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May 20, 2005

Ms. Blanca Bayo, Director
Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

HAND DELIVERY

Re: Docket No. 000694-WU
Water Management Services, Inc.'s Responses to Staff's Third Data Request dated
May 12, 2005

Dear Ms. Bayo:

Enclosed for filing in the above-referenced docket on behalf of Water Management Services, Inc. ("WMSI") are an original and five copies of the information and documents requested by the Commission Staff in Staff's Third Data Request dated May 12, 2005.

Request No. 1.

The utility's proposed expenditures of fireflow improvements in Phase 2 of this proceeding included \$287,231 for "plant improvements to accommodate increased pumping and electrical." Schedule 2, page 1 of 3, of Appendix A to the Petition for Approval of Phase III Final Rates (or the final petition) includes the same amount identified as "island office improvements." A physical inspection by PSC's engineer revealed that a second floor room and a deck have been added to the utility's office building at the treatment plant site. Please provide a detailed calculation of the portion of the \$287,231 expended for the sole purpose of supporting the fireflow improvements which are the subject of this limited proceeding. Please support the calculation with copies of drawings, sketches or other plans, and with copies of invoices for the work performed. Also, please provide the month and year that the improvements were placed in service and provide a calculation of depreciation thereon through June 30, 2004.

DOCUMENT NUMBER-DATE

04946 MAY 20 05

FPSC-COMMISSION CLERK

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WMSI'S Response: This Request could be construed to indicate that the sole subject of this limited proceeding involves the fireflow improvements that have been designed, constructed and completed with the agreement of the Office of Public Counsel. Such a construction would be incorrect. The scope of this limited proceeding has included a number of subjects and expenditures including the construction of the new water main running across the bridge, the new pipeline from Well No. 1 to Well No. 4, miscellaneous plant improvements, and all of the infrastructure and system improvements providing for increased fire protection and increased system water pressure.

With that caveat and clarification, enclosed in Attachment 1 are documents responsive to the information requested by Staff in this Request:

(1) WMSI has enclosed a letter dated May 18, 2005 from Les M. Thomas, P.E., the engineer who designed all of WMSI's improvements and who oversaw construction throughout the project. Mr. Thomas' letter provides a breakdown of the costs associated with the second floor improvements. The cost of the second floor improvements, including the decks, which remain unfinished, is \$37,310. Mr. Thomas provided a summary of the scope of the project and emphasized that with "the construction of a new chlorination room, a new electrical room and a new generator room... to properly protect these systems from the extreme environment on the island, it is necessary to provide an extensive upgrade of the existing concrete building including a new roof." The structure had become uninhabitable and leaked extensively. WMSI could not operate its computers and other electrical components properly because of the constantly wet conditions. The new generator room, new chlorine room, new electrical room and the related electrical and computer components to operate the pumps and the 4 wells on the mainland were an *integral* part of the fire flow improvements; they were necessary to provide the increased volume and pressure throughout the system in a consistent and reliable manner, which is essential for fire protection. It would have been imprudent to construct those improvements and renovate the downstairs area without simultaneously providing a structure to house and protect these systems from the elements. There is no separate fire protection system, and it is impossible to separate the plant improvements which improve the overall system from the plant improvements necessary to provide increased volume and pressure for fire protection. Accordingly, the entire cost of the first floor improvements should be included as a reasonable expenditure as part of these limited proceedings.

(2) Enclosed also is a copy of the plans for the first and second floors (mentioned above), along with the construction contract and Change Order Nos. 1 and 2 to the construction contract. Exhibit "A" to Change Order No. 2 includes a line item for: "water plant improvements to accommodate increased pumping and electrical." The total cost of these improvements, \$287,231, is arrived at by adding the prorata portion of the contractor's markup and insurance to the line item base cost of \$268,917, *i.e.*, the contractor's markup and insurance (approximately 7%) has to be added to the line item cost of \$268,917 to arrive at the actual cost to the utility of \$287,231.

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(3) Finally, enclosed also is the calculation of the depreciation on these improvements and the date they were placed in service.

Request No. 2. With respect to the calculation of additional insurance expense on Schedule 2, page 3 of 3, of Appendix A to the final petition, please provide copies of insurance policies and/or invoices for 2003 and 2004. The data provided should be in sufficient detail so as to determine the description of the property insured, the amount of coverage, and the applicable premiums. Also, please explain the difference between the \$113,000 insured basis used in your calculation and the \$314,709 amount of retired plant per Schedule 2, page 2 of 3, of Appendix A.

WMSI's Response: The incremental increase in insurance related to the supply main reflects the actual incremental increase experienced from 2003 to 2004 over the amount being recovered through rates. The insurance policies show a breakdown of the basis for the insured amounts of the components but do not show the premium for each component. That breakdown was provide, upon request, by a memo from the insurance agent, C&C Consultants. In addition, the insurance payments were financed and paid on a monthly basis. Attachment 2 provides a paper trail supporting the total premium, the amount financed to confirm the total premium, the basis amount insured for the supply main, and the specific portion of the premium for the supply main. The components of Attachment 2 are described below:

a. Pages 1 and 5 of 22 of the Common Policy Declaration for the period 7/1/04 to 7/1/05. Page 1 shows the total premium of \$33,384. Page 5 shows the basis for the premium for the new bridge. It is identified as BUILDING- 6, PREM. No. 6, BLDG. No. 2, RT 61A ATTACHED TO NEW BRIDGE, ST. GEORGE ISLAND, IRON WATER TRANSMISSION MAIN with an insured amount of \$4,000,000.

b. Notice of Acceptance - Cover page of Imperial Premium Finance showing the total premium financed as \$33,384, verifying the amount shown on the policy declaration.

c. Pages 1, 5 and 6 of 24 of the Common Policy Declaration for the period 7/1/03 to 7/1/04. Page 1 shows the total premium of \$24,440. Page 5 shows the basis for the premium for the old bridge. It is identified as BUILDING-6, PREM. No. 6, BLDG. No. 1, RT 61A ATTACHED TO OLD BRIDGE ST. GEORGE ISLAND, IRON WATER TRANSMISSION MAIN with an insured amount of \$113,000. Page 6 shows the basis for the premium for the new bridge at that point. It is identified as BUILDING-7, PREM. No. 6, BLDG. No. 2, RT 61A ATTACHED TO NEW BRIDGE ST. GEORGE ISLAND, IRON WATER TRANSMISSION MAIN with an insured amount of \$3,000,000. The insurance in that year overlapped for the old and new mains.

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d. Premium Finance Agreement, pages 1-3 showing on page 1, the total premium financed as \$25,584, and on page 3, the portion of \$24,440 related to the property package and verifying the amount shown on the policy declaration.

e. Faxed Memo from C&C Consultants dated 10/06/04 - this memo was the basis for the incremental adjustment request in this limited proceeding. It identifies the premium associated with the properties described and discussed in (a) and (c) above. The incremental adjustment compared the 2004 premium for the new bridge of \$8,400 with 2003 premium for the old bridge of \$147. The requested adjustment ignores the 2003 premium for the partial new bridge because it is not yet reflected in any of the rate increases allowed in this proceeding or in the rates in effect prior to the limited proceeding.

The \$113,000 was assigned in earlier years as a basis for insuring the old bridge. The source for the amount is not known. It is an understatement of the original cost and depreciated value correctly shown on Schedule 2, page 2 of 3 of Appendix A., and, therefore, the insured amount is less than the booked amount. Nevertheless, it is the basis for the premium actually paid and therefore the proper basis for determining the incremental increase in insurance premiums to recovered in this proceeding.

Request No. 3.

With respect to the calculation of the amortization of the loss on retired plant on Schedule 2, page 2 of 3 of Appendix A to the final petition, please answer the following:

a. The retirement date is stated as 12/31/2003; however, the utility's 2004 Annual Report reflects \$314,709 as the amount of retirements from NARUC Account 309 in 2004. No retirements were reflected for this account in the 2003 Annual Report. Please verify the correct retirement date.

WMSI's Response: Although, Schedule 2, page 2 shows the calculation of the retirement date of the supply main as December 31, 2003, the retirement was not actually booked until February 27, 2004. That is why it does not appear in the 2003 annual report. Spreadsheet Retire main.xls, provided in response to Item 4 below, contains a restatement of the schedule based on the 2/27/04 retirement date.

b. The calculation of accumulated depreciation uses a 35 year life for all of the assets except for the property placed in service in 1985, for which a 32 year life is used. Rule 25-30.140(2)(a), Florida Administrative Code, prescribes a 35 year life for supply mains in NARUC Account 309 for Class A and B utilities. Please justify the use of a 32 year life for the 1985 asset class.

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WMSI's Response: The 1985 assets show a depreciable life of 32 years because the plant was placed in service when WMSI was a class "C" utility. It has been depreciated on the books at that life until retirement. Spreadsheet Retire main.xls, provided in response to Item 4 below, contains a restatement of the schedule based on a 35 year life and 2/27/04 retirement date.

c. Please state whether any of the retired property was contributed. If so, please provide the amount of CIAC and associated amortization applicable to each item on the schedule.

WMSI's Response: None of the retired assets were contributed.

d. Please state the amount of any salvage value received for the retired assets, and the amount of costs of retirement incurred but not otherwise included in the final petition. Please provide documentation of any such amounts.

WMSI's Response: Despite management's best efforts, no salvage value could be obtained for the retired main that would exceed the cost of preparing it for salvage. Therefore, the assets were not salvaged.

Request No. 4. Please provide, in electronic format, the spreadsheet files used in generating the following schedules included in Appendix A to the final petition:

WMSI's Response:

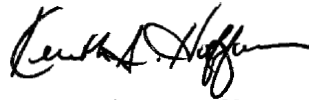
The following spreadsheet files are filed herewith on disks in electronic format:

Schedule 1, page 1 of 3	See spreadsheet <u>STAFFREQ3SPREADSHEET.123</u>
Schedule 1, page 2 of 3	See spreadsheet <u>STAFFREQ3SPREADSHEET.123</u>
Schedule 2, page 2 of 3	See spreadsheet <u>Retire main.xls</u>
Schedule 3, page 1 of 2	See spreadsheet <u>STAFFREQ3SPREADSHEET.123</u>
Schedule 3, page 2 of 2	See spreadsheet <u>STAFFREQ3SPREADSHEET.123</u>
Schedule 4	See spreadsheet <u>STAFFREQ3SPREADSHEET.123</u>

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If you have any questions, please do not hesitate to give me a call.

Sincerely,



Kenneth A. Hoffman

KAH/rl

Enclosures

cc: Adrienne Vining, Esq., with enclosures
Gene D. Brown, Esq., with enclosures
Stephen C. Reilly, Esq., with enclosures

wmsibayoltr518

**DOCKET NO. 000694-WU
WATER MANAGEMENT SERVICES, INC.'S
RESPONSES TO STAFF'S THIRD DATA REQUEST
DATED MAY 12, 2005**

APPENDIX 1

LES THOMAS CONSULTING ENGINEERS

10017 Leafwood Dr.
850-766-4378

Tallahassee, FL
LThomaspe@AOL.Com

May 18, 2005

Mr. Gene Brown
Water Management Services, Inc.
3848 Killlearn Court
Tallahassee, FL 32308

RE: Water Plant Improvements
St. George Island Water System Improvements
Water Management Services Inc.

Dear Mr. Brown,

This letter is in reference to the Public Service Commission letter of May 12, 2005, item number 1. Proposed Expenditures for fire flow improvements in Phase 2..”

Response:

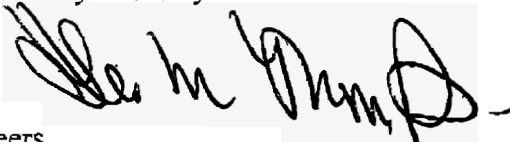
The design of this project included an upgraded electrical system, a new control system, pumps and appurtances. This work also included the expansion of the existing building by the construction of a new chlorination room, a new electrical room and a new generator room. To properly protect these systems from the extreme environment on the island, it was necessary to provide an extensive upgrade of the existing concrete building including a new roof. As the new roof would require its own structure, and since the land available at the site was extremely limited, it was deemed cost effective to construct a second floor area which could be used for storage and operations staff. This work was completed in February of 2004.

The additional cost associated with the second floor was as follows:

<u>Item</u>	<u>Construction Cost</u>
Second Floor Exterior Walls	
Studs	\$ 8,610.00
Sheathing	\$ 4,305.00
Siding	\$ 7,175.00
Second Floor Windows	\$ 5,704.00
Second Floor Doors	\$ 2,870.00
Second Floor Decking	\$ 4,350.00
Second Floor Columns, hand rails	\$ 1,435.00
Second Floor Exterior Painting	\$ 2,870.00
Total Construction Cost for Second Floor	\$ 37,310.00

I will forward the drawings separately. If I may be of further assistance, please feel free to call.

Les M. Thomas, P.E., C.V.S.
Owner
Les Thomas Consulting Engineers





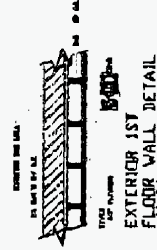
WATER MANAGEMENT SERVICES, INC.

A1

IMPACT RESISTANT SHUTTERS REQUIRED AT ALL WINDOW AND DOOR LOCATIONS

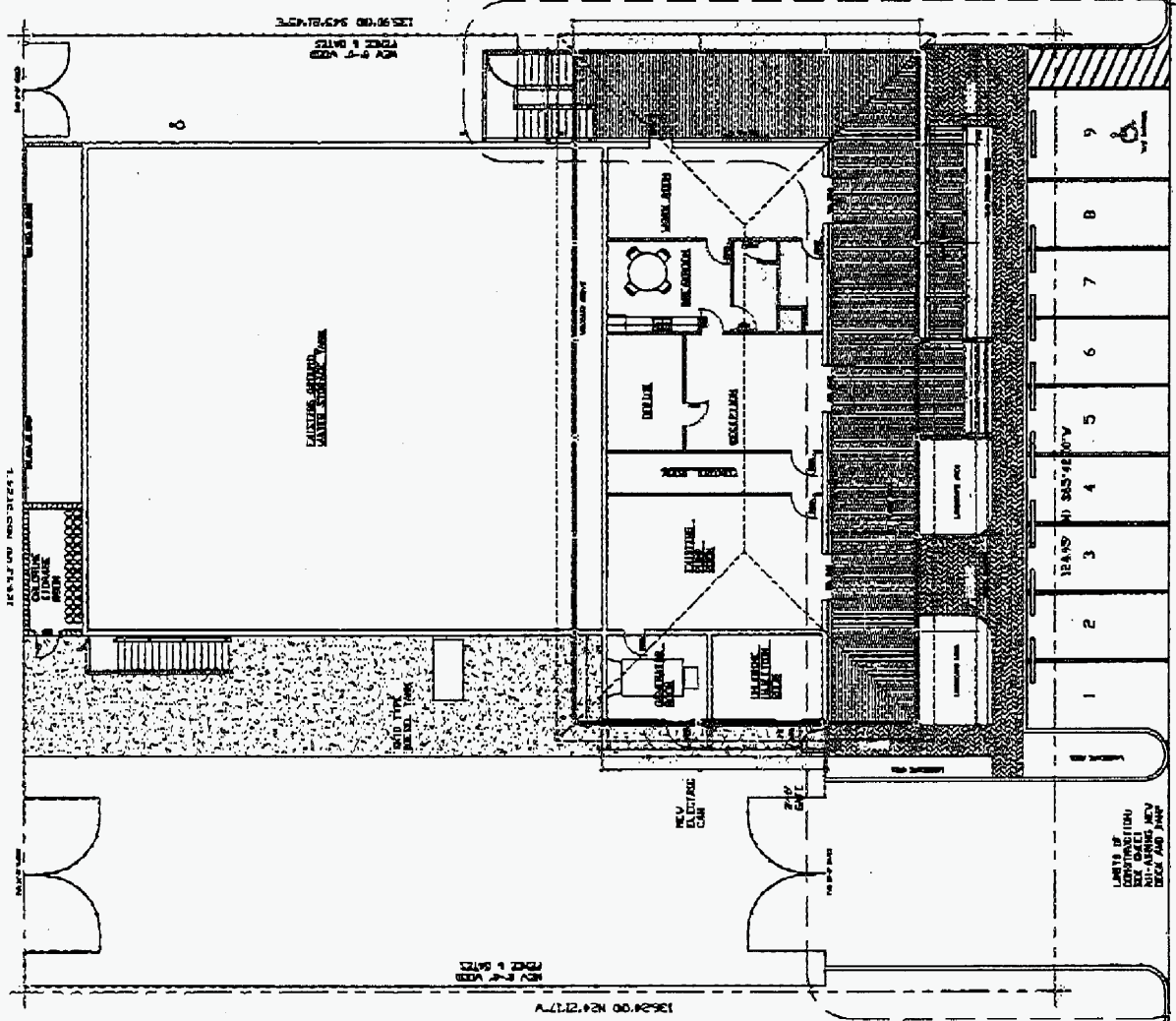
VERIFY CLEARANCE FOR IMPACT RESISTANT SHUTTERS AT ALL DOOR

NOTES OF CONSULTATION SET SHALL BE SUBMITTED WITH PERMITS



SITE PLAN/ PROPOSED FIRST FLOOR PLAN (EXTERIOR WORK ONLY)

EDGE OF PAVEMENT



GULF BEACH DRIVE

NOTES OF CONSULTATION SET SHALL BE SUBMITTED WITH PERMITS


13624'00" N24°21'7"

13624'00" S47°47'37"

13624'00" S47°47'37"

A2

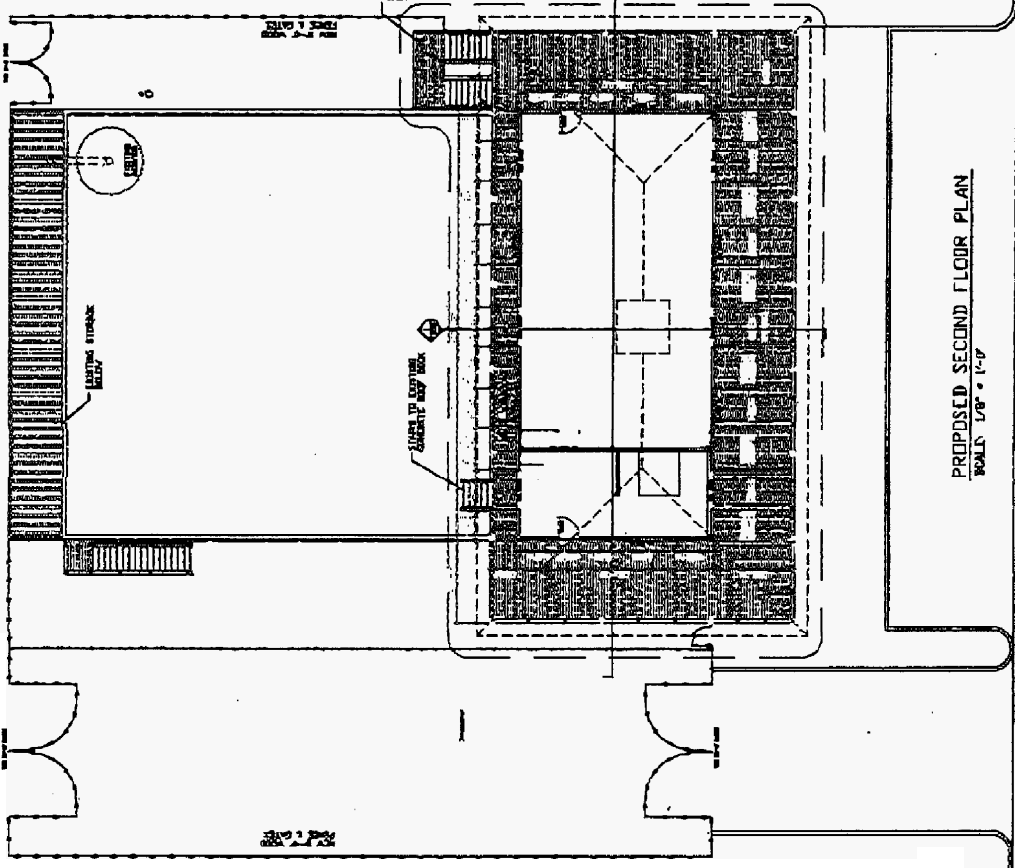
WATER MANAGEMENT SERVICES, INC.



IMPACT RESISTANT SHUTTERS REQUIRED AT ALL WINDOWS AND DOOR LOCATIONS

PLACE TEMPORARY BRACING @ 12'-0" O.C. TO THE EXTERIOR WALLS ON THE INTERIOR SIDE UNTIL THE FLOOR FINISH IS COMPLETE (2x4 KICKERS @ 12 FT. O.C. MAX SPACING)

VERIFY ROAD CLEARANCE FOR INTERCITY TRUCKS 1'-0" MAX CLEARANCE



PROPOSED SECOND FLOOR PLAN
SCALE 1/8" = 1'-0"

CONTRACT

FOR WATER SYSTEM IMPROVEMENTS

ST. GEORGE ISLAND WATER SYSTEM

THIS AGREEMENT, made and entered into this 17th day of September, 2002 by and between:

WATER MANAGEMENT SERVICES, INC., a Florida corporation domiciled at 3848 Killearn Court, Tallahassee, Florida, herein represented by its undersigned officer, duly authorized by virtue of a resolution of the Board of Directors of said corporation, a certified copy of which is annexed hereto and made a part hereof, hereinafter referred to as "Owner," and

BOH BROS CONSTRUCTION CO., LLC., a Louisiana limited liability company herein represented by its undersigned officer, duly authorized by virtue of a resolution of its Board of Directors, a certified copy of which is annexed hereto and made a part hereof, hereinafter referred to as "Contractor."

WITNESSETH:

WHEREAS, the Owner is engaged in providing water services to St. George Island, Florida;

WHEREAS, the Owner desires that the improvements to the water system be performed so as to meet the requirements of said Owner and also all applicable public agencies in regard thereto;

NOW, THEREFORE, for the consideration and on the terms and conditions of the specifications and contract documents as hereinafter expressed, the said parties do hereby agree and covenant as follows:

ARTICLE I

SCOPE OF THE WORK

The Contractor shall perform the work described in the plans and specifications dated August 25, 2002 prepared by Les Thomas Consulting Engineers, including addenda 1 and 2, a complete copy of which is attached hereto as Composite Exhibit "A" and incorporated by reference herein. Those plans and specifications together with this contract, shall constitute and shall hereafter be referenced as the "Contract Documents." This work includes the installation of a new 12" ductile iron raw water main to be installed on the new St. George Island bridge which is currently being constructed by the Contractor. As set forth in the attached plans and

specifications, this work includes the installation of approximately 16,524 LF of 12" ductile iron water pipe (triple coated and cement lined), including four valves, 32 expansion joints, 1,837 hanger assemblies connecting the new pipe and appurtenances to the new St. George Island bridge. The Owner and the Contractor are now operating under a contract by which the Contractor has agreed to install the bridge deck inserts as the bridge is constructed. That agreement is hereby terminated and incorporated as a part of this contract. The parties acknowledge that the Owner has paid \$47,864.00 of the \$216,528.00 total required under the prior agreement, and that the balance of \$ 168,664.00 will be paid as part of this contract. The Contractor will bend each of the rods holding the pipe hanger assemblies to a vertical position as each hanger assembly is installed to insure that the pipe will hang straight down from the bridge to the surface of the water. After the job is complete and before final payment is made, the Contractor shall "touch-up" all of the paint on the installed pipe so that all of the pipe is restored to the original color and condition it was in when it left the Consolidated plant.

ARTICLE II

CONTRACT SUM & PROGRESS PAYMENTS

The Owner shall pay to the Contractor, for the performance of the contract, the lump sum price of One Million, Two Hundred Thirty-three Thousand, Six Hundred Sixty-Four Dollars (\$1,233,664.00), subject to change orders or other modifications as herein provided. This sum shall be paid by the Owner to the Contractor as the work progresses, in periodic installments in accord with the estimates and pay requests as prepared by the Contractor and approved by the Owner and the Owner's engineer, Mr. Les Thomas. These statements for work done shall be presented on or before the 15th of each month for work done during the preceding month. After the statement is checked and approved by the Owner and its engineer, the statement shall be paid within thirty (30) days. The failure to make any required payment shall constitute a default of this Contract. These progress payments will be made based upon the certification by the Owner's engineer that the work has been accomplished in accord with the attached plans and specifications. Progress payments may be withheld if: (a) the work is found to be defective and not promptly remedied; (b) the Contractor does not make prompt and proper payments to any and all of its subcontractors; (c) another Contractor is damaged by an act for which the Contractor is responsible; (d) claims or liens are filed on the job based upon the Contractor's work or lack of payment; or (e) in the opinion of the Owner's engineer, the Contractor's work is not progressing satisfactorily.

ARTICLE III

MATERIAL AND MAINTENANCE

All of the materials to be installed on the bridge by the Contractor shall be supplied by the Owner. A complete list of those materials is attached as Exhibit "B." The Contractor, in coordination with the Owner's engineer, Mr. Les Thomas, shall be responsible for placing the

orders for the materials from the respective vendors and suppliers to assure that there is a consistent flow of materials to the job site so that the Contractor's progress will not be delayed. When the materials are delivered to the job site, those materials will be inspected by the Contractor and the Owner's engineer to insure that the quality and quantity of the materials is correct and in accord with the shipping invoice from the supplier or vendor, which invoice shall be signed by the Contractor and the Owner's engineer. From the time of such delivery of materials to the job site, the security and maintenance of the materials shall be the responsibility of the Contractor until the job is complete, including final inspection, testing and payment of the final sum due under this contract. If the materials are inadequate to complete the work under this contract because the quantities shown by Exhibit "B" are not sufficient, the Owner will promptly supply any and all materials necessary to complete the work in a timely fashion. If the materials are inadequate because they were lost, stolen, damaged or destroyed after they were delivered to the job site and inspected by the Contractor and the Owners' engineer, the Contractor shall supply the missing materials in a timely fashion so there is no delay in the work. In any event, the Contractor will complete all of the work as described in the contract documents within the time set forth in Article IV below. When and after the job is complete, the materials shall be part of the finished job and shall be the sole responsibility of the owner. The Contractor shall not be required to maintain the finished work of this contract following the acceptance of the work by the Owner.

ARTICLE IV

BEGINNING AND COMPLETION OF WORK

Work under this contract shall begin immediately after the contract is signed by both parties. The contractor will coordinate with the Owner's engineer to schedule the delivery of the materials so as not to delay the completion of the work. The actual orders for the materials will be placed via a purchase order prepared by the Owner's engineer and signed by the Owner based upon the specific schedule and needs of the Contractor to complete the work in a timely fashion. In any event, all of the work shall be completed, inspected and tested, as provided by Article V below, within thirty (30) days after the new St. George Island bridge is completed by the Contractor. The intent and purpose of this provision is to insure that the Owner's new water line will be available to transport raw water to St. George Island prior to the time that Boh Bros. starts to tear down the old bridge pursuant to the contract between the Contractor and the Florida Department of Transportation.

ARTICLE V

INSPECTION AND TESTING

The work shall be inspected by the Owner, the Owner's engineer and all the various agencies having jurisdiction over each type of work to be performed. The Contractor will pressure test the line to insure that there are no leaks at 200 p.s.i., and the Contractor will sterilize

the line to make sure it will pass inspection by the Florida Department of Environmental Protection and any other agencies having jurisdiction of the matter. All bacteriological tests required by any governmental agencies having jurisdiction of the work shall be the responsibility of the Contractor and shall be paid for by the Contractor.

ARTICLE VI

CERTIFICATE OF COMPLETION AND FINAL PAYMENT

The Contractor shall notify the Owner and its engineer in writing when the work is completed. Within ten (10) days after receipt of such notice, the engineer shall inspect the work and, if the work is satisfactory, shall issue a final certificate stating that he has accepted the work as fully performed under the terms of the contract and that the final payment, consisting of the entire balance of the contract price, is due to the Contractor. The Owner shall make the final payment within thirty (30) days after the issuance of such a certificate, subject to the condition that final payment shall not be due until the contractor has delivered to the Owner a complete release of all liens arising out of this contract, or in the alternative a bond satisfactory to the Owner indemnifying the Owner against such liens.

The Owner by making final payment waives all claims except those arising out of

- (a) Faulty work appearing after the engineer's certificate of completion has been granted;
- (b) Work that does not comply with the Contract Documents;
- (c) Outstanding claims of lien; or
- (d) Failure of the Contractor to comply with any special guarantees required by the

Contract Documents.

The Contractor, by accepting final payment, waives all claims except those which it has previously made in writing, and which remain unsettled at the time of acceptance.

ARTICLE VII

INSURANCE

(a) Contractor's Liability Insurance. The contractor agrees to pay for and keep in force during the entire period of construction on the project such liability insurance as will protect it from claims, under workers' compensation and other employee benefit laws, for bodily injury and death, and for property damages, that may arise out of work under this contract, whether directly or indirectly by the contractor, or directly or indirectly by a subcontractor. The minimum liability limits of such insurance shall not be less than the limits specified in the contract documents or by law for that type of damage claim. Such insurance shall include contractual liability insurance applicable to the contractor's obligations under this contract. Proof of such insurance shall be filed by the contractor with the owner within a reasonable time after execution of this contract.

(b) Owner's Liability Insurance. The owner agrees to maintain in force its own liability insurance during the construction on this project, and reserves the right to purchase such additional insurance as in its opinion is necessary to protect it against claims arising out of the contractor's operation, without diminishing contractor's obligation to carry the insurance required by this agreement.

(c) Property Damages Insurance on Work Site. The owner agrees to maintain at its expense during the construction of the project property damages insurance on the work at the site to its full insurable value, including interests of the owner, contractor, and subcontractors, against fire, vandalism, and other perils ordinarily included in extended coverage. Losses under such insurance will be adjusted with and made payable to the owner as trustee for the parties insured as their interests appear. The owner shall file a copy of all such policies with the contractor within a reasonable time after construction begins. *CONTRACTOR SHALL BE NAMED AS ADDITIONAL INSURED. RSB*

(d) Waiver of Work Site Property Damage Claims to Extent of Insurance Coverage. The owner and contractor waive all claims against each other for fire damage or damages from other perils covered by insurance provided in subdivision (c) of this section. The contractor agrees to obtain waivers of such claims by all subcontractors.

(e) The Contractor and its insurer shall indemnify and save harmless the Owner and all of its officers, agents, including the Owner's engineer, and employees from all suits, actions or claims of any character, name and description brought for or on account of any injuries or damages received or sustained by any person or persons or property, on account of any negligence of the Contractor, its agents or employees, in the execution of said contract work.

ARTICLE VIII

PERFORMANCE BOND

The Contractor shall furnish a surety bond payable to Owner in a sum not less than that payable under this contract, as set forth in the Contract Documents, for the faithful performance of this contract, and each and all of its stipulations and agreements, and for the payment of all persons furnishing labor and services in the work covered by this contract.

ARTICLE IX

SUBCONTRACTS

The Contractor may subcontract any and all portions of this contract. The Contractor is not required to subcontract to any Disadvantaged Business Enterprise.

The Contractor agrees to provide to the Owner prior to the execution of this contract, a list of names of subcontractors to whom the contractor proposes to award the principal portions of the work to be subcontracted. A subcontractor, for the purposes of this contract, shall be a person with whom the Contractor has a direct contract for work at the project site. The Contractor agrees not to employ a subcontractor to whose employment the engineer or Owner reasonably objects, nor shall the Contractor be required to hire a subcontractor to whose employment the Contractor reasonably objects. All contracts between the Contractor and subcontractor shall conform to the provisions of the Contract Documents, and shall have incorporated in them the relevant provisions of this contract.

ARTICLE X

CORRECTING WORK

When it appears to the Contractor during the course of construction that any work does not conform to the provisions of the Contract Documents, it shall make necessary corrections so that such work will so conform, and in addition will correct any defects caused by faulty equipment or workmanship in work supervised by it or by a subcontractor, appearing within one year from the date of issuance of a certificate of substantial completion, or within such longer period as may be prescribed by law or as may be provided for by applicable special guarantees in the Contract Documents.

ARTICLE XI

WORK CHANGES

The Owner reserves the right to order work changes in the nature of additions, deletions, or modifications, without invalidating the contract, and agrees to make corresponding adjustments in the contract price and time of termination. All changes will be authorized by a written change order signed by the Owner or by the Owner's engineer. The change order will include conforming changes in the contract and termination time.

Work shall be changed, and the contract price and termination time shall be modified only as set out in the written change order. Any adjustment in the contract sum resulting in a credit or a change to the Owner shall be determined by mutual agreement of the parties, or by arbitration, before starting the work involved in the change.

ARTICLE XII

DESIGNATION OF ENGINEER; DUTIES AND AUTHORITY

The engineer for this project is Les Thomas, located at 10017 Leafwood Drive, Tallahassee, FL 32312. The duties and authority of the engineer are designated as follows:

(a) General Administration of Contract. The primary function of the engineer is to provide the general administration of the contract. In performing these duties, the engineer is the Owner's representative during the entire period of construction.

(b) Inspections, Opinions, and Progress Reports. The engineer shall stay familiar with the progress and quality of the work by making periodic visits to the work site and will make general determinations as to whether the work is proceeding in accordance with the contract. The engineer will keep the Owner informed of the progress and will use his best efforts to protect the Owner from defects and deficiencies in the work. The engineer will not be responsible for the means of construction, or for the sequences, methods, and procedures used, or for the contractor's failure to perform the work in accordance with the Contract Documents.

(c) Access to Work Site for Inspections. The engineer shall be given free access to the work at all times during its preparation and progress. However, the engineer is not required to make exhaustive or continuous on-site inspections to perform the duties of checking and reporting on work progress.

(d) Interpretation of Contract Documents; Decisions on Disputes. The engineer will be the initial interpreter of the Contract Documents and make primary decision on claims and disputes between the Contractor and Owner.

(e) Rejection and Stoppage of Work. The engineer is authorized to reject work which in his opinion does not conform to the contract documents, and in this connection to stop the work or a portion of it, when necessary.

(f) Progress Payment Certificates. The engineer will determine the amounts owing to the Contractor as the work progresses, based on the Contractor's applications and the engineer's inspections and observations, and will issue certificates for progress payments and final payment in accordance with this agreement.

ARTICLE XIII

DUTIES AND RIGHTS OF OWNER

The Owner shall give all instructions to the Contractor through the engineer, and shall furnish all necessary plans and directives for the work.

The Owner reserves the right to let other contracts in connection with the project. The Contractor shall cooperate with all other contractors so that their work shall not be impeded by its construction, and shall give them access to the work site as is necessary to perform their contracts.

ARTICLE XIV

DUTIES AND RIGHTS OF CONTRACTOR

The Contractor's duties and rights in connection with the project are as follows:

(a) Responsibility for the Supervision of Construction. The Contractor shall be solely responsible for all construction under this contract, including the techniques, sequences, procedures, and means, and for coordination of all work. It shall supervise and direct the work the best of its ability, and give the work all attention necessary for such proper supervision and direction.

(b) Discipline and Employment. The contractor shall maintain at all times strict discipline among its employees, and agrees not to employ for work on the project any person unfit or without sufficient skill to perform the job for which that person was employed.

(c) Furnishing of Labor, Materials, Etc. The Contractor shall provide and pay for all labor and equipment, including tools, construction equipment, and machinery, utilities, including transportation, and all other facilities and services necessary for the proper completion of work on the project in accordance with the Contract Documents, using the materials supplied by the Owner.

(d) Payment of Taxes; procurement of Licenses and Permits. The Contractor shall pay all taxes required by law in connection with work on the project in accordance with this contract including sales, use and similar taxes, and shall secure and pay the fees for all licenses and permits necessary for proper completion of the work.

(e) Compliance with Construction Laws and Regulations. The Contractor shall comply with all laws and ordinances, and the rules, regulations, or orders of all public authorities relating to the performance of the work. If any of the Contract Documents are at variance with any of such requirements, the Contractor shall notify the engineer promptly on discovery of the variance.

(f) Responsibility for Negligence of Employees and Subcontractors. The Contractor agrees to assume full responsibility for acts, negligence, or omissions of all of its employees on the project, for those of its subcontractors and their employees, and for those of all other persons doing work under a contract with it.

(g) Clean-up. The Contractor agrees to keep the work premises and adjoining ways free of waste material and rubbish caused by its work or that of its subcontractors. The Contractor further agrees to remove all waste material and rubbish on termination of the project, together with all its tools, equipment, machinery and surplus materials. It agrees, on terminating its work at the site, to conduct general clean-up operations, including the cleaning of all glass surfaces, paved streets and walks, steps, and interior floors and walls.

(h) Indemnity and Hold Harmless Agreement. The Contractor agrees to indemnify and hold harmless the Owner and engineer, and their agents and employees, from and against all claims, damages, losses, and expenses, including reasonable attorneys' fees in case it shall be necessary to file an action, arising out of performance of the work, which are (1) for bodily injury, illness, or death, or for property damage, including loss of use, and (2) to the extent caused in whole or in part by the Contractor's negligent act or omission, or that of a subcontractor, or that of anyone employed by them or for whose acts the Contractor or subcontractor may be liable.

This agreement to indemnify and hold harmless is not applicable to liability of the engineer, or that of the engineer's agents or employees, arising out of the preparation or approval of reports, opinions, surveys, maps, drawings, designs, or specifications, or out of their giving or failing to give instruction, which giving or failure to give is the primary cause of the injury or damages.

(i) Payment of Royalties and License Fees; Hold Harmless Agreement. The Contractor agrees to pay all royalties and license fees necessary for the work, and to defend all actions and settle all claims for infringement of copyright or patent rights, and to save the owner harmless in such actions or claims.

(j) Safety Precautions and Programs. The Contractor has the duty of providing for and overseeing all safety orders, precautions, and programs necessary to the reasonable safety of the work. In this connection, it shall take reasonable precautions for the safety of all work employees and other persons whom the work might effect, all work and materials incorporated in the project, and all property and improvements on the construction site and adjacent to it, complying with all applicable laws, ordinances, rules, regulations and orders.

ARTICLE XV

TIME OF ESSENCE; EXTENSION OF TIME; AND TERMINATION

All times stated in this agreement or in the contract documents are of the essence to the contract:

(a) Extension of Time. The contract times may be extended by a change order from the engineer for such reasonable time as he may determine, when in the engineer's opinion the contractor is delayed in work progress by changes ordered, labor disputes, fire, prolonged transportation delays, injuries, or other causes beyond the contractor's control or which justify the delay.

(b) Owner's Termination. The Owner may, on one week's written notice to the Contractor, terminate this contract before the termination date without prejudice to any other remedy the Owner may have, when the contractor is in substantial default of the contract or fails to carry out the construction in accordance with the provisions of the Contract Documents. On such termination, the Owner may take possession of the work site and all materials, equipment, tools and machinery on it and finish the work in whatever may he deems expedient. If the unpaid balance on the contract sum at the time of such termination exceeds the expense of finishing the work, the Owner will pay such excess to the Contractor. If the expense of finishing the work exceeds the unpaid balance at the time of termination, the Contractor agrees to pay the difference to the Owner.

On such default by the Contractor, the Owner may elect not to terminate the contract, and in such event the Owner may make good the deficiency which the default has caused, and deduct the cost from the progress payment then or to become due to the Contractor.

(c) Delays Beyond Control of Contractor. The Contractor shall not be held responsible for any delay in the completion of the work herein undertaken beyond the time required by the project scheduled, which delay is caused by strikes, lockouts, intervention of war, fire, flood or force majeure beyond the control of the Contractor that will prevent or interfere with the performance of the work. However, in any event, the Contractor is responsible for completing the work including testing, prior to removal of the existing bridge, including the DEP letter to place the water line in service.

EXCEPT as herein specifically amended, the Construction Contract shall remain in full force and effect in accordance with all of the terms and provisions thereof.

THUS DONE AND SIGNED in Florida and in Louisiana, on the dates set forth below in the presence of the undersigned competent witnesses, o hereunto sign their names, in multiple originals.

WITNESSES:

Sandra M. Chase

Mari Hauc Yarnett

WATER MANAGEMENT SERVICES, INC.

By: Gene D. Brown
Gene D. Brown, as its President

Date: 9-13-02

BOH BROS. CONSTRUCTION CO., LLC.

Margaret A. Samere

Carol G. Walter

By: Robert S. Boh
Robert S. Boh, President

Date: 9-17-02

EXHIBIT "A" CONSISTS OF THOSE CERTAIN PLANS AND SPECIFICATIONS DATED AUGUST 25, 2002 PREPARED BY LES THOMAS CONSULTING ENGINEERS, INCLUDING ADDENDA 1 AND 2, WHICH ARE HEREBY INCORPORATED BY REFERENCE AS A PART OF THIS CONTRACT.

LES THOMAS CONSULTING ENGINEERS

*10017 Leafwood Dr.
850-562-1810*

*Tallahassee, FL
fax 850-562-9741*

Mr. Gene Brown
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Fl. 32308

September 10, 2002

RE: Quantity of materials to be installed by BOH Bros. For New 12" Water Main on New DOT Bridge
Water Management Services Inc.

Dear Mr. Brown,

Presented herein is our estimate of the probable quantity of materials to be installed by BOH Bros in on the new DOT Bridge.

- A. 16,516 lf of triple coated 12" DI water main. This will be provided as:
887 each - 18' +/- sections, 32 each 6' - 9" bell x flange pieces and 32 each 6' - 9" spigot x flange pieces.
- B. 32 EBBA 12" 212F2 Extend expansion joints, flanged complete with 316 SS nuts washers and bolts and triple coated.
- C. 1837 hangers and inserts which include double rollers, hanger rods nuts washers all 316 SS
- D. 7 - ½" GA industries model 905 air release valves, complete with 12" x ½" JCM tap saddle, ½" x 3" ss nipple, and ½" ss milw ball valve.



Les M. Thomas, P.E., C.V.S.
Owner

Fidelity and Deposit Company

HOME OFFICE OF MARYLAND BALTIMORE, MD. 21203

Performance Bond

Any singular reference to Contractor, Surety, Owner or other party shall be considered plural where applicable.

CONTRACTOR (Name and Address):

Boh Bros. Construction Co., LLC
730 South Tonti Street
New Orleans, LA 70119

SURETY Fidelity and Deposit Company of Maryland

P.O. Box 1227
Baltimore, Maryland 21203

Zurich American Insurance Company
One Liberty Plaza, [30th Floor]
New York, New York 10006

OWNER (Name and Address):

Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida

CONSTRUCTION CONTRACT

Date:
Amount: \$1,233,664.00
Description (Name and Location): For Water System Improvements St. George Island Water System

BOND

Date (Not earlier than Construction Contract Date):
Amount: \$1,233,664.00
Modifications to this Bond: None See Page 3

CONTRACTOR AS PRINCIPAL

Company: Boh Bros. Construction Co., LLC

SURETY

Company: Fidelity and Deposit Company of Maryland

Signature: Robert S. Boh Corporate Seal
Name and Title: Robert S. Boh, President

Signature: Margaret A. Lamere Corporate Seal
Name and Title: Margaret A. Lamere, Attorney-in-Fact

(Any additional signatures appear on page 3)

(FOR INFORMATION ONLY—Name, Address and Telephone)

AGENT or BROKER:
Willis of Louisiana, Inc.
650 Poydras Street, Suite 1600
New Orleans, Louisiana 70130

OWNER'S REPRESENTATIVE (Architect, Engineer or other party):

1 The Contractor and the Surety, jointly and severally, bind themselves, their heirs, executors, administrators, successors and assigns to the Owner for the performance of the Construction Contract, which is incorporated herein by reference.

2 If the Contractor performs the Construction Contract, the Surety and the Contractor shall have no obligation under this Bond, except to participate in conferences as provided in Subparagraph 3.1.

3 If there is no Owner Default, the Surety's obligation under this Bond shall arise after:

3.1 The Owner has notified the Contractor and the Surety at its address described in Paragraph 10 below that the Owner is considering declaring a Contractor Default and has requested and attempted to arrange a conference with the Contractor and the Surety to be held not later than fifteen days after receipt of such notice to discuss methods of performing the Construction Contract. If the Owner, the Contractor and the Surety agree, the Contractor shall be allowed a reasonable time to perform the Construction Contract, but such an agreement shall not waive the Owner's right, if any, subsequently to declare a Contractor Default; and

3.2 The Owner has declared a Contractor Default and formally terminated the Contractor's right to complete the contract. Such Contractor Default shall not be declared earlier than twenty days after the Contractor and the Surety have received notice as provided in Sub-paragraph 3.1; and

3.3 The Owner has agreed to pay the Balance of the Contract Price to the Surety in accordance with the terms of the Construction Contract or to a contractor selected to perform the Construction Contract in accordance with the terms of the contract with the Owner.

4 When the Owner has satisfied the conditions of Paragraph 3, the Surety shall promptly and at the Surety's expense take one of the following actions:

4.1 Arrange for the Contractor, with consent of the Owner, to perform and complete the Construction Contract; or

4.2 Undertake to perform and complete the Construction Contract itself, through its agents or through independent contractors; or

4.3 Obtain bids or negotiated proposals from qualified contractors acceptable to the Owner for a contract for performance and completion of the Construction Contract, arrange for a contract to be prepared for execution by the Owner and the contractor selected with the Owner's concurrence, to be secured with performance and payment bonds executed by a qualified surety equivalent to the bonds issued on the Construction Contract, and pay to the Owner the amount of damages as described in Paragraph 6 in excess of the Balance of the Contract Price incurred by the Owner resulting from the Contractor's default; or

4.4 Waive its right to perform and complete, arrange for completion, or obtain a new contractor and with reasonable promptness under the circumstances:

.1 After investigation, determine the amount for which

it may be liable to the Owner and, as soon as practicable after the amount is determined, tender payment therefor to the Owner; or

.2 Deny liability in whole or in part and notify the Owner citing reasons therefor.

5 If the Surety does not proceed as provided in Paragraph 4 with reasonable promptness, the Surety shall be deemed to be in default on this Bond fifteen days after receipt of an additional written notice from the Owner to the Surety demanding that the Surety perform its obligations under this Bond, and the Owner shall be entitled to enforce any remedy available to the Owner. If the Surety proceeds as provided in Subparagraph 4.4, and the Owner refuses the payment tendered or the Surety has denied liability, in whole or in part, without further notice the Owner shall be entitled to enforce any remedy available to the Owner.

6 After the Owner has terminated the Contractor's right to complete the Construction Contract, and if the Surety elects to act under Subparagraph 4.1, 4.2, or 4.3 above, then the responsibilities of the Surety to the Owner shall not be greater than those of the Contractor under the Construction Contract, and the responsibilities of the Owner to the Surety shall not be greater than those of the Owner under the Construction Contract. To the limit of the amount of this Bond, but subject to commitment by the Owner of the Balance of the Contract Price to mitigation of costs and damages on the Construction Contract, the Surety is obligated without duplication for:

6.1 The responsibilities of the Contractor for correction of defective work and completion of the Construction Contract;

6.2 Additional legal, design professional and delay costs resulting from the Contractor's Default, and resulting from the actions or failure to act of the Surety under Paragraph 4; and

6.3 Liquidated damages, or if no liquidated damages are specified in the Construction Contract, actual damages caused by delayed performance or non-performance of the Contractor.

7 The Surety shall not be liable to the Owner or others for obligations of the Contractor that are unrelated to the Construction Contract, and the Balance of the Contract Price shall not be reduced or set off on account of any such unrelated obligations. No right of action shall accrue on this Bond to any person or entity other than the Owner or its heirs, executors, administrators or successors.

8 The Surety hereby waives notice of any change, including changes of time, to the Construction Contract or to related sub-contractors, purchase orders and other obligations.

9 Any proceeding, legal or equitable, under this Bond may be instituted in any court of competent jurisdiction in the location in which the work or part of the work is located and shall be instituted within two years after Contractor Default or within two years after the Contractor ceased working or within two years after the Surety refuses or fails to perform its obligations under this Bond, whichever occurs first. If the provisions of this Paragraph are void or prohibited by law, the minimum period of limitation available to sureties as a defense in the jurisdiction

shall be applicable.

10 Notice to the Surety, the Owner or the Contractor shall be mailed or delivered to the address shown on the signature page.

11 When this Bond has been furnished to comply with a statutory or other legal requirement in the location where the construction was to be performed, any provision in this Bond conflicting with said statutory or legal requirement shall be deemed deleted herefrom and provisions conforming to such statutory or other legal requirement shall be deemed incorporated herein. The intent is that this Bond shall be construed as a statutory bond and not as a common law bond.

12 DEFINITIONS

12.1 Balance of the Contract Price: The total amount payable by the Owner to the Contractor under the Construction Contract after all proper adjustments have been made, including allowance to the Contractor of any amounts

received or to be received by the Owner in settlement of insurance or other claims for damages to which the Contractor is entitled, reduced by all valid and proper payments made to or on behalf of the Contractor under the Construction Contract.

12.2 Construction Contract: The agreement between the Owner and the Contractor identified on the signature page, including all Contract Documents and changes thereto.

12.3 Contractor Default: Failure of the Contractor, which has neither been remedied nor waived, to perform or otherwise to comply with the terms of the Construction Contract.

12.4 Owner Default: Failure of the Owner, which has neither been remedied nor waived, to pay the Contractor as required by the Construction Contract or to perform and complete or comply with the other terms thereof.

MODIFICATIONS TO THIS BOND ARE AS FOLLOWS:

(Space is provided below for additional signatures of added parties, other than those appearing on the cover page.)

CONTRACTOR AS PRINCIPAL

Company: _____ (Corporate Seal)

SURETY: Zurich American Insurance Company

Company: _____ (Corporate Seal)

Signature: _____
Name and Title:
Address:

Signature: Margaret A. Lamere
Name and Title: Margaret A. Lamere, Attorney-in-Fact
Address: One Liberty Plaza, [30th Floor]
New York, New York 10006

Power of Attorney
FIDELITY AND DEPOSIT COMPANY OF MARYLAND
HOME OFFICE: P.O. BOX 1227, BALTIMORE, MD 21203-1227

Know ALL MEN BY THESE PRESENTS: That the FIDELITY AND DEPOSIT COMPANY OF MARYLAND, a corporation of the State of Maryland, by F. L. BORLEIS, Vice-President, and T. C. JOHNSON, Assistant Secretary, in pursuance of authority granted by Article VI, Section 2, of the By-Laws of said Company, which are set forth on the reverse side hereof and are hereby certified to be in full force and effect on the date hereof, does hereby nominate, constitute and appoint Warren Perkins and Margaret A. Lamere, both of New Orleans, Louisiana, EACH its true and lawful agent and Attorney-in-Fact, to make, execute, seal and deliver, and on its behalf as surety, and as its act and deed: any and all bonds and undertakings and the execution of such bonds or undertakings in pursuance of these presents, shall be as binding upon said Company, as fully and amply to all intents and purposes, as if they had been duly executed and acknowledged by the regularly elected officers of the Company at its office in Baltimore, Md., in their own proper persons. This power of attorney revokes that issued on behalf of Warren Perkins, dated November 16, 1999.

The said Assistant Secretary does hereby certify that the extract set forth on the reverse side hereof is a true copy of Article VI, Section 2, of the By-Laws of said Company, and is now in force.

IN WITNESS WHEREOF, the said Vice-President and Assistant Secretary have hereunto subscribed their names and affixed the Corporate Seal of the said FIDELITY AND DEPOSIT COMPANY OF MARYLAND, this 3rd day of August, A.D. 2000.

ATTEST:

FIDELITY AND DEPOSIT COMPANY OF MARYLAND



T. C. Johnson

T. C. Johnson Assistant Secretary

By: *F. L. Borleis*

F. L. Borleis Vice-President

State of Maryland }
County Of Harford } ss:

On this 3rd day of August, A.D. 2000, before the subscriber, a Notary Public of the State of Maryland, duly commissioned and qualified, came F. L. BORLEIS, Vice-President and T. C. JOHNSON, Assistant Secretary of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND, to me personally known to be the individuals and officers described in and who executed the preceding instrument, and they each acknowledged the execution of the same, and being by me duly sworn, severally and each for himself deposed and saith, that they are the said officers of the Company aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of said Company, and that the said Corporate Seal and their signatures as such officers were duly affixed and subscribed to the said instrument by the authority and direction of the said Corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my Official Seal the day and year first above written.



Patricia A. Trombetti

Patricia A. Trombetti Notary Public
My Commission Expires: October 9, 2002

EXTRACT FROM BY-LAWS OF FIDELITY AND DEPOSIT COMPANY OF MARYLAND

“Article VI, Section 2. The Chairman of the Board, or the President, or any Executive Vice-President, or any of the Senior Vice-Presidents or Vice-Presidents specially authorized so to do by the Board of Directors or by the Executive Committee, shall have power, by and with the concurrence of the Secretary or any one of the Assistant Secretaries, to appoint Resident Vice-Presidents, Assistant Vice-Presidents and Attorneys-in-Fact as the business of the Company may require, or to authorize any person or persons to execute on behalf of the Company any bonds, undertaking, recognizances, stipulations, policies, contracts, agreements, deeds, and releases and assignments of judgements, decrees, mortgages and instruments in the nature of mortgages,...and to affix the seal of the Company thereto.”

CERTIFICATE

I, the undersigned, Assistant Secretary of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND, do hereby certify that the original Power of Attorney of which the foregoing is a full, true and correct copy, is in full force and effect on the date of this certificate; and I do further certify that the Vice-President who executed the said Power of Attorney was one of the additional Vice-Presidents specially authorized by the Board of Directors to appoint any Attorney-in-Fact as provided in Article VI, Section 2, of the By-Laws of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND.

This Power of Attorney and Certificate may be signed by facsimile under and by authority of the following resolution of the Board of Directors of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND at a meeting duly called and held on the 10th day of May, 1990.

RESOLVED: “That the facsimile or mechanically reproduced seal of the company and facsimile or mechanically reproduced signature of any Vice-President, Secretary, or Assistant Secretary of the Company, whether made heretofore or hereafter, wherever appearing upon a certified copy of any power of attorney issued by the Company, shall be valid and binding upon the Company with the same force and effect as though manually affixed.”

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed the corporate seal of the said Company, this

_____ day of _____

J. D. Watis

Assistant Secretary

ZURICH AMERICAN INSURANCE COMPANY
One Liberty Plaza, [30th Floor], New York, New York, 10006
POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the ZURICH AMERICAN INSURANCE COMPANY, a corporation created by and existing under the laws of the State of New York with its Executive Offices located in Schaumburg, Illinois, does hereby nominate, constitute and appoint Warren Perkins and Margaret A. Lamere, both of New Orleans, Louisiana, EACH its true and lawful Attorneys-In-Fact with power and authority hereby conferred to sign, seal, and execute in its behalf, during the period beginning with the date of issuance of this power, Any and all bonds, undertakings, recognizances or other written obligations in the nature thereof, and to bind ZURICH AMERICAN INSURANCE COMPANY thereby, and all of the acts of said Attorney[s]-in-Fact pursuant to these presents are hereby ratified and confirmed. This Power of Attorney is made and executed pursuant to and by the authority of the following By-Law duly adopted by the Board of Directors of the Company which By-Law has not been amended or rescinded.

Article VI; Section 5. "...The President or a Vice President in a written instrument attested by a Secretary or an Assistant Secretary may appoint any person Attorney-In-Fact with authority to execute surety bonds on behalf of the Company and other formal underwriting contracts in reference thereto and reinsurance agreements relating to individual policies and bonds of all kinds and attach the corporate seal. Any such officers may revoke the powers granted to any Attorney-In-Fact."


IN WITNESS WHEREOF, the ZURICH AMERICAN INSURANCE COMPANY has caused these presents to be executed in its name and on its behalf and its Corporate Seal to be hereunto affixed and attested by its officers thereunto duly authorized, this 6th day of September, A.D. 2000.

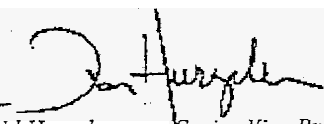
WARNING: This Power of Attorney is printed on paper that deters unauthorized copying or faxing.



ZURICH AMERICAN INSURANCE COMPANY

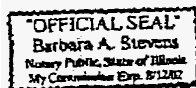
STATE OF ILLINOIS }
COUNTY OF COOK } ss:

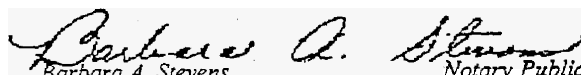

David A. Bowers Secretary


Donald Hurzeler Senior Vice President

On the 6th day of September, A.D. 2000, before the subscriber, a Notary Public of the State of Illinois and County of Cook, duly Notary Public commissioned and qualified, came the above named vice president and secretary of ZURICH AMERICAN INSURANCE COMPANY, to me personally known to be the individuals and officers described in and who executed the preceding instrument and they each acknowledged the execution of the same and being by me duly sworn, they severally and each for himself deposed and said that they respectively hold the offices in said Corporation as indicated, that the Seal affixed to the preceding instrument is the Corporate Seal of said Corporation, and that the said Corporate Seal, and their respective signature as such officers, were duly affixed and subscribed to the said instrument pursuant to all due corporate authorization.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal the day and year first above.




Barbara A. Stevens
Notary Public
My Commission Expires: August 12, 2002

This Power of Attorney limits the acts of those named therein to the bonds and undertaking specifically named therein, and they have no authority to bind the Company except in the manner and to the extent herein stated.

CERTIFICATE

I, the undersigned, a secretary of the ZURICH AMERICAN INSURANCE COMPANY, do hereby certify that the foregoing Power of Attorney is still in full force and effect, and further certify that Article VI, Section 5 of the By-Laws of the Company and the Resolution of the Board of Directors set forth in said Power of Attorney are still in force.

This Power of Attorney is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Board of Directors of the ZURICH AMERICAN INSURANCE COMPANY by unanimous consent in lieu of a special meeting dated December 15, 1998

" RESOLVED, that the signature of the President or a Vice President and the attesting signature of a secretary or an Assistant Secretary and the set of the Company may be affixed by facsimile on any Power of Attorney pursuant to Article VI, Section 5 of the By-Laws, and the signature of a Secretary or an Assistant Secretary and the seal of the Company may be affixed by facsimile to any certificate of any such power. Any such power or any certificate thereof with such facsimile signature and seal shall be valid and binding on the Company. Furthermore, such power so executed, sealed and certified by certificate so executed and sealed shall, with respect to any bond or undertaking to which it is attached, shall continue to be valid and binding on the Company."

IN TESTIMONY WHEREOF I have hereto subscribed my name and affixed the seal of said Company

the _____ day of _____



David A. Bowers Secretary

PLAN CHANGE

WATER MANAGEMENT SERVICES, INC.
3848 Killearn Court
Tallahassee, Florida

No.: 1
Date: September 17, 2002

Project: Water System Improvements at St. George Island Bridge

Boh Bros. Construction Co., LLC
P.O. Box 53266
New Orleans, Louisiana 70153

Description: Provide new electrical service starting at a new meter socket on the utility pole running underground to a new 400 amp disconnect on the outside of the building. Furnish all new electrical equipment in the new electrical room and relocate all of the existing electrical equipment for four (4) high service pumps, two (2) chlorine booster pumps, and the Set-Point Control Panels for the High Service Pumps.

Cost: \$69,611.00


Additional Time: Zero (0) days

Original Contract Amount: \$1,233,664.00
Plan Change – No. 1 69,611.00

New Contract Amount: \$1,303,275.00

ACCEPTED: Boh Bros. Const. Co., LLC

BY:

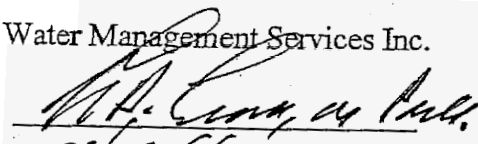


DATE:

9-17-2002

APPROVED: Water Management Services Inc.

BY:



DATE:

9/18/02

PLAN CHANGE

WATER MANAGEMENT SERVICES, INC.
3848 Killearn Court
Tallahassee FL

No. 2
Date: April 9, 2003

Project: Water System Improvements at St. George Island Bridge

Boh Bros. Construction Co., LLC
P.O. Box 53266
New Orleans, Louisiana 70153

Description: Subcontract the water plant improvements, water distribution system improvements and construction of the water storage tank as required by Water Management Services. Water Management Services releases Boh Bros. from any and all liability for the materials, workmanship, and performance of the subcontractor's work. Water Management Services agrees to save and indemnify and keep harmless Boh Bros. against all liability, claims, demands or judgments for damages arising from accidents to persons or property occasioned by each subcontractor, his agents or employees working on the project. Water Management Services will defend any and all suits brought against Boh Bros. on account of any such accidents, and will pay any judgments rendered in such suits, and will reimburse and indemnify Boh Bros. for all expenditures and expenses incurred by reason of such accidents. Subcontractors selected by Water Management Services for the improvements will be required to carry and provide evidence of insurance required by Boh Bros. Subcontractors selected by Water Management Services for the improvements will be required to adhere to all federal, state and county laws and regulations including, but not limited to, environmental permits, equal employment opportunities, and safety.

All other conditions of the original contract remain the same with the exception of schedule and completion. Boh Bros. is not responsible for the completion schedule. This work is independent of the schedule, completion and installation of the waterline on the new St. George Island Bridge. Boh Bros. shall not be required to furnish a performance bond; however, Water Management Services may require selected subcontractors to furnish a performance bond at no additional cost to Boh Bros.

Retainage shall not be withheld from Boh Bros.' invoices.

This change order is based upon Boh Bros.' April 7, 2003 proposal.

PLAN CHANGE

WATER MANAGEMENT SERVICES, INC.
3848 Killlearn Court
Tallahassee FL

No. 2
Date: April 9, 2003

Project: Water System Improvements at St. George Island Bridge

Boh Bros. Construction Co., LLC
P.O. Box 53266
New Orleans, Louisiana 70153

Cost: \$1,077,450.00

Additional Time: As Required

Original Contract Amount: \$1,233,664.00
Plan Change - No. 1 69,611.00
Plan Change - No. 2 1,150,829.00

New Contract Amount: \$2,454,104.00

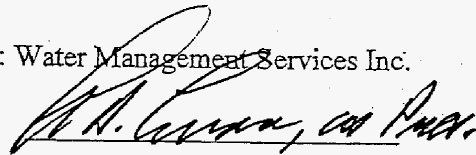
ACCEPTED: Boh Bros. Const. Co., LLC

APPROVED: Water Management Services Inc.

BY:



BY:



DATE:

4/14/03

DATE:

April 14, 03

Boh Bros. Change Order #2 - Schedule of Work

17,700 feet of 6" x 8" plus appurtenances:	\$385,079.00
New 200,000 gal. elevated water tank	\$385,000.00
Water Plant improvements to accommodate increased pumping and electrical:	\$268,917.00
Emergency Generator:	<u>\$ 38,454.00</u>
	\$1,077,450.00
Contractors markup and insurance:	\$ 73,379.00
Total change order:	\$1,150,829.00

6,375.27

Exhibit "A"


Gene Brown


Al Flettrich

QUESTION 1

12/31/03	\$356,842.37	Place in Service
1/1/04	<u>(69,611.00)</u>	Reclass Pump Controls to pumping equipment
	\$287,231.37	

Life - 33 years
396 months

Monthly Depreciation	\$725.33
Depreciation Expense - Jan. 04 through June 04	\$4,352.00 (6 months)

**DOCKET NO. 000694-WU
WATER MANAGEMENT SERVICES, INC.'S
RESPONSES TO STAFF'S THIRD DATA REQUEST
DATED MAY 12, 2005**

APPENDIX 2

Common Policy Declarations

RENEWAL DECLARATION

NAME AND ADDRESS OF AGENCY James A. Grundy Agency, Inc 400 Horsham Rd. P.O. Box 1957 Horsham PA 19044 AGENCY 0000035313	INSURANCE COMPANY Granite State Insurance Company Member American International Group, Inc Executive Offices: 70 Pine St. New York NY 10270
NAME AND MAILING ADDRESS OF INSURED WATER MANAGEMENT SERVICES, INC. AND HANK GARRETT, INC. & BUYERS POWERS, INC 3848 KILLEARN COURT TALLAHASSEE FL 32308	POLICY NUMBER 02-LX -6341272-4/000 RENEWAL OF 02-LX-6341272-3 POLICY PERIOD FROM: 07-01-04 TO: 07-01-05 at 12:01 A.M. standard time at the mailing address shown.

THE NAMED INSURED IS : CORPORATION BUSINESS DESC : WATER SYSTEM

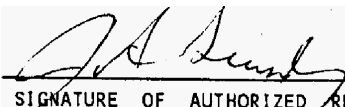
IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE INSURANCE AS STATED IN THIS POLICY.

THIS POLICY CONSISTS OF THE FOLLOWING COVERAGE PARTS FOR WHICH A PREMIUM IS INDICATED. THIS PREMIUM MAY BE SUBJECT TO ADJUSTMENT.

	PREMIUM
COMMERCIAL PROPERTY COVERAGE PART	12,817
COMMERCIAL GENERAL LIABILITY COVERAGE PART	7,284
COMMERCIAL CRIME COVERAGE PART	NOT COVERED
COMMERCIAL INLAND MARINE COVERAGE PART	816
COMMERCIAL AUTO COVERAGE PART	12,467
GARAGE COVERAGE PART	NOT COVERED
MISCELLANEOUS PROFESSIONAL LIABILITY	NOT COVERED
ESTIMATED TOTAL PREMIUM	\$33,384
FIRE COLLEGE SURCHARGE	10.00
FLORIDA E.M.P.&A. TRUST FUND SURCHARGE	4.00
GRAND TOTAL	\$33,398.00

FORMS AND ENDORSEMENTS APPLICABLE TO ALL COVERAGE PARTS

81127 (12-02) 1L0017 (11-98) 1L0003 (11-85)


 SIGNATURE OF AUTHORIZED REPRESENTATIVE

Commercial Property

RENEWAL DECLARATION

NAME AND ADDRESS OF AGENCY James A. Grundy Agency, Inc 400 Horsham Rd. P.O. Box 1957 Horsham PA 19044 AGENCY 0000035313	INSURANCE COMPANY Granite State Insurance Company Member American International Group, Inc Executive Offices: 70 Pine St. New York NY 10270
NAME AND MAILING ADDRESS OF INSURED WATER MANAGEMENT SERVICES, INC. AND HANK GARRETT, INC. & BUYERS POWERS, INC 3848 KILLEARN COURT TALLAHASSEE FL 32308	POLICY NUMBER 02-LX -6341272-4/000 RENEWAL OF 02-LX-6341272-3 POLICY PERIOD FROM: 07-01-04 TO: 07-01-05 At 12:01 A.M. standard time at the mailing address shown.

COVERAGE	CAUSE OF LOSS	DED	COINSURANCE	LIMIT OF INSURANCE
BUILDING: REPLACEMENT COST WINDSTORM & HAIL DEDUCTIBLE: \$75,000				

BUILDING - 6

PREM. NO. 6 BLDG. NO. 2 RT 61A ATTACHED TO NEW BIRDGE ST. GEORGE ISLAND IRON WATER TRANSMISSION LINE				
COVERAGES PROVIDED _____ INSURANCE AT THE DESCRIBED PREMISES APPLIES ONLY FOR COVERAGES FOR WHICH A LIMIT OF INSURANCE IS SHOWN				
COVERAGE	CAUSE OF LOSS	DED	COINSURANCE	LIMIT OF INSURANCE
BUILDING	SPECIAL-Incl theft	500	90%	4,000,000
BUSINESS INCOME - OTHER THAN RENTAL VALUE				
BUSINESS INCOME WITH EXTRA EXPENSE	SPECIAL-Incl theft		100%	SEE BLANKET SUMMARY
OPTIONAL COVERAGES				
BUILDING: REPLACEMENT COST WINDSTORM & HAIL DEDUCTIBLE: \$75,000				

Imperial Premium Finance, Inc.
 1001 Winstead Drive, Suite 500
 Cary NC 27513
 1-800-791-7901



NOTICE OF ACCEPTANCE



002033 N

Water Management Services, Inc.
 3848 Killearn Court
 TALLAHASSEE FL 32309-3428

Insured:

Water Management Services, Inc.
 3848 Killearn Court
 Tallahassee FL 32308

Agent or Broker:

Grundy Worldwide
 400 Horsham Rd, Suite 150
 P O Box 1957
 Horsham PA 19044

ACCOUNT NUMBER
06-020-880667-2

Your coupon book is enclosed.

TOTAL PREMIUMS	DOWN PAYMENT 20%	AMOUNT FINANCED	FINANCE CHARGE	TOTAL OF PAYMENTS
35,731.00	7,146.20	28,584.80	840.16 + 100.08	29,424.96

ANNUAL % RATE	ACCEPTANCE DATE	MATURITY DATE
7.00	07/19/2004	04/01/2005

Fl Dec Stamp

THE PREMIUM FINANCE AGREEMENT SUBMITTED BY YOUR INSURANCE AGENT CONTAINS INCORRECT AND/OR INCOMPLETE INFORMATION WITH RESPECT TO THE ITEM(S) LISTED BELOW:

1st Pmt Due Date	Due Date	NO.	PAYABLE	PAYMENT AMOUNT
08/01/2004	1	9	Monthly	3,280.56

THIS NOTICE CORRECTS THE ABOVE ERROR(S) AND/OR OMISSION(S)

SCHEDULE OF POLICIES

POLICY NUMBER	INSURANCE COMPANY		CVG	PREMIUM
02LX6342814-4	Granite State Insurance Co	07/01/2004	PKG	33,384.00
	State Tax			214.00
01UD4067344-4	New Hampshire Ins Co	07/01/2004	12 UMB	2,133.00

SEE REVERSE SIDE FOR OUR CONSUMER PRIVACY POLICY.

Common Policy Declarations

RENEWAL DECLARATION

NAME AND ADDRESS OF AGENCY James A. Grundy Agency, Inc 400 Horsham Rd. P.O. Box 1957 Horsham PA 19044 AGENCY 0000035313	INSURANCE COMPANY Granite State Insurance Company Member American International Group, Inc Executive Offices: 70 Pine St. New York NY 10270
NAME AND MAILING ADDRESS OF INSURED WATER MANAGEMENT SERVICES, INC. 3848 KILLEARN COURT TALLAHASSEE FL 32308	POLICY PERIOD FROM: 07-01-03 TO: 07-01-04 at 12:01 A.M. standard time at the mailing address shown.

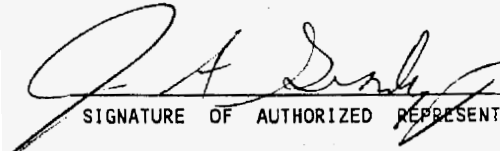
THE NAMED INSURED IS : CORPORATION BUSINESS DESC : WATER SYSTEM

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE INSURANCE AS STATED IN THIS POLICY.

THIS POLICY CONSISTS OF THE FOLLOWING COVERAGE PARTS FOR WHICH A PREMIUM IS INDICATED. THIS PREMIUM MAY BE SUBJECT TO ADJUSTMENT.	
	PREMIUM
COMMERCIAL PROPERTY COVERAGE PART	9,217
COMMERCIAL GENERAL LIABILITY COVERAGE PART	4,346
COMMERCIAL CRIME COVERAGE PART	NOT COVERED
COMMERCIAL INLAND MARINE COVERAGE PART	300
COMMERCIAL AUTO COVERAGE PART	10,577
GARAGE COVERAGE PART	NOT COVERED
MISCELLANEOUS PROFESSIONAL LIABILITY	NOT COVERED
ESTIMATED TOTAL PREMIUM	\$24,440
FLORIDA E.M.P.&A. TRUST FUND SURCHARGE	4.00
THE POLICY WRITING NONREFUNDABLE MINIMUM PREMIUM IS \$100	

FORMS AND ENDORSEMENTS APPLICABLE TO ALL COVERAGE PARTS
 81127 (12-02) IL0017 (11-98) IL0003 (11-85)

THESE DECLARATIONS AND THE COMMON POLICY DECLARATIONS, IF APPLICABLE, TOGETHER WITH THE COMMON POLICY CONDITIONS, COVERAGE FORM(S) AND FORMS AND ENDORSEMENTS, IF ANY, ISSUED TO FORM A PART THEREOF, COMPLETE THE ABOVE NUMBERED POLICY.


 SIGNATURE OF AUTHORIZED REPRESENTATIVE

Commercial Property

RENEWAL DECLARATION

NAME AND ADDRESS OF AGENCY James A. Grundy Agency, Inc 400 Horsham Rd. P.O. Box 1957 Horsham PA 19044 AGENCY 0000035313	INSURANCE COMPANY Granite State Insurance Company Member American International Group, Inc Executive Offices: 70 Pine St. New York NY 10270
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NAME AND MAILING ADDRESS OF INSURED WATER MANAGEMENT SERVICES, INC. 3848 KILLEARN COURT TALLAHASSEE FL 32308	POLICY NUMBER 02-LX -6341272-3/000	RENEWAL OF 02-LX-6341272-2
	POLICY PERIOD FROM: 07-01-03 TO: 07-01-04	
At 12:01 A.M. standard time at the mailing address shown.		

COVERAGE	CAUSE OF LOSS	DED	COINSURANCE	LIMIT OF INSURANCE
OPTIONAL COVERAGES				
BUILDING: REPLACEMENT COST WINDSTORM & HAIL DEDUCTIBLE: \$75,000				

BUILDING - 6

PREM. NO. 6 BLDG. NO. 1 RT 61A ATTACHED TO OLD SGI BRIDGST GEORGE ISLAND FL	IRON WATER TRANSMISSION LINE			
COVERAGES PROVIDED INSURANCE AT THE DESCRIBED PREMISES APPLIES ONLY FOR COVERAGES FOR WHICH A LIMIT OF INSURANCE IS SHOWN				
COVERAGE	CAUSE OF LOSS	DED	COINSURANCE	LIMIT OF INSURANCE

Commercial Property

RENEWAL DECLARATION

NAME AND ADDRESS OF AGENCY

James A. Grundy Agency, Inc
 400 Horsham Rd. P.O. Box 1957
 Horsham PA 19044
 AGENCY 0000035313

INSURANCE COMPANY

Granite State Insurance Company
 Member American International Group, Inc
 Executive Offices: 70 Pine St.
 New York NY 10270

NAME AND MAILING ADDRESS OF INSURED

WATER MANAGEMENT SERVICES, INC.
 3848 KILLEARN COURT
 TALLAHASSEE FL 32308

POLICY NUMBER

02-LX -6341272-3/000

RENEWAL OF

02-LX-6341272-2

POLICY PERIOD

FROM: 07-01-03 TO: 07-01-04

At 12:01 A.M. standard time at the mailing address shown.

COVERAGE	CAUSE OF LOSS	DED	COINSURANCE	LIMIT OF INSURANCE
BUILDING: REPLACEMENT COST WINDSTORM & HAIL DEDUCTIBLE: \$75,000				

BUILDING - 8

PREM. NO. 7 BLDG. NO. 1
 139 W GILF BEACH DR ST GEORGE ISFL

OFFICE

COVERAGE	CAUSE OF LOSS	DED	COINSURANCE	LIMIT OF INSURANCE
90%				

**PREMIUM FINANCE AGREEMENT
DISCLOSURE STATEMENT
AND SECURITY AGREEMENT**

A.I. Credit Corp.
 160 Water Street, New York, NY 10038 (212) 428-5431 or (877) 902-4242
 2 Jericho Plaza, 2nd Fl. Wing B, Jericho, NY 11753 (516) 949-5209 or (877) 902-4242
 One Connell Drive, 3rd Floor, Berkeley Heights, NJ 07922 (973) 402-6464 or (877) 902-4242
 1200 Abernathy Road, NE, Suite 500, Bldg. 600, Atlanta, GA 30328 (770) 671-2219 or (877) 902-4242
 99 High Street, 29th Fl., Boston MA 02110 (617) 457-2841 or (877) 902-4242
 1401 Branding Lane, Suite 230, Dowers Grove, IL 60515 (630) 395-2500 or (877) 902-4242

A	TOTAL PREMIUMS	\$ 25,584.00	INSURED/BORROWER (Name, Address and Telephone Number)		Acct. No.	Comm./Inv.
	B	CASH DOWN PAYMENT REQUIRED	\$ 6,546.00	Water Management 3848 Killlearn Court Tallahassee, FL 32308 () -		
C	AMOUNT FINANCED (The Amount of Credit provided to Insured or on its behalf)	\$ 19,038.00	E-mail Address (optional):			
D	FINANCE CHARGE (Dollar amount credit will cost)	\$ 560.63	ANNUAL PERCENTAGE RATE <u>7.00</u> % (Cost of Credit figured as a yearly rate)			
E	FLORIDA DOCUMENTARY STAMP TAX	\$ 66.85	PAYMENT SCHEDULE			
F	TOTAL PAYMENTS (Amounts which will have been paid after making all scheduled payments)	\$ 19,665.48	Amount of Each Payment	Number of Payments Annl. Qtrly Mthly	1st Payment Due	Final Payment Due
			6,555.16	3	09/01/2003	03/01/2004

CP 5.50 06/18/2003 Table 05/20/2001 1 2002.06.24 A 0.0.00

SEE PAGE 3 FOR SCHEDULE OF FINANCED POLICIES

AGREEMENT OF INSURED (JOINT AND SEVERAL, IF MORE THAN ONE)

THE UNDERSIGNED INSURED:

- In consideration of the premium payments being financed by LENDER to the insurance companies listed on the SCHEDULE OF FINANCED POLICIES, or their representative, promises to pay to the order of LENDER the TOTAL OF PAYMENTS to be made in accordance with the PAYMENT SCHEDULE, subject to the provisions set forth in this Agreement.
- a. Irrevocably appoints LENDER Attorney-in-Fact with full authority, in the event of default, to (i) cancel the said policies in accordance with the provisions herein, (ii) receive all sums assigned to LENDER and (iii) execute and deliver on behalf of the undersigned all documents, forms and notices relating to the insurance policies listed on the SCHEDULE OF FINANCED POLICIES in furtherance of this Agreement (Clauses (ii) and (iii) not applicable in Florida).
- b. If there is an amount listed as "Brokers Fee" in the Schedule of Policies, this fee is charged under Section 2119 of the New York Insurance Law or the Law, if any, of the state in which Insured lives. This fee is charged for obtaining and servicing the Policy for where the risk to be insured under the Policy resides (Not applicable in Florida).
- c. A fee of \$ none which is not being financed, has been charged under the provisions of these Laws. If none has been charged, the word "none" is shown (Not applicable in Florida).

AGENT OR BROKER **Grundy Worldwide**

BUSINESS ADDRESS **PO Box 1957
Horsham, PA 19044**

TEL. NO/E-MAIL ADDRESS

The Undersigned Agent or Broker:

- Represents and warrants as follows: (a) to the best of the undersigned's knowledge and belief, the insured's signature is genuine or, to the extent permitted by applicable Law, the undersigned Agent or Broker has been authorized by the insured to sign this Agreement on their behalf, (b) the insured has received a copy of this Agreement, (c) the scheduled Policies are in full force and effect and the premiums indicated therefore are correct, (d) the insured may cancel all scheduled policies immediately upon request, (e) none of the Policies scheduled in the Agreement are non-cancelable, and (f) the down payment as indicated in Box "B" and installments due on _____ have been collected and are being retained by us.

- Upon cancellation of any of the scheduled Policies, the undersigned Agent or Broker agrees upon demand to pay to LENDER or its assigns their commission on any unearned premiums applicable to the cancelled Policies.

THE AGENT OR BROKER AGREES TO THE PROVISIONS ABOVE AND ON PAGE 3

IMPORTANT NOTICE TO INSURED
 NOTICE: 1. Do not sign this Agreement before you read it or if it contains any blank spaces. 2. You are entitled to a complete filled-in-copy of this Agreement. 3. Under the law, you have the right to pay off in advance the full amount due and under conditions obtain a partial refund of the service charge. 4. Keep your copy of this Agreement to protect your legal rights.

NOTICE: See Pages 2 and 3 For Additional Important Information.

THE INSURED AGREES TO THE PROVISIONS ABOVE AND ON PAGES 2 AND 3

6/30/03 *[Signature]* President
 DATE SIGNATURE (AND TITLE) OF INSURED(S) OR AGENT OR BROKER ON THEIR BEHALF (to extent permitted by Law)

6/30/03
 DATE SIGNATURE AND TITLE OF AGENT OR BROKER

ADDITIONAL AGREEMENTS OF INSURED (JOINT AND SEVERAL, IF MORE THAN ONE)

3. **Cancellation.** After the occurrence of a default in the payment of any money due the LENDER or a default consisting of a transfer to a third party of any of the scheduled policies, LENDER may request cancellation of the insurance policies listed in the schedule upon expiration of 10 days written notice of intent to cancel (13 days in New York, 15 days in Pennsylvania), provided said default is not cured within such period, and LENDER may proceed to collect the entire unpaid balance due hereunder or any part thereof by appropriate legal proceedings, if any default results in the cancellation of the Policy. Insured agrees to pay a cancellation charge in accordance with applicable law (Maryland - difference between late charge and \$100; North Carolina - None; Florida - None).
4. **Money Received After Cancellation.** Any payment received after policy cancellation may be credited to the indebtedness due hereunder without any liability or obligation on the part of LENDER to request reinstatement of such cancelled policy. Any sum received from an insurance company shall be credited to the balance due hereunder; any surplus shall be paid over to the insured; in case of deficiency, the insured shall pay the same.
5. **Application of Payments.** If applicable law permits, all payments received by LENDER will be applied to the oldest invoice first. Any remaining amounts will be applied to late fees and other charges (if applicable), the remainder (if any) would be applied to any other outstanding amounts.
6. **Returned Check Charge.** If any payment made by check is returned because the insured had no account or insufficient funds in the payor bank, insured will be charged the maximum fee, permitted under applicable law (Maryland - \$25; Florida - \$15).
7. **Default.** If any of the following happens:
 - a. A payment is not made when it is due;
 - b. A proceeding in bankruptcy, receivership, insolvency or similar proceeding is instituted by or against me; or
 - c. Insured fails to keep any promise the Insured makes in this Agreement;
 Insured will be in default; provided, however, that to the extent provided by applicable law, Insured may be held to be in default only upon the occurrence of an event described in clause (a) above. Clauses (b) and (c) not applicable in Florida.
8. **Security.** To secure a payment of all amounts due under this Agreement, Insured assigns LENDER a security interest in all right, title and interest to the Policy including (but only to the extent permitted by applicable law):
 - a. all money that is or may be due me because of a loss under the Policy that reduces the unearned premiums (subject to the interest of any applicable mortgagee or loss payee);
 - b. any return of the premium for the Policy; and
 - c. dividends which may become due me in connection with the Policy. Clause (c) not applicable in Maryland.
9. **Right to Demand Immediate Payment in Full.** At any time after default, LENDER can demand and have the right to receive immediate payment (except to the extent otherwise provided by applicable law, in which case LENDER will have the right to receive such payment in accordance with such law) of the total unpaid balance due under this Agreement even if LENDER has not received any refund of unearned premium.
10. **Warranties.** Insured warrants to LENDER (a) to have received a copy of this Agreement and (b) if the Insured is not an individual, that the signatory is authorized to sign this Agreement on behalf of the Insured. The Insured represents that it is not presently the subject of or in contemplation of a proceeding in bankruptcy, receivership, or insolvency, or if it is a debtor in bankruptcy, the Bankruptcy Court has authorized this transaction.
11. **Early Payment.** At any time, Insured may pay the whole amount still unpaid. If Insured pays the full amount before it is due, Insured will be given a refund for the unearned Finance Charge computed by the method of refund as required by applicable law.
12. **Assignments.** Insured may not assign the policy or this Agreement without LENDER's written consent. However, Insured does not need LENDER's written consent to add mortgagees or other persons as loss payees. LENDER may transfer its rights under this Agreement to anyone without Insured's consent. All of LENDER's rights shall inure to the benefit of LENDER's successors and assigns.
13. **Collection.** If money is due and Insured fails to pay, LENDER may collect the unpaid balance from me without recourse to the security interest granted under this Agreement.
14. **Late Charges.** Upon default in payment of any installments for not less than five days (or such greater number of days required by applicable law), Insured agrees to pay a late charge in accordance with applicable law. In no event shall such late charge exceed a maximum of 5% of such installment (greater of \$25 or 1.5% in New Jersey; 5% in Massachusetts; \$100 max in Maryland; greater of \$10 or 5% in Florida).
15. **Finance Charge.** The finance charge begins to accrue from the effective date of this Agreement or the earliest inception date of the Insurance Policy(ies) listed on the Schedule of Policies, whichever is earlier. If LENDER terminates this Agreement due to a default, Insured will pay interest on the outstanding indebtedness at the maximum rate authorized by applicable state law in effect on the date of cancellation and from said date until Insured pays the outstanding indebtedness in full to LENDER. To the extent permitted by applicable law, the Finance Charge may include a nonrefundable agreement charge not to exceed \$20 (\$10 in DE and NY; \$12 in NJ; \$15 in NC, RI and SC; \$16 in MA; \$20 in FL).
16. **Attorney's Fees.** If LENDER hires an attorney (which is not a salaried employee) to collect any money Insured owes under this Agreement, Insured will pay that attorney's fees and other collection costs (including collectors' fee) if and to the extent permitted by applicable law (20% of amount due in Florida).
17. **Agent or Broker.** The Agent or Broker named on the front of this Agreement is neither authorized by LENDER to receive installments payable under this Agreement nor is authorized to make any representations to insured on LENDER's behalf (except to the extent expressly required by applicable law).
18. **Amendments.** If the Insurance contract has not been issued at the time of the signing of this Agreement, and if the policies being financed are assigned risk policies or policies listed in a state fund, the policy numbers, if omitted herein, may be inserted in this Agreement after it has been signed (Maryland policies must show "Binder," cannot be blank).
19. **Effective Date.** This Agreement will not go into effect until it is accepted by LENDER in writing.
20. **Limitation of Liability.** Insured recognizes and agrees that LENDER is a lender and not an insurance company and that LENDER assumes no liability as an insurer hereunder. LENDER's liability for breach of any of the terms of this Agreement or the wrongful or improper exercise of any of its powers under this Agreement shall be limited to the amount of the principal balance outstanding, except in the event of LENDER's gross negligence or willful misconduct.
21. **Governing Laws.** The Laws of the State of the Insured's residence shall govern this Agreement, except, for Maine Insureds this contract is governed by the laws of the State of New York.
22. **Signature and Acknowledgement.** Insured has signed and received a copy of this Agreement. If the Insured is not an individual, the undersigned is authorized to sign this Agreement on behalf of the Insured. All the Insureds listed in any Policy have signed, Insured acknowledges and understands that insurance premium financing law does not require an insured to enter into a premium financing agreement as a condition of the purchase of any insurance policy.

Place (X)
if Not Authorized

SCHEDULE OF POLICIES (Continue Schedule on Attachment if Necessary)

Policy Number and Prefix (Itemize)	Full Name of Insurance Company and Name and Address of Policy Issuing Agent or Company Office to Which Premium is Paid and Notices are Sent	Type of Policy Premium	UN D E R W R I T E D	M I N I M U M	E A R N I N G %	Term in Mos. Cov. By Prem	Effective Date			Policy Premiums
							M	D	Y	
2LX6341272	Granite State Ins. Co - New Hampshire - Boston, MA	F			0.00	12	7	1	03	24,440.00
1UD4067344		UMB	N		0.00	12	7	1	03	Tax/Fee 204.00 940.00
TOTAL PREMIUMS (Record in "A")									25,584.00	

(AR=ASSIGNED RISK), (A=AUDITABLE), (LS=LOSS SENSITIVE)

ADDITIONAL REPRESENTATIONS & WARRANTIES OF BROKER OR AGENT

- Warrants that this is the authorized Policy issuing agent of the insurance companies or the broker placing the coverage directly with the insurance company on all the Policies scheduled except those indicated with an "X" above.
- Warrants that there are no policies included in this Agreement which are subject to audit, report of values, retrospective rating, or minimum earned premium, except as indicated below, and that, if there are any, the deposit or provisional premium thereon is not less than the anticipated premium to be earned for the full term of the policy.
Policy No.(s): _____ Minimum earned premium, if any: \$ _____
- Warrants that there are no assigned risk policies in the Schedule of Policies except as indicated in the Schedule of Policies.
- The Agent of Broker will hold in trust for LENDER any payments made or credited to the Insured through the Agent of Broker directly, indirectly, actually or constructively, by any of the insurance companies listed in the Schedule of Policies and will pay the monies to LENDER upon demand to satisfy the then outstanding balance hereunder.
- The Agent or Broker will promptly notify LENDER in writing if any information on this Agreement becomes inaccurate.

C & C Consultants

Utility Insurance Specialists

Fax

To: Frank Seidman
From: Lou Morrison for
Hal Morrison
Fax: 850-877-0673
Pages: 1
Phone:
Date: 10/06/04
Re: Water Management
Services, Inc./Rate &
Premium Request

Dear Frank,

Per your request, below are the rates and subsequent premiums for the locations in question.

2003 Policy:

Loc. 006/Bldg. 001 Value \$113,000 Rates Group I .042 = \$ 47
Group II .056 = \$ 63
Special .033 = \$ 37

TOTAL PREMIUM **\$ 147**

Loc. 006/Bldg. 002 Value \$3,000,000 Rates Group I .045 = \$ 1,350
Group II .096 = \$ 2,880
Special .033 = \$ 990

TOTAL PREMIUM **\$ 5,220**

2004 Policy:

Loc. 006/Bldg.002 Value \$4,000,000 Rates Group I .050 = \$ 2,000
Group II .117 = \$ 4,680
Special .043 = \$ 1,720

TOTAL PREMIUM **\$ 8,400**

If you should have any questions, please give Hal a call.

Regards,


Lou Morrison
C&C Consultants

The information in this facsimile message is privileged and confidential, intended only for the use of the recipient. If the reader is not the intended recipient, be hereby notified that any copy or distribution of this communication is strictly prohibited. If you have received this communication in error, please notify the sender immediately by telephone.