenced by the Supplemental Loan Agreement to the extent the Rate Reserve Component attributable to the Indebtedness evidenced by the Supplemental Loan Agreement equals or exceeds the amount of the Rate Reserve Component which would otherwise be attributable to any other secured Indebtedness.

SECTION 3. PRIOR TREATMENT CONTRACT TO REMAIN IN EFFECT. Except to the extent amended hereby, the Prior Treatment Contract shall remain in full force and effect.

SECTION 4. SEVERABILITY. If for any reason whatever, any part of this Supplemental Treatment Contract is determined to be invalid or unenforceable, the remainder of this Supplemental Treatment Contract shall continue in full force and effect.

IN WITNESS WHEREOF, the parties hereto have placed their hands and seal as of the date first above written.

**OPERATOR:**

BAY COUNTY, FLORIDA, acting by and through its Board of County Commissioners

Attest:

\_\_\_\_\_

Approved as to form and legality:

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

Attest:

\_\_\_\_\_

Approved as to form and legality:

\_\_\_\_\_

\_\_\_\_\_  
Chairman

Date Approved: \_\_\_\_\_

\_\_\_\_\_

## EXHIBIT A

	<u>Callaway</u>	<u>Cedar Grove</u>	<u>Parker</u>	<u>Springfield</u>	<u>Bay County</u>
Bonds	30.93%	13.39%	11.69%	39.89%	4.10%
SRF Loan	40.00%	6.85%	13.29%	23.69%	16.17%



**APPENDIX C**  
**OFFICIAL STATEMENT**

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 12, 2004

NEW ISSUE - Book-Entry Only

*In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Series 2004 Bonds is excluded from gross income of the holders of such Series 2004 Bonds, subject to the conditions and limitations described under the caption "TAX EXEMPTION" herein. Interest on the Series 2004 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, subject to the conditions described under the caption "TAX EXEMPTION" herein. Bond Counsel is also of the opinion that the Series 2004 Bonds and the income thereon are exempt from all present Florida intangible personal property taxes imposed pursuant to Chapter 199, Florida Statutes.*

\$16,300,000\*  
CITY OF CALLAWAY/BAY COUNTY, FLORIDA  
WASTEWATER SYSTEM REVENUE REFUNDING BONDS  
SERIES 2004

Dated: November 1, 2004

Due: September 1, as shown below

The City of Callaway/Bay County, Florida Wastewater System Revenue Refunding Bonds, Series 2004 (the "Series 2004 Bonds") are being issued by the City of Callaway and Bay County, Florida (jointly, the "Issuer") as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, ("DTC") which will act as securities depository for the Series 2004 Bonds. Individual purchases of the Series 2004 Bonds will be made in book-entry form only in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of certificates representing their ownership interest in the Series 2004 Bonds purchased. So long as DTC or its nominee is the registered owner of the Series 2004 Bonds, payments of the principal of and interest due on the Series 2004 Bonds will be made directly to DTC. The Series 2004 Bonds shall bear interest from November 1, 2004, payable semiannually, on March 1 and September 1 of each year, commencing March 1, 2005. SunTrust Bank, Orlando, Florida, is the Registrar and Paying Agent for the Series 2004 Bonds.

The Series 2004 Bonds are subject to optional and mandatory redemption prior to their stated maturities as described herein.

The payment of the principal of and interest on the Series 2004 Bonds will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Series 2004 Bonds. For a discussion of the terms and provisions of such policy, including the limitations thereof, see "MUNICIPAL BOND INSURANCE" herein.

[LOGO]

The Series 2004 Bonds will be payable solely from and secured by the Trust Estate, as more fully described herein. Neither the full faith and credit, nor the taxing power of Bay County or the City of Callaway, is pledged for the payment of the Series 2004 Bonds. The Series 2004 Bonds shall not constitute a lien upon any property of Bay County or the City of Callaway nor shall they constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely as provided herein.

11/19/04

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

The Series 2004 Bonds are being issued to (i) advance refund the Issuer's Wastewater System Revenue Bonds, Series 1996A and Wastewater System Revenue Bonds, Series 1996B (the "Refunded Bonds"); and (ii) pay the costs of issuance of the Series 2004 Bonds, including the payment of municipal bond insurance policy and Reserve Account Surety Bond premiums, as more fully described herein.

**AMOUNTS, MATURITIES, INTEREST RATES AND PRICES\***

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

<u>Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
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*The Series 2004 Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval as to legality by Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel. Certain legal matters will be passed on for Bay County by Burke, Blue & Hutchinson, P. A., Panama City, Florida and for the City of Callaway by Harrison, Sale, McCloy & Thompson, Chartered, Panama City, Florida. Certain legal matters will be passed on for the Underwriters by their counsel, Bryant Miller & Olive P.A., Tallahassee, Florida. Stifel, Nicolaus & Company, Inc., Hanifen Imhoff Division, Winter Park, Florida is serving as Financial Advisor. It is expected that the Series 2004 Bonds will be available for delivery in New York, New York, on or about November \_\_, 2004.*

**MORGAN KEEGAN & COMPANY  
RBC DAIN RAUSCHER**

Dated: November \_\_, 2004

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\* Preliminary, subject to change.



**BAY COUNTY, FLORIDA**

[SEAL]

**BOARD OF COUNTY COMMISSIONERS**

George B. Gainer, Chairman  
Cornel Brock, Vice Chairman  
John G. Newberry, Jr., Commissioner  
Jerry L. Girvin, Commissioner  
Michael J. Ropa, Commissioner

**CLERK OF THE COURT OF BAY COUNTY  
AND CLERK OF THE BOARD OF  
COUNTY COMMISSIONERS**  
Harold Bazzel

**COUNTY MANAGER**  
Pamela D. Brangaccio

**FINANCE OFFICER**  
Joey Rogers

**PUBLIC UTILITIES DIRECTOR**  
Richard Hunt

**COUNTY ATTORNEY**  
Burke, Blue & Hutchinson, P.A.  
Panama City, Florida

**CITY OF CALLAWAY, FLORIDA**

[SEAL]

**CITY COMMISSIONERS**

Kenneth Meer, Mayor-Commissioner  
Charles Griffin, Commissioner  
Shannon Aufdencamp, Commissioner  
George H. Smith, Commissioner  
Mike T. Jones, Commissioner

**CITY MANAGER**  
Judy S. Whitis

**CITY CLERK**  
Genette Bernal

**DIRECTOR OF FINANCE**  
Debbie McLeod

**CITY ATTORNEY**  
Harrison, Sale, McCloy & Thompson, Chartered  
Panama City, Florida

**INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS FOR THE SYSTEM**

Williams Cox Weidner & Cox  
Panama City, Florida

**FINANCIAL ADVISOR**  
Stifel, Nicolaus & Company, Inc.  
Hanifen Imhoff Division  
Winter Park, Florida

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

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations in connection with the Series 2004 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. 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 2004 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 Issuer and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Issuer with respect to any information provided by others. The information and expressions of opinion stated herein are subject to change without notice, 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 2004 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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 2004 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 2004 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 SYSTEM DESCRIBED HEREIN AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2004 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

\$ 16,300,000\*  
CITY OF CALLAWAY/BAY COUNTY, FLORIDA  
WASTEWATER SYSTEM REVENUE REFUNDING BONDS  
SERIES 2004

### 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 the City of Callaway, Florida and Bay County, Florida (jointly, the "Issuer") of \$16,300,000\* aggregate principal amount of Wastewater System Revenue Refunding Bonds, Series 2004 (the "Series 2004 Bonds"). This Introduction is intended only to serve as a brief description of the Official Statement and is qualified by reference to the Official Statement as a whole. This introduction is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement and should not be considered to be a complete statement of the facts material to making an investment decision. The offering of the Series 2004 Bonds to potential investors is made only by means of the entire Official Statement, including all appendices attached hereto. All capitalized undefined terms used in this introduction shall have the meaning set forth elsewhere in this Official Statement.

The Series 2004 Bonds are being issued pursuant to the Constitution and laws of the State of Florida and pursuant to Ordinance No. 04-32 enacted by the Board of County Commissioners of Bay County on November 2, 2004 and by Ordinance No. 698 enacted by the City Commission of the City of Callaway, Florida on April 13, 2004. The Series 2004 Bonds are being issued under the terms of a Trust Indenture dated as of September 1, 1996, as supplemented by a First Supplemental Trust Indenture dated as of November 1, 2004 (collectively, the "Indenture") between the Issuer and SunTrust Bank, as Trustee (the "Trustee").

The Series 2004 Bonds are being issued to (i) advance refund the Issuer's outstanding Wastewater System Revenue Bonds, Series 1996A and Wastewater System Revenue Bonds, Series 1996B (collectively, the "Refunded Bonds"); and (ii) pay the costs of issuance of the Series 2004 Bonds, including the payment of municipal bond insurance policy and Reserve Account Surety Bond premiums, as more fully described herein.

This Official Statement speaks only as of its date and the information contained herein is subject to change. This Official Statement contains certain information concerning the Insurer, its policy of municipal bond insurance and its Reserve Account Surety Bonds with respect to the Series 2004 Bonds. Such information has been provided by the Insurer and neither Bay County nor the City of Callaway certify as to the accuracy or sufficiency of the disclosure practices or content of information provided by the Insurer and are not responsible for the information provided by that party.

A copy of all documents referred to herein, may be obtained from Mr. Harold Bazzel, Clerk of the Circuit Court, Bay County Courthouse, 304 E. Fourth Street, Panama City, Florida 32401.

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\*Preliminary, subject to change.

## DESCRIPTION OF THE SERIES 2004 BONDS

### General Description

The Series 2004 Bonds shall be dated as of November 1, 2004, and shall be issuable as fully registered Bonds without coupons in the minimum denominations of \$5,000 and integral multiples thereof. The Series 2004 Bonds shall be lettered "R" and shall be numbered consecutively from 1 upward. The Series 2004 Bonds shall bear interest from November 1, 2004, payable semiannually on March 1 and September 1 of each year, commencing on March 1, 2005, at such rates and maturing in such amounts as set forth on the cover page hereof. The interest on any Series 2004 Bond which is payable, and is punctually paid or duly provided for, on any Interest Date shall be paid by check or draft drawn by the Trustee, as Paying Agent, payable to the order of the person in whose name that such Series 2004 Bond is registered at the close of business of the Bond Registrar on the Regular Record Date for such interest and mailed to such person at the address shown on the Bond Register. The Series 2004 Bonds will be issued in a book-entry only system of registration, and so long as The Depository Trust Company, New York, New York ("DTC") or its nominee is the registered owner of the Series 2004 Bonds, payments of the principal of, premium, if any, and interest on the Series 2004 Bonds will be payable directly to DTC. See "Book-Entry Only System" below.

Series 2004 Bonds hereafter issued under the provisions of the Indenture on or after the first Interest Date thereof shall be dated as of the first Interest Date preceding the date of authentication thereof to which interest has been paid or duly provided for, unless such date of authentication shall be an Interest Date to which interest has been paid or duly provided for, in which case they shall be dated as of such date of authentication. However, if, as shown in the records of the Trustee, interest on such Series 2004 Bonds shall be in default, Series 2004 Bonds issued in exchange for Series 2004 Bonds surrendered for transfer or exchange shall be dated as of the date to which interest has been paid or provided for in full on the Series 2004 Bonds so surrendered or, if no interest has been paid or duly provided for on the Series 2004 Bonds, from the dated date.

### Book-Entry Only System

The information provided under this caption, "DESCRIPTION OF THE SERIES 2004 BONDS – Book-Entry Only System," has been provided by the Depository Trust Company ("DTC"). No representation is made by the Issuer, the Paying Agent or the Underwriters as to the accuracy or adequacy of such information provided by DTC or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC, New York, New York, will act as securities depository for the Series 2004 Bonds. The Series 2004 Bonds will be issued as fully registered securities registered in the name of Cede & Co., DTC's partnership nominee. One fully registered Series 2004 Bond certificate will be issued for each maturity of the Series 2004 Bonds set forth on the cover page of this Official Statement, each in the aggregate principal amount of such maturity, 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 by Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation (all 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 S&P's highest rating: AAA. The Rules applicable to DTC and its Direct and Indirect 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).

Purchases of Series 2004 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2004 Bonds on DTC's records. The ownership interest of each actual owner of a Series 2004 Bond (a "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 beneficial ownership interests in the Series 2004 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 the Series 2004 Bonds, except in the event that use of the book-entry only system for the Series 2004 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2004 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. (or such other nominee as requested by an authorized representative of DTC). The deposit of Series 2004 Bonds with DTC and their registration in the name of Cede & Co. (or such other nominee as requested by an authorized representative of DTC) effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2004 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2004 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 2004 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2004 Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents.

Redemption notices shall be sent to DTC. If less than all of the Series 2004 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Series 2004 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an "Omnibus Proxy" to the Issuer as soon as possible after the record date. The "Omnibus Proxy" assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2004 Bonds are credited on the record date identified in a listing attached to the "Omnibus Proxy."

Principal, premium and interest payments on the Series 2004 Bonds will be made to Cede & Co. (or such other nominee as 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 Issuer or the Paying Agent on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants

to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (or its nominee), the Paying Agent or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium and interest to Cede & Co. (or such other nominee as requested by an authorized representative of DTC) is the responsibility of 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 the Direct Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2004 Bonds at any time by giving reasonable notice to the Issuer and Paying Agent. In addition, the Issuer may decide to discontinue the use of DTC or any successor as securities depository for the Series 2004 Bonds. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2004 Bond certificates are required to be printed and delivered.

UNLESS OTHERWISE NOTED, THE INFORMATION CONTAINED IN THIS SECTION "BOOK-ENTRY-ONLY SYSTEM" HAS BEEN TAKEN FROM INFORMATION FURNISHED BY DTC. NO REPRESENTATION IS MADE BY THE ISSUER, PAYING AGENT OR THE UNDERWRITERS AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

NO ATTEMPT HAS BEEN MADE BY THE ISSUER, THE PAYING AGENT OR THE UNDERWRITERS TO DETERMINE WHETHER DTC IS OR WILL BE FINANCIALLY OR OTHERWISE CAPABLE OF FULFILLING ITS OBLIGATIONS. NEITHER THE ISSUER NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR THE PERSONS FOR WHICH THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2004 BONDS, OR FOR ANY PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST PAYMENT THEREON.

#### **Optional Redemption**

The Series 2004 Bonds maturing in the years \_\_\_\_\_, both inclusive, are not redeemable prior to their stated dates of maturity.

The Series 2004 Bonds maturing on or after \_\_\_\_\_ are redeemable prior to their stated dates of maturity, at the option of the Issuer, at the direction of the Operator pursuant to the Interlocal Agreement, other than by operation of the Term Bonds Redemption Account, as a whole on any date on or after \_\_\_\_\_, or in part by maturities to be selected by the Trustee at the direction of the Operator or, if the Trustee receives no such direction, as selected by the Trustee in such manner as the Trustee deems appropriate, and by lot within a maturity if less than a full maturity, on \_\_\_\_\_ or on the first day of any month thereafter at a redemption price (expressed as a percentage of the principal amount thereof set forth in the table below) together with accrued interest to the redemption date, if redeemed in the following periods:

Redemption Dates  
(Both dates inclusive)

Redemption Price

11/19/04

04-240

### **Mandatory Redemption**

The Series 2004 Bonds maturing on \_\_\_\_\_ shall be subject to mandatory redemptions from Amortization Installments deposited in the Term Bonds Redemption Account. Subject to the provisions for credits specified below, the Trustee shall redeem the following principal amounts of Series 2004 Bonds on the following dates (hereinafter called "Amortization Installment Due Dates"):

Year

Principal Amount

### **Notice of Redemption**

Notice of the call for any redemption of Bonds prior to maturity shall be given by the Trustee by mailing a copy of the redemption notice by first-class mail not less than thirty (30) nor more than sixty (60) days prior to the redemption date to the registered Holder of each Series 2004 Bond to be redeemed at the address shown on the Bond Register as of the fifth (5th) business day prior to such mailing. Failure to give any such notice by mailing as aforesaid or any defect therein, shall not affect the validity of any proceedings for the redemption of Series 2004 Bonds as to Holders for which no such failure or defect has occurred. Notice of redemption shall also be filed with any Paying Agent for such Series 2004 Bonds.

Within sixty (60) days of the date of redemption, the Trustee shall give a second notice of redemption by mailing another copy of the redemption notice to the registered Holders of the Bonds called for redemption but which have not been presented for payment within thirty (30) days after the date set for redemption.

If the Paying Agent shall hold cash which is available and will be sufficient in amount to pay the principal of and premium, if any, on the Series 2004 Bonds or portions thereof thus called for redemption and to pay the interest thereon to the redemption date, such Series 2004 Bonds or portions thereof shall cease to bear interest from and after said redemption date.

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## SECURITY FOR THE SERIES 2004 BONDS

### Trust Indenture

The payment of the principal of or Redemption Price, if applicable, and interest on the Series 2004 Bonds shall be secured forthwith equally and ratably by a pledge of and lien upon the Trust Estate. The Trust Estate shall include: (i) all right, title and interest of the Issuer in and to the Treatment Contracts; (ii) all right, title and interest of the Issuer in and to the Loan Agreement (except for certain indemnification rights and rights of the Issuer to enforce certain obligations to pay governmental charges) and the right to receive revenues and payments from the Operator thereunder; (iii) all right, title and interest of the Issuer in and to the Net Revenues; and (iv) all property which by the express provisions of the Indenture, the Loan Agreement or the Treatment Contracts is required to be subjected to the lien of the Indenture, and additional property that may from time to time hereafter be made subject to the lien of the Indenture by the Issuer or by anyone on its behalf. The Issuer does hereby irrevocably pledge the Trust Estate to the payment of the principal of or Redemption Price, if applicable, and interest on the Series 2004 Bonds, subject to the application thereof for the purposes and on the conditions permitted by the Trust Indenture.

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

Notwithstanding anything contained in the Indenture to the contrary, in accordance with the Loan Agreement, the right of the Trustee to enforce obligations under the Treatment Contracts shall only become effective in the event the Operator has failed to perform its obligations to enforce the terms of the Treatment Contracts within ninety (90) days after the occurrence of an event of default thereunder.

The Series 2004 Bonds shall not be or constitute general obligations or indebtedness of either the City of Callaway or Bay County as "bonds" within the meaning of any constitutional or statutory provision, but shall be limited and special obligations of the Issuer, payable solely from and secured by a lien upon and pledge of the Trust Estate, in the manner and to the extent provided in the Indenture. No Holder of any Bond or any Bond Insurer or Credit Enhancer shall ever have the right to compel the exercise of any ad valorem taxing power of the Issuer, the City of Callaway, Bay County, any Owner, the State of Florida or any political subdivision or agency thereof to pay such Bond from any moneys of the Issuer, except from the Trust Estate in the manner and to the extent provided in the Trust Indenture.

### Creation of Funds and Accounts

The Trust Indenture creates the following funds and accounts:

- (1) The "Trustee Revenue Fund" (hereinafter referred to as the "Trustee Revenue Fund").
- (2) The "Debt Service Fund." Four separate accounts shall be maintained in the Debt Service Fund: the "Interest Account," the "Principal Account," the "Term Bond Redemption Account," and the "Reserve Account."
- (3) The "Redemption Fund."
- (4) The "Rebate Fund."

The Loan Agreement creates the following funds and accounts which shall be held by the Operator and not by

the Trustee:

- (1) The "Wastewater System Revenue Fund" (hereinafter referred to as the "Revenue Fund").
- (2) The "Construction Fund".
- (3) The "Wastewater System Renewal and Replacement Fund".

Moneys in the aforementioned funds and accounts (other than moneys on deposit in the Rebate Fund), until applied in accordance with the Trust Indenture, shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of the Holders.

#### **Disposition of Revenues Under Loan Agreement**

The Operator shall deposit or credit all Gross Revenues, as received, into the Revenue Fund. Moneys in the Revenue Fund shall first be used each month to pay such sums as are necessary to pay Operating Expenses for the month, taking into account other moneys on deposit in the Revenue Fund if such other moneys are reasonably expected to be available for such purpose.

Amounts remaining in the Revenue Fund after the payment of Operating Expenses described in the immediately preceding paragraph shall be applied by the Operator on or before twenty-fifth (25th) day of each month in the following manner and in the following order of priority:

(1) The Operator shall transfer to the Interest Account held by the Trustee the sum, which together with available amounts therein, shall equal the interest on all Outstanding Bonds (except as to Capital Appreciation Bonds) accrued and unpaid and to accrue to the end of the then current calendar month (assuming that a year consists of twelve (12) equivalent calendar months of thirty (30) days each.)

(2) The Operator shall next transfer to the Principal Account and the Term Bonds Redemption Account held by the Trustee the sum, which together with available amounts therein, shall equal the principal amount on all Outstanding Serial Bonds and the Amortization Installments on all Term Bonds Outstanding due and unpaid and that portion of the principal or Amortization Installments, as applicable, next due which would have accrued on such Serial Bonds or Term Bonds, as applicable, during the then current calendar months if such principal amounts were deemed to accrue monthly (assuming that a year consists of twelve (12) equivalent calendar months having thirty (30) days each) in equal amounts from the preceding principal payment date or Amortization Installment due date.

(3) The Operator shall next transfer to the Trustee for deposit to each subaccount in the Reserve Account such sum, if any, as will be necessary to restore such funds on deposit in each such subaccount to an amount equal to the Reserve Account Requirement applicable thereto, including the reinstatement of any Reserve Account Insurance Policy or Reserve Account Letter of Credit on deposit therein.

(4) The Operator shall next deposit to the Renewal and Replacement Fund such sums as shall be sufficient to pay one-twelfth (1/12) of an amount equal the Renewal and Replacement Fund Requirement (which is defined in the Loan Agreement to be the lesser of (i) five percent (5%) of the Gross Revenues received by the Operator in the immediately preceding Fiscal Year or (ii) such other component as may be certified to the Operator by the System Engineer as an amount appropriate for the purposes of the System). In the event that the System Engineer shall certify that the current Renewal and Replacement Fund is excessive for purposes of the Renewal and Replacement Fund, such excess amount as shall be on deposit therein may be transferred by the Operator from the Renewal and Replacement Fund for deposit in the Revenue Fund. The moneys in the Renewal and Replacement Fund shall be disbursed by the Operator, for the purpose of paying the cost of major extensions, improvements or additions to, or the replacement or

renewal of capital assets of, a Project or extraordinary repairs of the System (unless such moneys are needed to pay principal of or interest on the Bonds or Amortization Installments with respect thereto.)

(5) The Operator shall next transfer to the Trustee for deposit to the Rebate Fund any amount required to be so deposited pursuant to the terms of any Arbitrage Rebate Agreement.

(6) The Operator shall next transfer the amount necessary to pay accrued debt service on Subordinated Indebtedness incurred by the Operator in connection with the System.

(7) The balance of any remaining Gross Revenues shall be applied by the Operator as required by the provisions of the Interlocal Agreement.

#### **Disposition of Payments Pursuant to Trust Indenture**

Trustee Revenue Fund. The Trustee shall promptly deposit into the Trustee Revenue Fund, as received, all revenues and payments received from the Operator pursuant to the Loan Agreement upon the occurrence of an event of default, to be disbursed in accordance with the provisions of the Indenture. Additionally, the Operator will transfer to the Trustee during non-default periods, specific amounts for the accounts described below as set forth above under the subheading "Disposition of Revenues under Loan Agreement."

All moneys on deposit in the Trustee Revenue Fund (if any) shall first be used to pay Operating Expenses and then be disposed of by the Trustee on or before the fifteenth (15th) day of each month, in the following manner and in the following order of priority:

- (1) Interest Account. There shall be deposited or credited to the Interest Account the sum which, together with the balance in said Account and amounts transferred to the Trustee for deposit therein pursuant to the Loan Agreement, shall equal the interest on all Outstanding Bonds (except as to Capital Appreciation Bonds) accrued and unpaid and to accrue to the end of the then current calendar month (assuming that a year consists of twelve (12) equivalent calendar months of thirty (30) days each). Moneys in the Interest Account shall be applied by the Trustee solely to the payment of interest on the Bonds on or prior to the date the same shall become due.
- (2) Principal Account. Commencing in the month which is one year prior to the first principal payment date, there shall next be deposited or credited to the Principal Account the sum which, together with the balance in said Account and amounts transferred to the Trustee for deposit therein pursuant to the Loan Agreement, shall equal the principal amounts on all Outstanding Serial Bonds due and unpaid and that portion of the principal next due which would have accrued on said Serial Bonds during the then current calendar month if such principal amounts were deemed to accrue monthly (assuming that a year consists of twelve (12) equivalent calendar months having thirty (30) days each) in equal amounts from the next preceding principal payment due date, or, if there is no such preceding principal payment due date, from a date one year preceding the due date of such principal amount. Moneys in the Principal Account shall be applied by the Trustee solely to the payment of the principal of the Bonds on or prior to the date the same shall mature. Serial Capital Appreciation Bonds shall be payable from the Principal Account in the Fiscal Years in which such Bonds mature and monthly payments into the Principal Account on account of such Bonds shall commence in the month which is one year prior to the date on which such Bonds mature.
- (3) Term Bonds Redemption Account. Commencing in the month which is one year prior to any Amortization Installment due date, the Trustee shall credit to the Term Bonds Redemption Account the sum which, together with the balance in such Account and amounts transferred to the Trustee for deposit therein pursuant to the Loan Agreement, shall equal the Amortization Installments on all Term Bonds Outstanding due and unpaid



and that portion of the Amortization Installments of all Term Bonds Outstanding next due which would have accrued on such Term Bonds during the then current calendar month if such Amortization Installments were deemed to accrue monthly (assuming that a year consists of twelve (12) equivalent calendar months having thirty (30) days each) in equal amounts from the next preceding Amortization Installment Due Date, or, if there is no such preceding Amortization Installment Due Date, from a date one year preceding the due date of such Amortization Installment. Moneys in the Term Bonds Redemption Account shall be applied by the Trustee solely to the payment of Amortization Installments on the date the same are due. Payments to the Term Bonds Redemption Account shall be on parity with payments to the Principal Account.

Amounts accumulated in the Term Bonds Redemption Account with respect to any Amortization Installment (together with amounts accumulated in the Interest Account with respect to interest, if any, on the Term Bonds for which such Amortization Installment was established) may be applied by the Trustee at the direction of the Issuer on or prior to the sixtieth (60th) day preceding the due date of such Amortization Installment, (a) to the purchase of Term Bonds, or (b) to the redemption at the applicable Redemption Prices of such Term Bonds, if then redeemable by their terms. The applicable Redemption Price (or principal amount of maturing Term Bonds or Term Bonds to be purchased) of any Term Bonds so purchased or redeemed shall be deemed to constitute part of the Term Bonds Redemption Account until such Amortization Installment Due Date, for the purposes of calculating the amount to be transferred from such Account. As soon as practicable after the 60th day preceding the due date of any such Amortization Installment, the Trustee shall proceed to call for redemption on such due date, by causing notice to be given as provided in the Indenture, Term Bonds of the maturity for which such Amortization Installment was established (except in the case of Term Bonds maturing on an Amortization Installment due date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Amortization Installment. The Trustee shall pay out of the Term Bonds Redemption Account and the Interest Account, on or before the day preceding such redemption date (or maturity date), the amount required for the redemption (or for the payment of such Term Bonds then maturing), and such amount shall be applied by the Trustee to such redemption (or payment). All expenses in connection with the purchase or redemption of Term Bonds shall be paid by the Issuer from amounts provided by the Operator therefor.

- (4) Reserve Account. Except as otherwise provided below, the Trustee shall establish within the Reserve Account a separate subaccount for each Series of Bonds issued under the Indenture, including, without limitation, the "Series 2004 Subaccount" to be established for the Series 2004 Bonds. The moneys on deposit in each such subaccount shall be applied in the manner provided in the Indenture solely for the payment of the principal of, redemption premium, if any, and interest on the Series of Bonds for which it is designated and shall not be available to pay debt service on any other Series.

There shall be deposited to each subaccount of the Reserve Account such sum, if any, as will be necessary to immediately restore the funds on deposit in each such subaccount to an amount equal to the Reserve Account Requirement applicable thereto, including the reinstatement of any Reserve Account Insurance Policy or Reserve Account Letter of Credit on deposit therein. To the extent there are insufficient moneys in the Revenue Fund to make the required monthly deposit into each subaccount of the Reserve Account, such deposits shall be made to each subaccount on a pro rata basis in relation to the amount of the deficiency existing in each subaccount. On or prior to each principal payment date and Interest Payment Date for the Bonds, moneys in each subaccount of the Reserve Account shall be transferred by the Trustee for deposit with the appropriate Paying Agent to be applied to the payment of the principal of, redemption premium, if any, and interest on the related Series of Bonds to the extent moneys in the Interest Account, the Principal Account, the Term Bonds Redemption Account or any other fund or account established for such purpose, derived from sources other than a Credit Facility or Bond Insurance Policy, shall be insufficient for such purpose. Whenever there shall be surplus moneys in any subaccount of the Reserve Account by reason of a decrease in the Reserve Account Requirement or as the result of the deposit in such subaccount of a Reserve Account



Letter of Credit or Reserve Account Insurance Policy, surplus moneys shall be deposited by the Trustee first, on a pro rata basis into other subaccounts, if any, containing less than the Reserve Account Requirement applicable thereto; second, to the Principal Account or Term Bonds Redemption Account to the extent necessary to make the next principal payment or Amortization Installment; third, into the Renewal and Replacement Fund to the extent of a deficiency therein; and, fourth, to the Operator for distribution pursuant to the Interlocal Agreement; provided, that prior to the deposit of such moneys with the Operator, the Operator shall obtain an opinion of Bond Counsel to the effect that such transfer and deposit will not adversely affect the validity of the Bonds or the exclusion from gross income for federal income tax purposes of the interest thereon.

Upon the issuance of any Series of Additional Bonds under the terms, limitations and conditions as provided in the Indenture, there shall be funded, on the date of delivery of such Series of Additional Bonds, the corresponding subaccount of the Reserve Account established for such Series in an amount at least equal to the Reserve Account Requirement applicable to such Series of Additional Bonds; provided, that at the option of the Issuer as directed by the Operator, pursuant to the Indenture, a subaccount in the Reserve Account may secure more than one Series of Bonds. Such required amount may be paid in full or in part from the proceeds of such Series of Additional Bonds or may be accumulated in equal monthly payments from the Operator to the Trustee and deposited to such subaccount of the Reserve Account over a period of months from the date of issuance of such Series of Additional Bonds, which shall not exceed the greater of (a) twenty-four (24) months or (b) the number of months for which interest on such Series of Bonds has been capitalized, as determined by the Supplemental Indenture authorizing the issuance of such Additional Bonds. In the event moneys in such subaccount of the Reserve Account are accumulated as provided above, at least fifty percent (50%) of the Reserve Account Requirement applicable to such subaccount shall be funded upon delivery of such Series.

Whenever moneys on deposit in a subaccount of the Reserve Account, together with the other available amounts in the Debt Service Fund are sufficient to fully pay the corresponding Series of Bonds in accordance with their terms (including principal and interest thereon), the funds on deposit in such subaccount of the Reserve Account shall be applied to the payment of such Series of Bonds.

Notwithstanding the foregoing provisions, in lieu of or in substitution for the required deposits into a subaccount of the Reserve Account, the Operator, on behalf of the Issuer, may cause to be deposited into such subaccount a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit for the benefit of the Bondowners in an amount equal to the difference between the Reserve Account Requirement applicable thereto and the sums then on deposit in such subaccount, if any. Such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall be payable to the Trustee (upon the giving of notice as required thereunder) on any Interest Payment Date, redemption date or principal payment date (including any date principal is due by means of an Amortization Installment) on which a deficiency exists which cannot be cured by funds in any other fund or account held pursuant to the Indenture and available for such purpose. The issuer providing such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall be either (a) an insurer (i) whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in the highest rating categories (without regard to gradations, such as "plus" or "minus" of such categories) by either S&P or Moody's or (ii) who is otherwise approved by the Bond Insurer insuring the corresponding Series of Bonds, or (b) a commercial bank, the bonds payable or guaranteed by which have, or whose obligation to pay is guaranteed by a commercial bank, which has been assigned a rating by S&P in one of the two highest rating categories (without regard to gradations, such as "plus" or "minus" of such categories).

No later than three (3) days prior to an Interest Payment Date, redemption date or principal payment date (including any date principal is due by means of an Amortization Installment) (or such earlier date as may be necessitated by the applicable Reserve Account Insurance Policy or Reserve Account Letter of Credit), the

Trustee shall determine in regard to a Series of Bonds to which a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit has been deposited in the subaccount of the Reserve Account related to such Series that a deficiency exists in the amount of moneys available to pay in accordance with the terms hereof interest and/or principal due on such Series of Bonds on such date. If such deficiency exists, the Trustee shall immediately notify (a) the issuer of the applicable Reserve Account Insurance Policy and/or the issuer of the Reserve Account Letter of Credit and (b) the Bond Insurer or Credit Bank, if any, providing a Bond Insurance Policy or Credit Facility for such Series of Bonds, of the amount of such deficiency and the date on which such payment is due and shall take such other action as is necessary to secure such payment.

For a further description of the provisions of the Indenture applicable to a Reserve Account Letter of Credit or Reserve Account Insurance Policy, see "APPENDIX E -- TRUST INDENTURE AND FORM OF FIRST SUPPLEMENTAL TRUST INDENTURE."

- (5) The balance of any amounts remaining in the Trustee Revenue Fund after all required deposits described above have been satisfied, shall be transferred to the Owners for application pursuant to the terms of the Interlocal Agreement.

#### **Rate Covenant**

Under the Loan Agreement, the Operator has agreed, to the extent permitted by law, to impose and collect such fees, rates or other charges for the product, services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide during each Fiscal Year (based on audited financials), Net Revenues equal to at least one hundred fifteen percent (115%) of Annual Debt Service on all Outstanding Bonds and Parity Debt for such Fiscal Year, plus (i) one hundred percent (100%) of any amounts required by the terms of the Indenture to be deposited in the Reserve Account (including, without limitation, any amounts due and owing pursuant to a Reserve Account Letter of Credit or Reserve Account Insurance Policy) and (ii) one hundred percent (100%) of the Debt Service Requirement for such Fiscal Year on all Subordinated Indebtedness.

If, in any Fiscal Year, the Operator shall fail to comply with the requirements described above, the Operator shall cause the System Engineer or similar qualified professionals experienced in such matters to review its rates, fees, charges, income, Gross Revenues, Operating Expenses and methods of operation and to make written recommendations as to the methods by which the Operator may promptly seek to comply with such requirements. The Operator shall forthwith commence to implement such recommendations to the extent required so as to cause it to thereafter comply with said requirements. In no event, however, shall Net Revenues during any Fiscal Year be less than (i) one hundred percent (100%) of the Annual Debt Service on all Outstanding Bonds during such Fiscal Year plus (ii) 100% of any amounts required by the terms of the Indenture to be deposited in the Reserve Account plus (iii) 100% of the Debt Service Requirement for such Fiscal Year on all Subordinated Indebtedness.

#### **RESERVE ACCOUNT SURETY BOND**

Application has been made to the MBIA Insurance Corporation (the "Insurer") for a commitment to issue a surety bond (the "Reserve Account Surety Bond"). The Reserve Account 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 Debt Service Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Series 2004 Bonds, the Insurer will promptly deposit with the Paying Agent an amount sufficient to pay the principal of and interest on the Series 2004 Bonds or the available amount of the Reserve Account 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 Reserve Account Surety Bond, duly executed by the Paying Agent; or (ii) the payment date of the Series 2004 Bonds as specified in the Demand for Payment presented by the Paying Agent to the Insurer, the Insurer will make a

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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 Reserve Account Surety Bond is the initial face amount of the Reserve Account 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 November \_\_\_\_, 2004 (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 Reserve Account Surety Bond. Such reimbursement shall be made only after all required deposits to the Renewal and Replacement Fund and the Debt Service 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 Reserve Account Surety Bond is reinstated before any deposit is made to the Revenue Fund. No optional redemption of Series 2004 Bonds may be made until the Insurer's Reserve Account Surety Bond is reinstated. The Reserve Account Surety Bond will be held by the Paying Agent in the Reserve Account and is provided as an alternative to the Issuer depositing funds equal to the debt service requirement for outstanding Series 2004 Bonds. The Reserve Account Surety Bond will be issued in the face amount equal to 50% of Maximum Annual Debt Service for the Series 2004 Bonds and the premium therefor will be fully paid by the Issuer at the time of delivery of the Series 2004 Bonds.

#### **ADDITIONAL BONDS AND PARITY DEBT**

Subject to the conditions contained in the Trust Indenture and the Loan Agreement, both Additional Bonds and Parity Debt may be issued for one or more of the authorized purposes specified in the Loan Agreement. All Additional Bonds and Parity Debt shall rank equally and on a parity with each other and with the Series 2004 Bonds and any outstanding Additional Bonds and Parity Debt as to lien on the Net Revenues.

(A) No Additional Bonds or Parity Debt may be issued on a parity with the Series 2004 Bonds unless the Operator shall submit to the Issuer and the Trustee a report of an authorized officer of the Operator which shall (1) state that the books and financial records of the Operator have been examined by him, (2) setting forth the amount of Net Revenues received by the Operator during the immediately preceding Fiscal Year or any twelve (12) consecutive months selected by the Operator of the twenty-four (24) months immediately preceding the issuance of said Additional Bonds (the "Test Period"), and, (3) stating that the amount of such Net Revenues, adjusted as provided in the Indenture, received during the Test Period was equal to (A) at least one hundred fifteen percent (115%) of the Maximum Annual Debt Service Requirement of the Outstanding Bonds and Outstanding Parity Debt and the Additional Bonds or Parity Debt then proposed to be issued, plus (B) one hundred percent (100%) of (i) any amounts required by the terms of the Indenture to be deposited in the Reserve Account (including, without limitation, any amounts due and owing pursuant to a Reserve Account Letter of Credit or Reserve Account Insurance Policy) and (ii) the Debt Service Requirement on all Subordinated Indebtedness during the Test Period.

(B) The Issuer shall be entitled to issue Additional Bonds to fund Additional Loans for Completion Purposes without meeting the requirements of paragraph (A), provided that the amount of said Additional Bonds shall not exceed 10% of the Costs of the Project originally financed.

(C) In the event any Bonds or Parity Debt are issued for the purpose of refunding any Bonds or Parity Debt then Outstanding, the conditions of paragraph (A) shall not apply, provided that the issuance of such Additional Bonds or Parity Debt shall not result in an increase in the aggregate amount of principal and interest on the outstanding Bonds and Parity coming due in the current Fiscal Year and all subsequent Fiscal Years and the final maturity of the

Additional Bonds or Parity Debt shall be no later than the final maturity of the Bonds or Parity Debt being refunded. The conditions of paragraph (A) shall apply to Bonds or Parity Debt issued to refund any Subordinated Indebtedness and to Bonds or Parity Debt issued for refunding purposes which cannot meet the conditions of this paragraph.

For a more complete description of the requirements which must be met prior to the issuance of Additional Bonds or Parity Debt, including allowable adjustments to the calculation of Net Revenues, see "APPENDIX E - TRUST INDENTURE AND FORM OF FIRST SUPPLEMENTAL TRUST INDENTURE" and "APPENDIX F - LOAN AGREEMENT AND FORM OF FIRST SUPPLEMENTAL LOAN AGREEMENT."

#### **PLAN OF REFUNDING**

The proceeds of the Series 2004 Bonds will be used by the Issuer to advance refund the Issuer's outstanding \$13,880,000 Wastewater System Revenue Bonds, Series 1996A maturing in the years 2007 through 2026 and the Issuer's outstanding \$7,730,000 Wastewater System Revenue Bonds, Series 1996B maturing in the years 2007 through 2026 (collectively, the "Refunded Bonds"). To provide for the payment of principal and interest on the Refunded Bonds, the Issuer will enter into an Escrow Deposit Agreement (the "Escrow Agreement"), on or prior to the delivery of the Series 2004 Bonds, with SunTrust Bank, Orlando, Florida, as Escrow Agent (the "Escrow Agent"). Pursuant to the terms of the Escrow Agreement, the Issuer will deposit the net proceeds of the Series 2004 Bonds with the Escrow Agent. Such moneys will be applied on the date of delivery of the Series 2004 Bonds to the purchase of Refunding Securities. The Refunding Securities will mature at such times and in such amounts so that the maturing principal will be sufficient to pay when due all principal of, premium and interest on the Refunded Bonds. The Refunded Bonds will be redeemed prior to their stated dates of maturity on September 1, 2006.

By deposit of the Refunding Securities with the Escrow Agent pursuant to the Escrow Agreement, the Issuer will have provided for payment of the Refunded Bonds and defeased the lien in favor of the Refunded Bonds on the Trust Estate. The maturing principal and interest on the Refunding Securities held in escrow will not be available to pay the Series 2004 Bonds.

#### **MUNICIPAL BOND INSURANCE**

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to APPENDIX G for a specimen of MBIA's policy.

MBIA's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer 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 a mandatory sinking fund payment) and interest on, the Series 2004 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 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 2004 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 policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 2004 Bonds. MBIA's 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 2004 Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's policy also does not insure against nonpayment of principal or interest on the Series 2004 Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Series 2004 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 2004 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 2004 Bond or presentment of such other proof of ownership of the Series 2004 Bond together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2004 Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Series 2004 Bonds in any legal proceeding related to payment of insured amounts on the Series 2004 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 2004 Bonds less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

#### **MBIA**

MBIA Insurance Corporation ("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 the heading "MUNICIPAL BOND INSURANCE". Additionally, MBIA makes no representation regarding the Series 2004 Bonds or the advisability of investing in the Series 2004 Bonds.

#### **MBIA Information**

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, 2003; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act

of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Series 2004 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 incorporated by reference herein modifies or supersedes such statement. Any such statement so modified 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, 2003, and (2) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2004 and June 30, 2004) 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, 2003, MBIA had admitted assets of \$9.9 billion (audited), total liabilities of \$6.2 billion (audited), and total capital and surplus of \$3.7 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2004 MBIA had admitted assets of \$10.5 billion (unaudited), total liabilities of \$6.7 billion (unaudited), and total capital and surplus of \$3.8 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

#### **Financial Strength Ratings of MBIA**

Moody's Investors Service, Inc. 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 2004 Bonds and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2004 Bonds. MBIA does not guaranty the market price of the Series 2004 Bonds nor does it guaranty that the ratings on the Series 2004 Bonds will not be revised or withdrawn.

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

**DEBT SERVICE SCHEDULE**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2005			
2006			
2007			
2008			
2009			
2010			
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
Total			

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## SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the Series 2004 Bonds are expected to be applied as follows:

### Sources of Funds

Par amount of Series 2004 Bonds (less Original Issue Discount)	\$
Accrued Interest	
TOTAL	\$

### Uses of Funds

Deposit to Escrow Account	
Deposit to Reserve Account	
Cost of Issuance (1)	
TOTAL	\$

- (1) Includes costs incurred by the Issuer, Underwriters' discount, premiums for municipal bond insurance and a Reserve Account Surety Bond and other costs relating to the issuance of the Series 2004 Bonds.

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## THE SYSTEM

### The System

The System is a wholesale wastewater treatment system designed to serve the wastewater treatment needs of a portion of Bay County, Florida. The wholesale customers of the System are Bay County, City of Callaway, City of Springfield, City of Parker and Town of Cedar Grove (the "Owners"). Bay County, Florida (the "County") serves as the operator of the System.

In order to meet the future capacity requirements of the Owners, as well as to provide for the legal segregation of each Owner's collection system, the Owners have entered into the Interlocal Agreement. Under the Interlocal Agreement, the Military Point Facility is owned by the Owners in trust. The Military Point Facility serves as the primary treatment facility of the System for the treatment of wastewater from the owners. Collection Systems within each Owner's service area are owned and operated by such Owner, separate and apart from the operation of the System.

### The Owners; Treatment Contracts

Each of the Owners has executed a wastewater treatment contract, as amended (the "Treatment Contract") by which such Owner has agreed to pay for committed wastewater treatment capacity, no matter whether such capacity is used, and for wastewater treatment services. Each Owner is required to pay under the Treatment Contract a debt service component, an operation and maintenance component, a renewal and replacement component and a reserve fund component. The debt service component of all Treatment Contracts is designed to equal the amounts required to be paid with respect to the Series 2004 Bonds and the SRF Loan Agreement. The Treatment Contract provides that, except as described below, such payments will be considered by each Owner as an operation and maintenance expense of its Collection System. The Interlocal Agreement provides that in the event an Owner shall fail to fully make a required monthly payment under its Treatment Contract, no matter whether such capacity is used, the other Owners shall be required to make such payments. Any such excess payment required to be made by an Owner will not be considered an operation and maintenance expense of such Owner, but shall be payable from the revenues of such Owner's Collection System, junior, inferior and subordinate to all obligations currently outstanding or to be issued in the future.

The Owners have the following allocations of treatment capacity within the System:

<u>Owner</u>	<u>Military Point Facility</u>
Bay County	2,213,392
Callaway	2,138,120
Springfield	1,263,434
Parker	719,186
Cedar Grove	<u>665,968</u>
<b>TOTALS (gpd)</b>	<b>7,000,000</b>

The rates for wholesale service correctly developed and billed by the Operator to all Owners include: (i) a volumetric charge based on metered wastewater flow which recovers the cost of operation and maintenance of the Wastewater System; and (ii) a monthly base charge to recover the debt service payments, required renewal and replacement funding and a rate reserve allocable to the Wastewater System. As described herein, the rate reserve account established under the Interlocal Agreement and funded by means of the Treatment Rate is not pledged to secure

the Series 2004 Bonds. See "APPENDIX A - CERTAIN INFORMATION CONCERNING THE COLLECTION SYSTEMS OF THE OWNERS" herein.

#### **Interlocal Agreement**

On September 12, 1996, the Owners entered into an Interlocal Agreement which outlines the rights, duties, expectations and responsibilities of the System. The Interlocal Agreement is being supplemented in connection with the issuance of the Series 2004 Bonds. See "APPENDIX D - INTERLOCAL AGREEMENT AND FORM OF FIRST SUPPLEMENTAL INTERLOCAL AGREEMENT." The Interlocal Agreement: (i) establishes uniform rules and procedures for the operation, maintenance, and expansion of the System; (ii) provides for the economical, efficient, and environmentally appropriate wastewater treatment and disposal of sewage for the citizens served by the Owners; and (iii) establishes the rights and duties of the Owners in accomplishing these goals. The Interlocal Agreement had an initial term of 30 years and is renewable for an additional term of 30 years by vote of the Owners.

#### **The Operator**

The Interlocal Agreement provides for the operation of the System and specifies that the County will continue to operate the System as the initial operator (together with any subsequent operator, the "Operator"), subject to removal as described herein. The Operator is charged with the responsibility and authority, among other things, to (i) collect, hold, invest and expend monies on behalf of the Owners, (ii) to enter into contractual arrangements as necessary for operation of the System, (iii) formulate and execute management and operational policies and practices, (iv) operate, maintain and expand the System, (v) obtain, maintain and hold all wastewater permits which allow for operation of the System, (vi) maintain financial records, and (vii) budget and set rates for the System.

The Operator, as necessary, shall employ a System Engineer, whose duties shall be to make any certifications and perform any other acts required or permitted of the System Engineer under the Loan Agreement and the Interlocal Agreement, and to submit to the Operator a report with recommendations as to the necessary improvements in maintenance, repair and operation of the System, including recommendations as to revenue increases as may be required to meet the covenants set forth in the Loan Agreement.

The Interlocal Agreement provides that any Operator may resign effective 365 days after giving written notice of resignation to the other Owners. During the first four years of an Operator's service, the Owners may vote to remove the Operator for cause if the Owners determine that the Operator has failed to exercise its best efforts to operate and maintain the System in a manner which complies with minimum regulatory requirements and standards resulting in the lowest reasonable operational and maintenance and capital costs to the Owners. After the first four years of the Operator's service, the Owners may remove the Operator with or without cause. The Interlocal Agreement provides that any successor Operator must be an Owner. See "APPENDIX D - INTERLOCAL AGREEMENT AND FORM OF FIRST SUPPLEMENTAL INTERLOCAL AGREEMENT."

#### **Retail Rates**

Each Owner in its Treatment Contract has contractually entered into a retail rate covenant with the Operator to maintain the retail wastewater rates at a sufficient level to have sufficient funds to pay the Treatment Rates to the Operator. This retail rate covenant is applicable only to the retail wastewater Collection System of each Owner.

In addition to the monthly rates for retail wastewater service, Bay County and the Cities of Callaway and Springfield have adopted Impact Fees for the purpose of paying or reimbursing the equitable share of the capital costs relating to the construction, expansion, or equipping of excess and unused capacity of the wastewater system for expansion thereof in order to service new customers. As described above, Impact Fees are permitted to be used to meet the retail rate covenant, provided that the Treatment Contract requires all components of the Treatment Rate, other than

the rate reserve component, to be met with Collection System revenues.

The following table is a comparison of the retail rates of each Owner:

RETAIL RATE COMPARISON

<u>System Entities</u>	<u>5,000 Gallons per Month of Wastewater Service</u>
Bay County	\$35.95
City of Callaway	37.48
City of Springfield	35.50
City of Parker	36.35
Town of Cedar Grove	48.75
City of Mexico Beach	34.15
<u>Other Neighboring Utilities</u>	
City of Destin	\$24.15
Escambia County Utilities Authority - Mainland	21.09
City of Fort Walton Beach	21.74
City of Gulf Breeze	14.30
City of Lynn Haven	23.81
City of Marianna	30.70
City of Niceville	20.50
Okaloosa County	14.55
City of Panama City	25.99
City of Panama City Beach	13.30
Regional Utilities of Walton County, Inc.	34.49
City of Valparaiso	11.96

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## Historical Operating Results

The following table shows the historical operating results of the System:

### SYSTEM HISTORICAL OPERATING RESULTS (Fiscal Year Ended September 30)

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Operating Revenues	\$6,433,856	\$6,174,369	\$6,065,168	\$6,219,498	\$5,064,489
Interest Income	<u>142,630</u>	<u>172,208</u>	<u>407,459</u>	<u>396,648</u>	<u>626,350</u>
Gross Income	6,576,486	\$6,346,577	\$6,472,627	\$6,616,146	\$5,690,839
Operating & Maintenance Expenses	<u>\$2,174,240</u>	<u>\$2,034,867</u>	<u>\$1,979,392</u>	<u>\$1,734,375</u>	<u>\$1,485,083</u>
Net Income Available for Debt Service	<u>\$4,402,246</u>	<u>\$4,311,710</u>	<u>\$4,493,235</u>	<u>\$4,881,771</u>	<u>\$4,205,756</u>
Maximum Annual Debt Service – Series 1996 Bonds	\$1,363,225	\$1,363,225	\$1,363,225	\$1,363,225	\$1,363,225
Debt Service Coverage	3.229x	3.163x	3.296x	3.581x	3.085x
Revenues Available after Payment of Series 1996 Bonds	<u>\$3,039,021</u>	<u>\$2,948,485</u>	<u>\$3,130,010</u>	<u>\$3,518,546</u>	<u>\$2,842,531</u>
Debt Service – State Revolving Fund (SRF) Loans 1A, 1B, 1C, 1D, and 2	\$2,296,196	\$2,296,196	\$2,296,196	\$2,296,196	\$2,296,196
Debt Service Coverage – SRF	1.324x	1.284x	1.363x	1.532x	1.238x

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## OTHER INDEBTEDNESS

The City of Callaway and Bay County have executed a Loan Agreement with FDEP for an SRF Loan in the original amount of \$34,584,645 (outstanding in the amount of \$25,987,466 as of September 30, 2003), the proceeds of which were used to construct a portion of the Military Point Facility Project.

Although the SRF Loan and any additional loans from the FDEP will be subordinate to the lien of the Series 2004 Bonds and the to the pledge on the Trust Estate or any part thereof, the Loan Agreement states that an event of default with respect to any Subordinated Indebtedness resulting in the acceleration thereof constitutes an event of default under the Loan Agreement (which by its terms constitutes an event of default under the Indenture). See "APPENDIX E - TRUST INDENTURE AND FORM OF FIRST SUPPLEMENTAL TRUST INDENTURE" and "APPENDIX F - LOAN AGREEMENT AND FORM OF FIRST SUPPLEMENTAL LOAN AGREEMENT" herein for a discussion of such events of default and remedies.

## VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the arithmetic computations showing the adequacy of the maturing principal and interest on the Refunding Securities to be acquired with a portion of the proceeds of the Series 2004 Bonds, together with other funds available for that purpose, to pay principal, interest and redemption premium, if any, of the Refunded Bonds, as described under the "Plan of Refunding", has been verified by McGladrey & Pullen, Minneapolis, Minnesota.

## LITIGATION

Except as described below, there is no pending or, to the knowledge of either the City of Callaway or Bay County, threatened litigation against the Operator of any nature whatsoever which in any way questions or affects the validity of the Series 2004 Bonds, or any proceedings or transactions relating to their issuance, sale, execution or delivery, or the enactment of the respective authorizing ordinances, the Indenture, the First Supplemental Indenture, the Loan Agreement, the First Supplemental Loan Agreement, the Interlocal Agreement, the First Supplemental Interlocal Agreement or any Treatment Contract, or which may materially adversely affect the imposition, collection or receipt of income to be collected or derived from the System.

In March 2000, the Operator received notice from the Florida Department of Environmental Protection ("FDEP") that its subaqueous pipeline, which transports untreated raw sewage under St. Andrew Bay to the new wastewater treatment plant, was not in compliance with its permitted design. It was intended that the subaqueous pipeline would be completely covered by four and one-half feet of sand. Portions of the pipeline do not have the proper coverage.

In December 2000, the contractor sued Bay County, Florida, as operator of the System, claiming that the Operator obstructed and hindered the performance of the pipeline project. The Operator then countersued for breach of contract. The parties have reached a settlement pursuant to the Settlement Agreement dated December 5, 2001 (the "Settlement Agreement") which would include using "marine mattress" for the remedial work contingent upon approval of FDEP and U.S. Army Corps. of Engineers. The Operator has received a consent order from FDEP allowing the use of the "marine mattresses" and expects the permit from the U.S. Army Corps of Engineers within 30 days. The total exposure under the Settlement Agreement for the remedial work is \$626,169.78 apportioned as follows: Bay County, Florida \$224,372.15; City of Callaway, Florida \$110,952.42; City of Parker, Florida \$37,018.99; City of Springfield, Florida \$64,256.72; Town of Cedar Grove, Florida \$34,522.72; and \$155,046.78 from System funds.

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## **LEGAL MATTERS**

Certain legal matters in connection with the authorization, issuance and sale of the Series 2004 Bonds are subject to the approval of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel, the proposed form of whose approving opinion is attached hereto as APPENDIX H. Certain legal matters will be passed upon for Bay County by Burke, Blue & Hutchinson, P.A., Panama City, Florida, Bay County Attorney, and for the City of Callaway by Harrison, Sale, McCloy & Thompson, Chartered, Panama City, Florida, City Attorney. Certain legal matters will be passed upon for the Underwriters by their Counsel, Bryant Miller & Olive P.A., Tallahassee, Florida.

## **TAX EXEMPTION**

### **Opinion of Bond Counsel**

In the opinion of the Bond Counsel (see APPENDIX H), the interest on the Series 2004 Bonds is excludable from gross income and is not a specific item of tax preference for federal income tax purposes under existing law. However, interest on the Series 2004 Bonds will be includable in the computation of adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations by the Internal Revenue Code of 1986, as amended (the "Code"). Failure by the Issuer to comply subsequent to the issuance of the Series 2004 Bonds with certain requirements of the Code regarding the use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the Treasury of the United States may cause interest on the Series 2004 Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issue. The Issuer has covenanted in the Indenture to comply with all provisions of the Code necessary to, among other things, maintain the exclusion from gross income of interest on the Series 2004 Bonds for purposes of federal income taxation. In rendering its opinion, Bond Counsel has assumed continuing compliance with such covenants.

### **Internal Revenue Code of 1986**

The Code contains a number of provisions that apply to the Series 2004 Bonds, including, among other things, restrictions relating to the use or investment of the proceeds of the Series 2004 Bonds and the payments of certain arbitrage earnings in excess of the "yield" on the Series 2004 Bonds to the Treasury of the United States. Noncompliance with such provisions may result in interest on the Series 2004 Bonds being included in gross income for federal income tax purposes retroactive to their date of issue.

### **Collateral Tax Consequences**

Prospective purchasers of the Series 2004 Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers. Prospective purchasers of the Series 2004 Bonds should consult their tax advisors as to the applicability and impact of these consequences.

### **Premium Bonds**

The difference between the principal amount of the Series 2004 Bonds maturing on \_\_\_\_\_ through and including \_\_\_\_\_ (collectively, the "Premium Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriter or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity was sold constitutes

to an initial purchaser amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

#### **Discount Bonds**

Under the Code, the difference between the principal amount of the Series 2004 Bonds maturing on \_\_\_\_\_ and on and after \_\_\_\_\_ through and including \_\_\_\_\_ (the "Discount Bonds"), and the initial offering price to the public, excluding bond houses and brokers, at which price a substantial amount of the Discount Bonds of the same maturity was sold, constitutes "original issue discount". Original issue discount on the Discount Bonds represents interest which is not includable in gross income. A portion of such interest that accrues to the owner of such Series 2004 Bonds in a year, as described below, is, however, included in the calculation of a corporate taxpayer's alternative minimum tax and environmental tax and may result in other collateral federal tax consequences although the owner may not have received cash in such year. Original issue discount on such Discount Bonds will accrue actuarially over the term of a Discount Bond at a constant interest rate. A purchaser who acquires Discount Bonds at an issue price equal to the initial offering price thereof as set forth on the cover page of this Official Statement will be treated as receiving an amount of interest excluded from gross income for federal income tax purposes equal to the original issue discount accruing during the period such purchaser holds such Discount Bonds and will increase its adjusted basis in such Discount Bonds by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or the disposition of such Discount Bonds. The federal income tax consequences of the purchase, ownership and redemption, sale or price may be determined according to rules which differ from those described above. Holders of Discount Bonds should consult their own tax advisors with respect to the consequences of owning Discount Bonds, including the effect of such ownership under applicable state and local laws.

#### **Florida Taxes**

In the opinion of Bond Counsel, the Series 2004 Bonds and the income thereon are exempt from all present intangible personal property taxes imposed pursuant to Chapter 199, Florida Statutes.

#### **Other Tax Matters**

Interest on the Series 2004 Bonds may be subject to state or local income taxation under applicable state or local laws in other jurisdictions. Purchasers of the Series 2004 Bonds should consult their tax advisors as to the income tax status of interest on the Series 2004 Bonds in their particular state or local jurisdictions.

During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Series 2004 Bonds. In some cases these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Series 2004 Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Series 2004 Bonds and their market value. No assurances can be given that additional legislative proposals will not be introduced or enacted that would or might



apply to, or have an adverse effect upon, the Series 2004 Bonds.

#### ENFORCEABILITY OF REMEDIES

The remedies available to the Holders of the Series 2004 Bonds upon an event of default under the Indenture are in many respects based upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the Federal bankruptcy code, the Indenture and the Series 2004 Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2004 Bonds (including Bond Counsel's approving opinion) will be qualified as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery.

#### UNDERWRITING

The Series 2004 Bonds are being purchased by Morgan Keegan & Company and RBC Dain Rauscher (collectively, the "Underwriters"), at an aggregate purchase price of \$\_\_\_\_\_ (par amount of \$\_\_\_\_\_ less Underwriters' discount of \$\_\_\_\_\_ less original issue discount of \$\_\_\_\_\_, [plus underwriting premium of \$\_\_\_\_\_] plus accrued interest, subject to certain terms and conditions set forth in a Purchase Contract between the Issuer and the Underwriters, including the approval of certain legal matters by Bond Counsel and the existence of no material adverse change in the condition of the Issuer from that set forth in this Official Statement. The Series 2004 Bonds may be offered and sold to certain dealers at prices lower than such offering prices and such public offering prices may be changed from time to time by the Underwriters.

#### CONTINUING DISCLOSURE

In accordance with the continuing disclosure requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC"), the Operator and each of the Owners have entered into Continuing Disclosure Agreements with the Trustee, as dissemination agent (the "Agent"), obligating the Operator and each Owner to provide certain information to the Agent for further dissemination as follows:

(i) To Bloomberg Municipal Repository of Skillman, New Jersey; DPC Data Inc. of Fort Lee, New Jersey; FT Interactive Data of New York, New York; Standard & Poor's Securities Evaluations, Inc. of New York, New York and any other nationally recognized municipal securities information repository (each a "NRMSIR") then in existence, and to the State of Florida information depository (the "SID") if such SID should be created, certain annual financial information and operating data described below, including audited financial statements of the Owners and the System. Such financial statements shall be made available each year to the NRMSIRs and the SID, if any, on or before April 30 for the Fiscal Year ending on the preceding September 30th, and will also be made available, to each holder of the Series 2004 Bonds who makes a request for such information. The Operator has also agreed to provide to each NRMSIR and the SID, if any, annually by March 31, an update of the information set forth in this Official Statement under the heading "The System," and in APPENDIX A, relating to annual receipts of revenues and operating expenses for each Owner's Collection System.

(ii) in a timely manner, to each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB") and to the SID, if any, notice of the occurrence of any of the following events with respect to the Series 2004 Bonds, if such event is material:

a. principal and interest payment delinquencies;

b. non-payment related defaults;

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- c. unscheduled draws on debt service reserves reflecting financial difficulties;
- d. unscheduled draws on credit enhancements reflecting financial difficulties;
- e. substitution of credit or liquidity providers, or its failure to perform;
- f. adverse tax opinions or events affecting the tax-exempt status of the Series 2004 Bonds;
- g. modifications to rights of the Bondholders;
- h. Series 2004 Bond calls (other than scheduled mandatory sinking fund redemptions);
- i. defeasance of the Series 2004 Bonds;
- j. release, substitution, or sale of property securing repayment of the Series 2004 Bonds; and
- k. any rating changes.

Each Owner, the Operator and the Agent reserve the right to modify, from time to time, the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Issuer; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule. The Operator, each Owner and the Agent reserve the right to terminate its respective obligation to provide annual financial information, and notices of material events, as set forth above, if any, when the Series 2004 Bonds are paid or deemed paid within the meaning of the Indenture, or, in the case of each Owner, when it no longer is an "obligated person" within the contemplation of the Rule. The Agent acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the Holders (both registered and beneficial) of the Series 2004 Bonds and shall be enforceable by such Holders; provided that, the Holder's right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the Agent's obligations described herein, and any failure by the Agent, the Operator or any Owner to comply with the provisions of this undertaking shall not be or constitute a covenant default or monetary default with respect to the Series 2004 Bonds under the Indenture. The term "beneficial owner" for the purposes of the undertaking means any person who (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Series 2004 Bonds (including persons holding the Series 2004 Bonds through nominees, depositories or other intermediaries), or (ii) is treated as the owner of any of the Series 2004 Bonds for federal income tax purposes.

Although the Owners and the Operator have provided annual financial information in compliance with their undertaking, certain other financial information was inadvertently omitted. The Owners and the Operator fully anticipate satisfying all future obligations in connection therewith.

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

Florida law requires the Issuer to make a full and fair disclosure of any bonds or other debt obligations which it has issued or guaranteed and which are or have been in default as to principal or interest at any time after December 31, 1975 (including bonds or other debt obligations for which it has served as a conduit issuer). Neither the City of Callaway nor Bay County has been in default as to principal and interest on bonds or other debt obligations which it has issued, whether as the principal obligor or as a conduit issuer.

There are several special purpose governmental authorities in Bay County that serve as conduit issuers of private activity bonds for, among other purposes, housing, industrial development, and health care. Defaults may have

occurred in connection with some of those private activity bonds; however, such defaults would only affect such defaulted issues and would not have an effect on the payment of the Series 2004 Bonds. Because the source of payment of any such defaulted bonds is separate and distinct from the source of payment of the Series 2004 Bonds and is not an obligation of the Issuer, any default of such bonds is considered immaterial with respect to the Series 2004 Bonds, and, therefore, disclosure is not required under Florida law.

### **RATINGS**

It is anticipated that Moody's Investors Service, Inc. and Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc. shall assign municipal bond ratings of "\_\_\_\_" and "\_\_\_\_", respectively, to the Series 2004 Bonds with the understanding that upon delivery of the Series 2004 Bonds, a policy insuring the payment when due, of the principal of and interest on the Series 2004 Bonds will be issued by MBIA Insurance Corporation. Such ratings reflect the views of the respective rating agencies and an explanation of the significance of such ratings may be obtained only from the rating agencies themselves. There is no assurance that such ratings will be in effect for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, if, in the judgment of the agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect upon the market price of the Series 2004 Bonds.

### **FINANCIAL STATEMENTS**

The Audited Financial Statements of the System for the Fiscal Year ended September 30, 2003 and report thereon of the Independent Certified Public Accountants are attached hereto as APPENDIX C.

### **AUTHORIZATION OF AND CERTIFICATION CONCERNING OFFICIAL STATEMENT**

The delivery of this Official Statement has been duly authorized by the Board of County Commissioners of Bay County and the City Commission of the City of Callaway. At the time of delivery of the Series 2004 Bonds, the Chairman of the Board of Bay County Commissioners and the Mayor of the City of Callaway will furnish a certificate to the effect that such persons have no knowledge or reason to believe that this Official Statement, as of its date and as of the date of delivery of the Series 2004 Bonds, makes any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they are made, not misleading.

### **MISCELLANEOUS**

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Series 2004 Bonds, the security for, and the source for repayment for the Series 2004 Bonds, and the rights and obligations of the holders thereof. Copies of such documents may be obtained from Mr. Harold Bazzel, Clerk of the Court, Bay County Courthouse, 300 E. Fourth Street, Panama City, Florida 32401.

The information contained in this Official Statement has been compiled from official and other sources deemed to be reliable and is believed to be correct as of the date of the Official Statement, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters.

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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. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof.

The Board of County Commissioners of Bay County and the City Commission of the City of Callaway have reviewed the information herein, approved this Official Statement, approved and authorized its distribution.

**BAY COUNTY, FLORIDA**

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

**CITY OF CALLAWAY, FLORIDA**

By: \_\_\_\_\_  
Mayor  
City of Callaway, Florida

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## APPENDIX A

### CERTAIN INFORMATION CONCERNING THE COLLECTION SYSTEMS OF THE OWNERS

#### Bay County

General information concerning the County is contained in APPENDIX B.

The County has seen a substantial increase in the service area wastewater capacity utilization requirements since 1991. This increase has primarily been due to service area expansion and growth. For Year 2004, the County's Collection System retail customer base utilized approximately 64% of the total allocated entitlement of wastewater capacity at the Military Point Facility. It should be noted that although the growth rate in capacity utilization by the County's wastewater retail customers is significant, the total customer base served by the County's retail wastewater system is limited. The County's wastewater system presently serves an area which extends from North Bay and the Bay County Industrial Park south to St. Andrews Bay and East Bay.

The County also serves two large customers, Tyndall Air Force Base (TAFB) and City of Mexico Beach, both of which are located in Bay County and are large users or bulk customers of the County's retail system. TAFB utilizes the Military Point Facility for its entire wastewater capacity needs. Current average daily flows for TAFB Fiscal Year 2003-2004 are 0.821 MGD which is approximately 65% of the 1.263 MGD of reserved capacity allocable to TAFB. Discussions with the County revealed that seasonal demands of 1.100 MGD do occur at TAFB during the course of the year which is representative of the capacity reserved for this customer.

The second large customer is the City of Mexico Beach. Current average daily flows for the City of Mexico Beach for Fiscal Year 2003-2004 are .166 MGD which is approximately 51% of the 0.323 MGD reserve capacity allocable to the City of Mexico Beach.

In the opinion of the County Attorney, there is no litigation pending, or to the best of his knowledge, threatened, which would adversely affect the ability of the County to make payments under the Treatment Contract or materially adversely affect the revenues of the County's Collection System.

Set forth below is certain historical and projected information concerning the County's Collection System.

**Bay County, Florida  
Collection System  
Summary of Historical Wastewater Service Statistics  
Fiscal Year Ending September 30**

Description	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Gallons Billed (000's)	368,101	443,378	399,254	521,693	513,018
Retail – Other	114,052	140,714	166,994	158,183	152,818
Retail – Tyndall AFB	243,774	260,217	179,385	292,310	299,750
Retail – Mexico Beach	10,275	42,447	52,875	71,200	60,450
Average Daily Flow (MGD)	1.008	1.215	1.094	1.429	1.406
Retail – Other	0.312	0.386	0.458	0.433	0.419
Retail – Tyndall AFB	0.668	0.713	0.491	0.801	0.821
Retail – Mexico Beach	0.028	0.116	0.145	0.195	0.166

**Bay County, Florida  
Information Concerning Collection System Residential Bills  
Residential Service for a 5/8" or 3/4" Meter<sup>1</sup>**

	<u>0</u>	<u>2,000</u>	<u>4,000</u>	<u>5,000</u>	<u>7,000</u>	<u>10,000</u>	<u>12,000<sup>2</sup></u>
	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>
Current	\$15.95	\$23.95	\$31.95	\$35.95	\$43.95	\$55.95	\$63.95

<sup>1</sup> The above charges are the current charges and have not changed since 1999.

<sup>2</sup> 12,000 gallons is the maximum for residential customers.

<sup>3</sup> Bay County, Florida has 2 customers that are billed according to Bio-Chemical Oxygen Demand. These two customers account for approximately 23% of the collection system revenue.



**Bay County, Florida**  
**Retail Water and Wastewater System**  
**Summary of Historical and Budgeted Operations**  
**Fiscal Year Ending September 30,**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	Unaudited <u>2004</u>	Budgeted <u>2005</u>
Operating Revenues (combined Water and Sewer)	\$4,071,757	\$3,235,969	\$3,506,714	\$3,641,199	\$3,840,916
Total Operating Revenues	<u>4,071,757</u>	<u>3,235,969</u>	<u>3,506,714</u>	<u>3,641,119</u>	<u>3,840,916</u>
Total Operating Expenses*	<u>2,685,687</u>	<u>2,787,165</u>	<u>2,963,212</u>	<u>2,009,525</u>	<u>3,345,331</u>
Operating Income	<u>\$1,386,070</u>	<u>\$448,804</u>	<u>\$ 543,502</u>	<u>\$ 631,594</u>	<u>\$ 495,585</u>

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Source: Bay County, Florida

\*Includes payments to the System for wastewater transmission and treatment services pursuant to its Treatment Contract.

### City of Callaway

The City of Callaway is a municipality located within Bay County. The estimated population of the City of Callaway is 13,879.

The current members and the expiration of their terms of office of the Callaway City Commission are as follows:

<u>Name</u>	<u>TERM EXPIRES</u>
Kenneth Meer, Mayor	April 2008
Commissioner Charles Griffin	April 2006
Commissioner Shannon Aufdencamp	April 2006
Commissioner George H. Smith	April 2008
Commissioner Mike T. Jones	April 2008

The historical wastewater capacity needs of the City of Callaway has been generally increasing over the past several years, averaging over 1% annually since 1992. During 2004, it is anticipated that the City of Callaway will utilize approximately 1.11 MGD of wastewater treatment service on an average daily flow basis. This represents approximately 62% of the City's current entitlement in the Military Point Facility. The City is projected to have growth inside and outside its current service area due to annexations which would exceed the City's current entitlement. At such time, the City would secure additional treatment from another entity or it is possible that the current system may be expanded.

The City of Callaway's current water and wastewater service area generally encompasses the entire City limits as well as areas located outside the City. Currently, the System provides sewer service to approximately 12,314 persons.

In the opinion of the City Attorney, there is no litigation pending, or to the best of his knowledge, threatened, which would adversely affect the ability of the City to make payments under the Treatment Contract or materially adversely affect the revenues of the City's Collection System.

Set forth below is certain historical information concerning the City's Collection System. Historical and budgeted information is presented on a combined basis with the City's retail water system. However, the City's obligation to make payments under its Treatment Contract are considered an operating expense of only the City's Collection System and not the City's water system.

City of Callaway, Florida  
Wastewater System  
Summary of Historical Wastewater Service Statistics  
Fiscal Year Ending September 30,

Description	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Gallons Billed (000's)	415,317	432,245	467,183	469,747	496,553
Average Daily Flow (MGD)	34.02	39.96	38.40	41.13	35.18

City of Callaway, Florida  
Information Concerning Collection System Residential Bills  
Residential Service for a 5/8" or 3/4" Meter

	<u>0</u> <u>Gallons</u>	<u>2,000</u> <u>Gallons</u>	<u>4,000</u> <u>Gallons</u>	<u>5,000</u> <u>Gallons</u>	<u>7,000</u> <u>Gallons</u>	<u>10,000</u> <u>Gallons</u>	<u>15,000</u> <u>Gallons</u>	<u>20,000</u> <u>Gallons</u>
2000-2002 <sup>1</sup>								
2003 <sup>2</sup>	\$23.33	\$28.99	\$34.65	\$37.48	\$43.14	\$51.63	\$65.78	\$79.93
2004 <sup>3</sup>	23.91	29.71	35.51	38.41	44.21	52.91	67.41	81.91
2005 <sup>4</sup>	24.51	30.45	36.39	39.36	45.30	54.21	69.06	83.91

<sup>1</sup> The charge was the same from 2000-September 30, 2003.

<sup>2</sup> Rates effective commencing October 1, 2003.

<sup>3</sup> Rates effective commencing October 1, 2004.

<sup>4</sup> Rates effective commencing October 1, 2005



City of Callaway, Florida  
Water and Wastewater System  
Summary of Historical and Budgeted Operations  
Fiscal Year Ending September 30,

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	Unaudited <u>2004</u>	Budgeted <u>2005</u>
Operating Revenues						
Water Sales Revenue	\$1,304,016	\$1,312,363	\$1,283,781	\$1,289,904	\$1,637,370	\$1,727,425
Wastewater Sales Revenue	1,815,732	2,299,298	2,500,440	2,527,209	2,870,808	3,028,702
Tap Fees and Penalties	152,079	121,046	189,989	122,259	168,453	163,900
Other Miscellaneous Revenues	<u>0</u>	<u>87,024</u>	<u>88,213</u>	<u>98,747</u>	<u>180,885</u>	<u>0</u>
Total Operating Revenues	3,271,827	3,819,731	4,062,423	4,038,119	4,857,516	4,920,027
Total Operating Expenses*	3,861,160	4,196,672	4,341,700	4,579,378	5,020,126	4,595,265
Interest Income	<u>202,354</u>	<u>199,534</u>	<u>123,375</u>	<u>142,467</u>	<u>62,610</u>	<u>45,000</u>
Net Income	<u>(\$386,979)</u>	<u>(\$177,407)</u>	<u>(\$155,902)</u>	<u>(\$398,792)</u>	<u>(\$100,000)</u>	<u>\$369,762</u>
Other Revenue Requirement						
Debt Service						
Series 1969 Revenue Bonds	40,000	0	0	0	0	0
Series 1987 Revenue Bonds	<u>50,000</u>	<u>55,000</u>	<u>60,000</u>	<u>60,000</u>	<u>0</u>	<u>0</u>
Total Debt Service	90,000	55,000	60,000	60,000	0	0
Total Available for Capital Outlay and other Legal Purposes	(\$476,979)	(\$234,407)	(\$215,902)	(\$458,792)	(\$100,000)	\$369,762

Source: City of Callaway, Florida

\*Includes payments to the System for wastewater transmission and treatment services pursuant to its Treatment Contract.

City of Springfield

The City of Springfield is a municipality located within Bay County. The estimated population of the City of Springfield is 9,389.

The current members and the expiration of their terms of office of the Springfield City Commission are as follows:

<u>NAME</u>	<u>TERM EXPIRES</u>
Mayor Robert E. Walker	April 2005
Commissioner Earnest Jordan	April 2006
Commissioner Carl Curti	April 2006
Commissioner John Gipson	April 2005
Commissioner Beth V. McLean	April 2005

The City of Springfield wastewater capacity requirements projected for the Fiscal Year 2004 is .97 MGD on an average daily flow basis. This represents approximately 76% of the City's current entitlement in the Military Point Facility. The City has historically exceeded its capacity entitlement for wastewater capacity. In addition to the general service area wastewater capacity requirements of the City's retail wastewater system, historical capacity utilization included a significant amount of inflow and infiltration of groundwater and stormwater into the System which eventually is treated by the Military Point Facility.

The area where service is currently available does not include all of the City limits at the present time. The City is currently planning to extend wastewater service to these areas not served at the present time (an area located on the northern portion of the City). The City currently provides sewer service to approximately 3,536 persons.

In the opinion of the City Attorney, there is no litigation pending, or to the best of his knowledge, threatened, which would adversely affect the ability of the City to make payments under the Treatment Contract or materially adversely affect the revenues of the City's Collection System.

Set forth below is certain historical information concerning the City's Collection System. Historical and budgeted information is presented on a combined basis with the City's retail water system. However, the City's obligation to make payments under its Treatment Contract are considered an operating expense of only the City's Collection System and not the City's water system.

City of Springfield, Florida  
Wastewater System  
Summary of Historical Wastewater Service Statistics  
Fiscal Year Ending September 30,

Description	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Gallons Billed (000's)	272,312	269,532	254,632	258,619	N/A
Average Daily Flow (MGD)	0.756	0.749	0.707	0.714	N/A

City of Springfield, Florida  
Information Concerning Collection System Residential Bills  
Residential Service for a 5/8" or 3/4" Meter<sup>1</sup>

	<u>0</u>	<u>2,000</u>	<u>4,000</u>	<u>5,000</u>	<u>7,000</u>	<u>10,000</u>	<u>15,000</u>	<u>20,000</u>
	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>
Current	\$23.00	\$23.00	\$29.25	\$35.50	\$41.75	\$66.75	\$98.00	\$129.25

<sup>1</sup> The above charges are the current charges and have not changed since 2000.



**City of Springfield, Florida**  
**Water and Wastewater System**  
**Summary of Historical and Budgeted Operations**  
**Fiscal Year Ending September 30,**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	Unaudited <u>2004</u>	Budgeted <u>2005</u>
Operating Revenues						
Water Sales Revenue	\$741,534	\$755,711	\$753,101	\$737,580	\$732,811	\$756,621
Wastewater Sales Revenue	1,614,989	1,611,914	1,600,901	1,558,806	1,630,574	1,683,035
Tap Fees and Penalties	106,058	95,028	87,542	83,273	100,445	96,522
Other Miscellaneous Revenues	<u>22,013</u>	<u>14,398</u>	<u>20,666</u>	<u>25,116</u>	<u>428,123</u>	<u>177,989</u>
Total Operating Revenues	2,484,594	2,477,051	2,462,210	2,404,773	2,891,953	2,714,167
Total Operating Expenses*	2,147,447	2,283,306	2,259,070	2,335,967	1,787,006	1,547,437
Non-operating revenues	<u>258,675</u>	<u>(274,674)</u>	<u>(101,600)</u>	<u>(39,917)</u>	<u>31,652</u>	<u>28,236</u>
Net Income	<u>\$78,472</u>	<u>(\$80,929)</u>	<u>\$101,540</u>	<u>\$28,889</u>	<u>\$1,136,599</u>	<u>\$1,194,966</u>
Other Revenue Requirement Debt Service	0	0	0	0	1,045,191	1,135,051
Total Available for Capital Outlay and Other Legal Purposes	\$78,472	(\$80,929)	\$101,540	\$28,889	\$91,408	\$59,915

Source: City of Springfield, Florida

\*Includes payments to the System for wastewater transmission and treatment services pursuant to its Treatment Contract.

### City of Parker

The City of Parker is a municipality located within Bay County. The estimated population of the City of Parker is 4,926.

The current members and the expiration of their terms of office of the Parker City Commission are as follows:

<u>NAME</u>	<u>TERM EXPIRES</u>
Mayor Brenda Hendricks	September 2005
Mayor Pro-Tem Tonya Barrow	September 2007
Council Member Will Oost	September 2005
Council Member – Vacant	September 2005
Council Member E.B. Reese	September 2007

The historical wastewater capacity needs of the City of Parker have been increasing steadily over the past several fiscal years, averaging approximately 1.2% annually since the Fiscal Year 1992. During 2004, it is anticipated that the City of Parker will utilize .3365 MGD of wastewater treatment service on an average daily flow basis. This represents 46.8% of the City's current entitlement allocable to the City in the Military Point Facility.

The City of Parker currently provides sewer service to approximately 4,900 persons. The City of Parker is in the process of extending wastewater service to an area of the City that presently has water-only service (the Long Point wastewater extension). Absent this extension of wastewater service, the current water and wastewater retail service area is generally built-out and most of the growth will be due to infill of vacant parcels and minor sewer extensions to limited areas where water- only service is available.

In the opinion of the City Attorney, there is no litigation pending, or to the best of his knowledge, threatened, which would adversely affect the ability of the City to make payments under the Treatment Contract or materially adversely affect the revenues of the City's Collection System.

Set forth below is certain historical information concerning the City's Collection System. Historical and budgeted information is presented on a combined basis with the City's retail water system. However, the City's obligation to make payments under its Treatment Contract are considered an operating expense of only the City's Collection System and not the City's water system.

**City of Parker, Florida  
Wastewater System  
Summary of Historical Wastewater Service Statistics  
Fiscal Year Ending September 30,**

Description	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Gallons Billed (000's)	168,405	169,376	152,652	140,223	N/A
Average Daily Flow (MGD)	0.461	0.464	0.418	0.384	N/A

**City of Parker, Florida  
Information Concerning Collection System Residential Bills  
Residential Service for a 5/8" or 3/4" Meter**

	<u>0</u>	<u>2,000</u>	<u>4,000</u>	<u>5,000</u>	<u>7,000</u>	<u>10,000</u>	<u>15,000</u>	<u>20,000</u>
	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>
2000	16.30	24.06	31.82	35.70	43.26	55.10	74.50	93.90
2001 <sup>1</sup>	16.30	24.06	31.82	35.70	34.46	55.10	74.50	93.90
2001 <sup>2</sup>	16.30	24.32	32.34	36.35	44.37	56.40	76.45	96.50
2002	16.30	24.32	32.34	36.35	44.37	56.40	76.45	96.50
2003	16.30	24.32	32.34	36.35	44.37	56.40	76.45	96.50

<sup>1</sup> Rates effective January – October 2001

<sup>2</sup> Rates effective commencing October 2001

Deleted: 1



**City of Parker, Florida**  
**Water and Wastewater System**  
**Summary of Historical and Budgeted Operations**  
**Fiscal Year Ending September 30,**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	Unaudited <u>2004</u>	Budgeted <u>2005</u>
Operating Revenues						
Charges for Services	\$1,510,285	\$1,487,289	\$1,504,027	\$1,438,250	N/A	N/A
Penalties	33,075	36,816	34,716	24,686		
Other Income	<u>60,743</u>	<u>64,405</u>	<u>44,790</u>	<u>42,289</u>		
Total Operating Revenues	1,604,103	1,588,510	1,583,533	1,505,225		
Total Operating Expenses*	884,807	1,005,894	1,031,120	1,133,611		
Interest Income	<u>131,352</u>	<u>153,070</u>	<u>100,790</u>	<u>48,078</u>		
Net Revenues	850,648	735,686	653,203	419,692		

Total Other Revenue Requirements

Total Available for Capital Outlay and Other Legal Purposes	\$310,145	\$65,818	(\$67,524)	(\$92,901)		
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Source: City of Parker, Florida

\*Includes payments to the System for wastewater transmission and treatment services pursuant to its Treatment Contract.

Town of Cedar Grove

The Town of Cedar Grove is a municipality located within Bay County. The estimated population of the Town of Cedar Grove is 1,648.

The members of the Cedar Grove Commission and their terms of office are as follows:

<u>NAME</u>	<u>TERM EXPIRES</u>
Mayor Nathan Lisenby	April 2006
Commissioner Sue Parker	April 2008
Commissioner Katherine Donnelly	April 2006
Commissioner Gary Posey	April 2008
Commissioner Mary Ann Gardner	April 2006

The historical wastewater capacity needs of the Town of Cedar Grove have been just over 0.200 MGD, expressed on an average daily basis. During 2004, it is anticipated that the Town will utilize .22 MGD of wastewater treatment service on an average daily flow basis. This represents 33% of the Town's current entitlement allocable to the Town in the Military Point Facility. The 2004 average capacity utilization by the Town is less when compared to other recent actual demands. This reduction may be due to the completion of an inflow and infiltration (I&I) program by the Town which was completed at the beginning of the current fiscal year.

The retail water and wastewater service area for the Town is generally confined to the Town's limits. The Town currently provides sewer service to approximately 3,000 persons and is currently evaluating the potential of extending water and wastewater service to other areas adjacent to the Town which could provide for a significant increase in the customer base served (the Hiland Park extension which could provide wastewater service to approximately 700 existing residences).

In the opinion of the Town Attorney, there is no litigation pending, or to the best of his knowledge, threatened, which would adversely affect the ability of the Town to make payments under the Treatment Contract or materially adversely affect the revenues of the Town's Collection System.

Set forth below is certain historical information concerning the Town's Collection System. Historical and budgeted information is presented on a combined basis with the Town's retail water system. However, the Town's obligation to make payments under its Treatment Contract are considered an operating expense of only the Town's Collection System and not the Town's water system.

**Town of Cedar Grove, Florida**  
**Wastewater System**  
**Summary of Historical Wastewater Service Statistics**  
**Fiscal Year Ending September 30,**

Description	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Gallons Billed (000's)	N/A	N/A	N/A	N/A	N/A
Average Daily Flow (MGD)	N/A	N/A	N/A	N/A	N/A

N/A: The above information was not available for these years.

**Town of Cedar Grove, Florida**  
**Information Concerning Collection System Residential Bills**  
**Residential Service for a 5/8" or 3/4" Meter<sup>1</sup>**

	<u>0</u>	<u>2,000</u>	<u>4,000</u>	<u>5,000</u>	<u>7,000</u>	<u>10,000</u>	<u>15,000</u>	<u>20,000</u>
	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>	<u>Gallons</u>
Current	\$36.00	\$41.10	\$46.20	\$48.75	\$53.85	\$61.50	\$74.25	\$87.00

<sup>1</sup> The above charges are the current charges and have not changed since 2000.



**Town of Cedar Grove, Florida**  
**Water and Wastewater System**  
**Summary of Historical and Budgeted Operations**  
**Fiscal Year Ending September 30,**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	Unaudited <u>2004</u>	Budgeted <u>2005</u>
Operating Revenues						
Charges for Services	\$581,380	\$636,632	\$645,243	\$648,754	\$650,000	\$700,000
Penalties	22,924	16,964	19,226	20,110	12,000	20,000
Other Income	<u>168,622</u>	<u>39,431</u>	<u>35,493</u>	<u>77,830</u>	<u>208,000</u>	<u>175,000</u>
Total Operating Revenues	772,926	693,027	669,962	746,694	870,000	895,000
Total Operating Expenses*	767,819	759,693	789,246	779,990	870,000	880,000
Interest Income	<u>4,078</u>	<u>4,736</u>	<u>19,244</u>	<u>7,624</u>	<u>1,400</u>	<u>2,000</u>
Net Revenues	<u>\$9,185</u>	<u>(\$61,920)</u>	<u>(\$100,040)</u>	<u>(\$25,672)</u>	<u>\$1,400</u>	<u>\$17,000</u>
Other Revenue Requirements						
Debt Service	88,000	74,238	69,378	75,958	76,095	75,185
Total Other Revenue Requirements	<u>88,000</u>	<u>74,238</u>	<u>69,378</u>	<u>75,958</u>	<u>76,095</u>	<u>75,185</u>
Total Available for Capital Outlay and Other Legal Purposes	(\$78,815)	(\$136,168)	(\$169,418)	(\$101,630)	(\$74,695)	(\$58,185)

Source: Town of Cedar Grove, Florida

\*Includes payments to the System for wastewater transmission and treatment services pursuant to its Treatment Contract.

## APPENDIX B

### GENERAL INFORMATION CONCERNING THE BAY COUNTY AREA

THE FOLLOWING INFORMATION CONCERNING BAY COUNTY, FLORIDA, IS INCLUDED ONLY FOR THE PURPOSE OF PROVIDING GENERAL BACKGROUND INFORMATION. THE INFORMATION IS SUBJECT TO CHANGE, ALTHOUGH EFFORTS HAVE BEEN MADE TO UPDATE THE INFORMATION WHERE PRACTICABLE.

#### County Description

Bay County is located on the Gulf of Mexico in the Panhandle region of northwest Florida. Panama City, the county seat and principal city of Bay County, is located approximately 98 miles southwest of Tallahassee, 81 miles south of Dothan, Alabama, 100 miles east of Pensacola and approximately 300 miles from Atlanta, Jacksonville and New Orleans. The County's 764 square miles of land are home to approximately 150,000 residents, a significant increase from the 1990 census of 126,994. Continued rapid growth is anticipated, with a year 2005 projected population of 164,290.

#### Population

The median age of Bay County's population in 2000 was 37.2. Of Florida's 20 metropolitan areas, Panama City has the sixth youngest median age. The following table reflects Bay County's age distribution for 2001:

<u>Age</u>	<u>Population</u>	<u>Percent</u>
0-14	29,852	20%
15-24	20,017	13
25-44	44,060	29
45-64	37,648	25
65+	20,609	13

Source: Bay County, Florida: Comprehensive Annual Financial Report  
for the Fiscal Year Ended September 30, 2003.

The following table sets forth the population trends in Bay County and the State of Florida from 1980 through 2003.

BAY COUNTY AND THE STATE OF FLORIDA				
Population Trends 1980 - 2003				
<u>Year</u>	<u>Bay County</u>	<u>Average Annual Percentage Increase</u>	<u>State of Florida</u>	<u>Average Annual Percentage Increase</u>
1980	97,740	N/A	9,746,961	N/A
1990	126,994	29.9%	12,938,071	32.7
2000	148,217	16.7	15,512,940	23.5
2003	154,827	4.5	17,071,508	6.8

Source: Bureau of Economic and Business Research,  
University of Florida; Estimates of Population 2003.

## Government

The Board of County Commissioners of Bay County, Florida (the "Board") is the principal legislative and governing body of the County. (The mailing address for the Board is 310 West 6<sup>th</sup> Street, Panama City, Florida 32401). The Board consists of five commissioners elected by the voters for terms of four (4) years each. The present commissioners and the years in which their terms expire are as follows:

<u>Commissioners</u>	<u>District</u>	<u>Term Expires</u>
John G. Newberry, Jr.	1	November 2004
George B. Gainer	2	November 2006
Cornel Brock	3	November 2006
Jerry L. Girvin	4	November 2004
Michael J. Ropa	5	November 2004

## Budgetary Process

The County's annual budget is prepared pursuant to Chapter 129, Florida Statutes, and represents the legal authority to levy taxes and expend funds for all County purposes. The budget must be balanced and the County Commissioners are held personally liable and subject to penalty for making unbudgeted expenditures.

On or before June 1 of each year, the Sheriff, the Clerk of the Circuit Court, the Tax Collector and the Supervisor of Elections must each submit to the Board a tentative budget request for their respective offices for the ensuing fiscal year. No later than 15 days after the Property Appraiser certifies the tax roll, the county budget officer shall prepare and present to the Board a tentative budget for each fund. The Board will receive and examine the tentative budget for each fund and, subject to the notice and hearing requirements, make such changes as it deems necessary. A summary of the tentative budget is prepared by the Board, advertised publicly, reviewed and revised prior to final approval and adoption before the fiscal year end on September 30.

## Business and Industry

Total employment in Bay County in December 2001, reached approximately 61,828. Leading economic sectors based on relative employment levels include government, retail and wholesale trade, services and manufacturing.

## Military

Tyndall Air Force Base, located on a 29,000 acre reservation in southeastern Bay County, houses the 325th Fighter Wing, Headquarters 1st Air Force, Southeast Air Defense Section, 475th Weapons Evaluation Group and United States Air Force Civil Engineering Support Agency. Approximately 6,700 military and civilian personnel are employed at Tyndall. The base also services approximately 8,138 military retirees in Bay County.

The Navy's U.S. Coastal Systems Station, located on 648 acres along St. Andrews Bay, is a major research and development facility in support of naval operations that take place primarily in coastal regions, such as amphibious missions, swimmer operations, diving and salvage and mine countermeasures. The Naval Diving and Salvage Training Center is headquartered at CSS. Today, this multimillion-dollar base employs approximately 2,455 civilian and military personnel. CSS and its tenants have an economic impact on Bay County of approximately \$269 million annually, resulting mainly from construction, maintenance and local contract purchases.

## **Industry**

Bay County is the home of some 132 small and large manufacturers. The County, with its intra coastal waterway, deep water port, foreign-trade zone and international airport, provide companies access to markets around the world. Major cities within close proximity of the area are Mobile, Atlanta, New Orleans and Tallahassee, Florida's capital. The Bay County Chamber of Commerce Economic Development Council serves as Bay County's economic development coordinating agency.

The County offers hundreds of acres of readily accessible land with natural and man-made resources. Industrial parks are available and located throughout the area. The Hugh Nelson Industrial Park, Port Panama City, Lynn Haven Commerce Park and the Bay Line Industrial Parks I and II feature complete utilities and access to the County's transportation network.

Port Panama City is a 130-acre, deep water port located directly on St. Andrew Bay. A relatively new port with modern facilities, Port Panama City is one of the most economical ports on either the Gulf of Mexico or the East Coast for importers/exporters. Port Panama City's Foreign Trade Zone No. 65 handles one of the largest tonnages in the United States and is one of the top foreign trade zones in the country. Port Panama City has 2500 linear feet of deep water berth space and 600 linear feet of barge berthing space. Controlling depth of the port is 32 feet. The Port has 400,000 square feet of warehouse space and three acres of open storage.

Rail freight service is provided to the County by a local, short-line carrier with dockside service available at industrial and port facilities. There is also interlining traffic with national rail carriers, which gives Bay County the ability to provide rail service to the entire United States, Canada and Mexico. Trucking needs are served by a four-lane highway with an easy link to the interstate system. The area is also served by bus lines, air cargo and commercial freight carriers.

Panama City is the dominant industrial and commercial center in the northwest region of Florida, and its economic influence extends beyond the boundaries of the County. Panama City's close-in trade area consists of seven neighboring counties: Calhoun, Gulf, Holmes, Jackson, Liberty, Walton and Washington.

## **Labor Force**

In 2001, the County's labor force consisted of 50,261 persons. The average unemployment rate for the year was 5.9%. In 2001, the greatest number of persons in the County were employed in the Wholesale and Retail Trade sector.



## EMPLOYMENT BY INDUSTRY

### Bay County, Florida

	<u>2000</u>	<u>2001</u>
All Industries	50,430	50,261
Agriculture, Forestry and Fishing	348	320
Mining	6	7
Manufacturing	3,214	3,264
Construction	4,336	4,439
Transportation, Communication and Public Utilities	2,238	2,266
Wholesale & Retail Trade	18,206	18,686
Finance, Insurance and Real Estate	3,381	3,265
Services	18,701	17,967
Other	N/A	47

Source: Florida Department of Labor and Employment Security,  
Bureau of Labor Market Information, as reported in  
Florida Statistical Abstract, 2002.

## TEN LARGEST EMPLOYERS

<u>Name of Firm</u>	<u>Industry</u>	<u>Number of Employees</u>
Tyndall Air Force Base	Military	6,666
Bay County School Board	Public Schools	3,300
U.S. Coastal Systems Station	Military	2,449
Bay Medical Center	Medical Facility	1,895
Wal-mart Superstores	Department/Retail	1,370
Sallie Mae	Broker/Student Loans	1,080
Gulf Coast Medical Center	Medical Facility	750
Trane Company	Air Conditioning/Heating	614
Smurfit-Stone Container	Kraft Linerboard	600
City of Panama City	Government	<u>583</u>
Total		19,307

Source: Bay County, Florida: Comprehensive Annual Financial Report  
for the Fiscal Year Ended September 30, 2003.

## CIVILIAN LABOR FORCE SUMMARY

### Bay County, Florida

1997	65,636
1998	65,762
1999	65,935
2000	64,938
2001	68,265
2002	69,060

Source: Florida Department of Labor and Employment Security,  
Bureau of Labor Market Information; as reported in Florida Statistical Abstract, 2003.

# **UNEMPLOYMENT STATISTICS**

Bay County and  
State of Florida

<u>Year</u>	<u>Bay County</u>		<u>Florida</u>	
	<u>Number</u>	<u>Rate</u>	<u>Number</u>	<u>Rate</u>
1997	4,304	6.6%	339,000	4.8%
1998	4,372	6.6	310,000	4.3
1999	4,037	6.1	284,000	3.9
2000	3,784	5.8	269,000	3.6
2001	3,873	6.0	365,000	4.8

Source: Florida Department of Labor and Employment Security,  
Bureau of Labor Market Information as reported in Florida  
Statistical Abstract, 2000 through 2002.

## **PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS**

Last Ten Fiscal Years  
(Unaudited)  
Bay County, Florida

<u>Year</u>	<u>Property Value <sup>(1)</sup></u>	<u>Number of New Units</u>	<u>Construction Building Permit Value <sup>(1)(2)</sup></u>	<u>Bank Deposits <sup>(1)</sup></u>
1994	3,400,832	2,504	\$95,523	\$607,957
1995	3,599,983	2,915	73,985	648,331
1996	3,653,357	2,900	92,748	714,437
1997	4,028,180	2,618	104,149	1,180,602
1998	4,335,327	2,592	99,994	1,265,285
1999	4,847,077	2,437	127,659	1,330,488
2000	5,189,691	2,476	232,971	1,435,000
2001	5,772,706	2,634	135,203	1,461,000
2002	6,240,041	2,776	156,496	1,533,000
2003	7,081,951	1,835	152,747	N/A

Sources: Bay County, Florida: Comprehensive Annual Financial Report  
for the Fiscal Year Ended September 30, 2003

Notes: <sup>(1)</sup> Amounts in thousands of dollars  
<sup>(2)</sup> Permits issued by Bay County Only  
N/A Not available

# **PROPERTY TAX LEVIES AND COLLECTIONS**

Last Ten Fiscal Years

(Unaudited)

Bay County, Florida

<u>Fiscal Year</u>	<u>Total Tax Levy<sup>(1)</sup></u>	<u>Tax Collections<sup>(2)</sup></u>	<u>Percent of Levy Collected</u>
1994	\$55,626,288	\$53,513,853	96%
1995	62,095,769	59,891,526	96
1996	66,876,928	64,548,405	97
1997	73,898,182	70,982,255	96
1998	73,992,595	70,910,368	96
1999	79,027,496	75,858,314	96
2000	86,309,925	83,143,601	96
2001	90,563,069	87,164,412	96
2002	99,015,005	95,216,045	96
2003	107,970,150	103,506,641	96

Source: Bay County, Florida: Comprehensive Annual Financial Report  
for the Fiscal Year Ended September 30, 2003.

<sup>(1)</sup> Tax levies are funds for County and Special District purposes; municipal levies are excluded.

<sup>(2)</sup> Property taxes become due and payable on November 1<sup>st</sup> of each year. A four percent discount is allowed if the taxes are paid in November with the discount declining by one percent each month thereafter. Accordingly, taxes collected will not be 100% of the tax levy. Taxes become delinquent on April 1<sup>st</sup> of each year and tax certificates for the full amount of any unpaid taxes and assessments must be sold no later than June 1<sup>st</sup> of each year. Proceeds of such tax certificates are included in this column.

**BAY COUNTY, FLORIDA  
PROPERTY TAX RATES<sup>(1)</sup>  
LAST FIVE FISCAL YEARS**

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<b>County-Wide Millage:</b>					
General County	5.5020	5.5020	5.5020	5.5020	5.5020
Public Health	0.1600	0.1600	0.1600	0.1600	0.1600
County Total	5.6620	5.6620	5.6620	5.6620	5.6620
<b>County Mosquito(2)</b>	0.1852	0.1852	0.1852	0.1852	0.1852
<b>School District</b>	8.9180	8.6690	8.5300	8.6550	8.5690
<b>Northwest Florida Water Management District</b>	0.0500	0.0500	0.0500	0.0500	0.0500
<b>Bay County Unincorporated: MSTU(3)</b>	1.0000	1.0000	1.0000	1.0000	1.0000
<b>Special District:</b>					
Beach Mosquito Control	0.3930	0.3544	0.2675	0.2990	0.2990
<b>Municipalities:</b>					
City of Panama City	5.0000	5.0000	5.0000	5.0000	5.0000
Panama City Downtown Improvement Board	3.0000	3.0000	3.0000	3.0000	3.0000
City of Lynn Haven	4.0000	4.0000	4.0000	4.0000	4.0000
City of Mexico Beach	4.3100	4.9100	4.8500	4.6000	4.5500

Source: Property Appraiser's Office.

<sup>(1)</sup> Property Tax rates per \$1,000 assessed value.

<sup>(2)</sup> County Mosquito does not include the Beach Mosquito Control District.

<sup>(3)</sup> Fire Protection Districts located throughout the unincorporated sections of Bay County.

**Assessed and Estimated Valuation**

The following table shows the assessed and estimated actual value of taxable property with the County for the last ten fiscal years.



# ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years  
(In Thousands of Dollars)  
(Unaudited)  
Bay County, Florida

<u>Fiscal</u> <u>Year</u>	<u>Real Property</u>		<u>Personal Property</u>		Centrally Assessed Property	Total Assessed Value	Total Estimated Value	Ratio of Total Assessed Value to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value				
1994	\$3,400,832	\$ 5,781,128	\$579,962	\$ 952,633	\$15,936	\$3,996,730	\$6,749,697	59.21%
1995	3,599,983	6,019,973	625,569	1,102,683	10,527	4,236,079	7,043,183	60.14
1996	3,653,357	6,117,389	662,851	1,099,951	10,444	4,326,653	7,227,784	59.86
1997	4,028,180	6,526,656	697,168	1,192,078	9,084	4,734,432	7,727,818	61.26
1998	4,335,327	6,875,320	742,896	1,281,557	10,578	5,088,801	8,167,456	62.30
1999	4,847,077	7,541,464	734,153	1,333,077	10,206	5,591,436	8,884,747	62.93
2000	5,189,691	7,860,767	781,984	1,319,395	11,175	5,982,852	9,191,338	65.09
2001	5,772,706	8,659,204	821,660	1,394,849	10,332	6,604,699	10,064,385	65.62
2002	6,240,041	9,157,180	846,415	1,446,838	9,800	7,096,256	10,613,817	66.86
2003	7,081,951	10,317,177	842,962	1,606,266	10,998	7,935,911	11,934,440	66.50

Source: Bay County, Florida: Comprehensive Annual Financial Report  
for the Fiscal Year Ended September 30, 2003.

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## Principal Taxpayers

The following table shows the principal taxpayers for the County, and the Countywide 2003 Assessments.

**PRINCIPAL TAXPAYERS**  
(Unaudited)  
Bay County, Florida  
2003 Assessments - Countywide

<u>Taxpayer</u>	<u>Real Estate</u>	<u>% of Total of All Taxpayers<sup>(1)</sup></u>	<u>Personal Property</u>	<u>% of Total Taxpayers<sup>(2)</sup></u>	<u>Total</u>	<u>% of Total of all Taxpayers<sup>(3)</sup></u>
Gulf Power Company	\$17,467,673	0.25%	\$330,949,037	39.26%	\$348,416,710	4.39%
Smurfit-Stone Container Corp.	24,824,224	0.35	121,101,430	14.37	145,925,654	1.84
BellSouth Telecommunications	6,457,732	0.09	71,942,036	8.53	78,399,768	0.99
Peoples First Community Bank	67,847,616	0.96	8,508,255	1.01	76,355,871	0.96
Resort Hospitality Enterprises						
St. Joe Corporation	60,545,302	0.85	324,370	0.04	60,869,672	0.77
Hilton Enterprises	39,277,398	0.55	3,290,356	0.39	42,567,754	0.54
Hospital Corp. of America	13,768,341	0.19	16,677,450	1.98	30,445,791	0.38
Arizona Chemical Company	3,773,640	0.05	34,347,746	4.07	38,121,386	0.48
Eagles Landing, Ltd.	22,892,003	0.32	220,459	0.03	23,112,462	0.29
Wal-mart Stores	<u>18,889,117</u>	<u>0.27</u>	<u>6,321,057</u>	<u>0.75</u>	<u>25,210,174</u>	<u>0.32</u>
Total Assessments	\$275,743,046	3.89%	\$593,682,196	70.43%	\$869,425,242	10.96%

<sup>1)</sup> Assessed Value for all Real Property for fiscal 2003 - \$7,081,951,000.

<sup>2)</sup> Assessed Value for all Personal Property for fiscal 2003 - \$842,962,000.

<sup>3)</sup> Assessed Value for all Assessed Property for fiscal 2003 - \$7,935,911,000.

Source: Bay County Property Appraiser's Office; Bay County, Florida:  
Comprehensive Annual Financial Report for Fiscal Year ending September 30, 2003.

## Higher Education

Education is a dominant factor in the make-up of the County, home of Gulf Coast Community College, the Florida State University Panama City Campus, the Troy State University, Florida Region and Embry-Riddle Aeronautical University at Tyndall Air Force Base, Tom P. Haney Vocational-Technical Center, a highly regarded public school system, and several private and parochial schools.

Programs at Gulf Coast Community College include two-year university transfer and career-oriented fields of study leading to Associate in Arts and Associate in Science Degrees. The school also offers one-year Technical Certificate Programs in various areas of study, as well as a broad variety of non-credit offerings through its Office of Continuing Education.

The Panama City Campus of Florida State University on St. Andrew Bay opened in January, 1986. The campus accommodates approximately 3,000 students, and currently provides undergraduate and graduate degree programs to area residents in a number of fields. Future degree offerings will be expanded as needs are determined by the community. Present enrollment is more than 1,500 students. The local campus of Florida State University also cooperates with Gulf Coast Community College in articulating degree programs such as nursing,

communication and fashion merchandising, and each campus has a strong commitment to continue these type offerings.

The Troy State University, Florida Region at Tyndall Air Force Base, currently provides undergraduate degree programs to Bay County area residents in psychology and business administration/management. Master degree offerings cover five different fields: counseling and human development, human resource management, international relations, management, and public administration.

The Resident Center of Embry-Riddle Aeronautical University at Tyndall Air Force Base offers degree programs in the Associate of Science and Bachelor of Science Professional Aeronautics, a Bachelor of Science in Management of Technical Operation and a Masters of Aeronautical Science.

#### **Medical Facilities**

Bay Medical Center is an accredited, not-for-profit, regional medical center. Policies are established by a Board of Trustees, all of whom live and work in the community. Originally known as Memorial Hospital of Bay County, it opened on June 1, 1949, with 66 beds. Today, Bay Medical Center has grown to 353 beds and includes 214 physicians in 28 fields of specialized medicine and a total personnel count that exceeds 1,900. Bay Medical Center provides ambulance service in the County and is the only pediatric unit within a 100-mile radius.

Gulf Coast Community Hospital was opened on January 2, 1977 and is a private enterprise hospital. In 1996 Gulf Coast Community Hospital became Gulf Coast Medical Center and is a full partner in the provision of hospital and medical service in the community. The hospital has 968 full-time equivalent personnel and is now a 176 bed, full service medical/surgical facility.

Tyndall Air Force Hospital provides medical care to active military, retirees and dependents for all area service branches. The base hospital has 20 beds and assists nearly 34,000 local military residents.

Health South Emerald Coast Rehabilitation Hospital provides inpatient and outpatient therapy using state-of-the-art equipment and facilities seven days a week; therapeutic gym, transitional living apartment, therapeutic pool and an outdoor mobility area. It also has a 40 bed capacity.

Nursing Homes/Skilled Care Facilities include Bay Center with a 160 bed capacity; Gulf Coast Convalescent Center, Panama City Nursing Center, St. Andrew Bay Health & Rehab and Bay Crest Nursing Center all with a 120 bed capacity; Glen Cove Nursing Pavilion with a 115 bed capacity; Emerald Shores Health Care with a 77 bed capacity and Lisenby Skilled Care Facility with a 22 bed capacity.

Bay County Behavioral Health Center provides mental health services and has a bed capacity of 80. Life Management Center provides mental health services for both private and indigent patients and has a 12 bed capacity in the Crisis Stabilization Unit.

**APPENDIX C**

**AUDITED FINANCIAL STATEMENT OF THE SYSTEM  
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2003**



**APPENDIX D**

**INTERLOCAL AGREEMENT AND FORM OF  
FIRST SUPPLEMENTAL INTERLOCAL AGREEMENT**

**APPENDIX E**  
**TRUST INDENTURE**  
**AND FORM OF FIRST SUPPLEMENTAL TRUST INDENTURE**

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**APPENDIX F**  
**LOAN AGREEMENT**  
**AND FORM OF FIRST SUPPLEMENTAL LOAN AGREEMENT**



**APPENDIX G**  
**FORM OF MUNICIPAL BOND INSURANCE POLICY**





**APPENDIX H**  
**PROPOSED FORM OF BOND COUNSEL OPINION**

**APPENDIX D**  
**CONTINUING DISCLOSURE AGREEMENT**

## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed by and between the City of Parker, Florida (the "City") and SunTrust Bank, in its capacity as Trustee for the benefit of the holders of the hereinafter described 2004 Bonds and in its capacity as dissemination agent hereunder (the "Bank") in connection with the issuance by the City of Callaway and Bay County, Florida (jointly, the "Issuer") of its \$\_\_\_\_\_ City of Callaway/Bay County, Florida Wastewater System Revenue Refunding Bonds, Series 2004 (the "2004 Bonds"). The 2004 Bonds are being issued pursuant to a Trust Indenture dated as of September 1, 1996, between the Issuer and the Bank, as Trustee, as supplemented by a First Supplemental Trust Indenture, dated as of April 1, 2004 (collectively, the "Indenture") and a Loan Agreement dated as of September 1, 1996, as supplemented by a First Supplemental Loan Agreement, dated as of April 1, 2004 (collectively, the "Loan Agreement"), between the Issuer and Bay County, Florida, as operator (the "Operator"). To evidence its obligation with respect to the utilization wholesale wastewater treatment system financed with proceeds of the 2004 Bonds, the City and the Operator have entered into a Treatment Contract, dated as of September 1, 1996, as supplemented by a Supplemental Treatment Contract (collectively, the "Treatment Contract"), payments pursuant to which secure the repayment of the 2004 Bonds. The City and the Bank hereby agree as follows:

**SECTION 1. PURPOSE OF DISCLOSURE AGREEMENT.** This Disclosure Agreement is being executed and delivered for the benefit of the 2004 Bondholders and in order to assist the original underwriters of the 2004 Bonds in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934 (the "Rule").

**SECTION 2. APPOINTMENT OF DISSEMINATION AGENT.** The City hereby appoints the Bank as Dissemination Agent hereunder. The Bank hereby accepts such appointment and all of the obligations and responsibilities related thereto and described herein.

**SECTION 3. PROVISION OF ANNUAL INFORMATION.** Except as otherwise provided herein, the City shall provide the information set forth below in this Section 3 to the Bank on or prior to April 30 of each year and the Bank shall, within 15 days of its receipt thereof, provide such information to all of the nationally recognized municipal securities information repositories described in Section 6 hereof (the "NRMSIRs") and to any state information depository that is established within the State of Florida (the "SID"). Notwithstanding the immediately preceding sentence, to the extent any such information does not become available to the City before April 30 of any year, the City shall provide such information when it becomes available, but no later than one year following the end of the City's Fiscal Year, provided, however, if any of such information cannot be provided by the City within one year following the end of its Fiscal Year for reasons outside of the City's control, such information shall be provided as soon as it becomes available:

(A) the City's comprehensive Annual Financial Report for the immediately preceding Fiscal Year (the "CAFR"), which shall include the audited financial statements of the City for the immediately preceding Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, as modified by applicable State of Florida requirements and the governmental accounting standards promulgated by the Government Accounting Standards Board; provided, however, if the

audited financial statements of the City are not completed prior to April 30 of any year, the City shall provide unaudited financial statements on such date and shall provide the audited financial statements within 30 days of the completion of such audited financial statements; and

(B) to the extent not set forth in the CAFR, additional financial information and operating data of the type included with respect to the City in the final official statement prepared in connection with the sale and issuance of the 2004 Bonds (as amended, the "Official Statement"), as set forth below:

1. Updates of information set forth in the Official Statement relating to:
  - a. Annual receipts of revenues and operating expenses for the City's wastewater collection system.
  - b. Coverage of Treatment Contract rates from collection system net revenues.
  - c. Indebtedness secured by or payable from collection system net revenues.
2. Description of any material litigation which would have been disclosed in the Official Statement if such litigation had occurred and been ongoing at the time the Official Statement is dated.
3. Any other financial information or operating data of the type included in the Official Statement which would be material to a holder or prospective holder of the 2004 Bonds.

For purposes of this Disclosure Agreement, "Fiscal Year" means the period commencing on October 1 and ending on September 30 of the next succeeding year, or such other period of time provided by applicable law.

**SECTION 4. REPORTING SIGNIFICANT EVENTS.** The City shall provide to the Bank, on a timely basis, notice of any of the following events of which it has knowledge, if such event is material with respect to the 2004 Bonds or the City's ability to satisfy its payment obligations with respect to the Treatment Contract, and the Bank shall promptly provide such notice to the NRMSIRs or the Municipal Securities Rulemaking Board (the "MSRB") and to the SID:

- (A) Treatment rate payment delinquencies;
- (B) Nonpayment related defaults;
- (C) Unscheduled draws on any Reserve Account reflecting financial difficulties;



- (D)    Unscheduled draws on any credit enhancement reflecting financial difficulties;
- (E)    Substitution of any credit or liquidity providers or their failure to perform;
- (F)    Adverse tax opinions or events affecting the tax-exempt status of payments under the Treatment Contracts;
- (G)    Modifications to the rights of 2004 Bondholders;
- (H)    Calls on the 2004 Bonds (other than mandatory redemptions of the 2004 Bonds resulting from application of amortization installments);
- (I)    Defeasance of the 2004 Bonds;
- (J)    Release, substitution or sale of property securing repayment of the 2004 Bonds;
- (K)    Rating changes; and
- (L)    Notice of any failure on the part of the City or any other Obligated Person (as defined in the Rule) to meet the requirements of Section 2 hereof.

The City may, from time to time, in its discretion, choose to provide notice of the occurrence of certain other events to the Bank, in addition to those listed in this Section 4, if, in the judgment of the City, such other events are material with respect to the 2004 Bonds, but the City does not specifically undertake to commit to provide any such additional notice of the occurrence of any material event except those events listed above. In the event the City provides such other notice to the Bank, the Bank shall promptly provide any such notice to the NRMSIRs or the MSRB and to the SID as provided above.

Whenever the City obtains knowledge of the occurrence of a significant event described in this Section 4, the City shall as soon as possible determine if such event would be material under applicable federal securities law to holders of 2004 Bonds, provided, that any event under clauses (D), (E), (F), (K) or (L) above will always be deemed to be material.

**SECTION 5. ADDITIONAL REQUIREMENTS.** (A) Upon providing any of the information required in Section 3 and 4 hereof to the NRMSIRs, the MSRB or the SID, as the case may be, the Bank shall promptly provide the City and the Issuer with written notice setting forth a brief description of the information provided, the date such information was provided and to whom such information was provided.

(B) If the Bank has not received the applicable annual information described in Section 3 hereof and audited financial statements from the City on or prior to April 30 of any year, the Bank shall file a notice with the NRMSIRs, the MSRB and the SID indicating that the City has failed to provide such information.

(C) If the Bank receives actual knowledge of the occurrence of any of the events listed in Section 4 hereof, the Bank shall promptly inform the City of the occurrence of such event and shall request that the City notify it immediately in writing as to whether or not such event should be reported by the Bank in accordance with Section 4. If the Bank informs the City of the occurrence of an event pursuant to the immediately preceding sentence and does not receive any direction from the City regarding whether to report such event, the Bank will not be required or obligated to provide any further notice with respect to such event. Notwithstanding any other provision of this Section 5(C); if the Bank receives actual knowledge of one of the events set forth in clause (D),(E),(F),(K) or (L) of Section 4 hereof, it will report the occurrence of such event in accordance with Section 4 without providing the City with prior notice.

(D) Each year the Bank shall determine, prior to the date upon which it is required to provide the annual information and audited financial statements of the City to the NRMSIRs and the SID pursuant to Section 3 hereof, the name and address of each NRMSIR and SID.

**SECTION 6. NRMSIRs.** The NRMSIRs to which the Bank shall provide the information described in Sections 3,4 and 5 above, to the extent required, shall be the following organizations, their successors and assigns:

- (A) Bloomberg Municipal Repository  
100 Business Park Drive  
Skillman, New Jersey 08558  
Phone: 609/279-3225  
Fax: 609/279-5962  
[http://www.bloomberg.com/markets/muni\\_contactinfo.html](http://www.bloomberg.com/markets/muni_contactinfo.html)  
Email: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)
- (B) DPC Data Inc.  
One Executive Drive  
Fort Lee, New Jersey 07024  
Phone: 201/346-0701  
Fax: 201/947-0107  
<http://www.dpcdata.com>  
Email: [nrmsir@dpcdata.com](mailto:nrmsir@dpcdata.com)

- (C) FT Interactive Data  
Attn: MRMSIR  
100 William Street  
New York, New York 20038  
Phone: 212/771-6999  
Fax: 212/771-7390 (Secondary Market Information)  
212/771-7391 (Primary Market Information)  
<http://www.interactivedata.com>  
Email: [NRMSIR@FTID.com](mailto:NRMSIR@FTID.com)
- (D) Standard & Poor's Securities Evaluations, Inc.  
55 Water Street  
45<sup>th</sup> Floor  
New York, New York 10041  
Phone: 212/438-4595  
Fax: 212/438-3975  
[http://www.jjkenny.com/jjkenny/pser\\_descrip\\_data\\_rep.html](http://www.jjkenny.com/jjkenny/pser_descrip_data_rep.html)  
Email: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)

(E) Any NRMSIRs that are established subsequently and approved by the SEC.

(F) A list of the names and addresses of all designated NRMSIRs as of any date may currently be obtained by calling the SEC's Fax on Demand Service at 202/942-8088 and requesting document number 0206.

**SECTION 7. NO EVENT OF DEFAULT.** Notwithstanding any other provision in the Indenture, the Loan Agreement or the Treatment Contract to the contrary, failure of the City to comply with the provisions of this Disclosure Agreement shall not be considered an event of default under any of such documents; provided, however, any 2004 Bondholder or beneficial holder may take such actions as may be necessary and appropriate, including pursuing an action for mandamus or specific performance, as applicable, by court order, to cause the City or the Bank to comply with its respective obligations hereunder. For purposes of this Disclosure Agreement, "2004 Bondholder" shall mean any person who (A) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2004 Bonds (including persons holding 2004 Bonds through nominees, depositories or other intermediaries) or (B) is treated as the owner of any 2004 Bond for federal income tax purposes.

**SECTION 8. INCORPORATION BY REFERENCE.** Any or all of the information required herein to be disclosed may be incorporated by reference from other documents, including official statements or debt issues of the City of related public entities, which have been submitted to each of the NRMSIRs and the SID, if any, or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each document incorporated by reference.



**SECTION 9. DISCHARGE; DISSEMINATION AGENTS.** The City may discharge the Bank or Dissemination Agent at any time and for any reason upon 10 days prior written notice to the Bank and the Issuer with or without appointing a successor dissemination agent. The City may, from time to time, appoint or engage a successor dissemination agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such successor dissemination agent; provided, however, the City shall provide the Issuer with 10 days prior notice of such discharge or appointment. If at any time during which this Disclosure Agreement is in effect there is no acting Dissemination Agent, the City shall provide the required information described in Section 3 and 4 hereof directly to the NRMSIRs, the MSRB and the SID in the manner and at the times in which it presently is required to provide such information to the Bank or Dissemination Agent.

**SECTION 10. TERMINATION.** The City's and the Bank's obligations under this Disclosure Agreement shall terminate upon (A) the legal defeasance, prior redemption or payment in full of all of the 2004 Bonds or (B) the termination of the continuing disclosure requirements of the Rule by legislative, judicial or administrative action, or (C) in the case of the Bank, upon receipt of notice of discharge as provided in Section 9 hereof.

**SECTION 11. AMENDMENTS.** Notwithstanding any other provision of this Disclosure Agreement, the City and the Bank may amend this Disclosure Agreement and any provision may be waived, if such amendment or waiver is supported by an opinion of counsel that is an expert, or nationally recognized, in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided, that no such amendment shall become effective until the City has provided its written consent to such amendment.

**SECTION 12. ADDITIONAL INFORMATION.** Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in its annual information described in Section 3 hereof or notice of occurrence of a significant event described in Section 4 hereof, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in its annual information or notice of occurrence of a significant event in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in its future annual information or notice of occurrence of a significant event.

**SECTION 13. OBLIGATED PERSONS.** If any person, other than the City, the Issuer, the City of Springfield or the Town of Cedar Grove becomes an Obligated Person relating to the 2004 Bonds, the City shall use its best efforts to require such Obligated Person to comply with all provisions of the Rule applicable to such Obligated Person.



IN WITNESS WHEREOF, the parties hereto have each caused this Disclosure Agreement to be executed by their duly authorized officers and appointed officials and their seals to be hereunder affixed and attested as of the \_\_\_\_ day of \_\_\_\_\_, 2004.

CITY OF PARKER, FLORIDA

(SEn)

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

Mayor

ATTEST:

\_\_\_\_\_

SUNTRUST BANK, CENTRAL FLORIDA,  
NATIONAL ASSOCIATION, Dissemination  
Agent

(SEAL)

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

Authorized Signatory