TECO Capital Trust II 9.5% Equity Security Units
Early Settlement Tax Information

The following Q&As address a U.S. taxpayer who tendered equity security units in the early settlement offer. The following is not intended to constitute tax advice. Holders of equity security units who accepted the early settlement offer are urged to consult their own tax advisors with respect to the U.S. federal income tax consequences of the early settlement, and of the ownership and disposition of shares of common stock acquired in connection with the early settlement, in light of their own particular circumstances, as well as the effect of any state, local or foreign tax laws. We also urge you to read the Early Settlement Offer Prospectus in its entirety, noting especially pp. 76-80 dealing with federal income tax consequences. In addition, we urge you to read the original prospectus for the TECO Capital Trust II 9.5% Equity Security Units in its entirety, noting especially pp. S-72 – S-83 dealing with federal income tax consequences. Both can be accessed at: www.tecoenergy.com. Choose the section titled Investor Relations, then Financial Reports. Hyperlinks appear on this page for the two prospectuses. In the event of any conflict in interpretation between this information and these prospectuses, the prospectuses should be relied upon.

No statutory, administrative or judicial authority directly addresses the treatment of transactions such as the early settlement offer relating to the equity security units. As a result, no assurance can be given that the IRS or a court will agree with the tax consequences described herein. A different treatment from that described below could adversely affect the amount, timing and character of income, gain or loss in respect of the transactions described herein.

Q1. Was the early settlement transaction a taxable transaction?

A1. Each equity security unit tendered in the early settlement transaction consisted of two components—a trust preferred security and a stock purchase contract. The early settlement transaction should have been a taxable transaction with respect to the trust preferred security but not with respect to the stock purchase contract. As described in the Early Settlement Offer Prospectus, we treated your exchange of an equity security unit in the early settlement transaction as (1) a taxable disposition of the trust preferred security and (2) a purchase of TECO Energy common stock in settlement of the stock purchase contract. Under this treatment, you recognized gain or loss on the disposition of the trust preferred security in an amount equal to the difference between (1) the amount realized from the disposition and (2) your adjusted tax basis in the trust preferred security. The amount realized from the disposition of the trust preferred security equaled the sum of the purchase price to be paid under the stock purchase contract ($25) plus the cash offered in the early settlement ($1.39) minus the amount of such cash allocable to accrued contract adjustment payments and accrued interest with respect to the trust preferred security. (See Q2 below for information about your adjusted tax basis in the trust preferred security.) In addition, you should have recognized ordinary income equal to the amount allocable to accrued contract adjustment payments and accrued interest to the extent not previously included in income.

You generally should not have recognized any gain or loss on your purchase of TECO Energy common stock, except with respect to cash you received in lieu of a fractional share.

In general, brokers and other tax reporting entities should have reported the gross proceeds you received from the disposition of a trust preferred security in the early settlement transaction and cash you received in lieu of a fractional share of TECO Energy common stock on Tax Form 1099-B. If you did not receive a Form 1099-B, consult your broker or tax reporting entity for additional guidance.

Q2. What was my adjusted tax basis in the trust preferred security at the time of the early settlement transaction?

A2. Your adjusted tax basis in the trust preferred security at the time of the early settlement equaled its relative fair market value at the time you purchased the equity security unit, plus original issue discount included in income with respect to the trust preferred security, minus cash payments received with respect to the trust preferred security. In our original issuance of the equity security units, we determined the relative fair market value of the trust preferred security to be $25 and the relative fair market value of each stock purchase contract to be $0, and our determination, although not binding on the IRS, was binding on each U.S. holder that purchased an equity security unit in the original issuance unless such U.S. holder disclosed a contrary position on a statement attached to the U.S. holder's timely filed U.S. federal income tax return for the taxable year in which the equity was acquired. (See the Early Settlement Offer Prospectus, pp. 77 - 78).

If you purchased an equity security unit in the secondary market, you should have allocated the purchase price between the trust preferred security and the stock purchase contract in proportion to their relative fair market values at the time. If you acquired an equity unit at a time when the purchase contract component had a negative value, you should have been deemed to have purchased the trust preferred security for its fair market value and to have received a payment from the seller to assume the obligation under the purchase contract. You should consult your tax advisor about the treatment of any such deemed payment.

Q3. How do I characterize gain recognized with respect to a trust preferred security in the early settlement transaction?

A3. Although proceeds from the early settlement transaction should have been reported to you on a Form 1099-B, any gain you recognized with respect to a trust preferred security should constitute ordinary income. (See the Early Settlement Offer Prospectus, p. 78)

Q4. What is my tax basis in the TECO Energy common stock purchased in the early settlement transaction?

A4. Your tax basis in a share of TECO Energy common stock purchased in the early settlement transaction generally should equal the purchase price specified in the stock purchase contract ($25.00 per 0.9509 share = $26.29 per share) plus any portion of your original purchase price for the equity security unit allocated to the stock purchase contract or minus any deemed payment described in A2 (to the extent not previously included in income) allocable to the share. (See the Early Settlement Offer Prospectus, p. 77).

Q5. Is there another way to characterize the early settlement transaction for tax purposes?

A5. The tax treatment of the early settlement transaction is not free from doubt, and the IRS could potentially seek to characterize the early settlement in other manners. (See the Early Settlement Offer Prospectus, p. 78).

The foregoing is for general information purposes only, and your tax consequences may vary depending on your particular circumstances. You are urged to consult your tax advisor to determine your particular tax consequences and filing obligations arising from your ownership of equity security units.

TECO Capital Trust II 9.5% Equity Security Units
Remarketing Tax Information

The following Q&As address a U.S. taxpayer who held equity security units at the time of the remarketing. The following is not intended to constitute tax advice. Holders of equity security units at the time of the remarketing are urged to consult their own tax advisors with respect to the U.S. federal income tax consequences of the remarketing. We also urge you to read the original prospectus for the TECO Capital Trust II 9.5% Equity Security Units, dated January 9, 2002, in its entirety, noting especially pp. S-72 – S-83 dealing with federal income tax consequences. This prospectus and the Remarketing Prospectus can be accessed at: www.tecoenergy.com. Choose the section titled Investor Relations, then Financial Reports. Hyperlinks appear on this page for the prospectuses. In the event of any conflict in interpretation between this information and the prospectus, the prospectus should be relied upon.

On October 12, 2004, TECO Energy filed a Remarketing Prospectus with the Securities and Exchange Commission, relating to the remarketing of 5.11% trust preferred securities issued by TECO Capital Trust II in January 2002. (Trust preferred securities that were part of equity security units tendered and accepted in the Early Settlement Offer were not included in the remarketing.) The remarketed trust preferred securities were originally issued as a component of the TECO Capital Trust II 9.5% Adjustable Conversion-Rate Equity Security Units. Each equity security unit initially consisted of a trust preferred security and a stock purchase contract. In order to secure their obligations under the stock purchase contract, holders of the equity security units pledged their trust preferred securities to TECO Energy through a collateral agent. Pursuant to the terms of the equity security units, the remarketing agents remarketed the trust preferred securities on behalf of current holders of the trust preferred securities (other than those holders who elected not to participate in the remarketing) in accordance with a remarketing agreement among TECO Energy, the remarketing agents and The Bank of New York, as attorney-in-fact for holders of the equity security units. (See the Remarketing Prospectus, p. S-9.)

Q1. Was the remarketing a taxable transaction?

A1. Each equity security unit originally consisted of two components—a trust preferred security and a stock purchase contract. The remarketing transaction was a taxable event with respect to the trust preferred security. A holder recognized gain or loss upon the sale of the trust preferred security in the remarketing in an amount equal to the difference between the amount realized by the holder and the holder's adjusted tax basis in the trust preferred security. (See the original prospectus for the TECO Capital Trust II 9.5% Equity Security Units, p. S-79.) In general, brokers and other tax reporting services should have reported the gross proceeds received from the remarketing of the trust preferred securities on Tax Form 1099-B. If you did not receive a Form 1099-B, consult your broker or tax reporting entity for additional guidance.

Q2. What was my adjusted tax basis in the trust preferred security at the time of the remarketing?

A2. Your adjusted tax basis in the trust preferred security at the time of the remarketing equaled its relative fair market value at the time you purchased the equity security unit, plus original issue discount included in income with respect to the trust preferred security, minus cash payments received with respect to the trust preferred security. In our original issuance of the equity security units, we determined the relative fair market value of the trust preferred security to be $25 and the relative fair market value of each stock purchase contract to be $0, and our determination, although not binding on the IRS, was binding on each U.S. holder that purchased an equity security unit in the original issuance unless such U.S. holder disclosed a contrary position on a statement attached to the U.S. holder's timely filed U.S. federal income tax return for the taxable year in which the equity was acquired. (See the original prospectus for the TECO Capital Trust II 9.5% Equity Security Units, p. S-77.).

If you purchased an equity security unit in the secondary market, you should have allocated the purchase price between the trust preferred security and the stock purchase contract in proportion to their relative fair market values at the time. If you acquired an equity unit at a time when the purchase contract component had a negative value, you should have been deemed to have purchased the trust preferred security for its fair market value and to have received a payment from the seller to assume the obligation under the purchase contract. You should consult your tax advisor about the treatment of any such deemed payment.

The foregoing is for general information purposes only, and your tax consequences may vary depending on your particular circumstances. You are urged to consult your tax advisor to determine your particular tax consequences and filing obligations arising from your ownership of equity security units.