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December 10, 2010

ROBERT M.C. ROSE, (1924-2006)

VIA HAND DELIVERY

100456-WS

Ann Cole, Commission Clerk  
Office of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399

RE: Docket No.: \_\_\_\_\_; Application of North Sumter Utility Company, LLC, for Transfer of Water and Wastewater Facilities to North Sumter County Utility Dependant District in Sumter County, Florida  
Our File Nos.: 34078.09

Dear Ms. Cole:

Enclosed for filing are an original and two (2) copies of North Sumter Utility Company, LLC's Application for Transfer of Water and Wastewater Facilities to North Sumter County Utility Dependant District in Sumter County, Florida.

Should you or the Staff have any questions regarding this filing, please do not hesitate to give me a call.

Very truly yours,

MARTIN S. FRIEDMAN  
For the Firm

- COM \_\_\_\_\_
- APA \_\_\_\_\_
- ECR I
- GCL \_\_\_\_\_
- RAD \_\_\_\_\_
- SSC \_\_\_\_\_
- ADM \_\_\_\_\_
- OPC \_\_\_\_\_
- CLK Grant

MSF/tlc  
Enclosures

cc: Mr. John Wise (w/enclosure)

DOCUMENT NUMBER DATE  
09865 DEC 10 2010  
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Application of  
North Sumter Utility Company, LLC for the  
Transfer of Water and Wastewater facilities  
to North Sumter County Utility Dependent  
District in Sumter County, Florida

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DOCKET NO.: 100456-WS

**APPLICATION FOR TRANSFER OF WATER AND WASTEWATER  
FACILITIES TO A GOVERNMENTAL AUTHORITY**

Applicant, NORTH SUMTER UTILITY COMPANY, LLC or ("Applicant"), by and through its undersigned attorneys, and pursuant to § 367.071, Fla. Stat., files this Application for Transfer of Facilities to a Governmental Authority and in support thereof states as follows:

1. Applicant operates under Water Certificate Nos. 618-W and 532-S in Sumter County, Florida.

2. The name and address of Applicant and its authorized representatives, for purposes of this application, are:

North Sumter Utility Company, LLC  
1020 Lake Sumter Landing  
The Villages, FL 32162

Authorized Representatives:  
Martin S. Friedman, Esquire  
Rose, Sundstrom & Bentley, LLP  
766 North Sun Drive  
Suite 4030  
Lake Mary, FL 32746  
407-830-6331 (telephone)  
407-830-8522 (facsimile)  
[mfriedman@rsbattorneys.com](mailto:mfriedman@rsbattorneys.com)

DOCUMENT NUMBER DATE

09865 DEC 10 2

FPSC-COMMISSION CLERK

3. The name and address of the governmental authority is the North Sumter County Utility Dependent District (the "District") and its authorized representatives, for purposes of this application, are:

North Sumter County Utility Dependent District  
1894 Laurel Manor Drive  
The Villages, FL 32162

Authorized Representative:  
Archie O. Lowry, Esquire  
Potter, Clement, Lowry  
308 E. 5<sup>th</sup> Avenue  
Mt. Dora, FL 32757

4. The District is a dependent district of Sumter County authorized by Chapter 189, Florida Statutes, Chapter 125, Florida Statutes, and Article VIII, Section 1, Florida Constitution, and created pursuant to Ordinance 2010-10 duly adopted by the Board of County Commissioners of Sumter County on July 13, 2010.

5. A copy of the Offer to Sell and Agreement for Purchase and Sale by and between Applicant and the District, dated August 17, 2010, is attached hereto as Exhibit "A" (the "Agreement"). The transaction closed on December 7, 2010.

6. This Application must be approved as a matter of right as a sale to a governmental authority pursuant to § 367.071(4)(a), Fla. Stat.

7. Subsequent to the closing of this transaction, Applicant will retain no assets that would constitute a system providing or proposing to provide water or wastewater service to the public for compensation.

8. Prior to purchase, the District obtained from Applicant its most recent available income and expense statement, balance sheet, statement of rate base for regulatory purposes, and contributions-in-aid-of-construction.

9. Pursuant to the Agreement, the Applicant was paid at closing accounts receivables and unbilled revenues for all service rendered prior to closing.

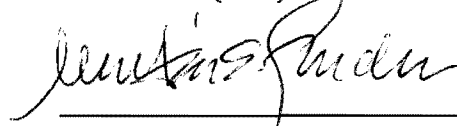
10. There are no fines owed relative to the Applicant's water and wastewater facilities at closing. Applicant will file a final Regulatory Assessment Fee Return with the Division of Administration of this Commission for the period July, 2010, through Closing prior to the Commission's approval of this Application.

11. Applicant cannot currently locate original Water and Wastewater Certificates for cancellation, and such certificates are no longer issued.

WHEREFORE, Applicant respectfully requests that this Commission approve the transfer of its water and wastewater facilities to the District as a matter of right and cancel the water certificate of this Applicant.

Respectfully submitted on this 16<sup>th</sup> day  
of December, 2010, by:

ROSE, SUNDSTROM & BENTLEY, LLP  
766 N. Sun Drive, Suite 4030  
Lake Mary, FL 32746  
Telephone: (407) 830-6331  
Facsimile: (407) 830-8522



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MARTIN S. FRIEDMAN, ESQUIRE  
Attorney for Applicant

# EXHIBIT “A”

COPY

**OFFER TO SELL  
AND  
AGREEMENT FOR PURCHASE AND SALE**

**THIS AGREEMENT FOR PURCHASE AND SALE** ("Agreement") is made this 17 day of August, 2010 (the "Effective Date"), by and among **NORTH SUMTER UTILITY COMPANY, L.L.C.**, a Florida limited liability company (hereinafter "NSU") whose address is 1020 Lake Sumter Landing, The Villages, Florida 32162 and **THE VILLAGES WATER CONSERVATION AUTHORITY, L.L.C.**, a Florida limited liability company (hereinafter "VWCA"), whose address is 1020 Lake Sumter Landing, The Villages, Florida 32162 (hereinafter NSU and VWCA are sometimes referred to jointly and severally as the "Seller"); and the **NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT**, a dependent district of Sumter County authorized by Chapter 189, Florida Statutes, Chapter 125, Florida Statutes, and Article VIII, Section 1, Florida Constitution and created pursuant to Ordinance No. 2010-10 duly adopted by the Board of County Commissioners of Sumter County on July 13, 2010 (hereinafter the "Purchaser") whose address is 1894 Laurel Manor Drive, The Villages, Florida 32162.

**RECITALS**

A. NSU owns and operates a potable water treatment and distribution system (hereinafter the "Potable Water System") and a wastewater collection, treatment and disposal system (hereinafter the "Wastewater System") (hereinafter, the Potable Water System and Wastewater System are jointly referred to as the "NSU System").

B. VWCA owns and operates a non-potable irrigation water distribution system (hereinafter referred to as the "VWCA System").

C. The NSU System and the VWCA System is hereinafter jointly referred to as the "Utility System."

D. The Utility System was developed for purposes of providing services to a portion of the mixed-use development commonly referred to as "The Villages" located in portions of unincorporated Sumter County in Florida.

E. The Purchaser is authorized to acquire, own and operate the Utility System.

F. At this time, the Purchaser and Seller wish to set forth the terms and provisions of their agreement for the purchase and sale of the Utility System.

**NOW, THEREFORE**, in consideration of the premises and of the covenants and agreements herein contained, Seller and Purchaser hereby agree as follows:

1. **FURNISHING OF DOCUMENTS AND EXHIBITS.**

A. **Seller's Furnishing of Documents.** Exhibits B, C, D, J, and N shall be attached upon execution of this Agreement. Within thirty (30) days from the Effective Date, but not later than thirty (30) days before closing, Seller will deliver to Purchaser Exhibits A, E, F, G, H, I, K, L, M, O, P, Q and T. At closing, Seller will provide Purchaser with an updated Exhibit Q, accurate as of the day of closing. On or before closing, Seller will provide Purchaser with Exhibit R and Exhibit S in accordance with the provisions of this Agreement.

B. **Exhibits to this Agreement.**

**Exhibit A:** Plans and specifications showing the Utility System as now constructed (As-Built and/or Record Drawings), together with a map showing the water distribution lines, wastewater collection lines and lift stations and appurtenances as now constructed, and all other facilities constituting the Utility System.

**Exhibit B:** A schedule and copies of all active agreements, hereinafter referred to as "Developers Agreements," assumed by or executed between Seller and owners and developers of property regarding potable and irrigation water service, wastewater service, capacity reservation, or similar related matters, including a listing of any prepaid connection fees.

Exhibit C: A schedule and copies of all other agreements assumed by or entered into between Seller and other parties which would or might be considered to be an encumbrance upon the Purchased Assets (as defined herein).

Exhibit D: A legal description of all of the real estate owned by Seller (the "Real Property") in connection with the operation of the Utility System whereupon all water treatment plants, wells, and wastewater treatment facilities are located, including all buildings, tanks and other improvements located thereon, together with any prior title insurance policies and existing surveys in connection with such real estate and copies of the title exceptions referenced therein. Such real estate will be conveyed to Purchaser subject to the covenants and restrictions described in Exhibit D-1.

Exhibit E: A copy of all private easements and rights-of-way owned and used by Seller for the construction, operation and maintenance of the Utility System, which are transferable to Purchaser, including those with maintenance and other obligations to be assumed by Purchaser. Easements located or shown in recorded plats, created in various Declaration of Restrictions, and rights to locate lines in dedicated public rights-of-way need not be included in this exhibit, however will be non-exclusively assigned to Purchaser at closing.

Exhibit F: Inventory of all equipment, vehicles, tools, parts, laboratory equipment, office equipment, unset or reserved meters, and other personal property located on or used in connection with the property being acquired by Purchaser pursuant to this Agreement, together with a schedule showing the nature of the ownership or use rights thereof of Seller. With respect to this personal property, Seller represents that same will not be depleted prior to the closing (as defined herein) except in the normal and ordinary course of Seller's operation of the Utility System, and replacements and additions thereto will be acquired by Seller prior to closing in the normal and ordinary course of Seller's operation of the Utility System.

Exhibit G: Schedule of Utility System rates, fees and charges, and a copy of all tariffs in effect on the Effective Date.



Exhibit H: Copies of current or active permits, licenses, approvals, applications or other documents, together with effective dates and expiration dates (if any) demonstrating approval of the facilities of the Utility System by all applicable governmental authorities, including, but not limited to all existing: (a) Florida Department of Environmental Protection or the regulatory predecessor, (b) Southwest Florida Water Management District, (c) U.S. Army Corps of Engineers, (d) United States Environmental Protection Agency, (e) Sumter County Health Department, and (f) Sumter County.

Exhibit I: A list of customer deposits by name and account number, setting forth the amount of each individual deposit and the aggregate total thereof.

Exhibit J: Map depicting the Utility System's service area (hereafter "Service Area").

Exhibit K: Attachment One: The plans and specifications of the expansion to the NSU System necessary to serve the Service Area as depicted in Exhibit J.

Attachment Two: The plans and specifications of the expansion to the VWCA System necessary to serve the Service Area as depicted in Exhibit J.

Exhibit L: A schedule of all existing warranties by third parties respecting equipment, and completed or in progress construction work.

Exhibit M: Definitive list of "Excluded Assets."

Exhibit N: Definitive list of all operating and vendor contracts to be assumed by Purchaser.

Exhibit O: List of items or expenses to be prorated at closing, if any.

Exhibit P: A copy of the Ordinances creating the Purchaser and all amendments thereto and copies of all existing Interlocal Agreements related to the Utility System between the Purchaser and other governmental entities, together with copies of any amendments to such agreements to be executed as of the Closing Date.

Exhibit Q: Listing of all accounts receivable of NSU and VWCA generated from the delivery of utility services, including separate listings for both billed and unbilled services, updated at closing.

Exhibit R: Attachment One: A certification of costs to complete the expansion of the NSU System in accordance with the plans and specifications set forth in Attachment One to Exhibit K, such certification to be prepared no earlier than five (5) days prior to the date of closing.

Attachment Two: A certification of costs to complete the expansion of the VWCA System in accordance with the plans and specifications set forth in Attachment Two to Exhibit K.

Exhibit S: A certification by the Seller's Engineers in accordance with Section 5. Such Engineer's Report shall be certified in favor of the Purchaser.

Exhibit T: Interim Bulk Wastewater Treatment and Emergency Services Agreement and between Central Sumter Utility Company, LLC, and Purchaser to be executed by Purchaser on the Closing Date.

The Purchaser shall have thirty (30) days from the date of its receipt of each such exhibit for its review thereof and within which to either approve or disapprove of same. Should Purchaser fail to advise Seller in writing of its disapproval of any such exhibit and the specific reasons therefore, within said thirty (30) days, then for all purposes hereof, Purchaser shall be deemed to have approved same. Should Purchaser advise Seller within said thirty (30) days as aforescribed of its disapproval of any such exhibit, then in such event, the Seller shall have sixty (60) days within which to cure the basis for disapproval. If the basis for the disapproval cannot be cured, then the parties shall be released of any further obligation to each other arising hereunder. With respect to plans and maps, reproducibles will be furnished if available, and if not, copies of same will be acceptable by Purchaser, and will be provided at closing.

**2. COVENANT TO SELL AND PURCHASE AND DESCRIPTION OF PURCHASED ASSETS.** The Purchaser hereby offers to buy from Seller, and the Seller hereby agrees to sell to Purchaser, the Purchased Assets for the Purchase Price and upon the terms, and subject to the conditions and other provisions hereof.

A. **Purchased Assets.** The term "Purchased Assets" shall mean all of the assets, business properties and rights, both tangible and intangible, which Seller owns or in which it has an interest regarding the Utility System (but shall not include the "Excluded Assets" described in Section 2.B. below or described in Exhibit M hereof), all of which are being purchased hereunder by Purchaser and which include, but are not limited to, the following:

(1) The real estate owned by Seller described in Exhibit D and all buildings and improvements owned by Seller located thereon.

(2) All easements, licenses and rights-of-way and consents owned by Seller for the construction, operation and maintenance of the Utility System within the Service Area depicted in Exhibit J.

(3) All water treatment plants, water supply and distribution facilities, wastewater treatment plants, and collection facilities, irrigation water plants, irrigation water supply and distribution facilities, and irrigation water storage facilities of every kind and description whatsoever located within the Service Area depicted in Exhibit J, including, but not limited to pumps, lift stations, wells, transmission mains, distribution mains, supply pipes, collection pipes, facilities, valves, meters, meter boxes, service connections and all other physical facilities and property installations in use in connection with the Utility System operated by the Seller.

(4) All certificates, immunities, privileges, permits, licenses, license rights, easements, consents, grants, ordinances, leaseholds, rights-of-way and all rights to construct, maintain and operate plants and systems for the procuring, distribution and transmission of potable water, irrigation water, and for the collection and treatment of wastewater and every right of every character whatever in connection therewith associated with the Purchased Assets in the Service Area

depicted in Exhibit J. All agreements for the supply of water to the Utility System or others, all water rights, flowage rights and riparian rights, and all renewals, extensions, additions or modifications of any of the foregoing associated with the Service Area depicted in Exhibit J. Upon closing, this Agreement shall operate as an assignment of all such rights, however, at Purchaser's request, Seller shall execute written assignments of such rights. The parties shall cooperate in applying for and obtaining transfer of all such rights requiring regulatory approval or notice.

(5) The items of inventory described in Exhibit F, together with additions and replacements thereto.

(6) All past and current customer records, prints, plans, engineering reports, surveys, specifications, shop drawings, equipment manuals, and other information reasonably required by Purchaser which are in possession of Seller and its agents (but not correspondence with its attorneys or attorney work product) as of the Closing Date pertaining to the operation of the Utility System.

(7) One (1) set of record drawings, including as-built drawings where available, showing all facilities of the Utility System. Such drawings shall also include any original tracings and sepias where same is in possession of Seller.

(8) All rights of Seller under the Developers Agreements described in Exhibit B.

(9) The billed and unbilled accounts receivable of the Seller as described in Exhibit Q and those items described in Exhibits A, D, E, F, H, I, J, K, L and N.

B. **Excluded Assets**. The term "Excluded Assets" shall mean both those items described in Exhibit M and shall include the following:

(1) Cash, bank accounts, or deposits of any kind of Seller which are Seller's sole property and are not subject to refund to customers, including developers or others.

(2) Escrow and other provisions made by Seller, Seller's predecessor in interest, or Seller's utility manager for payment of federal and state income taxes. As Seller or its agent remains responsible for filing and satisfying income tax obligations, such escrow or other funds held by the Seller or its agent shall remain with the Seller or its agent after closing.

(3) Such other equipment which is not utilized in the operation and maintenance of the Utility System in the Service Area and listed on Exhibit M hereof.

(4) All notes receivable of Seller provided, however, that, except as otherwise specifically provided for herein, Seller shall remain obligated to pay all accounts payable and other payables of Seller incurred or accrued prior to the closing.

(5) The legal entities NSU and VWCA.

(6) Subject to the terms and provisions of this Agreement and the Trust Indenture, for a period of ten (10) years commencing on the Closing Date, the right of NSU to continue to receive water and wastewater contributions in aid of construction, main extension charges, and similar system development charges for the construction and development of the NSU System, including for those improvements described in Attachment One to Exhibit K (the "NSU Development Charges") until the available capacity in the NSU System constructed by the Seller and not paid for by the Purchaser pursuant to this Agreement is fully purchased by users.

(7) Subject to the terms and provisions of this Agreement and the Trust Indenture, for a period of ten (10) years commencing on the Closing Date, the right of VWCA to continue to receive contributions in aid of construction, main extension charges, and similar system development charges for the construction and development of the VWCA System, including for those improvements described in Attachment Two to Exhibit K (the "VWCA Development Charges") until the available capacity in the VWCA System constructed by the Seller and not paid for by the Purchaser pursuant to this Agreement is fully purchased by users.

(8) Subject to NSU completing the NSU expansion, the Reserve Accounts and other amounts held for the NSU expansion in accordance with the plans and specifications attached hereto as Attachment One to Exhibit K.

(9) Subject to VWCA completing the VWCA expansion, the Reserve Accounts and other amounts held for the VWCA expansion in accordance with the plans and specifications attached hereto as Attachment Two to Exhibit K.

(10) Prepaid insurance.

(11) Those amounts currently held by bond Trustees pursuant to earlier bond issues of VWCA and/or NSU.

(12) To the extent Debt Service Reserve Accounts are funded out of the Purchase Price, the Debt Service Reserve Accounts established pursuant to this Agreement and the Trust Indenture, to the extent such Debt Service Reserve Accounts are not necessary to pay principal and interest on the Bonds (as hereinafter defined) issued by the Purchaser pursuant to the acquisition contemplated this Agreement.

(13) Those items more specifically described in Exhibit M.

3. **CONDITION OF PURCHASED ASSETS AT CLOSING.** Purchaser shall have a period of sixty (60) days from the date of this Agreement to make its own investigations of the Purchased Assets. Seller shall afford Purchaser and its agents, employees and consultants full access to all of Seller's property, data and records relating to the Purchased Assets and the purchase and sale contemplated herein. Seller shall assign to Purchaser at closing all of its right, title and interest it may have in all engineering and architectural specifications, engineering studies, planning documents, tests, licenses and permits (if assignable), investigations and surveys relating to the Purchased Assets (hereinafter referred to as the "Planning Documents") it may have, but such assignment shall be with the express reservation that the Seller shall have no responsibility to the Purchaser for the accuracy or correctness for any of the matters contained therein. Seller shall endeavor to obtain from each professional responsible for preparing the Planning Documents an

acknowledgment and consent to such assignment. Purchaser shall not assume or be obligated to pay any sums due for services rendered prior to the Closing Date hereunder or to the service agreements entered into by Seller with respect to the Planning Documents which are not expressly assumed by Purchaser pursuant to this Agreement. Likewise, as to leased property, easements, or other property and assets that the Seller is now utilizing and the Purchaser intends to continue such use, all rights therein shall be transferred to the Purchaser as is and where is without representation or warranty, express or implied, as to the condition, location, or fitness of purpose of such leased property, easement, or other properties and assets.

4. **PURCHASE PRICE; PAYMENT.** The parties agree that the purchase price for the Utility System (the "Purchase Price") shall be determined as follows: Both Seller and Purchaser shall each select a separate valuation firm. Both valuation firms shall be licensed to do business in the State of Florida with vast experience in the valuation of utility systems being acquired by governmental entities. Within thirty (30) days of the Effective Date, both Purchaser and Seller shall retain at their respective expense a valuation firm and notify the other party of its selection. Both parties agree to instruct their firm to prepare and deliver to the respective party its determination of value no later than **September 15, 2010**. As soon as Seller and Purchaser receive their respective valuations, they will forward a copy to both the other party and the firm chosen by the other party. Both Seller and Purchaser agree that if the lesser of the two valuations is not greater than 5% less than the higher valuation, then the Purchase Price shall be established at the lesser of the two valuations. If the lesser of the two valuations is greater than 5% lower, but not greater than 10% lower of the higher of the two valuations, then Purchaser and Seller agree that the Purchase Price shall be established at the average of the two valuations. If the lesser of the two valuations is greater than 10% lower than the higher of the two valuations, then the Seller and the Purchaser shall instruct their respective valuation firms to meet in an attempt to reconcile an agreed upon determination of value in support and to deliver copies of such reconciliation to both Purchaser and Seller within fifteen (15) days of written request to such firms. If, after such reconciliation is received and

delivered to all respective parties, the Purchaser or Seller determines that it is not in its interest to conclude the purchase contemplated by this Agreement, then by written notice to the other party on or before **October 15, 2010**, the party may terminate this Agreement at which time all parties shall be released from all obligations hereunder.

The Purchase Price shall be payable solely from the proceeds of Purchaser's Utility Revenue Bonds ("Bonds") when and if issued and as otherwise provided by the Purchaser's Trust Indenture securing the Bonds. The Purchase Price will be payable in an initial payment which is the Purchase Price less all of the costs of issuance, less the amount deposited in the Reserve Accounts set forth below (the "Deferred Payments"), together with all earnings thereon, which shall be paid to the Seller (to the extent of any due Purchase Price) as set forth below:

A. **NSU System Expansion Reserve Account.** At the time of the issuance of the Bonds, 110% of the cost to complete the NSU System, as set forth in Exhibit R, shall be deposited with the Bond Trustee in the NSU System Expansion Reserve Account. At such time as various portions of the NSU System are completed, NSU shall prepare a detailed invoice outlining those portions of the NSU System completed since the later of closing or the last invoice for completions to the NSU System, and the cost for such additional work upon approval by the Purchaser and Purchaser's Engineer, Purchaser shall cause 90% of such invoice amount to be withdrawn from the NSU System Expansion Reserve Account and paid to NSU. Upon certification by the Purchaser's Engineers that all of the NSU System improvements as described in Attachment One to Exhibit K are complete, then Purchaser shall cause all remaining sums in the NSU System Expansion Reserve Account to be paid to NSU.

B. **VWCA System Expansion Reserve Account.** At the time of the issuance of the Bonds, 110% of the cost to complete the VWCA System, as set forth in Exhibit R, shall be deposited with the Bond Trustee in the VWCA System Expansion Reserve Account. At such time as various portions of the VWCA System are completed, VWCA shall prepare a detailed invoice outlining those portions of the VWCA System completed since the later of closing or the last invoice



for completions to the VWCA System, and the cost for such additional work upon approval by the Purchaser and Purchaser's Engineer, Purchaser shall cause 90% of such invoice amount to be withdrawn from the VWCA System Expansion Reserve Account and paid to VWCA. Upon certification by the Purchaser's Engineers that all of the VWCA System improvements as described in Attachment One to Exhibit K are complete, then Purchaser shall cause all remaining sums in the VWCA System Expansion Reserve Account to be paid to the VWCA.

C. **Debt Service Reserve Account.** At the time of issuance of the Bonds, if a debt service reserve account is established, a Debt Service Reserve Account shall be established with the Bond Trustee in the amounts required under the Trust Indenture issued pursuant to the Bonds. Such Debt Service Reserve Account shall remain with the Bond Trustee until released to the Seller pursuant to the terms and provisions of this Agreement and the Trust Indenture.

D. **Reserve for NSU Development Charges and VWCA Development Charges.** At the time of the issuance of the Bonds, the Bond Trustee shall establish a reserve for NSU Development Charges and VWCA Development Charges (collectively "System Development Charges"). From and after closing, all such System Development Charges shall be deposited in such account as additional security for the payment of principal and interest on the Bonds until released and paid to the Seller pursuant to the terms of the Trust Indenture.

5. **RESERVATION OF AVAILABLE CAPACITY.** Purchaser and Seller acknowledge and agree that the valuation of the Utility System resulting in the Purchase Price does not contain any value allocation for future System Development Charges. In consideration of the Seller depositing with the Trustee the estimated cost to complete the NSU System and the VWCA System as set forth in Attachment One and Attachment Two to Exhibit R respectively, and an acknowledgment that the System Development Charges are not being purchased pursuant to this sale, Purchaser and Seller agree that until the sooner to occur of (a) such time as all of the available capacity (as hereinafter defined) has been purchased by users, or (b) ten (10) years from the date of Closing, the Seller shall, subject to the provisions of Section 4.D. above and the Trust Indenture, be entitled to receive the System Development Charges.

A. **Certification of the Available Capacity.** Within thirty (30) days of the Effective Date, Seller's Engineers shall deliver and certify to the Purchaser and the Seller, a certification of the available capacity setting forth:

(1) **NSU Available Capacity:**

- (a) the Total NSU Wastewater Treatment Plant Capacity after completion of the NSU expansion described in Attachment One to Exhibit K, stated in Gallons Per Day ("GPD") on an annual average daily flow basis,
- (b) the current Utilized WWTP Capacity, which is defined as the sum of:
  - (i) the actual annual average daily flow as of **October 1, 2010** expressed in GPD; PLUS
  - (ii) the actual purchased WWTP capacity, which has not yet established any flow, expressed in GPD,
- (c) the remaining Available WWTP Capacity after the WWTP Expansion set forth in the WWTP Expansion Plans expressed in GPD, which is the difference between Sections 5.A.(1)(a) and 5.A.(1)(b) above (herein "Available WWTP Capacity").

(2) **VWCA Available Capacity:**

- (a) the Total VWCA Capacity after completion of the VWCA expansion described in Attachment Two to Exhibit K shall be the total allocated to VWCA as provided for in the Southwest Florida Water Management District Water Use Permit No. 20013005 stated in GDP on an annual average daily flow basis,

- (b) the current Utilized VWCA Capacity shall be defined as the sum of:
- (i) The 24 month average, as of **October 1, 2010**, of the monthly gross use per residential connection from VWCA multiplied by the number of residential connections as of **October 1, 2010** expressed in GDP;  
PLUS
  - (ii) The actual purchased VWCA capacity, which has not yet established any flow, expressed in GDP; MINUS
  - (iii) The total amount of water pumped by VWCA for the 24 months prior to **October 1, 2010** that was pumped for the purpose of disposal of excess accumulated storm water, expressed in GDP,
- (c) the remaining VWCA Available Capacity after the VWCA Expansion as set forth in the VWCA Expansion Plans, which is the difference between Sections 5.A.(2)(a) and 5.A.(2)(b) above (herein "Available VWCA Capacity").

B. Payment for Available System Development Charges. Pursuant to this Agreement and the Trust Indenture, Purchaser shall pay System Development Charges to the Seller on a monthly basis as new users are connected to the Utility System. The Purchaser shall collect System Development Charges until such time as all of the Available NSU Capacity and Available VWCA Capacity have been consumed, which System Development Charges shall be due Seller pursuant to Section 4 hereof and paid to the Seller in accordance this Agreement and the Trust Indenture.

(1) Covenant to Establish and Maintain Connection Fees. To satisfy the above obligation, Purchaser hereby covenants and agrees with Seller that it will, in accordance with and to the full extent permitted by Chapter 189, Florida Statutes and other applicable rules of law, and in compliance with the Trust Indenture, establish charges for connection to the Utility System equal to or in excess of the System Development Charges currently in place. The Seller understands and agrees that Purchaser may establish connection fees in excess of System Development Charges and that such excess amounts shall be the property of the Purchaser and shall not constitute System Development Charges payable to the Seller; provided however, for a period of seven (7) years after the Closing Date, Purchaser covenants not to increase System Development Charges by a total of more than thirty percent (30%) of the System Development Charges existing on the Closing Date. This covenant shall survive closing.

(2) Covenant Regarding Utility Service Rates. Unless prohibited by governmental regulation of general application, in order to ensure the equitable treatment of all Utility customers, Purchaser hereby covenants that after closing, the utility service rates for residential customers shall not be increased by a greater percentage than the utility service rates for commercial customers, and similarly, the utility service rates for commercial customers shall not be increased by a greater percentage than the utility service rates for residential customers. This covenant shall also survive closing.

(3) Limited Obligation of Purchaser. Neither the initial Purchase Price nor any other amount due or to become due hereunder shall constitute a general obligation or general indebtedness of the Purchaser within the meaning of the Constitution and the laws of the State of Florida; nor do such obligations constitute either a pledge of the full faith credit of the Purchaser or a lien upon the property of the Purchaser other than the System Development Charges. Neither the Seller nor any other person shall have the right to compel the exercise of any ad valorem taxing power of the Purchaser or any other public authority or governmental body to pay any amount due or to become due hereunder, or to pay any other amounts required to be paid pursuant hereto. Any amounts required to be paid pursuant to this Agreement shall be paid solely from and shall be

secured solely by the System Development Charges derived from connection of the Utility System pledged therefor.

**6. ADDITIONAL MATTERS TO BE PERFORMED AT CLOSING.**

**A. At closing:**

(1) Seller shall convey by special warranty deed to Purchaser all of the real property described in Exhibit D.

(2) Purchaser shall assume in writing all the obligations of Seller relating to all Developers Agreements listed on Exhibit B attached, pursuant to which the developers are entitled to certain rights and benefits.

(3) Seller shall assign unto Purchaser all rights, and Purchaser shall assume in writing all obligations contained in the agreements set forth in Exhibit C.

(4) Seller shall assign unto Purchaser all rights contained in the easements set forth in Exhibit E, and Purchaser shall assume those easements set forth in Exhibit E that contain obligations.

(5) Seller shall assign unto Purchaser all rights, and Purchaser shall assume in writing all obligations contained in the permits and licenses set forth in Exhibit H that are specifically related to the Utility System.

(6) Seller shall assign unto Purchaser all rights, and Purchaser shall assume in writing all obligations contained in the operating and vendor contracts set forth in Exhibit N.

(7) Purchaser shall enter into the Interim Bulk Wastewater Treatment and Emergency Services Agreement with Central Sumter Utility Company, LLC, in the form attached hereto as Exhibit T.

(8) Seller shall grant to Purchaser a non-exclusive license to use the plans and specifications described in the attached Exhibit K.

(9) Seller shall assign unto Purchaser, in writing, all warranties described in Exhibit L.

7. **SELLER'S WARRANTIES.** Seller represents and warrants as follows:

A. NSU is a Florida limited liability company and has all requisite power and authority to execute and consummate this Agreement. The execution and performance of this Agreement has been duly authorized in accordance with the Operating Agreement governing NSU.

B. VWCA is a Florida limited liability company and has all requisite power and authority to execute and consummate this Agreement. The execution and performance of this Agreement has been duly authorized in accordance with the Operating Agreement governing VWCA.

C. From and after the date of the Effective Date, neither NSU or VWCA will, without the prior written consent of the Purchaser, dispose of or encumber any of the Purchased Assets, with the exception of any transactions occurring in the ordinary course of Seller's business.

D. The Seller will permit full examination by Purchaser's authorized representatives of the Utility System, Purchased Assets and all existing contractual obligations, physical systems, assets, real estate, rights-of-way, easements, and inventories utilized by the Seller in the ordinary course of business by the Seller. Moreover, Seller warrants and represents that there will be no material depletion of such assets of the Seller, nor any material change in the condition of said assets, from and after the Effective Date, and that such facilities and assets will be properly maintained within the custom and usage of the industry up until the date of closing.

E. In the interim between the Effective Date and the Closing Date, Seller shall operate and maintain the Utility System and Purchased Assets in a normal and usual manner to the end that the value of the same will not be diminished or depleted other than by normal wear and tear.

F. Seller will reasonably cooperate by opening records, providing access to records and facilities to assist in the acquainting of the Purchaser's operating and administrative personnel in the operation of the Seller.

G. The information provided to Purchaser by Seller as provided for in the Exhibits hereto shall be true and correct and shall not omit any material fact necessary to make the information provided by Seller not misleading to the best of Seller's knowledge and said exhibits shall be incorporated herein by reference and made a part hereof.

H. Seller is in sole and exclusive possession of the Purchased Assets and Seller at closing shall deliver sole and exclusive possession of the Purchased Assets to Purchaser.

I. Except for Permitted Encumbrances provided for below and the requisite authorizations and consents of the applicable governmental authorities with respect to the sale and transfer of all licenses and permits to own and operate the Utility Systems, Seller has good and marketable title to the Purchased Assets.

J. Except for the Permitted Encumbrances set forth below, there are no liens, claims or encumbrances of whatever type or nature upon or against the Purchased Assets, including but not limited to, mortgages, bond indentures or financing statements or security instruments, except for those which will be extinguished at closing.

K. Seller shall perform all of the conditions to closing which shall be performed by Seller prior to closing as provided herein.

L. Seller has not been notified of the existence of any violation of any governmental rules, regulations, permitting conditions, or other governmental requirements of any type or nature applicable to the ownership, maintenance, construction or operation of the Utility System or Purchased Assets, nor of any conditions which by reason of the passing of time or the giving of notice should constitute such a violation. Should Seller receive any notification subsequent to the Effective Date, then it will provide same to Purchaser immediately upon receipt by Seller.

M. During the period of time between the date of this Agreement and the Closing Date, Seller shall maintain adequate liability insurance and fire and extended coverage insurance to cover the cost of any repairs to the Purchased Assets, plants and Utility System that may be necessitated by casualty damage. The risk of loss shall pass to the Purchaser at closing.

N. After the Effective Date, Seller will not, without the written consent of Purchaser, enter into any developer agreements. Purchaser's consent shall not be unreasonably withheld or delayed.

O. Seller shall maintain the Utility System and Purchased Assets in good condition, reasonable wear and tear excepted, until closing and shall be responsible for all costs and expenses in maintaining the Utility System and the Purchased Assets in such condition.

P. Seller shall maintain its operating permits and approvals in good standing.

Q. There is, to the best of NSU's knowledge and belief, no litigation, investigation or proceeding pending or threatened against NSU, the NSU System or Purchased Assets.

R. There is, to the best of VWCA's knowledge and belief, no litigation, investigation or proceeding pending or threatened against VWCA, the VWCA System or Purchased Assets.

S. The transactions contemplated herein do not contravene any contractual or legal restriction contained in any document to which NSU or VWCA is a party.

T. There are no actions, suits, or proceedings pending, or affecting the Utility System or Purchased Assets, at law or in equity, before any federal, state, county, municipal or government court, department, commission, board, bureau, agency or instrumentality which involves the possibility of any judgment, assessment or liability which would affect the title of the Purchaser or would be a lien on any of the Purchased Assets or revenues generated by the Utility System or would materially adversely affect the Purchaser's use and ownership of the Purchased Assets. It is agreed that this subsection may be satisfied by the Seller's posting of an appropriate bond, suretyship contract or other acceptable guarantee to Purchaser to cure or relieve any such lien or encumbrance that might be created prior to or after the Closing Date for any of the causes mentioned herein.



**8. PERMITTED ENCUMBRANCES, TITLE INSURANCE AND SURVEYS.**

A. Good, marketable and insurable title to the real property portion of the Purchased Assets shall be conveyed free and clear of all liens, claims and encumbrances, except for "Permitted Encumbrances" as described below. At least twenty (20) days prior to closing, Seller shall deliver to Purchaser a title insurance commitment covering the real property as described in Exhibit D from a reputable Florida licensed title insurance company, reasonably acceptable to Purchaser, showing the title to be free and clear of all liens and encumbrances except for matters appearing on the survey, that do not render title unmarketable, and the Permitted Encumbrances. Seller will execute at or prior to closing in favor of such title insurance company and Purchaser, a mechanics lien affidavit and "gap" affidavit sufficient to allow such title insurance company to delete all standard exceptions other than matters appearing on the survey. Title to the real property portion of the Purchased Assets will be conveyed to the Purchaser at closing by special warranty deed, and the personal property portion of the Purchased Assets will be conveyed by Bill of Sale accompanied by a No-Lien Affidavit executed by an appropriate officer of the Seller. After closing instruments have been recorded in the public records, Seller shall provide a title insurance policy issued on the binder. Purchaser and Seller acknowledge and agree that the value of the Utility System is based upon the revenues that the Utility System provides over and above its operating expense and that the Real Property described in Exhibit D to be insured hereunder does not include the substantial investment in the potable water distribution and wastewater collection system also being conveyed pursuant to this sale, and therefore, the parties agree that the amount of title insurance covering the Real Property described in Exhibit D shall be the replacement value of such land and improvements as certified by the Purchaser's Engineer.

B. The Permitted Encumbrances shall not be deemed or construed to render Seller's title to the real estate unmarketable, and Purchaser shall not have the right to refuse to close by reason thereof. Purchaser shall notify Seller in writing no later than thirty (30) days after receipt of said title insurance commitments of any alleged defect in Seller's title to the real estate (other than

Permitted Encumbrances) which, in the opinion of Purchaser's counsel, render or may render Seller's title to the real estate unmarketable or uninsurable. Any objections to title to the extent not shown on the notice furnished by Purchaser in accordance with the provisions of this section shall be deemed to have been waived by Purchaser for all purposes hereof and Purchaser shall not be entitled to any damages or other remedies. Seller shall be entitled to sixty (60) days time to eliminate any of the objections to title as set forth in Purchaser's notice. Seller shall use its best efforts to remove and cure such defects, however, Seller is not under any obligation to bring any action or proceeding in order to make title to the real estate marketable. In the event Seller shall be unable to deliver title as herein required, then Purchaser shall have only the following rights: (1) to accept whatever title Seller is able to convey without any abatement of the Purchase Price, or (2) to reject title and terminate this Agreement. Purchaser shall not be entitled to any other rights or remedies. If Purchaser shall reject title under Section 8.B.(2), neither party shall have any further liability whatsoever hereunder, and in this event Seller shall pay all costs of the title insurance commitments. Purchaser shall not object to title by reason of the existence of any mortgage, lien, encumbrance, covenant, restriction or other matter, provided (1) the same shall be satisfied by Seller with the payment of money by paying same at or prior to closing; (2) any mechanic's lien or other encumbrance which shall be released, bonded or transferred of record to substitute security posted by Seller so as to relieve the real estate from the burden thereof, and the closing shall be conditioned upon such that mechanics liens or other encumbrances being released of record, bonded, or transfer of record to substitute security by Seller; or (3) the title insurance company issuing the title insurance commitments referred to above is willing to affirmatively insure against such matter and is willing to insure against the enforcement thereof against the real estate.

C. As used above, "Permitted Encumbrances" mean and include the following:

(1) All present and future building restrictions, zoning regulations and all present and future laws, ordinances, resolutions, regulations and orders of any governmental authority having jurisdiction over the real estate and the use thereof as represented herein; provided same do not render title unmarketable and/or impair or restrict operation of the Utility System or ownership of the Purchased Assets.

(2) Easements, restrictions, reservations, rights-of-way, conditions and limitations of record affecting the Utility System, if any, which are not coupled with any reverter or forfeiture provisions, including (without limitation) any drainage, canal, mineral, road, or other reservations of record in favor of the State of Florida or any of its agencies or governmental or quasi-governmental entities, or as may be set forth in any "Murphy Deeds" none of which, however, shall render title unmarketable and/or impair or restrict the use of the Real Property for the operation of the Utility System.

(3) Such other matters as are permitted by the parties under the terms of this Agreement.

D. Within thirty (30) days prior to closing hereon, Purchaser may, at Purchaser's expense, obtain a current survey of all the properties set out above prepared by a Florida licensed surveyor and certified no later than sixty (60) days prior to the Closing Date, which survey will be prepared in accordance with, and certified to, Purchaser, Seller and the title insurance company issuing the title insurance policy to Purchaser hereunder in accordance with the minimum detailed standards adopted by the Florida Society of Professional Land Surveyors in accordance with Florida Statutes, Section 472.027.

9. **ENVIRONMENTAL MATTERS.** Within five (5) days of the Effective Date, Seller shall, at its sole cost, hire a licensed environmental auditing firm, to perform a Phase I environmental audit on the real estate described in Exhibit D. Any remedial work required to be performed shall be performed by Seller at its sole cost except that if the estimate of the remedial work exceeds five

(5%) percent of the Purchase Price, the Seller may cancel this Agreement and both parties shall be discharged from further obligations.

10. **DUE DILIGENCE PERIOD.** Notwithstanding any other term or provision of this Agreement, Purchaser may terminate this Agreement by providing written notice to Seller prior to October 15, 2010.

11. **CONDITIONS PRECEDENT TO CLOSING.** The obligations of each party to close the transaction contemplated by this Agreement are subject to the conditions that, at or before the Closing Date:

A. Neither party has terminated this Agreement pursuant to the provisions of Section 4 or Section 10 above.

B. Neither party shall be prohibited by decree or law from consummating the transaction.

C. There shall not be pending or threatened on the Closing Date any legal action or proceeding which would prevent the acquisition of the Purchased Assets or operation of the Utility System or hinder the ability of Purchaser to close the transaction or pay the Purchase Price, or inhibit or restrict in any manner its use, title, or enjoyment of the Purchased Assets and Utility System.

D. The Governing Board of the Purchaser shall have ratified and approved the execution of this Agreement and authorized the acquisition of the Purchased Assets and certified copies of the resolutions evidencing such ratifications and approval have been delivered to Seller. The provisions of Section 189.4221 and 189.423, Florida Statutes, shall have been complied with.

E. Seller has assumed all such rights, and Purchaser has assumed all such obligations as contemplated by Section 6 above.

F. Both parties shall each have performed all the undertakings and obligations required to be performed by it under the terms hereof prior to or at closing.

G. All warranties and representations herein of both parties shall be true as of the Closing Date.

H. The Utility System and the Purchased Assets shall be in good condition at the time of closing, reasonable wear and tear excepted.

I. Purchaser is successful in issuing the utility revenue bonds referenced in Section 4 hereof and funds are available for closing as set forth in said Section 4.

J. Seller shall have assigned to the Purchaser all of the permits, licenses and agreements necessary to operate the Utility System.

**12. CLOSING DATE AND CLOSING.**

A. Provided the conditions to be performed prior to closing have been performed, this transaction shall be closed in accordance with the terms and provisions herein, on or before **December 15, 2010** (the "Closing Date"), unless extended by mutual agreements of the parties.

B. On the Closing Date:

(1) All documentary stamps, if required, on the deed of conveyance of real estate included in the Purchased Assets shall be paid by Seller.

(2) Taxes, if any, on the Purchased Assets shall be paid by the Seller in accordance with Section 196.295, Florida Statutes.

(3) Accounts receivable due Seller for unpaid utility service as of the Closing Date shall belong to Seller and shall be purchased by Purchaser at closing. Seller shall furnish to Purchaser at closing a listing of its accounts receivable, by customer and individual amount. No receivables owed to Seller on account of utility service more than ninety (90) days in arrears shall be included on such list and Purchaser shall not be required to pay for such delinquent accounts.

The parties recognize that the closing may not coincide with the regular meter reading date. If that is the case, then gross revenues from utility services shall be estimated based upon the preceding month's billing and a proration of such revenues shall be made with Purchaser making payment to Seller for the number of days elapsed in the then current monthly billing cycle.

(4) All taxes and assessments accrued, confirmed, certified, ratified or owed by the Seller as of the date of closing shall be and remain the obligation of the Seller. All taxes and assessments imposed or attempted to be imposed after the date of closing shall be the obligation of the Purchaser.

(5) Except as otherwise provided herein or in the Trust Indenture, sums held or collected by Purchaser for System Development Charges shall remain the Seller's property with no claim of the Purchaser therefor.

(6) All transfers required or necessary hereunder shall take place, unless extended by mutual consent.

(7) Each party shall be responsible for its own respective closing costs.

(8) Each of the respective parties hereto shall pay the fees of its own attorneys, engineers, accountants, and other professional advisers or consultants in connection with the negotiation, preparation and execution of this Agreement and any documents associated with the closing of the sale and purchase transaction contemplated herein.

(9) All bills and accounts payable for services rendered in connection with the operation of the Utility System prior to closing shall be paid by Seller.

**13. OTHER MISCELLANEOUS PROVISIONS.**

A. **Negotiation at Arm's Length.** This Agreement has been negotiated fully between the parties as an arms length transaction. Both parties participated fully in the preparation of this Agreement and received the advise of counsel. In the case of a dispute concerning the interpretation of any provision of this Agreement, both parties are deemed to have drafted, chosen and selected the language, and the doubtful language will not be interpreted or construed against either party.

B. **Public Records.** The Seller understands and agrees that all documents of any kind provided to the Purchaser or Purchaser's staff in connection with the activities contemplated under this Agreement are public records and are treated as such in accordance with Florida law.

C. Consistent with Section 367.071, Florida Statutes, the sale of the assets pursuant to this Agreement is contingent upon approval by the Florida Public Service Commission ("FPSC"). The FPSC shall approve the transaction contemplated herein as a matter of right, however, because Purchaser is a governmental authority within the meaning of Chapter 367, Florida Statutes. Pursuant to 367.071(4), FPSC need not approve the transaction prior to the closing. Notwithstanding, Purchase and Seller shall work together in good faith to timely file all applications and obtain FPSC approvals for the sale of the Assets.

D. The parties hereto recognize and agree that time is of the essence in this Agreement.

E. Prior to or simultaneously with the closing hereof, each party will deliver to the other its opinion of counsel that it has the full legal authority to enter into this Agreement.

F. This writing embodies the entire agreement and understandings between the parties hereto, and there are no other agreements or understandings, oral or written, with reference to the subject matter hereof that are not merged herein and superseded hereby. No alteration, change or modification to the terms of this Agreement shall be valid unless made in writing and signed by the parties hereto. This Agreement, regardless of where executed, shall be governed and construed according to the laws of the State of Florida. This Agreement is being executed in duplicate originals, each of which shall be considered an original.

G. Each party will, at any time and from time to time after the Closing Date, upon request of the other party, execute, acknowledge and deliver, or will cause to be executed, acknowledged and delivered, all such further acts, deeds, assignments, transfers, powers of attorney and assurances as may be required in order to implement and perform any of the obligations, covenants and agreements of the parties herein.

H. Neither Purchaser or Seller may transfer or assign this Agreement or the respective duties or obligations hereunder without obtaining the prior written consent of the other.

I. Purchaser and Seller represent and warrant each to the other that they have not dealt with either a broker, salesman, or finder in connection with any part of this transaction contemplated by this Agreement, and, insofar as it knows, no broker, salesman or other person is entitled to any commission or fee with respect to such transaction. Further, each party shall indemnify the other against any claim or loss incurred or suffered as a result of any broker's or salesman's commission or finder's fee alleged to be payable because of any statements, acts or omissions of the indemnifying party.

J. Any notice of other document to be given hereunder by any part to the other shall be in writing and shall be delivered personally or sent by certified or registered mail, postage prepaid.

If to Seller, such notice shall be addressed to Seller at:

**SELLER:**

North Sumter Utility Company, L.L.C.  
Attn: John Wise  
1020 Lake Sumter Landing  
The Villages, Florida 32162

**with a copy to Seller's counsel:**

Brian D. Hudson, Esq.  
McLin Burnsed  
PO Box 1299  
The Villages, Florida 32158-1299

and

The Villages Water Conservation  
Authority, L.L.C.  
Attn: John Wise  
1020 Lake Sumter Landing  
The Villages, Florida 32162

**with a copy to Seller's counsel:**

Brian D. Hudson, Esq.  
McLin Burnsed  
PO Box 1299  
The Villages, Florida 32158-1299

**PURCHASER:**

North Sumter County Utility  
Dependent District  
1894 Laurel Manor Drive  
The Villages, Florida 32162

**with a copy to Purchaser's counsel:**

Archie O. Lowry, Esq.  
Potter, Clement, Lowry  
308 E 5<sup>th</sup> Avenue  
Mt. Dora, Florida 32757

and the term "Seller" as used above is deemed to include the successors and assigns of Seller.



K. All salaries, if any, of employees accruing prior to the Closing Date are the responsibility of the Seller. Purchaser shall accept responsibility to said employees for accrued vacation pay or severance or for sick term benefits.

L. This Agreement may be varied, modified or altered only by written instrument signed by both parties.

M. All representations and warranties heretofore made by either party to the other are merged into this Agreement.

N. The headings used are for convenience only, and the parties herein agree that they shall be disregarded in the construction of this Agreement.

O. The parties acknowledge that either shall have against the other the right to seek specific performance to compel either party to act or perform in accordance with the requirements of this Agreement. Such right of specific performance shall not, however, be the sole or exclusive remedy of each party against the other, and each party hereby preserves its rights to seek damages, which may include, among other things, actual losses, including cost of negotiation of this Agreement, and loss of profit due to the failure to close this Agreement.

P. In connection with any litigation pursuant to this Agreement, venue shall lie in Sumter County, Florida.

Q. It is agreed by and between the parties hereto that all words, terms, and conditions herein contained are to be read in concert, each with the other, and that a provision contained under one heading may be construed to be equally applicable under another heading in the interpretation of this Agreement.

R. This Agreement shall be construed in accordance with the terms and conditions set forth in the Trust Indenture, and no term or condition contained herein shall be construed in such a manner so as to create a breach under the Trust Indenture.

S. This Agreement, and the instruments which are to be executed pursuant thereto, are for the sole benefit of the parties hereto and it is not intended that any third parties shall have any beneficial interest herein or therein, whether directly or indirectly, nor shall any third parties rely on the terms, provisions, and conditions of this Agreement or the aforesaid documents.

T. The Seller agrees that if any license or permit required for operation of the Utility System is not in full force and effect as of the date of closing that Seller:

(1) Shall proceed promptly and at the Seller's expense to obtain issuance of such permit in the name of the Purchaser;

(2) Shall cooperate fully with the Purchaser in providing all information required to obtain such permit;

(3) Shall reimburse the Purchaser promptly for any cost or expense incurred by the Purchaser as a result (direct or indirect) of the failure of the Seller to obtain any required license or permit; and

(4) Shall indemnify, defend, and hold the Purchaser harmless from and against all claims, demands, liabilities, damages, suits, actions, judgments, fines, penalties, loss, cost, and expense (including, without limitation, reasonable attorney's fees) arising or resulting from or suffered, sustained, or incurred by the Purchaser as a result (direct or indirect) of the breach of any of the obligations set forth in Section 12.T., which obligations shall survive closing.

U. The right of the Purchaser to receive any funds or payments after closing, including but not limited to System Development Charges and distributions from the Debt Service Reserve Account shall be fully assignable.

14. This offer is made this 2<sup>nd</sup> day of August, 2010 (the "Offer Date"), and the Offer to Sell shall lapse if not accepted by the Purchaser by executing below and inserting the date into the introductory paragraph on or before thirty (30) days from the Offer Date.

IN WITNESS WHEREOF, the parties have hereunto caused this Agreement to be executed the day and year aforesaid in counterparts, each counterpart to be considered an original.


**SELLER(S):**

**NORTH SUMTER UTILITY COMPANY, L.L.C.,  
a Florida limited liability company**

**ATTEST:**

**BY: The Villages Operating Company, a Florida  
corporation, its Manager**

By:   
John F. Wise, Vice President


By:   
H. Gary Morse, Chief Executive Officer

**THE VILLAGES WATER CONSERVATION  
AUTHORITY, L.L.C., a Florida limited liability  
company**

**ATTEST:**

**BY: The Villages Operating Company, a Florida  
corporation, its Manager**

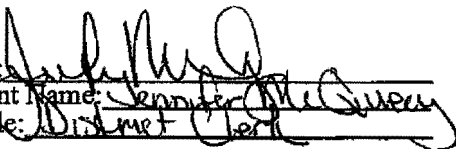
By:   
John F. Wise, Vice President

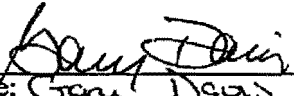
By:   
H. Gary Morse, Chief Executive Officer

**PURCHASER:**

**NORTH SUMTER COUNTY UTILITY  
DEPENDENT DISTRICT**

**ATTEST:**

By:   
Print Name: Grant Davis  
Title: Chairman

By:   
Print Name: Grant Davis  
Title: Chairman