

FLORIDA GOVERNMENTAL UTILITY AUTHORITY

INITIAL BRIEFING

**ACQUISITION OF SYSTEMS IN ALACHUA COUNTY
FROM
AQUA AMERICA, INC.**



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EXHIBIT A

OFFERING LETTER TO FGUA FROM AQUA AMERICA, INC.

Offering Letter to the FGUA from Aqua America, Inc.



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CONFIDENTIAL

Sent Via Electronic Mail

September 20, 2012

Florida Governmental Utility Authority
c/o Robert Sheets
Systems Manager
Government Services Group
Suite 250
1500 Mahan Drive
Tallahassee, Florida 32308

Re: Florida Governmental Utility Authority ("FGUA"), and Aqua Utilities
Florida, Inc., Crystal River Utilities, Inc. and Dolomite Utilities Corp.

Dear Mr. Sheets and FGUA Board Members:

Aqua America Inc. has reviewed various options concerning our Florida operations and recently decided that a sale of our Florida utility might be the best alternative for our customers, employees, shareholders, and the communities we serve. We are aware that FGUA has a considerable history in Florida of acquiring small water and wastewater systems and that several of the systems acquired by the FGUA were previously owned by our predecessors – Florida Water and AquaSource. We are also aware that in those transactions, FGUA provided continued employment to the acquired systems' personnel. It is for these reasons, in addition to our analysis of the regulatory process, that Aqua has decided that the most expedient and efficient option available at this time is to offer our Florida assets *first* to FGUA.

Background

Aqua made a significant investment in 2003 to operate water and wastewater utilities in Florida. Over the last ten years, Aqua transformed 82 water and wastewater systems, many of them severely undercapitalized, into professionally-run utilities. During this time, Aqua spent in excess of \$55 million in additional investments to improve water quality, install new meters, rehabilitate facilities, and otherwise improve service to our customers. To recover the large capital expenditures, Aqua needed to file several significant rate requests. While this needed, yet unfortunately rapid, infrastructure spending improved quality, it also required rate filings, which caused some customers and regulators to react with concern. Due to the unique regulatory (rate) proceedings that resulted, Aqua and our customers had to

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An Aqua America Company

spend in excess of \$2 million (an extraordinarily high cost per customer compared to other utilities in Florida and in other states) to successfully complete the regulatory process managed by the Office of Consumer Advocate and ultimately the Florida Public Service Commission (PSC).

The result of our efforts to seek justified infrastructure recovery has been a relationship with our customers that is less than ideal and does not represent the positive relationships we enjoy with our customers elsewhere. Despite our efforts to recover our infrastructure investment and operating expenses and achieve regulatory compliance, the rate case process and outcome has not met reasonable expectations. Therefore, the Aqua America Board of Directors has decided to explore potential options related to our Florida operations.

To begin the process of a potential sale, we are approaching the FGUA because of your unique regulatory structure which allows you to close a transaction quickly and with the least disruption to our customers and employees. Additionally, an expedient transaction will allow Aqua to focus our energy and investment on other jurisdictions where we do business.

This non-binding offering letter (this "Offering Letter") is written as a follow up to the discussions that have been held between FGUA and representatives of Aqua and the due diligence activities of the FGUA. Please note that this Offering Letter contains brief, selected information pertaining to the possible sale of Aqua's assets located in Florida and does not purport to be all inclusive or to contain all of the information that you might require. It is FGUA's sole responsibility to complete its due diligence and it is its sole judgment whether to accept the terms of a transaction as set forth in this Offering Letter. We have previously supplied you with detailed financial information about the systems and, as such, will not repeat that information here. A brief summary of our systems and areas of operations accompanies this document. In the event that you require additional information, please do not hesitate to contact me.

Process

We are issuing this Offering Letter to you to determine whether you are interested in a possible transaction. Specifically, we are offering to sell FGUA all of Aqua's regulated utility assets, leases, and agreements located in Florida (see Attachment A) in exchange for a lump sum payment of \$95 million to Aqua, upon the terms and conditions listed in this Offering Letter and in the agreement of sale that will be entered into between the parties. Aqua's offer results in a fair value for the FGUA and favorably compares to other recent transactions.

Utility acquisitions are typically measured as multiples of rate base or multiples of annual revenue. At \$95 million, FGUA would pay Aqua a comparatively lower multiple of rate base than it recently paid for the Mad Hatter system and other systems. Additionally, our offer is also a lower multiple of rate base than indicated by the recent agreement of sale between a private equity company and Utilities Inc.. Finally, our proposal is also more favorable for the FGUA when compared to the recent purchase by the City of Oviedo of Alafaya waste water system (Utilities Inc.). The discounted price offered by Aqua represents our belief that a deal can be done quickly with FGUA to prevent disruption to our customers and Florida employees.

We believe that the sale will take place in two steps:

• **First Step:**

Within the next 10 days or by September 30, 2012, FGUA will formally approach all of the Counties which contain the attached Systems pursuant to the Florida Interlocal Cooperation Act of 1969, Section 163.01, Florida Statutes (the "Statute") notifying the local governments of the potential transaction. On or before November 30, 2012, FGUA will have received all approvals that are required by the Statute to permit FGUA to execute an agreement of sale with Aqua for the sale of all of Aqua's assets in Florida for \$95,000,000 with a scheduled closing date of February 1, 2013. **In addition, it is a specific condition of this offer that all of Aqua's Florida non-executive employees be offered full employment upon terms and conditions that are substantially similar to those that our employees presently enjoy.** The agreement of sale will only contain the normal and customary representations, warranties, and conditions precedent, and will not contain a closing condition that any additional governmental approvals are required.

• **Second Step:**

Between November 30, 2012 and February 1, 2013, while the FGUA finalizes its financing of this transaction, the Parties will work together to ensure that there is a smooth transition between the companies. The Parties will specifically work to ensure that all regulations are being met, and will be met following closing, and that the customers of Aqua will be served with "business as usual" until this transaction is finalized. To that end, Aqua will continue to operate its business in the ordinary course, which will include the following: investing in capital improvements that are necessary to ensure compliance with all regulations (any capital investment made after the date of this letter above the rate of depreciation will be added to the purchase price as an adjustment at closing); its ability to settle all disputes in its sole discretion any sale of assets will adjust purchase price by an amount equal to rate base; and, its ability to file and pursue all rate proceedings (e.g., rate indexes, Chuluota water and/or wastewater rate case, Citrus rate case, etc.).

This Offering Letter will expire upon the earlier of Aqua terminating this Offering Letter or September 30, 2012. If the FGUA is interested in pursuing this transaction as described, please communicate your intentions to us and initiate the process described above to meet the September 30 deadline. While we believe FGUA may be the best acquirer of these systems, they are valuable assets; and considering this letter is a public document, other potential acquirers will quickly learn of our potential sale to FGUA. To be clear, if FGUA is not interested or fails to notify Aqua of its interest in pursuing the process described in this Offering Letter, Aqua will explore other options.

We look forward to your decision and hopefully working with you to complete a transaction that will benefit our customers, FGUA, Aqua, and the State of Florida.

Sincerely,

A handwritten signature in blue ink, appearing to read "C. H. Franklin".

Christopher H. Franklin
President, Regulated Operations
Aqua America, Inc.

Attachment A

System List

<u>County</u>	<u>System</u>	<u>Approximate Connections</u>		<u>AUF Region</u>	<u>Economic Regulator</u>
		<u>Water</u>	<u>Wastewater</u>		
Pasco	Jasmine Lakes	1500	1381	West	Florida PSC
	Palm Terrace	1137	920	West	Florida PSC
	Zephyr Shores	475	516	West	Florida PSC
Polk	Lake Gibson	831	304	West	Florida PSC
	Gibsonia Estates	111		West	Florida PSC
	Village Water	178	30	West	Florida PSC
	Orange Hill	175		West	Florida PSC
	Sugar Creek	64		West	Florida PSC
	Rosalie Oaks	94	88	West	Florida PSC
	Breeze Hill	126	121	West	Florida PSC
Hardee	Peace River	100	81	South	Florida PSC
Highlands	Lake Josephine	562		South	Florida PSC
	Sebring Lakes	77		South	Florida PSC
	Leisure Lakes	300	289	South	Florida PSC
Lee	South Seas		88	South	Florida PSC
Desoto	Lake Suzy	565	272	South	Florida PSC
Palm Beach	Lake Osborne Estates	465		South	Florida PSC
Sarasota	Sarasota	4885	7188	South	Sarasota County
	Lake	48 Estates	87	Central	Florida PSC
Lake	Carlton Village	256		Central	Florida PSC
	East Lake Harris Estates	175		Central	Florida PSC
	Fairways at Mt. Plymouth	238	238	Central	Florida PSC
	Fern Terrace	124		Central	Florida PSC
	Friendly Center	30		Central	Florida PSC
	Grand Terrace	111		Central	Florida PSC
	Haines Creek	109		Central	Florida PSC
	Hobby Hills	102		Central	Florida PSC
	Holiday Haven	99	105	North	Florida PSC
	Imperial Mobile Home				
	Terrace	248		Central	Florida PSC
	Palms Mobile Home Park	60		Central	Florida PSC
	Picciola Island	147		Central	Florida PSC
	Piney Woods / Spring Lake				
	Manor	174		Central	Florida PSC
	Quail Ridge	96		Central	Florida PSC
Ravenswood	46		Central	Florida PSC	
Silver Lakes Estates	1231		Central	Florida PSC	
Skycrest	119		Central	Florida PSC	

	Stone Mountain	10		Central	Florida PSC
	Western Shores	379		Central	Florida PSC
	Kings Cove	208	207	Central	Florida PSC
	Morningview	35	35	Central	Florida PSC
	Summit Chase	217	215	Central	Florida PSC
	Valencia Terrace	351	346	Central	Florida PSC
	Venetian Village	161	95	Central	Florida PSC
Sumter	Jumper Creek	48	48	Central	Florida PSC
	The Woods	74	71	Central	Florida PSC
Brevard	Kingswood	63		Central	Florida PSC
	Oakwood	210		Central	Florida PSC
Orange	Tangerine	277		Central	Florida PSC
Seminole	Harmony Homes	61		Central	Florida PSC
	Chuluota	1498	743	Central	Florida PSC
	Florida Commerce Park		71	Central	Florida PSC
Washington	Sunny Hills	597	159	North	Florida PSC
Putnam	Beecher's Point	51	15	North	Florida PSC
	Hermits Cove	176		North	Florida PSC
	Interlachen Lake Estates	265		North	Florida PSC
	Park Manor		29	North	Florida PSC
	Palm Port	109	107	North	Florida PSC
	Pomona Park	163		North	Florida PSC
	River Grove	108		North	Florida PSC
	Saratoga Harbour	45		North	Florida PSC
	Silver Lakes Oaks	40	29	North	Florida PSC
	St. Johns Highlands	98		North	Florida PSC
	Welaka Mobile Home Park	107		North	Florida PSC
	Wootens	24		North	Florida PSC
Volusia	Jungle Den	114	133	North	Florida PSC
	Tomoka View	189		North	Florida PSC
	Twin Rivers	78		North	Florida PSC
Alachua	Arredondo Farms	357	354	North	Florida PSC
	Arredondo Estates	252		North	Florida PSC
Citrus	Castle Lake	110		North	Citrus County
	Kenwood North	49		North	Citrus County
	Pine Valley	46		North	Citrus County
	The Meadows	53		North	Citrus County
	West Citrus	66		North	Citrus County
Marion	49th Street	98		North	Florida PSC
	Belleair	217		North	Florida PSC
	Bellview Hills Estates	256		North	Florida PSC
	Bellview Hills Jog Acres	108		North	Florida PSC
	Chappell Hills	41		North	Florida PSC
	Fairfax Hills	86		North	Florida PSC
	Hawk's Point	131		North	Florida PSC
	Marion Hills	30		North	Florida PSC
	Ocala Oaks	611		North	Florida PSC
	Ridge Meadows	67		North	Florida PSC

West View
Woodberry Forrest

30
56

North Florida PSC
North Florida PSC

Aqua acquired the Systems through the acquisition of the AquaSource systems, in 2003, the Florida Water Services Corporation systems from Allete, Inc. in 2004, and several other systems since those two “foundation” acquisitions.

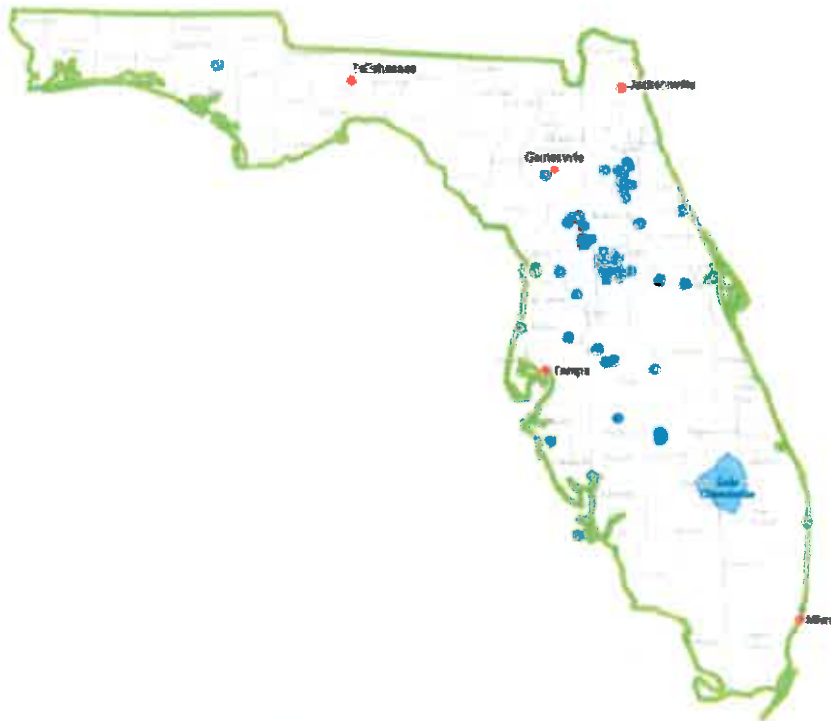


EXHIBIT B
SYSTEM DUE DILIGENCE

System Description

Alachua County Systems*	Connections	
	Water	Wastewater
Arredondo Estates	252	0
Arredondo Farms	357	354
Total Connections	609	354

* The preliminary estimate of value for the systems in the County is from \$1,500,000 to \$2,000,000 based upon an income valuation approach. At this stage in the process, this range of estimate can change as it is based on several assumptions with regard to the projected costs of financing, interest rates, and whatever price that the FGUA may agree to pay to Aqua Utilities Florida, Inc.

Florida Governmental Utility Authority
Aqua Utilities Florida, Inc. - Average Monthly Bill Calculation
Alachua County

System	Water Rate Band	Residential Service for a 5/8" x 3/4" Meter (Gallons)				
		3,000	5,000	7,000	10,000	15,000
Arredondo Estates	2W	\$ 38.82	\$ 51.92	\$ 68.30	\$ 97.79	\$ 154.75
Arredondo Farms	2W	\$ 38.82	\$ 51.92	\$ 68.30	\$ 97.79	\$ 154.75

System	Sewer Rate Band	Residential Service for a 5/8" x 3/4" Meter (Gallons)				
		3,000	5,000	7,000	10,000	15,000
Arredondo Farms	2S	\$ 61.45	\$ 79.31	\$ 88.24	\$ 88.24	\$ 88.24

System	Combined Rate Band	Residential Service for a 5/8" x 3/4" Meter (Gallons)				
		3,000	5,000	7,000	10,000	15,000
Arredondo Farms	2W, 2S	\$ 100.27	\$ 131.23	\$ 156.54	\$ 186.03	\$ 242.99

Florida Governmental Utility Authority
Preliminary Due Diligence

1. Overview of Operational Due Diligence

- Site visits to all water and wastewater systems
- Permit review
- Review and analysis of Operational Reporting documents (MORs/DMRs/CCRs)
- Identification of regulatory issues
- Initial identification of acquisition synergies
- Review of current owners' Capital Improvement Program
- Development of Renewal and Replacement requirements
- Development of Capital Improvement Program (5 years)

2. Specific Operational Investigations

- Identification/assessment of plant equipment: water, wastewater, lift stations & reuse
- Review of Aqua O&N activities compared to FGUA O&M activities
- Review of current operational budgets and future projections
 - Labor
 - Chemicals and Power
 - Sampling – Compliance activities
 - Sludge (bio-solids)
 - Assessment of vehicles, generators, equipment used for maintenance services
 - Preventive maintenance procedures in-place
- Review of Current Operational Practices associated with each plant, region, and as a whole as it relates to staffing and cost containment and the practices of FGUA
- Conduct a review and assessment of current organizational chart and staffing levels
- Reviewed recent capital additions to applicable facilities
- Developed facility specific, County, and Total O&M budgets

3. Review of Real Estate Information

- Research Aqua parcels by county
- Cross check property with previous Aqua transactions
- Review easement interests identified by Aqua

4. Review of Outstanding Aqua Contracts

- Bulk water and/or wastewater service agreements
- Rate schedules for bulk service systems without contracts
- Leases
- Developer Agreements
- Miscellaneous Agreements (vendor, service, other contracts)

EXHIBIT C

FGUA DESCRIPTION

Florida Governmental Utility Authority (FGUA) Overview Briefing



The Florida Governmental Utility Authority (FGUA) Concept

- Utility authorities are authorized under Section 163.01(7)(g)1, Florida Statutes
- Special purpose government (like Expressway Authority) rather than General Purpose (like you)
- The FGUA is a multi-jurisdictional entity for utility improvement, operation, management and ownership
- Present FGUA established in February 1999 by Interlocal Agreement between Brevard, Lee, Polk and Sarasota Counties to acquire former Avatar utilities
- FGUA is governed by a local government appointed Board (non-elected)
- Member local governments have control over the FGUA but do not incur any liability for debt or operations



Structure of FGUA

- A six-member Board of Directors governs the FGUA, with representatives six counties
- Four other counties have previously participated to facilitate transition from private to public ownership
- Each Board Member is an employee appointed by “host” government
- The Board is deferential to host government’s preferences



Advantages of the FGUA Concept

- Innovative governmental tool which maintains local control
- Sole focus to address local utility issues without special legislation
- Removes distraction of other non-utility service issues
- Participating governments drive CIP, operations and service delivery
- Participating governments can customize their participation to suit local preference by membership or separate interlocal agreement:
 - Degree of Involvement
 - Rate Regulation
 - CIP Priorities
 - Customer Service Standards
 - Other Concerns



Advantages of A FGUA (Cont.)

- Portability throughout the State
- Immediately Available Pool of professional, utility-focused resources
- Extensive utility management and operational expertise
- Skilled utility operations contractor, capital project managers, engineering pool and inspectors
- Maximizes private sector flexibility with governmental accountability and transparency
- Resources focus 100% on water & sewer solutions
- Access to municipal bond market and other public funding sources



FGUA Utility Acquisition History

FGUA Utility Acquisition History

(As of August 2012)

Utility System	County	Date Purchased	Water Customers/ ERC's	WW Customers/ ERC's	Acquisition Price	* Gov't Assumption Value
<u>Current FGUA Systems</u>						
Aloha	Pasco	Feb-09	15,747	15,434	\$ 91,718,209	NA
Consolidated Systems	Pasco	2009	2,489	0	\$ 4,250,000	NA
Golden Gate	Collier	Apr-99	4,582	4,563	\$ 25,867,214	NA
Lehigh Acres	Lee	Dec-03	11,460	8,427	\$ 34,991,243	NA
Lindrick Service Corporation	Pasco	2009	4,174	2,933	\$ 16,800,000	NA
North Fort Myers	Lee	2010	1,852	11,669	\$ 55,000,000	NA
MacDill AFB	Hillsborough	Mar-11	4,400	2,600	\$ 17,715,313	NA
Mad Hatter	Pasco	Jun-12	4,401	3,631	\$ 14,000,000	NA
<u>FGUA Systems Acquired by Member Governments</u>						
Barefoot Bay	Brevard	Apr-99	4,582	4,563	\$ 15,972,718	\$ 17,135,000
Carrollwood	Hillsborough	Apr-99	1,181	1,106	\$ 5,035,000	\$ 5,049,500
Citrus	Citrus	Dec-03	8,913	4,418	\$ 16,736,988	\$ 26,824,566
Poinciana	Oscola/Polk	Apr-99	6,776	6,264	\$ 25,341,980	\$ 50,572,653
Sarasota	Sarasota	Apr-99	5,521	8,725	\$ 12,555,620	\$ 25,802,507
Total FGUA			76,078	74,333	\$ 335,984,285	\$ 125,384,226

* Represents total of FGUA purchase price plus investments in system by FGUA subsequent to purchase, plus transaction costs



Financing Transaction History

Golden Gate System

ISSUE	DUE	ISSUE AMOUNT	INTEREST RATE	Moody's	Fitch	S&P
Series 2010 Refunding	2040	6,315,000	5.71%	A3	Not Rated	A-
Series 2005 Serial Bonds	2030	1,880,000	4.50%	Aaa	Not Rated	Not Rated
Series 2005 Term Bonds	2035	10,765,000	4.62%	Aaa	AAA	Not Rated
Series 1999 Serial Bonds	2011	7,150,000	3.65%-4.50%	Not Rated	Not Rated	Not Rated
Series 1999 Term Bonds	2018	6,385,000	5.25%	Not Rated	Not Rated	Not Rated
Series 1999 Term Bonds	2029	15,815,000	5.00%	Not Rated	Not Rated	Not Rated

Financing Transaction History (Cont)

Lehigh Utility System						
ISSUE	DUE	ISSUE AMOUNT	INTEREST RATE	Moody's	Fitch	S&P
Series 2010 Refunding	2040	12,535,000	5.53%	A2	A	A
Series 2005 Serial Bonds	2015	13,390,000	3.40%-4.00%	Aaa (Insured)/ A- (Underlying)	AAA (Insured)/ A (Underlying)	Aaa (Insured)/ A (Underlying)
Series 2005 Term Bonds	2030	5,515,000	4.00%	Aaa (Insured)/ A- (Underlying)	AAA (Insured)/ A (Underlying)	Aaa (Insured)/ A (Underlying)
Series 2005 Term Bonds	2035	6,890,000	4.33%	Aaa (Insured)/ A- (Underlying)	AAA (Insured)/ A (Underlying)	Aaa (Insured)/ A (Underlying)
Series 2003 Serial Bonds	2023	21,325,000	2.00%-5.00%	Aaa (Insured)/ A3 (Underlying)	AAA (Insured)/ A- (Underlying)	AAA (Insured)/ A- (Underlying)
Series 2003 Term Bonds	2028	9,190,000	5.13%	Aaa (Insured)/ A3 (Underlying)	AAA (Insured)/ A- (Underlying)	AAA (Insured)/ A- (Underlying)
Series 2003 Term Bonds	2033	11,800,000	5.13%	Aaa (Insured)/ A3 (Underlying)	AAA (Insured)/ A- (Underlying)	AAA (Insured)/ A- (Underlying)



Financing Transaction History (Cont)

Aloha System						
ISSUE	DUE	ISSUE AMOUNT	INTEREST RATE	Moody's	Fitch	S&P
Series 2010A&B Refunding	2040	123,905,000	4.11%	A2	Not Rated	Not Rated
Series 2009 Term Bonds (Bank Loan)	2012	106,710,000	4.62%	Not Rated	A-	Not Rated
Consolidated System						
ISSUE	DUE	ISSUE AMOUNT	INTEREST RATE	Moody's	Fitch	S&P
Series 2009 Term Bonds (Bank Loan)	2014	5,124,200	4.47%	Not Rated	Not Rated	Not Rated
Lindrick System						
ISSUE	DUE	ISSUE AMOUNT	INTEREST RATE	Moody's	Fitch	S&P
Series 2010 Term Bonds	2040	24,665,000	5.03%	Baa1	Not Rated	BBB+

*Series 2010 Term Bonds issued for the Lindrick System were upgraded to an "A" rating after acquisition and improvements.



Financing Transaction History (Cont)

North Fort Myers System						
ISSUE	DUE	ISSUE AMOUNT	INTEREST RATE	Moody's	Fitch	S&P
Series 2010 A&B Term Bonds	2040	62,440,000	4.52%	A2	Not Rated	Not Rated
Mad Hatter System						
ISSUE	DUE	ISSUE AMOUNT	INTEREST RATE	Moody's	Fitch	S&P
Series 2012 A&B Term Bonds	2040	21,345,000	4.49%	A2	A-	Not Rated



Major Accomplishments

- Over \$500 million of improvements to FGUA facilities
- Over \$750 million in utilities transaction
- Corrected major “Black Water” problem in recently acquired system (Aloha) in Pasco County
- Completed FGUA Wastewater Facilities for Lee County allowing closure of compliance-plagued plant
- Four systems acquired in Pasco County and one in Lee County in last 2 years (\$312 million in value)
- Selected from national procurement to own and operate MacDill AFB utility system in City of Tampa (\$235 million contract value)



Major Accomplishments (Cont.)

- Have achieved one of the highest customer satisfaction ratings in the water and sewer industry
- One of strongest utility operations contract in terms of performance accountability

Resources/Expertise

- We know public and private sectors well and how to get results quickly and efficiently
- Full Range Capital Project Administration
- Utility Engineering/Design (same you use and more)
- Construction Management/Inspection
- Intergovernmental coordination/agreements
- Financial Management/Rate Analysis
- Utility Customer Service/Billing
- Customer Communication and Outreach



Follow Up Actions

- If initial acceptance of FGUA acquisition, check references
- Legal consult, BCC briefings as necessary
- Quickly identify questions/issues to resolve
- Determine best participation framework (interlocal or other)
- Agenda Support Resolution



EXHIBIT D

SYSTEM ACQUISITION PRINCIPLES

System Acquisition Principles

Many individual utility systems offered for sale by Aqua to the FGUA have only a few hundred customers or less, very small by utility standards. Individual Aqua utility systems that have insufficient size and revenue base to be financed on a stand-alone basis will be combined by the FGUA for financing and management purposes into a unified utility system (the "Unified System").

The methodology used by the FGUA to determine an acceptable purchase price for the individual utility systems aggregated in the Unified System will be the same as the methodology used for the stand alone systems; a cash flow analysis based upon conservative financing assumptions. The following principles will provide the foundation for the acquisition of such individual utility systems within the Unified System:

- The purchase price paid for the individual utility systems within the Unified System shall not cause a rate increase for any ratepayer as a result of the acquisition. Other than an annual indexing to reflect inflation in operation and maintenance expenses, or unanticipated system costs, FGUA hopes to hold rates steady for the five year planning period.
- The FGUA Board of Directors shall consider a rate structure and classification on a countywide or individual utility system basis, rather than the banded rate structure contained in the existing Aqua rate tariff.
- A single series of Bonds shall be issued by the FGUA, payable from the combined revenues of the individual utility systems in the Unified System. A host government to an FGUA utility system typically has the option to acquire the system assets at any time by assuming the FGUA debt issued to finance the system acquisition; however, that is probably not possible for the small individual utility systems in the Unified System.
- To the extent permitted by bond insurers and rating agencies, the documents authorizing the bonds issued to finance the Unified System might contain a formula for the acquisition of individual utility assets by the host county; however, we anticipate this right will be limited. We do not believe acquisition of the Unified System can be financed without providing bondholders with assurances that the system will remain financially viable.
- A host government has the right to become a member of the FGUA. With Aqua systems located in 19 counties, it would be impractical for all host governments to have a representative on the FGUA Board. Because of these management constraints, host counties with only a single or a few individual utility systems financed in the Unified System will be encouraged to waive membership, or to opt for an alternative such as an interlocal agreement.

- At the request of the host government to an individual utility system financed in the Unified System, the FGUA Board of Directors will execute an interlocal agreement with the local government addressing issues such as the following: (1) approval by the host government of a five-year capital improvement plan for the acquired utility systems within its jurisdiction; (2) approval of utility expansion or line extension policies that affect acquired utility systems within its jurisdiction; (3) advance notice of changes to rates and charges for acquired utility systems within its jurisdiction; and (4) receipt by the host government of a copy of the FGUA's comprehensive annual financial report or any other reports or studies of the performance or condition of the acquired utility system within its jurisdiction.

To satisfy these acquisition principles, the purchase price determination for the individual utility systems financed within the Unified System will be tested by the development of five-year cash flow projections calculated under existing rates and based upon conservative, financial and engineering due diligence examinations.

EXHIBIT E

MAJOR ASSUMPTIONS APPLIED IN

INITIAL COUNTY CASH FLOWS

&

VALUATIONS ANALYSIS

**MAJOR ASSUMPTIONS APPLIED IN INITIAL COUNTY
CASH FLOWS AND VALUATIONS ANALYSIS**

- Revenues based upon rates and rate structure in existing FPSC approved Aqua Rate Tariff applied to Fiscal Year 2011 billing determinants
- FGUA and System Management fees and related operating expenses provided by GSG based on historical trends of other systems
- Direct operating expenses provided by U.S. Water Services Corporation; includes 1.0% contingency allowance for additional services
- Expense contingency equal to 2.0% of total operating expenses (above estimate developed by Acquisition Team) recognized
- Renewal and replacement fund deposits equal to ten percent (10%) of current year gross revenues
- Minimum debt coverage of 1.4X annual debt service for each debt tranche
- Debt Capacity Analysis assumes Level Debt Service Payments
- Bond Sizing estimate based on i) Interest rate for debt issue assumes "A" rated utility at five percent (5%) and ii) 30 year repayment term
- Total Bondable Capacity less issue costs, acquisition costs, debt service reserve, capital deficiencies, and Working Capital funding equates to maximum purchase price
- Bond issue costs based on 2.75% of bond amount
- Acquisition costs for all members of acquisition team is deducted from bond proceeds
- Debt service reserve fund of one year maximum annual debt service
- Working capital equal to 90 days operating expenses funded from bond proceeds upfront (could be purchase of Accounts Receivables balances determined collectible as well)
- Deposit to the Capital Fund for capital deficiencies was determined on an individual system basis by USW/WT

EXHIBIT F
FGUA CONTACT LIST

FLORIDA GOVERNMENTAL UTILITY AUTHORITY
AQUA UTILITIES ACQUISITION CONTACT LIST

For inquiries regarding the FGUA and its management of the systems please contact the FGUA System Manager:

Government Services Group, Inc.
Protegrity Plaza
280 Wekiva Springs Road, Suite 2000
Longwood FL 32779
Office: (407) 629-6900

Stephen M.Spratt
Vice President Municipal Services
Cell: (407) 580-8479
sspratt@GovMServ.com

J. Kevin Grace
Assist. Director Municipal Services
Cell: (407) 580-6267
kgrace@GovMServ.com

For inquiries regarding the transaction terms and conditions please contact the FGUA Acquisition Counsel:

Nabors Giblin & Nickerson
1500 Mahan Drive, Suite 200
Tallahassee, FL 32308
Office: (850) 224-4070

Brian P. Armstrong, Esq.
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barmstrong@ngnlaw.com

John R. Jenkins, Esq.
Cell: (850) 321-4141
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For inquiries regarding utility system condition and operation please contact the FGUA Contract Operations Company:

U.S. Water Services Corp.
4939 Cross Bayou Blvd.
New Port Richey, FL 34652
Office: (727) 848-8292

Gary Deremer, President
Cell: (727) 919-0408
gderemer@uswatercorp.com